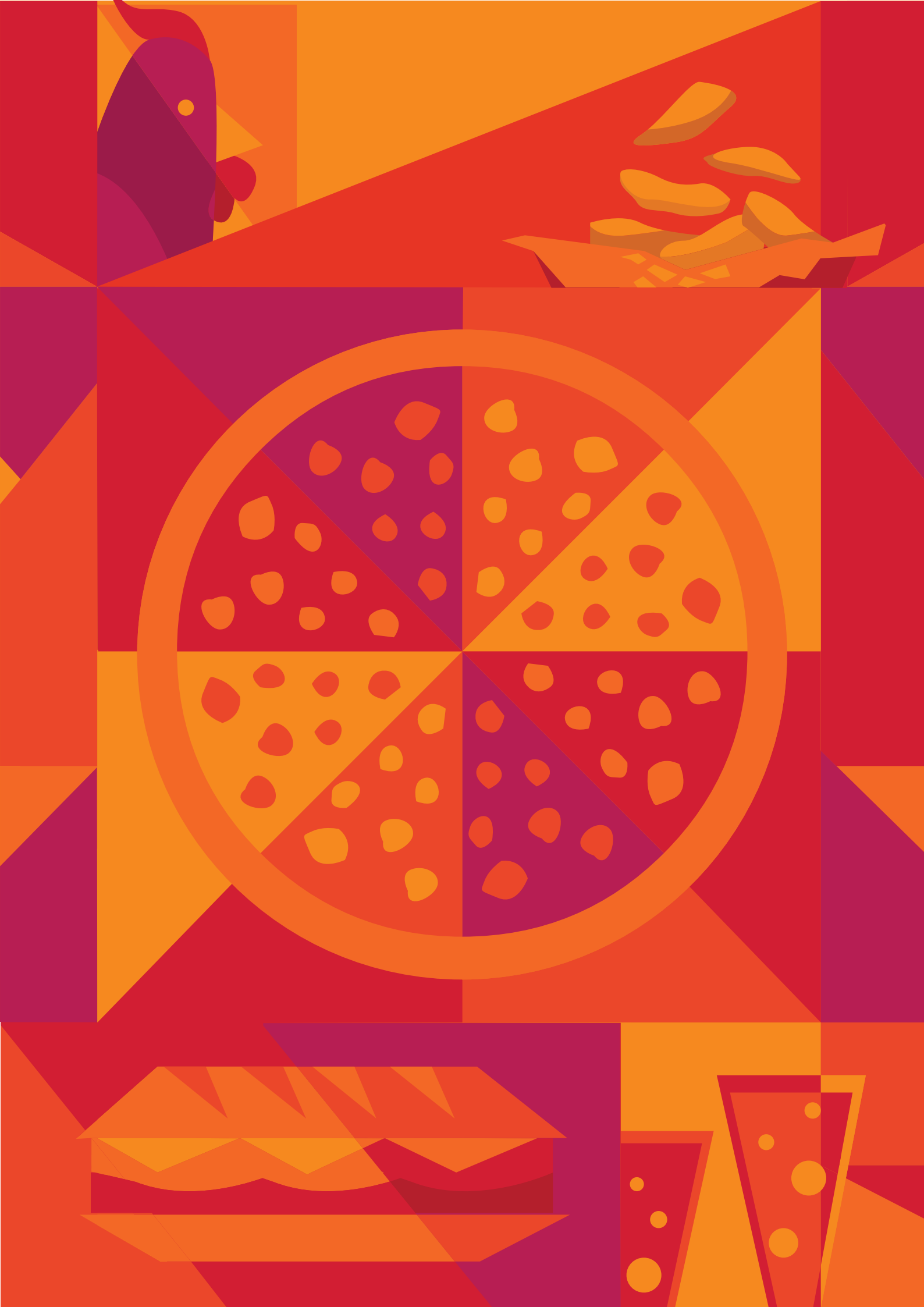




PEOPLE PLANET PIZZA

SHAKEY'S PIZZA ASIA
VENTURES, INC.
SUSTAINABILITY AND
ANNUAL REPORT 2018





ABOUT THE COVER

The Shakey's purpose is all about providing GREAT TIMES AND GREAT MEMORIES, ALWAYS.

With the release of our very first sustainability report, Shakey's Pizza Asia Ventures, Inc. (PIZZA) begins to expand this purpose to include a wider range of stakeholders - guests, employees, investors, suppliers, and the community as a whole.

For the first time ever, the Company zooms in not only on financial indicators, but also on a number of other material topics - most especially those concerning PEOPLE, PLANET, and PIZZA. The report also points out areas for improvement and better management - the beginnings of a journey which ultimately aims for inclusive and long-term sustainable growth.

ABOUT THE REPORT

102-50

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The SUSTAINABILITY of the business is vital in our Company's ability to provide a great Shakey's experience. Because of this, a sustainability section centered on PEOPLE, PLANET, and PIZZA is incorporated in our annual report this 2018. This report has been prepared in accordance with the GRI Standards: Core option. Coverage for this reporting period is from January to December 2018.

As we fine-tune our systems to improve the measurement and management of our impacts to the environment, society, and economy, we also aim to further polish our processes and continue reporting information material to us along with our key sustainability initiatives moving forward.

We are determined to make PIZZA a more sustainable business, as seen with our new mission statement highlighting our commitment to more environmental and social initiatives, and will continue to share with you updates regarding our journey of developments in sustainability.

This Sustainability and Annual Report is a product of



For questions or feedback about this report, please contact
PIZZA Investor Relations at investorrelations@shakeys.biz.

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ABOUT THE COMPANY

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Shakey's Pizza Asia Ventures, Inc. (PIZZA) is engaged in the business of operating, maintaining, and franchising full-service casual dining restaurants, primarily under the "Shakey's" brand.

Thanks to its iconic products, distinct store environment, and multiple formats, Shakey's holds market leadership in the full-service pizza chain category and is the single-largest full-service restaurant brand in the Philippines.

Moreover, the Company is the exclusive brand owner of Shakey's in the country. As such, we also franchise the Shakey's brand apart from owning and operating company-owned stores, allowing it to expand to second- and even third-tier cities.

PIZZA owns the rights to Shakey's for the Middle East, Asia (excluding Japan and Malaysia), China, Australia, and New Zealand as well, offering an opportunity to bring the trademark Shakey's experience outside the Philippines.

In early 2019, we announced the acquisition of "Peri-Peri Charcoal Chicken and Sauce Bar" ("Peri"), an emerging fast casual and full-service restaurant brand in the country.

Over the last few years, Peri made famous the use of piri-piri in cooking, incorporating it in its chicken and variety of sauces and appealing to the Filipinos' love for both poultry and a strong distinctive taste. Its mainstay is charcoal-grilled chicken, which is marinated for 24 hours and served with an assortment of unique sauces to choose from.



A QUICK GLANCE

OF 2018

102-7

4%

Same-Store
Sales Growth

228

Total Stores
in the Philippines

2

Total Stores
Internationally

20

New Local
Restaurants Opened

1

New International
Restaurant Opened

PHP9.4B

in System-wide Sales

12% GROWTH



PHP7.6B

in Revenues

8% GROWTH



PHP841M

in Net Income

10% GROWTH

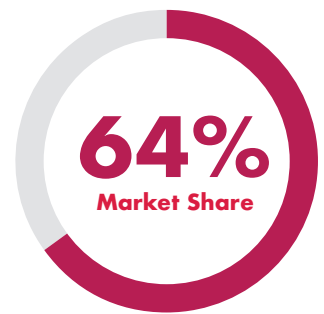


119.3M

Pizzas Sold



2ND

Anniversary of Listing on the
Philippine Stock Exchange (PSE)Philippines' Single-Largest Brand of
Chained Full-Service Restaurants*Leader in Full-Service Pizza
Chain Restaurants*

*Source: Euromonitor, 2018



OUR BUSINESS

102-2

Dine-In

PIZZA's most popular sales channel - providing a unique family and friends experience with the aim to always WOW the guest

58%
of System-wide Sales



Slicing and Dicing the
228 STORES IN THE PHILIPPINES

By Ownership

44%
Franchised

56%
Company-Owned

By Location

43%
National Capital Region (NCR)

10%
Visayas

4%
Mindanao

43%
Luzon Ex-NCR

By Format

44%
Free-Standing Stores

6%
Others

50%
Mall Stores

Delivery & Others

Composed of other sales channels such as delivery, carryout, functions, and sales of our loyalty card - the Shakey's SuperCard

42%
of System-wide
Sales



Delivery

Available nationwide via traditional voice call through our single delivery hotline number #77777, and online platforms such as our official website and mobile application



Carryout

Convenient and fast for those who want a bite of Shakey's iconic and well-loved products on-the-go



Functions

Most free-standing stores have function rooms for events such as parties and company gatherings



SuperCard

Our very popular paid loyalty card for only PHP499 as annual fee

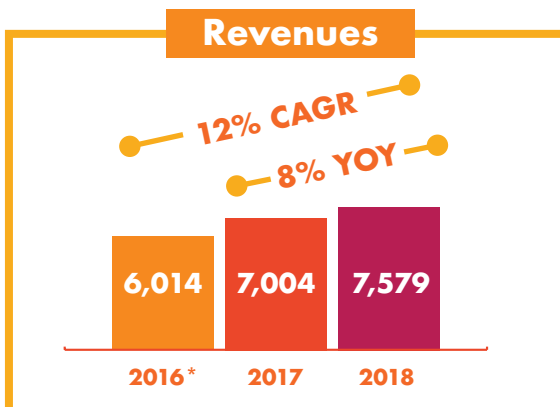


FINANCIAL HIGHLIGHTS

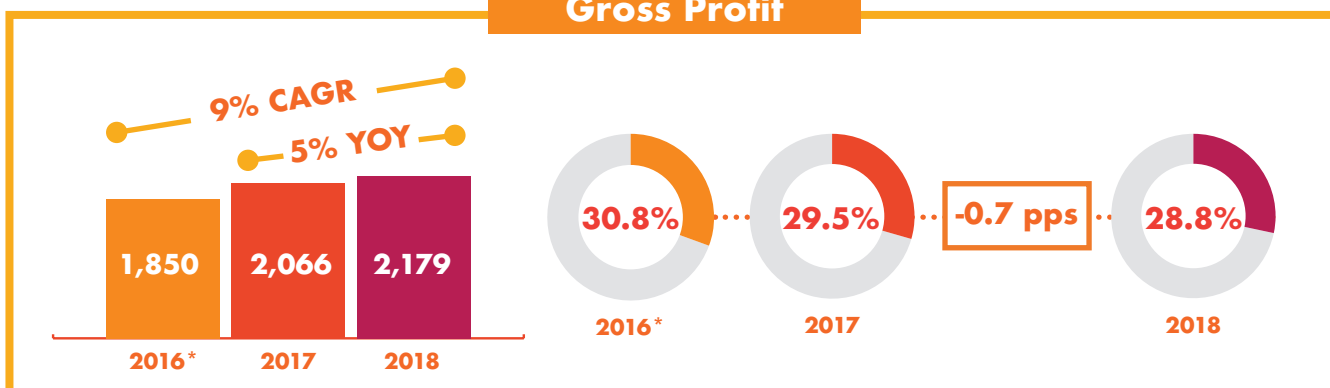
P&L Highlights (In PHP Mill)



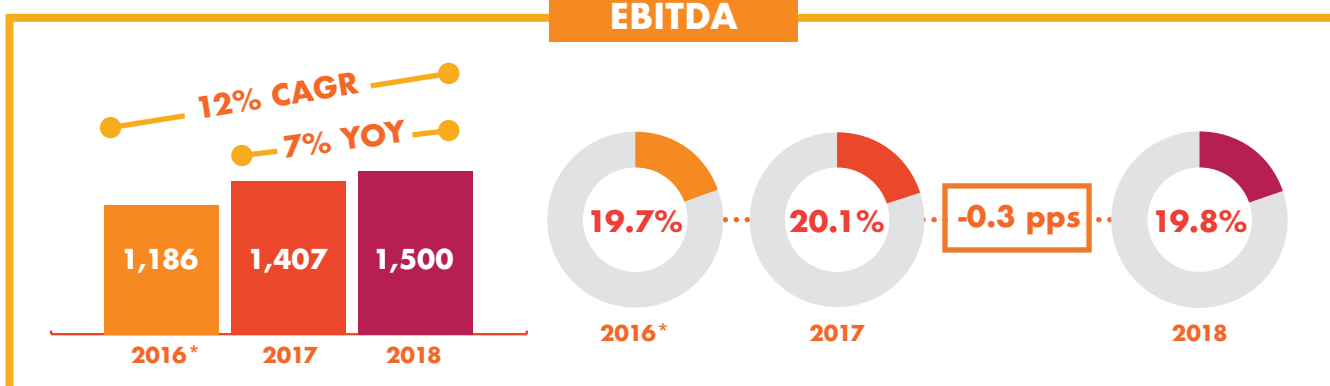
Revenues



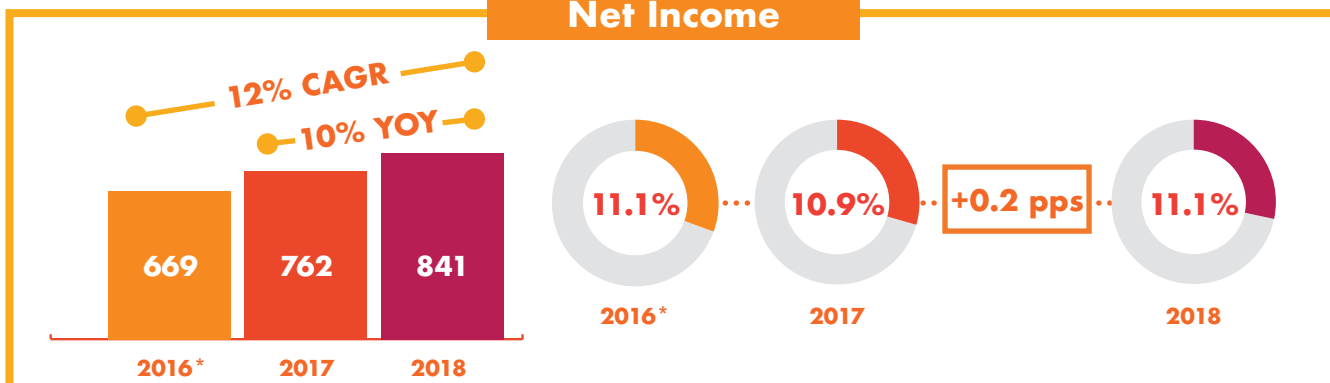
Gross Profit



EBITDA

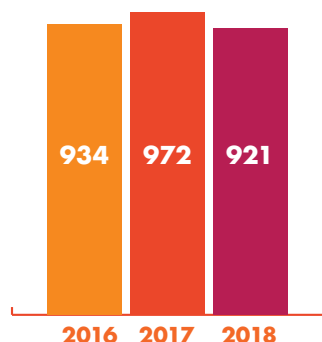


Net Income

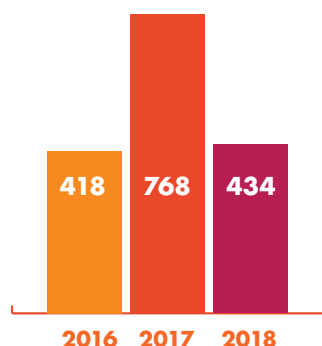


*FY 2016 figures represent pro forma numbers, adjusted for one-off items.

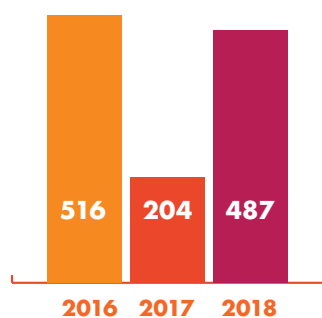
Cash Flow Highlights (In PHP Mill)



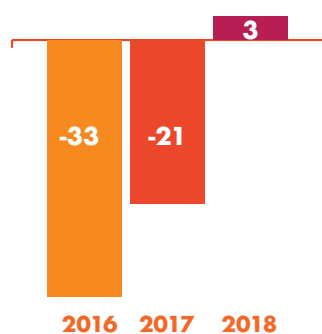
OPERATING CASH FLOW



CAPITAL EXPENDITURE



FREE CASH FLOW



CASH CONVERSION CYCLE (IN DAYS)

Other Highlights for 2018



PHP0.55
EPS

PHP2.98
BVPS

1.60x
Current
Ratio

2.30x
Net Interest-
Bearing Debt-
to-EBITDA Ratio

0.76x
Net Gearing
Ratio

1.01x
Net
Debt-to-Equity
Ratio



PHP
9,633M
Total
Assets

PHP
5,063M
Total
Liabilities

PHP
4,570M
Total
Equity

20%
Return on
Equity



REFRESHING AND REDEFINING

102-16

At Shakey's, we believe that people are motivated by a sense of purpose.

In 2018, we set out to review this purpose, alongside its accompanying vision, mission, and values, in a move towards clarifying and aligning our set of beliefs following the change in ownership last 2016.

Moreover, this refreshed set of purpose, vision, mission, and values seeks to create a clearer understanding of our business across all members of the organization, and to align everyone towards a single elevated vision for the future.



PURPOSE

REFRESHED

Provide **great times** and **great memories...always!**

PREVIOUS

Provide great times and great memories.

WHAT

Fun, Family, Pizza

HOW

Value for Money and Memorable Experiences

WHY

To provide our guests great times and great memories

The sense of purpose is an opportunity for every member of the organization to feel that they are part of a worthy cause. As a team, we have always been inspired by the purpose of making great times and great memories. Today, this purpose includes the term "always" as a reminder to be constant and consistent in application and to expand the meaning of "guest" to include other stakeholders as well.



VISION

REFRESHED

To be the **preferred** and **dominant** family casual dining restaurant in the Philippines, and successful in our chosen overseas markets, serving **pizza** as our core product.

PREVIOUS

To be the preferred and dominant family casual dining restaurant in the Philippines and overseas serving pizza as its core product

Our vision describes our desired future state and paints a picture of excellence. The key component of our vision is dominance in the family casual dining category locally - becoming the go-to destination for an affordable yet premium dining experience in the Philippines, which has always been the Company's engine of growth. Our dominance will remain centered around the Shakey's brand, focusing primarily on pizza as a core product, but may include other brands and categories as well. We also express our intent to pursue overseas markets where we think there are addressable opportunities.



MISSION

REFRESHED

We are a guest-centric organization. Our solid commitment to our stakeholders to create superior value results to enduring success.

Our Guests

We genuinely care for our guests. We seek to know their needs and wants and provide them high-quality food products and services that will exceed their expectations, thus providing them superior value for money.

Our Employees

We nurture an environment where people are respected, empowered to be their best, and rewarded for their contributions. We create opportunities for personal and career growth so they may succeed and gain a sense of achievement and pride.

Our Shareholders

We grow the business by increasing the size and value of the company and by achieving industry-leading returns on investment, while creating long-term value to all our stakeholders.

Our Business Partners

We are ethical, fair, professional, and collaborative business partners.

Our Community

We commit to Sustainable Development by engaging in social and environmental causes that will promote Quality of Life as our legacy to future generations.

PREVIOUS

We are a guest-centric organization, and our enduring success is the result of consistently delivering a unique and memorable guest experience through the following commitments:

Our Guests

We genuinely care for our guests. We seek to know their needs and wants so we can provide them high-quality food products and services at great value for money.

Our Employees

We nurture an environment where people are respected and empowered to be their best. We create opportunities for personal and career growth so they may succeed and gain a sense of achievement and pride.

Our Shareholders

We grow the business by increasing the size and value of the company and by achieving industry-leading returns on investment.

Our Business Partners

We are fair, professional, and collaborative business partners.

Our Community

We recognize the responsibility to contribute to nation-building through job creation and by having a positive impact in our communities.

Our mission defines the key stakeholders of the organization and our key contribution towards each. In crafting our revised mission statement, we aimed for a sustainable balance between and amongst the varying commitments and interests of our different stakeholders. The biggest change was made in our responsibility to the Community, articulating for the first time our initiatives along sustainable development, specifically in the areas of social services and the environment.



CORE VALUES

REFRESHED



Guest-Focused

All our actions are centered towards enhancing the Shakey's experience and value for all our guests.



Understanding & Respect

We have the humility to listen and ask questions to understand the other person's views and opinions. We are open, fair, and without bias in our judgment.



Excellence

We set high standards of performance by doing things better than before, better than others, and better than expected. It's a WOW thing!



Sense of Ownership

We take charge. We are proactive and have a strong sense of accountability. Sense of "malasakit" is demonstrated through prudent use of resources.



Trustworthiness

We are ethical, honest, and trustworthy, with unquestioned integrity in words and actions.



1 Team, 1 Passion

We have shared vision and values, thereby seeking the best from each other toward achieving one goal. We continually communicate and collaborate amidst diverse ideas and opinions.



Strategic Thinking

We see the big picture, critically analyze key assumptions, and understand the relationship of its parts. We anticipate the long-term impact and strive for responsible and sustainable growth.



Tenacity

We are resolute and persistent in the pursuit of goals. We demonstrate grit and "gigil" and have the urgency to get things done.

PREVIOUS

Guest-Focused

All our actions are centered towards enhancing the Shakey's experience and value for all our guests.

Passion for Excellence

Setting high standards of performance by doing things better than before, better than others, and better than expected.

Critical Thinking

We prepare our people to exercise good judgment. We are detail-oriented and disciplined in our thought process.

Entrepreneurial Spirit

Bold, daring, and actively seeks opportunities for the benefit of the company.

Unquestioned Integrity

We are ethical, honest, and trustworthy.

The values we adhere to guide us as to how we perform our work and how we are to conduct ourselves as members of the Shakey's team. The refresh reaffirms our guest-centric culture, with the new set of values forming the acronym "GUEST 1ST." Further, we integrate as well what it takes to be a Shakey's leader, as those in leadership positions are expected to pass the critical leadership TESTS.

WHAT IT TAKES TO BE A SHAKEY'S LEADER



These are core values every Shakey's leader must consistently demonstrate. Taken together, all values serve and act as our "true north" - directing us in our daily dealings, decision-making, and fulfillment of our vision and mission.



"Our team is setting our sights higher and is now aiming to go for 20 years of consecutive double-digit growth as the next milestone."

THE CHAIRMAN'S LETTER

102-14

102-32

2018 was the kind of year that made me want to escape into a booth at my favorite Shakey's and seek some comfort in my favorite thin crust pizza with a few loved ones. In an atmosphere punctuated by angry political discourses and heightened inflationary pressures, I am relieved, but not surprised, that the Filipino consumer again showed a trademark resilience and found reasons to celebrate or connect with friends and family at a Shakey's.

In this kind of challenging economic backdrop, I am humbled by our guests' loyalty to the brand, allowing system-wide sales to grow 12% to approximately PHP9.36 billion, breaching the PHP1.00 billion mark in a single month last December. Our net income grew by 10% to PHP841 million as cost pressures were partially offset by efficiency gains and tactical price increases.

Our strategy continues to be leveraging our Shakey's brand by opening more new stores in second- and third-tier cities, and seeking growth in the congested metros via delivery and online. Out of 20 net new stores, 80% were outside the National Capital Region. The team is excited to continue on this expansion track and bring the Shakey's brand of premium but affordable dining experience to more and more communities as more parts of the country urbanize.

Our thrust to take Shakey's international continued last year. We successfully opened our store in Dubai around mid-2018. I am encouraged to see that the store is patronized by both Filipinos and mainstream guests alike. This gives us confidence to more aggressively pursue our international growth plans with the goal of opening 4 to 6 international stores this 2019.

All of this contributed to a fifteenth consecutive year of double-digit growth for the Shakey's brand. The team is elated to be able to extend this record-setting run by another year. As the scale of the business grows, with competition coming in from all directions, it has gotten noticeably difficult in recent years to maintain the pace. Nonetheless, our team is setting our sights higher and is now aiming to go for twenty years of consecutive double-digit growth as the next milestone.

We realize that "what got us here may not get us there." Our strategy for the foreseeable future

will be to grow our domestic business, not only organically but also through acquisitions, and to augment these with Shakey's international expansion.



We realize that "what got us here may not get us there." Our strategy for the foreseeable future will be to grow our domestic business, not only organically but also through acquisitions, and to augment these with Shakey's international expansion.



As we look into the future and ask ourselves what we wish to achieve as an organization, the areas of sustainability and social impact are also moving from the periphery to the core. We have come to realize that it is no longer enough to perform only along business metrics like sales, profit, growth, and market share. Our stakeholders, guests, and employees are setting a higher standard and are pushing us to aim to improve along social, human capital, and environmental dimensions as well.

So it is with this kind of internal and external impetus that we kicked off our Environmental, Social, Governance (ESG) project called InSPiRE where we will set key performance indicators (KPIs) such as water, fuel, and electricity consumption; packaging footprint; guest and employee engagement; workplace and food safety; and jobs and economic value generated.



We are very early in our ESG journey. I am personally involved and am keen to learn to find



ways to balance the many pressures of creating a high-performing, sustainable, and inclusive business. This is certainly more than a "flavor of the month" type of project - much less a PR effort. For me, it is a fundamental rethink of who we are as a company and how we can improve our ways of doing business. I am personally excited to see how we can incorporate sustainability and social dimensions to our business model and will be giving updates as we make progress.

As we look forward to another year, we expect our industry and the economy to continue to change and evolve. We will need to adapt to these changes. However, one of the things that stays constant is our commitment to guest centricity. Everyone at Shakey's commits to delivering great times and great memories by WOWING our guests. Time and again, we hear of stories where our team members go above and beyond in our quest to elicit a "WOW."

“

Everyone at Shakey's commits to delivering great times and great memories by WOWING our guests.

”

One such story is told by a picture of one Arianne Bunda that went viral last July 2018. It was taken at the height of a typhoon showing Arianne in his yellow raincoat, wading through knee-deep water and extending his arms to keep our red pizza carrying case above the flood waters. It is our

commitment to this kind of service that gives me confidence about our future prospects.



The picture is also a symbol for how Team Shakey's operates. We are committed and passionate about providing great times and great memories and perform our work with tenacity and grit. I am proud of how the team came together in the face of challenges and what we achieved. I look forward to many new milestones to come.

Lastly, all of this is enabled by you - our supportive shareholders. Thank you once more for your confidence and support. We shall continue to work to deserve this trust.

Sincerely,

Christopher T. Po
Chairman

February 2019

*Time and again, we hear
of stories where our team
members go above and
beyond in our quest to
elicit a*

WOW!

MESSAGE FROM THE PRESIDENT

102-14

2018. What everyone thought would be a relatively easy, smooth-sailing year turned out to be a very challenging one for the food service industry as well as for our company.

While we did very well in the first half and exceeded all targets, the second half of 2018, most particularly the third quarter, turned out to be very tough.

Unexpected and record-high inflation raised operating costs and lowered consumer confidence. Heightened competition contributed to more market fragmentation that, while very pronounced in Metro Manila, was also felt in places where new major malls opened.

The problem was further aggravated by an unusually inclement weather. It was a kind of a "perfect storm" that just caught everyone by surprise.

Despite all these, I am proud to tell you that our company was still able to finish 2018 on a positive note and continued to deliver industry-leading growth that was the envy of others. The year proved that when the going gets tough, the tough (Team Shakey's) get going!

2018 BY THE NUMBERS

In 2018, notwithstanding the tough second half, we posted total system-wide sales of PHP9.36 billion, up 12% from the previous year.

This was driven by a very successful delivery business campaign that recorded a growth of 14%.

The aggressive store expansion execution resulted in a net of 20 new stores. Most of the new stores are franchised and located outside Metro Manila, allowing us to tap into virgin markets.

More importantly, same-store sales remained very healthy at PHP8.01 billion.

The focus on digital marketing last year also contributed to growth. It posted a year-on-year increase of 43%, proving that we are now well-entrenched in the digital space.

Our manufacturing and commissary arm also did well. Our franchising and trading businesses, meanwhile, continued to be a strong source of revenue.

All these translated to a total revenue of PHP7.58 billion, up 8% from 2017.

Despite higher costs on key items like cheese, sugar tax-affected items, and the impact of inflation in the second half, we still posted a very healthy earnings

before interest, taxes, depreciation, and amortization (EBITDA) margin of 19.8%.

In the end, we were able to deliver to shareholders a recurring net income of PHP841 million, a 10% increase over the previous year, and generate an EBITDA of PHP1.50 billion, higher by 7% year-on-year.

With all the final 2018 numbers out and despite the odds, I am proud to say that we have extended our double-digit growth in sales and profits for the fifteenth consecutive year.

This is truly something we can all be proud of. We can attribute this to the gallant efforts of all the members of the Shakey's Team who remain very passionate about our brand and what it stands for.

This is also further proof that our Shakey's brand is alive and very strong. This kind of performance supports my very strong belief that a great brand, executed by a great team, will always deliver great results.

“

This is also further proof that our Shakeys brand is alive and very strong.

”

THE 2018 INITIATIVES


In 2018, we started the year with a rerun of the year-inspired meal deals.

With the 2018 Meal Deal, we were able to repeat the success of the 2017 Meal Deal which continued to attract big groups for dine-in and for delivery. The public really appreciated this very affordable offering, which was a big factor in our very healthy first half.

We also introduced major product innovations that focused on providing consumers with distinct products using high-quality ingredients. We successfully rolled out the Angus Burger Pizza and the Smoked Salmon Pizza which both surpassed targets.

These unique, delicious, yet affordable new product offerings continue to give consumers reasons to go back to Shakey's.

We continued our aggressive new store rollout. Of the



“The year proved that when the going gets tough, the tough (Team Shakey’s) get going!”

20 new stores opened, 15 are franchised stores located in the provinces. We expect to see more sites that will be feasible for more new stores moving forward.

Our second international store, which opened in Dubai in July, was very successful with sales exceeding expectations. Already, our UAE franchisee is looking to open his second store soon.

We have also received multiple serious inquiries for new markets in the Middle East as well as in Asia and Oceania.

On the digital marketing arena, 2018 was a very busy year. We embarked on many data-mining activities that allowed us to segregate and conduct focused marketing offers. Special weekday offers like Chicken Madness, which gives loyal SuperCard holders a 40% discount on our chick-n-chips menu, were very successful.

A big chunk of the traditional marketing budget was re-allocated to our digital efforts in 2018, allowing us to be very active in the digital space and enabling us to take the top post in most search engines.

With our guest-centric strategy, we also activated social media listening capabilities that allowed us to monitor everything that was said about Shakey's on social media. It provided us a huge and powerful tool we can now use to monitor satisfaction among our guests and help us design effective initiatives for them.

At the start of 2018, the government implemented the new sugar tax. This instantly increased the costs of soda and iced tea. World cheese prices rebounded from an all-time low in 2016 and 2017, and the exchange rates were up. All these created strong headwinds that were further aggravated in the second half of the year.

In response, the team implemented key initiatives with the aim of improving efficiencies. Foremost among these were the tight P&L management implemented by our store operations group. These initiatives helped protect operating margins and, once fully in place, will continue to reap rewards moving forward.

Superior execution was the battle cry for last year. With the 2018 results, which can be considered better than others in the industry, I believe the team did a good job.

However, 2018 also clearly showed us that there is much room for improvement. Our experience last year is a strong reminder that we must always be ready to step up our efforts on short notice in case unexpected challenges are thrown our way.

The food service industry is very dynamic. The business environment can change really fast. Our efforts to continuously improve the capabilities of our people, particularly the skills and capabilities of our leaders, must go on and be even heightened.

WHAT LIES AHEAD

With 2019 being an election year, there is much optimism in the market.

Many are saying the high-inflation situation is now behind us. I believe this to be true. However, I also expect competition to intensify. Cost pressures will still exist, and consumers will continue to want and expect more.

With this in mind, we will have to continue focusing on our execution and ensure that it will be both effective and efficient. The theme SUPERIOR EXECUTION will carry on for this year and continue to be the marching order for the team.

The theme SUPERIOR EXECUTION will carry on for this year and continue to be the marching order for the team.

Being effective means that we will have to ensure our initiatives will deliver improved value for our guests and continue to WOW and exceed their expectations. It is only through this will we be able to outperform competition and sustain healthy growth in the business.

This year, we will focus on bringing up store transaction counts and build on the other day-parts that have been traditionally slow.

Local store marketing programs have to be enhanced to enable each store to compete properly in their respective environments. Raising our service levels further up will allow us to remain very relevant and be at the top of the minds and hearts of consumers when they want to eat out.

Digital marketing will continue to play a major role in transaction-count building. We now enjoy a positive momentum in our digital initiatives, and we will ensure this moves forward.

Our store expansion execution has to be more precise. Delays in store opening schedules have affected our sales last year. This year, a reorganization will be implemented so we can have a laser-sharp focus on our store expansion and opening targets. The goal is not just to meet but exceed stated targets. I believe we are in a good position to deliver this.

By efficiency, we mean to intensify our cost-improvement initiatives. Our goal will be to eliminate all unnecessary fats so that we can protect our healthy operating margins and eventually pass on the savings to our guests by improving food quality, store environment, service, and overall value.

The investment in I.T. systems and processes that we have been doing in the last couple of years is expected to bear fruit and will be very valuable in our objective to make the organization more fit for growth.

SUSTAINABILITY

Above the short-term financial metrics of sales and profit lies the more important long-term strategic health of the brand and the business.

The issue of sustainability is now a very crucial concern of companies, especially publicly listed ones like ours. We now must focus on efforts and initiatives that ensure and protect our long-term strategic health.

Our 2018-initiated Love-em-Down project tie up with the Down Syndrome Association of the Philippines has been very successful and received a lot of positive feedback. We will now take steps to expand the program. We have asked our partners to help us expand the program to at least all our company-owned stores.

Steps are also underway to review all our packaging materials to identify ways to reduce the use of one-time-use plastics. We are again partnering with

responsible organizations that can help our company do its share in protecting nature. There is a lot of work ahead; but with our commitment to this end, we believe we will soon make meaningful contributions.

In summary, while we have again achieved very good growth in 2018, it is obvious that it was a very challenging year.

We have extended our record run of consecutive double-digit growth on system-wide sales and profits to fifteen years. A big thank you to all our patrons, shareholders, business partners, board of directors, and last but not the least, our dedicated, passionate, and hardworking employees.

Your support and trust in the company, the brand, and the management team have brought this company to where it is now.

With the already high base and the coming new and additional challenges we will face, all of us will have to go back to our philosophy and culture of WOW.

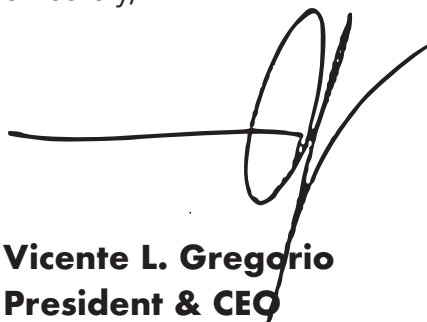
“

And with the already high base and the coming new and additional challenges we will face, it will need all of us to go back to our philosophy and culture of WOW.

”

We must build on the passion and dedication of the team and provide the support needed so we continue to deliver superior results. An inspired and passionate team will always have the energy and will find ways to be better than before, better than others, and better than expected.

Sincerely,



Vicente L. Gregorio
President & CEO

February 2019

DELIVERING ON FINANCIAL METRICS

We measure our financial performance through the following five key indicators.

1

System-wide Sales Growth

Definition

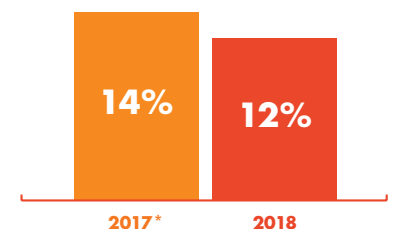
Total net sales this year compared to net sales of last year, from both company-owned and franchised stores, expressed as a percentage.

FY 2018 Performance

PIZZA saw a sustained double-digit system-wide sales growth of 12%, ending the year with a record PHP9.4 billion.

This was mainly on the back of a same-store sales growth of 4% and net new store opening of 20 domestic stores and 1 international store.

13% 2016 to 2018
CAGR*



2

Revenue Growth

Definition

This year's total net sales from company-owned stores, plus trading sales, franchise, and royalty fees from franchisees, plus revenues from wholly-owned subsidiaries, as reported in the financial statements, compared to the same metric from the previous year, as reported in the financial statements.

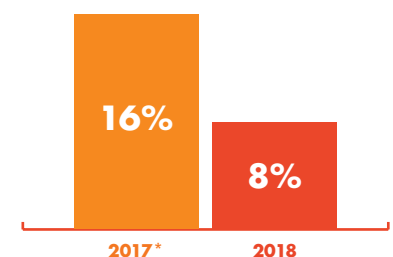
FY 2018 Performance

Revenue grew by a healthy 8% to PHP7.6 billion amidst last year's tough macroenvironment with respect to consumer sentiment, inflationary cost pressures, and local currency depreciation.

The more modest growth in revenues relative to system-wide sales was primarily due to the franchised stores' larger share of new store openings, slightly shifting overall top line mix in favor of franchisee sales over company-owned.

With our continued expansion outside Metro Manila, we partnered more heavily with strong locals to operate stores in far-flung provincial areas, thereby making 80% of our 20 new local stores franchisee-operated.

12% 2016 to 2018
CAGR*



*FY 2016 figures represent pro forma numbers, adjusted for one-off items.

3

EBITDA Growth

Definition

Earnings before interest, taxes, depreciation, and amortization (EBITDA) – a proxy for operating profitability – this year compared to that of last year, expressed as a percentage.

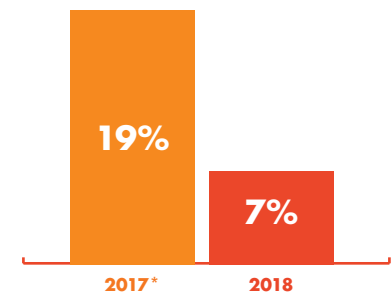
FY 2018 Performance

EBITDA year-on-year growth was at 7%, with EBITDA margin decreasing by 30 bps to 19.8% as of end 2018.

Gross profit margin compression from higher costs, on top of the impact from a weaker currency, was cushioned by improving input prices, reduced sales-supporting initiatives, and operating leverage towards year-end.

Operating expenses grew at a similar rate of 7% compared to revenues. Excluding depreciation, however, cash operating expenses went up by 11% or faster than the increase in top line.

12% 2016 to 2018
CAGR*



DELIVERING ON FINANCIAL METRICS

4

Net Profit Growth

Definition

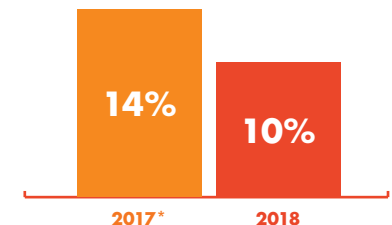
This year's net earnings after all costs and taxes, as reported in the financial statements, compared to net earnings after all costs and taxes of the previous year, as reported in the financial statements, expressed as a percentage.

FY 2018 Performance

Earnings for the full-year 2018 reached low double-digit growth, ending 10% higher than the same period last year.

The flow-through effect from EBITDA was supported by fairly stable financing costs year-on-year, higher other income, and continued prudent management of income taxes.

12% 2016 to 2018
CAGR*



5

Return on Equity

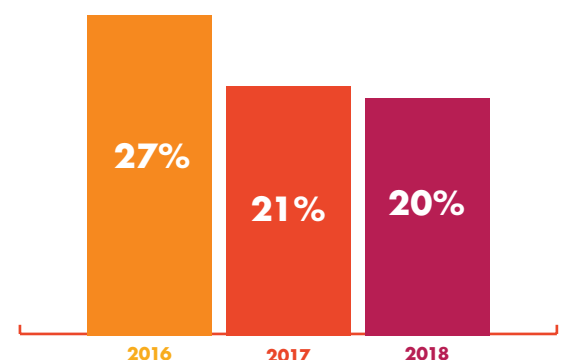
Definition

Net income this year, as reported in the financial statements, divided by the average of shareholders' equity as of end this year and shareholders' equity as of end last year, as reported in the financial statements.

FY 2018 Performance

Return on equity (ROE) stayed flattish year-on-year at 20% in 2018 but still remained above industry levels.

23% 2016 to 2018
AVERAGE



LEADING INDICATORS OF BUSINESS HEALTH

Apart from monitoring financial metrics, the following are other key measures and business areas critical to maintaining and executing our current growth strategy.

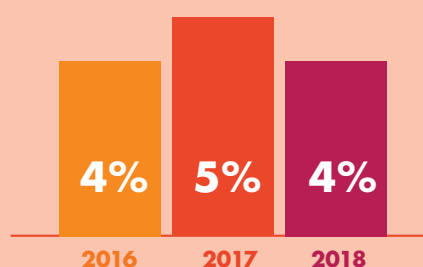
1

Same-Store Sales Growth

In 2018, PIZZA was able to sustain its same-store sales growth within its annual target of 3% to 5% in spite of last year's headwinds in consumer spending and the continued entry of new competitors in the dining-out space.

These challenges were weathered through thanks to a loyal brand following, various value-for-money promotions, new product launches, and the reliable service execution that Shakey's has always been known for.

4% 2016-2018 Average



2

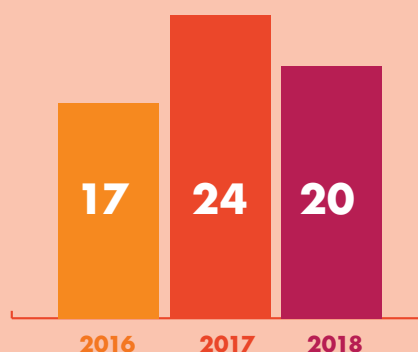
Local New Store Opening

Our continued store network expansion around the Philippines remains on track as we successfully open 15 to 20 net new local stores each year.

The sustained expansion is a testament to the confidence on both the brand and long-term health of the Philippine consumer.

2016-2018 Average

20



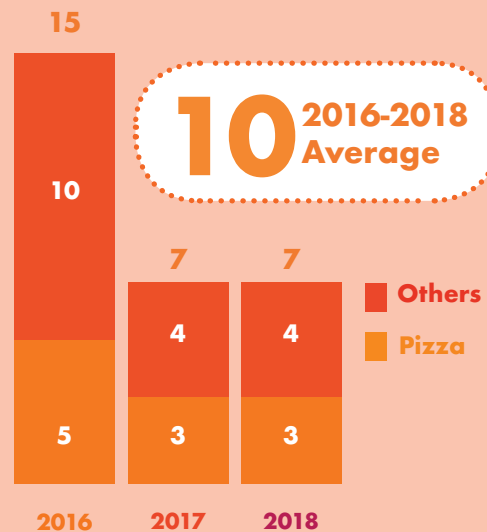
3

Innovation

Every year, Shakey's WOWS its guests with a number of new products and flavors while staying true to its core value of FUN, FAMILY, PIZZA.

Hand-in-hand, our R&D and marketing teams come up with innovations that provide value for money to our guests by incorporating high-quality, premium ingredients with efficient and cost-effective cooking processes and procedures. These are then offered at affordable prices and promoted through various campaigns throughout the year.

This allows the brand to continue to remain relevant and exciting as guests are able to taste new offerings alongside their favorite mainstay menu items.



4

Organization

PIZZA is composed of passionate people who love the brand and are dedicated to a WOWING level of excellence. The Executive and Management teams are responsible for formulating company strategies, setting targets, and ensuring the Company meets its objectives. The rest of the organization, with their entrepreneurial way of thinking and strong sense of ownership in the business, are vital in handling daily operations, executing said company strategies, and meeting set goals.

Given the importance of good talent, immense focus is placed on people such as hiring, investing in, developing, and retaining the right candidates. Leadership and people training are critical areas, without which medium- to long-term success would be difficult to attain. High performers are properly compensated on a meritocratic basis to ensure the sustainability of PIZZA's edge in the industry.

5

ESG

A new indicator of business health is our progress with regard to the environmental, social, and governance aspects of sustainability. As the Company begins to establish its ESG targets, we will regularly conduct evaluations and manage our performance against material non-financial metrics, finding ways to further integrate sustainability across our value chain.

OUR SUSTAINABILITY JOURNEY

102-19

About the project

Along with our mission to provide the best possible service and dining experience to our guests is our responsibility to ensure the sustainability of our operations and to continuously generate value for all our stakeholders. In order to do this, we acknowledge that we must take the initial step of improving our internal non-financial performance monitoring system and embark on our first sustainability reporting project. This will enable us to learn about how we are doing now so we can gain insight on how to improve, set priorities, and strategize moving forward.

For this project, we have chosen the Global Reporting Initiative (GRI) Standards, the most widely-used sustainability reporting guidelines in the world, as basis for the methodology and metrics that we will be measuring. Aside from the disclosures which we have aligned with the GRI Standards, we also identified unique disclosures that are relevant specifically to our company such as guest satisfaction and the traceability level of our sourced materials in the past three years. These will be discussed in the succeeding chapters.

Our Reporting Process

Everyone in the Company is to embody and operationalize this long-term commitment to sustainability in the years to come. In this crucial initial stage, we wanted to strengthen our foundations and make sure the entire organization is on board, understanding what sustainability is and why it is an important matter for the Company. This requires leadership from top management, awareness and education about the topic, and clear identification of focus areas that are essential in the overall improvement of our sustainability impacts.

1

Leadership 102-20

To stir and kick off our sustainability initiative, top management embedded sustainability into PIZZA's mission statement through our commitment to the communities we operate in. This provides employees with an expanded mindset and purpose. For this report, we have also created a Sustainability Council headed by our Executive Committee to provide overall direction and guidance in identifying material topics and metrics.

2

Building capacity and knowledge

To broaden our understanding about how sustainability can enhance our company, we have conducted sustainability-related learning sessions and workshops with key departments that we identified as vital in steering and further integrating sustainability. This includes an introduction to sustainability and shared value, a crash course on GRI, and a materiality workshop.

3

Defining material topics and metrics

We organized sit-down sessions with key departments to identify material topics based on their experience with the Company's operations and their insights in engaging with stakeholders. Afterwards, we mapped out the most suitable metrics to monitor performance on the material topics. We then collected data for these metrics for analysis and reporting.

WHAT WE LEARNED

Information gained through the aforementioned activities enabled the crafting of the following:

1

Sustainability framework, which features the sustainability focus areas of the Company and how they work and enhance our value chain. These focus areas are: People, Planet, Pizza.

See page 30

2

Stakeholder engagement matrix, which summarizes the main concerns of our stakeholders, how we address said concerns, and what our different channels of engagement are.

See page 56

3

Strategy, which discusses the Company's plans to achieve its goals of continuously creating stakeholder value and of being a more sustainable company.

See page 58

WHAT SUSTAINABILITY IS FOR US

102-29

102-46

102-47

GUEST SERVICE

Our company is dedicated to embodying a guest-centric philosophy across our whole services to more guests while maintaining



PEOPLE

We are committed to our employees, our guests, and the communities that we work with.



Talent acquisition and management

We recognize the importance of investing in our people and improving their skills, engaging our diverse set of employees in training and development programs.



Workplace culture and environment

We empower our people by creating a culture that enables them to perform beyond expectations. We also seek to foster an inclusive environment for our employees.



External guest engagement

We value the feedback of our guests; therefore, we consciously make an effort to hear out and respond to their concerns.



Impacts to communities

We believe in creating a sustainable social impact by giving back to communities through our business.



At Shakey's, we commit to contributing towards sustainable development as we continue to serve our guests and communities. We first realize this commitment by launching our sustainability framework, aligning ourselves with the most relevant topics under three focus areas: Economic, Environmental, and Social.

& SATISFACTION

value chain. As an organization, we seek to extend our brand of quality products and our value of guest service excellence.

PLANET

We seek to be responsible in managing our resources and effects to the environment.

Natural resource efficiency

We work towards implementing initiatives that aim to positively affect our use of natural resources in our operations.

Packaging and waste

We continuously improve on minimizing our packaging footprint and optimizing our consumption of materials.



PIZZA

We place value on how our products are sourced, processed, and distributed. Therefore, we make sure to deliver quality



Food safety and quality

We set an emphasis on maintaining food safety and quality throughout our operations.



Responsible sourcing

We proactively work with our suppliers in ensuring that our raw materials are sourced in a responsible and ethical manner.

2018 SUSTAINABILITY HIGHLIGHTS

GUEST SERVICE AND SATISFACTION

51.01M

Total guest experiences



PEOPLE

9,149

Jobs supported

43.6

Average training hours per employee

1:1

Ratio between male and female employees

8.3/10

Satisfaction of store employees



PLANET

4%

Reduction in electricity intensity

1%

Reduction in water intensity



PIZZA

74%

of total spending is on local suppliers

100%

RSPO-certified palm oil

Supplier accreditation process in place



THE VALUE OF HOW WE DO THINGS

102-9



Research & Development

Formulation and testing of food products and non-food materials



Sourcing

Procurement, storage, and distribution of all food and non-food materials

People

Planet

Pizza

Governance

VALUE

Talent acquisition and management

Workplace culture and environment

Impacts to communities

Natural resource efficiency

Packaging and waste

Food safety and quality

Responsible sourcing

Business ethics and compliance

Labor practices

Our value chain lays out the primary activities that take place within our business in order to ensure that Shakey's is able to deliver its products and services to its guests. Mapping out the value chain also allows us to identify the most relevant economic, environmental, and social issues and impacts that occur, and formulate actionable strategies that will address them.



Store Operations

Preparation of food products and services, including the management and maintenance of store logistics and facilities



Business Segments

Offering of products and services through dine-in, delivery, carryout, functions, and the SuperCard



Guest Engagement

Marketing and feedback mechanisms conducted for guests

THE VALUE OF
HOW WE DO THINGS

CREATION & ECONOMIC FLOWS

External guest engagement

ncy

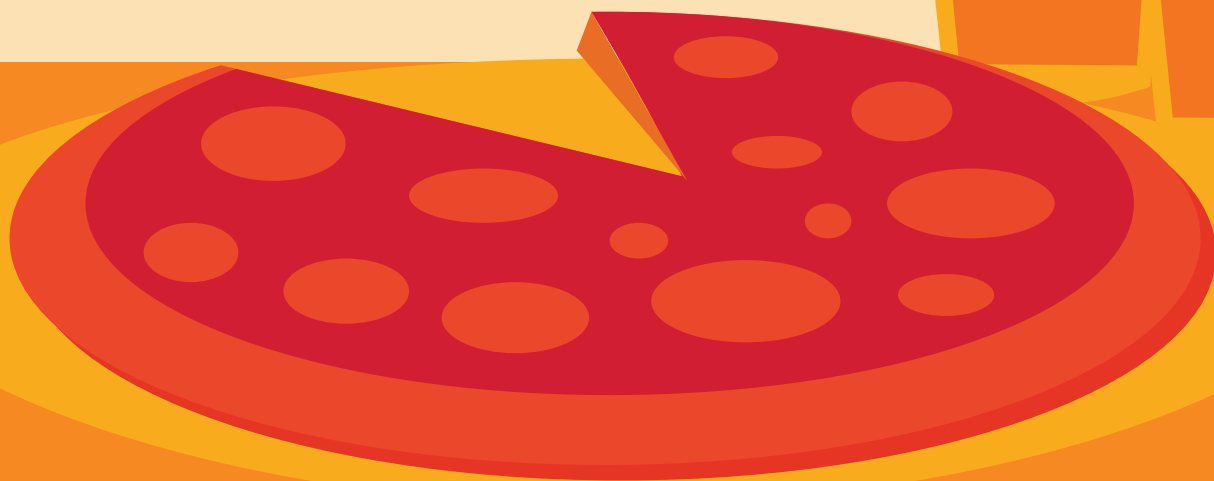
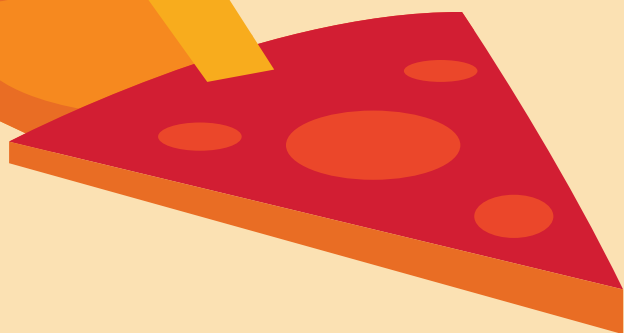
GUEST EXPERIENCES

102-6

In 2018, we had the pleasure of having 51.01 million experiences of FUN, FAMILY, PIZZA through our different service channels such as dine-in, delivery, and carryout.

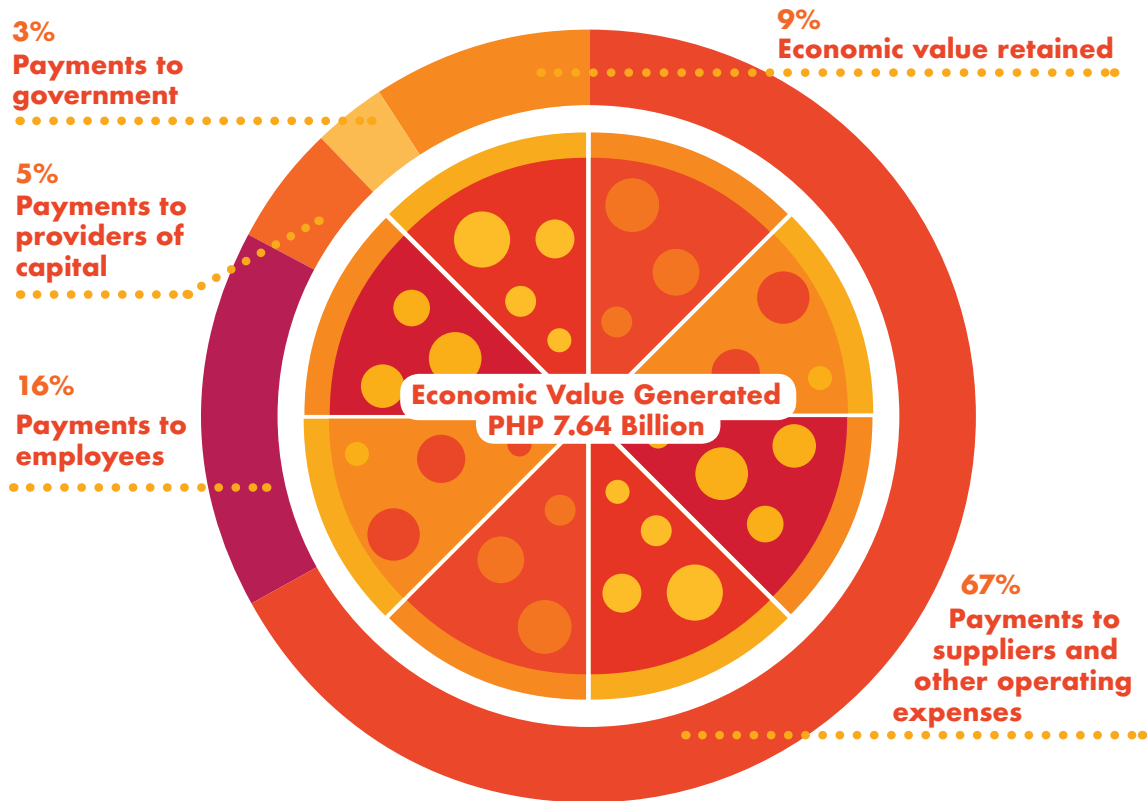
We aim to build on the trust and relationship that we have with our guests by continuously striving to not only be more guest-centric but also more sustainable. This sustainability report begins with how we create societal value through economic flows, responsible employee, guest, and community management (PEOPLE), environmental stewardship (PLANET), and food quality (PIZZA).

51.01 M
Guest Experiences



ECONOMIC VALUE CREATION

201-1



ECONOMIC VALUE CREATION

Economic Value Generated

In 2018, we generated a total of PHP7.64 billion in economic value, a 9% improvement from last year's PHP7.04 billion. This growth is attributed to the increasing number of guests that we serve.

Payments to suppliers and other operating expenses

We invest most in our procurement and operations. This is reflected in how 67% of our total economic distribution is allocated to suppliers and other operating expenses. The total amount equals PHP5.15 billion, a 10% increase from last year.

Payments to employees

We disbursed a total of PHP1.22 billion to our employees in 2018. The 7% increase in salaries, wages, and benefits expense is due to the growing workforce of PIZZA.

Payments to providers of capital

Our dividends and financial costs amounted to PHP342 million this year. We continue to create shareholder wealth with this 4% increase in payments to our providers of capital.

Payments to government

Our current tax expense is PHP257 million, almost similar to last year's amount of PHP258 million.

Economic value retained

Of the PHP7.64 billion economic value we generated in 2018, we retained PHP672 million which is equivalent to 9% of the whole.

PEOPLE

PEOPLE

Jobs Supported

203-2

One of our biggest impact areas is employment. As we expand our business, build more stores, and serve more guests, it takes more people to run our operations; and this opens job opportunities. In 2018, we were able to support 9,149 jobs - a 22% increase from 2017. This comprises of company-owned and franchised staff, store riders, and call center agents.

9,149

JOBS SUPPORTED

+22%

FROM 2017

Talent Acquisition & Management 102-8

We at PIZZA recognize the importance of attracting, developing, and retaining talent across the organization.

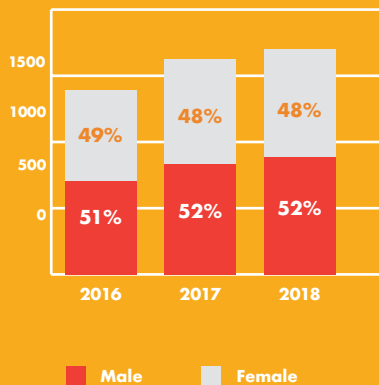
Workforce Profile 405-1

Part of our mission to our employees is to create a nurturing environment. One of the ways in which we do this is by fostering a collaborative, diverse, and inclusive team where there is a good mix of employees in terms of gender, age, and rank.

1,703
Employees in the PIZZA
workforce

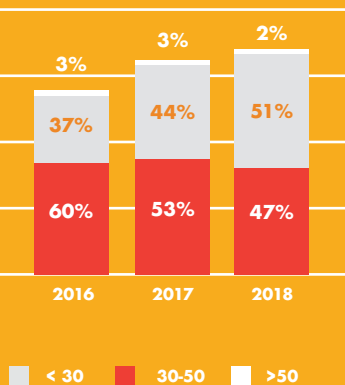
Our number of permanent and probationary employees from head office and company-owned stores grew by 5% in 2018, bringing the total employee count up to 1,703 from 1,617 in 2017.

By Gender



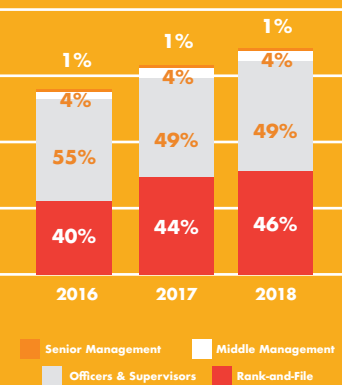
We have retained an almost 1:1 ratio between male and female employees in the past 3 years.

By Age



Our team is getting younger as the number of employees aged 30 and below continue to increase since 2016.

By Rank



95% of our workforce consist of officers, supervisors, and rank-and-file employees. The rest are part of senior and middle management. This has been the mix for the last 3 years.

Development Programs & Trainings

404-1

404-2

The personal growth and development of our people are important to us. This is why we invest greatly in trainings and programs catered towards our employees. These programs provide our people with learning experiences that will equip them to even better serve our guests.

In 2018, 40% or 2 out of 5 permanent employees were able to attend formal trainings. We seek to increase this number in the future. Such employees each received an average of 43.6 total training hours in 2018.

Spearheaded by our Human Resources department, these trainings include classroom and experiential programs.

Program	Graduates	Topics Covered
Management Development Program	306	This training focuses on the handling of restaurant operations for Shift Management Trainees, either promoted from within or hired externally.
Train the Trainer Program	277	The program aims to turn our restaurant people into professional trainers at the restaurant operations level. Participants are trained to become credible and effective in teaching the Company's goals, philosophies, means, and standards.
Corporate Train the Trainer	48	This workshop intends to build the competencies of our corporate support office members, reinforcing the Company's goals, philosophies, means, and standards to the participants.
New Store Opening Training	396	The program is designed to equip core teams of opening stores with technical requirements in preparation for store operations.
Spec Ops	195	This semi-decentralized learning and development program trains graduates to become Restaurant Specialists, involving leadership training, specialist certification, and dual specialization.
External Training Opportunities	37	External training providers offer training opportunities to employees through which their skills and knowledge competencies are sharpened. Programs are also offered to build employee attitude and habits.
Specialist Development Program	40	The program is to ready our Restaurant Specialists with the technical and leadership competencies necessary to prepare them for Shift Management positions.

Apart from these development plans, informal learning sessions also make up a big part of a PIZZA employee's workplace learning.

- Sit downs and coaching sessions
- General assemblies
- Team building sessions
- People Day feedback conversations

Promotions & Retention 401-1

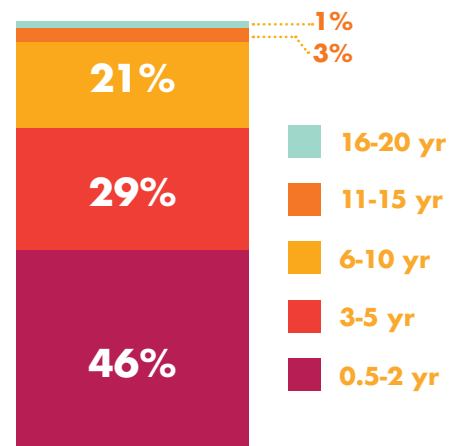
As we develop our employees through our training programs, we are able to prepare them for bigger roles and help them advance their careers. In 2018, we recorded a total of 120 movements in rank and positions. This translates to a promotion rate of 7%.

46% of these promoted employees have a tenure of six months to two years. 29% have been with the company for three to five years, and 21% for six to ten years. The rest have been with PIZZA for eleven years and up.

We aim to increase this number in the following years through manpower and succession planning, as well as a more deliberate and systematic development program for our employees.

In 2018, we had a turnover rate of 13.5%, slightly higher than 2017's rate of 11.5%. As an employer, we continue to gather information from our employees and seek to respond to the concerns that they may have.

Movements per Tenure



Workplace Culture & Environment

As an organization, it is the culture of FUN, FAMILY, PIZZA that binds us together. We embody this as we encourage excellence, collaboration, and enjoyment in all that we do.

Excellence in Performance

PIZZA seeks to cultivate a workplace where high-performing employees are rewarded for their efforts. Through our WOW grid, we are able to establish a system that tracks and incentivizes employee performance, distinguishing those who are able to best exhibit our guest-centric philosophy.

2018 BOOK OF WOWING STORIES

You Raise Me Up!

"I asked the manager on duty if he had a wheelchair for my mother who can't walk anymore. She was celebrating her 96th birthday. Mr. Vince Obiar, the manager, said they had no available one. To my surprise, he assisted us with a dining chair! He personally helped me lift my aging mother."

Abby & Ate Grace

"I want to thank again Ms. Grace from your España branch for having a good heart, giving a free stuffed toy to my daughter Abby that night. After having a difficult time playing a machine just to have the toy she really loves, Ms. Grace gave my daughter a little toy. She made a big impact to our hearts because of what she has done."

We also recognize performing stores and staff through events such as Lunch with the President and Cup of Excellence.

One as a Family

Our culture aims to build a community of employees with a healthy work-life balance through fun and engaging activities. This is also a way to strengthen bonds and encourage camaraderie within the company.



LU WOW: A SHAKEY'S BEACH GETAWAY



PROJECT HOPE: HELPING BUILD CLASSROOMS



CARTOON NETWORK: TRICK OR TREAT



BOWLING TOURNAMENT



HOLLYWOOD NIGHT 2018



SERVICE AWARDS 2018

Employee Welfare

102-33

401-2

PIZZA complies with all local laws and regulations pertaining to compensation, benefits, and labor requirements. All relevant laws and regulations are followed and implemented through our Code of Business Conduct and Ethics.

In addition to this, we have policies set in place to look after the welfare of our employees. As an employer, we respect the rights of our employees to freely express their concerns through our Whistle Blower Policy. For conflicts that may arise, we have a safe avenue for the resolution of disagreements. Our Labor and Employee Relations department also implements a positive employee discipline approach in order to create and sustain an environment of trust and accountability within the organization.

On Leaves

The leave benefits we provide are higher than the national labor requirement.

On Healthcare

All regular employees of PIZZA and qualified dependents have healthcare provisions.

On Safety

Our company has mechanisms in place to promote safe working conditions for our employees. Our Safety department ensures that proper occupational safety and health guidelines are followed across our branches. Training courses on Occupational Safety and Health and First-Aid are given to restaurant employees.

Engagement & Evaluation

As part of our efforts to engage with our employees, we designed the “Kamustahan” (“How Are You?”) program. Our objective is to align with our people on organizational goals and standards, to hear out their concerns through our authorized personnel, and to gauge the overall satisfaction of our employees.

79%
OF STORES COVERED IN 2018



8.3/10

**SATISFACTION LEVEL OF
STORE EMPLOYEES**

For this initiative, we conducted audits across our stores to gather relevant information on our employees involved in store operations. We were able to cover 79% of our total stores. This exercise provided insights on why our people stay and work with us: the culture of fun and family, compensation and benefits, and their passion towards the work they do. We likewise acknowledge concerns that we have yet to address in the near future.

External Guest Engagement

Reaching out to Guests

Last year, we introduced a new digital marketing scheme to bolster our efforts in reaching out to our guests. As a result of intensifying our digital strategy in 2018, our website traffic increased by 89% while our SMS marketing also saw an increase of 89% from the previous year.

Guest Feedback

At Shakey's, we highly value feedback and concerns of our guests. Therefore, we make sure that we are constantly adapting to consumer demands and technological changes.

Our Guest Engagement department ensures that our guests are provided with convenient feedback channels.

- WeCare E-mail
- Electronic Guest Card
- Shakey's Hotline
- Shakey's Website
- Shakey's Mobile Application
- Facebook and Twitter

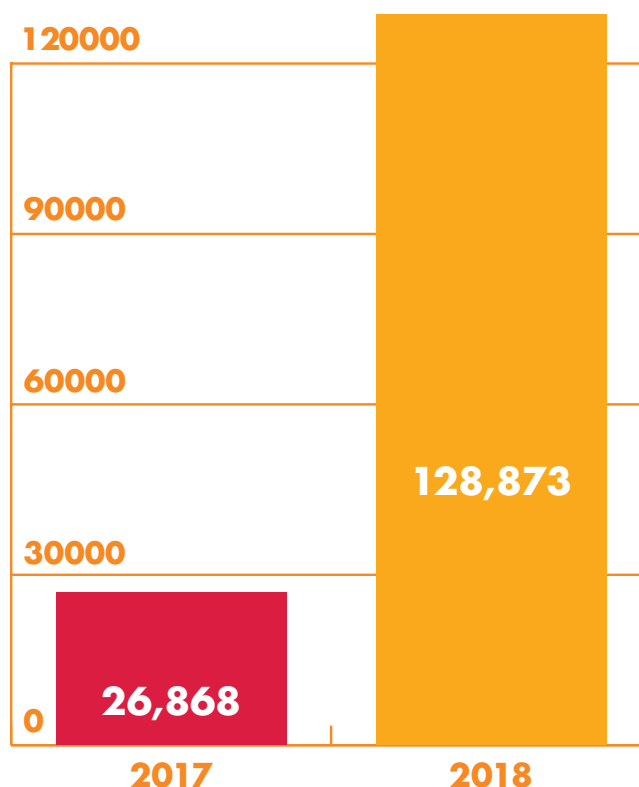
We also have a group of dedicated employees assigned to answer social feedback and handle escalation and concern resolutions.

Last year, we invested in a cloud-based customer relationship management platform in order to enhance guest interaction across different parts of the Company and increase our capacity to absorb guest feedback.

This platform allows us to capture, manage, scale, and analyze all guest feedback sent through our different channels. Our guest feedback system consolidates guest concerns in a highly customizable dashboard, which can then be used to quickly cascade guest data to all concerned parties for immediate resolution.

In 2018, we were able to gather a total of 128,873 guest feedback responses from our electronic guest card and digital channels. This shows an increase of 380% compared to 2017. These feedback continue to help us improve our operations and service to our guests.

Total Guest Feedback



Impact to Communities 102-12

As we continue to provide quality products and services, we also recognize our responsibility to give back to our communities. Through our Shakey's advocacy programs, we are able to partner with different sectors in addressing social issues.

Love 'Em Down

In February 2018, a partnership between Shakey's and the Down Syndrome Association of the Philippines, Inc. paved the way for the Love 'Em Down program. Through this, we were able to provide learning and job opportunities to those with down syndrome. The partnership was able to raise awareness towards the down syndrome advocacy as program participants were given first-hand guest engagement and service activities.

Since the launch of the Love 'Em Down program, we were able to support 7 participants. Moving forward, we plan to extend this program to 22 more stores and add more participants.

Last February, 91 of our employees also volunteered at the Happy Walk event, an annual advocacy event to raise support and awareness towards the down syndrome condition.



Hope in a Bottle 203-1

We have also partnered with Friends of Hope, a social enterprise that aims to create sustainable social impact, primarily by addressing the classroom shortage in the Philippines through the sale of its popular purified drinking water product called "Hope in a Bottle." All profits from this product proceed to the building of public school classrooms, slowly narrowing the classroom deficit around the country.

"Hope in a Bottle" products are available in both company-owned and franchised stores, with PIZZA selling an average of 14,000 bottles per month. Last November 6, 2018, we turned over a brand-new classroom for the Archbishop Emilio Cinense Memorial Integrated School (AECMIS). We are currently working towards the completion of a second classroom to be finished by 2020.



PLANET

At PIZZA, we recognize our role as a company to operate responsibly in light of the environmental challenges that our world is currently facing.



GHG Emissions

305-1

305-2

305-4

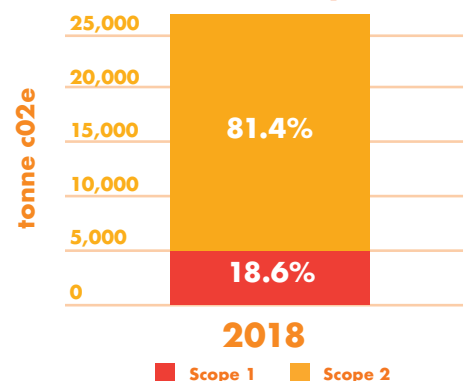
305-5

Our Scope 1¹ and Scope 2 greenhouse gas emissions in 2018 amounted to an estimated total of 26,500 tonnes², accounting for 18.6% and 81.4% of our total GHG emissions respectively. Our GHG intensity for 2018, on the other hand, is at 0.78 tonnes per square meter. Moving forward, we seek to optimize our monitoring system for our emissions.

1 Gas computations are based on restaurant gas expenses. 79% of the restaurant bills for 2018 were accounted for in the computations. We calculated per-restaurant average values for restaurants with incomplete data.

2 Calculations were based on IPCC 2006 Guidelines for National Greenhouse Gas Inventories

Carbon Footprint



Energy Efficiency

302-1

302-3

302-4

Our restaurants consume a considerable amount of energy from electricity consumption. Therefore, we recognize our responsibility to monitor and manage this. Our total electricity consumption in 2018 amounted to 30,274,289 kWh³. While our restaurant operations expanded in 2018, we have managed to reduce our electricity intensity across all our stores by 4%.

Since 2016, we have started implementing energy efficient technologies to a number of our stores. This has resulted into an average energy savings of 10.53%, and consequently, lower carbon emissions. As of 2018, we have installed thermal insulation in 10 stores. We are currently proposing to extend this to 27 more branches in the future.

Electricity Intensity

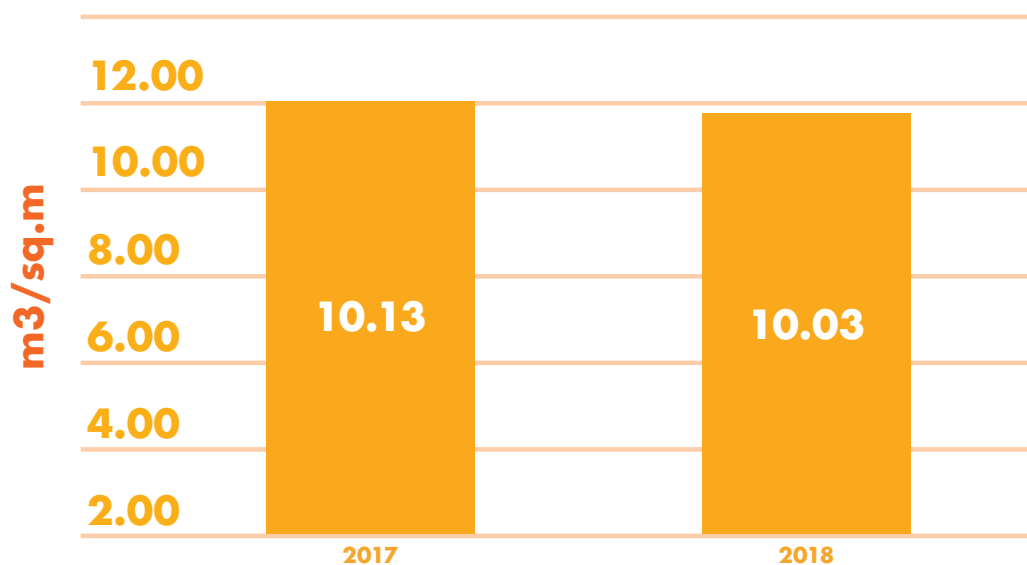


PLANET

Water Consumption

303-1

Water Intensity



Water is a natural resource that our business heavily relies on. In 2018, our total water consumption amounted to 341,405 cubic meters, higher than 2017's 329,512 cubic meters⁴. With our efforts of being efficient with our operations, we're able to decrease our water intensity from 10.13 m3/sqm to 10.03 m3/sqm, or by 1%.

³ Calculations for electricity consumption were based on monthly restaurant bills. For 2017 calculations, data was available for 113 restaurants (91.9%). However, only 689/1356 of total monthly bills for 2016 were accounted for (51%). For 2018 calculations, data was available for 130 restaurants (97%). 1311/1560 of total monthly bills for 2018 were accounted for (84%). Restaurants with lacking or incomplete data were filled with per-restaurant average values computed from the available data.

⁴ Water computations were based on monthly water bills. 74% of restaurant bills in 2017 were accounted for while 76% of restaurant bills in 2018 were accounted for. We calculated for per-restaurant average values for restaurants with lacking or incomplete data.

Packaging and Waste

301-1

301-2

301-3

Packaging is an integral part of our business as it enables us to deliver our food to our guests while preserving food quality and freshness. As part of our commitment to sustainability, we are seeking for ways to reduce our environmental impact in this area.

Plastic waste generation amounted to 174,039 kg or 8.5% of our total non-food waste in 2018. The remaining 91.5% of our non-food waste is attributed to paper/ cardboard based items.

PACKAGING BREAKDOWN IN PERCENTAGE



We aim to be plastic neutral by 2020.

Project Panda

This year, we are launching Project Panda to headline our environmental initiatives as a company. Through this project, we aim to create an organizational wide campaign on plastics and recycling.

Our team has been working towards increasing the recyclability of our packaging materials while looking to reduce our plastic waste.

Project Panda is underpinned by three strategic pillars that represent our initiatives across different fronts of our company.

EDUCATE		ELIMINATE	EMPOWER
We plan on using Shakey's reach as a platform to raise awareness towards the cause.		We are working towards eliminating single use plastics in the organization	We Support and fund the cause as an organization
Marketing and PR campaigns	Employee activities	Go Green initiatives	Support a Cause Program
External Communication <ul style="list-style-type: none"> • Creation of the Go Green Campaign and communication materials for in-store awareness PR <ul style="list-style-type: none"> • Partnership with WWF and Government Agencies for information and clean-up campaigns • Utilizing social media channels to spread the advocacy 	Volunteer Programs <ul style="list-style-type: none"> • Pooling of volunteers participating in WWF Activities and Ocean Clean Up drive • Participation in Earth Hour Educational Sessions <ul style="list-style-type: none"> • Educational programs on environmental topics such as: 1. Reduce, Reuse, Recycle, 2. Proper Waste Disposal Office Advocacy <ul style="list-style-type: none"> • Launching of office waste segregation campaign 	Environmental Friendly Packaging <ul style="list-style-type: none"> • Applying recyclable material in major packaging material • Converting plastic take out containers to paper boxes/container • Shifting table napkins to recyclable brown paper material • Strawless campaigns to stores • Re-engineering of packaging and advertising materials that use environment friendly materials Recycling <ul style="list-style-type: none"> • Creation of a recycling program for marketing collaterals Waste diversion <ul style="list-style-type: none"> • We are venturing into plastic neutrality by diverting the equivalent amount of plastic packaging we produce from landfills via co-processing* 	Funding and donations <ul style="list-style-type: none"> • Enable donations to WWF for online ordering • Creation of an opt out tick for condiments and utensils in our website and app delivery services

*Our chosen partner for 2019 to 2020 is Republic Cement.

PIZZA

Food Safety and Quality

102-11

416-1

416-2

In PIZZA, we are committed to our mandate of ensuring food safety and quality across every stage of our value chain. Our research and development team ensures that proper food safety practices are in place throughout our production process. We ensure that our food quality and safety standards are aligned with the industry, statutory, and regulatory requirements.

Food safety journey

As we source our raw materials from different sources, we conduct quality assurance tests at different phases of our sourcing.

Product Development

Our research and development team identifies critical processes pertaining to food quality and safety during our product development phase. The team also regularly updates and provides a shelf-life guide of materials.

Supplier Audit

Food safety and quality assurance are critical considerations when we select our suppliers. Aside from this, all of our suppliers are audited by our QA officers at least once a year on a standardized set of criteria which covers supplier food safety practices, microbial hazard assessments, employee and facility sanitation, and end product analysis.

Audit on receiving process

We conduct standard quality audits for incoming materials, in order to verify that the products we source are safely delivered and are in good quality. The parameters that we measure during receiving audits include product temperature, vehicle cleanliness, hygiene, shelf life, and packaging integrity. We conduct store receiving procedures as well, which covers materials that are not directly delivered to the warehouses.

Audit on dispatching activities

For dispatching activities, we conduct standard quality and safety audits to ensure that our products are transported safely into our stores. The audit covers inspection of delivery vehicles' compliance to hygiene and temperature requirements and monitoring of finished products' quality, safety, and packaging interior prior transfers.

QSCH Audits

To ensure and maintain food safety across all our restaurants, we implement quality control measures regularly.

QSCH INTERNAL AUDIT

Thrice a year, we conduct an internal validation across all our stores to check for compliance to our set standards.

METRICS MEASURED

- Product freshness
- Storage
- Food preparation
- Service and hospitality standards
- Cleanliness and conditions of stores
- Systems compliance

THIRD-PARTY AUDIT

We also organize mystery visits conducted by third-party auditors as part of our commitment to maintain product and service quality.

METRICS MEASURED

- Service and hospitality standards
- Cleanliness and conditions of stores
- Food quality

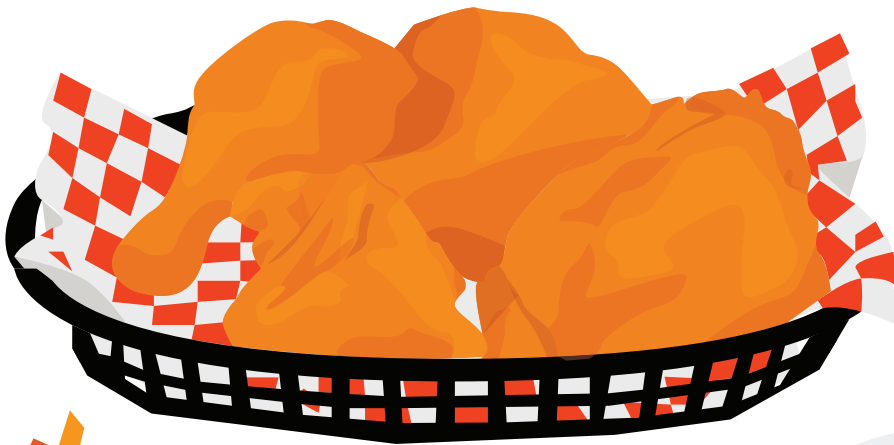
FOOD SAFETY TRAINING

All of our food handlers are required to undergo certified training courses provided by ServSafe. These courses cover different areas such as basic food safety, hygiene, cross-contamination and allergens, cleaning and sanitation, and temperature.

Responsible Sourcing

We have established the Company's Supplier Accreditation Policy to ensure that all suppliers and contractors that we deal with are qualified to meet their commitments to the Company. All suppliers and contractors that we engage with undergo accreditation and orientation on Company policies. We conduct regular surveillance audits to our suppliers, which include social and environmental considerations.

PIZZA



100%
OF OUR CHICKEN IS
LOCALLY SOURCED



**OUR POTATO SUPPLIER
MEETS ENERGY
EFFICIENCY
GUIDELINES AND
IS ENERGY STAR
CERTIFIED.**



**OUR BEVERAGE
SUPPLIERS FOLLOW
SUSTAINABILITY
GUIDELINES ON WATER,
COMMUNITY, AND
SUPPLIER
PRINCIPLES.**



**100% OF OUR PALM OIL
SUPPLIERS ARE RSPO
CERTIFIED.**

Local Sourcing

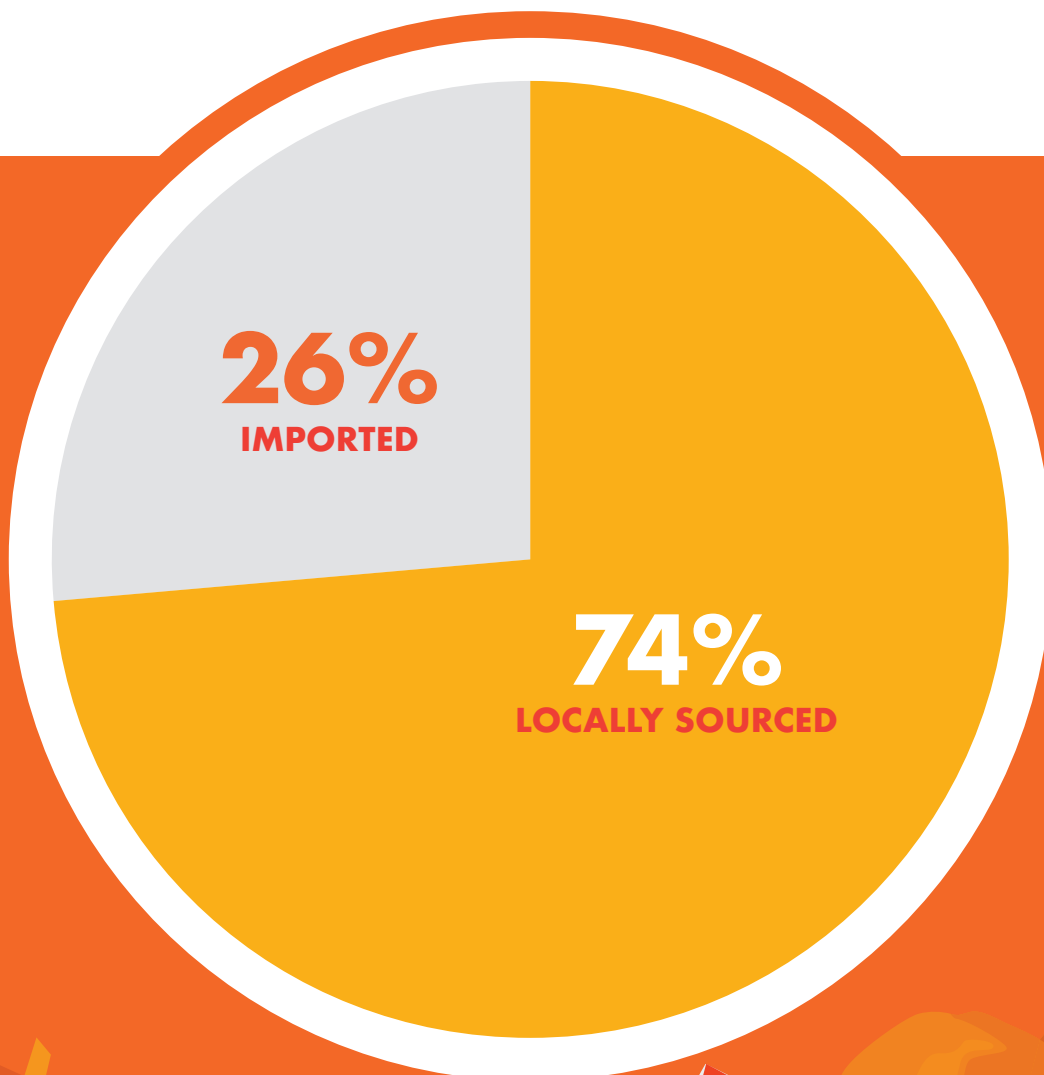
204-1

A significant portion of our spending is allocated towards local suppliers and manufacturers. Our procurement team seeks to source from local suppliers whenever possible. Our total local spending composes 74% of our total procurement in 2018. Our packaging and non-food items are 100% locally sourced, while 70% of our spending on food items is sourced from local suppliers and manufacturers.

Notable locally sourced/processed products:

- Chicken
- Beef
- Softdrinks
- Pasta
- Pizza Dough

BREAKDOWN OF TOTAL SOURCING (IN PHP)



STAKEHOLDER ENGAGEMENT

102-21

102-40

102-42

102-43

102-44

	Channels of Engagement	Concerns	How we address them
1 Employees	<ul style="list-style-type: none"> Townhall meetings Performance appraisals Training and development programs Informal training and mentorship Email blasts and social media Team building activities Collective Bargaining Agreement 	<ul style="list-style-type: none"> Company culture Career development and growth Employee salaries and benefits Safe working environment Equal opportunities 	<ul style="list-style-type: none"> Alignment with Company mission, vision, and values through onboarding Training programs Proper compensation and benefits Mentorships Labor union and grievance mechanisms
2 Guests	<ul style="list-style-type: none"> Store service In-store feedback mechanism Guest feedback channels (Email, SMS, Website, App) Social media channels – FB, Twitter, Instagram, Viber 	<ul style="list-style-type: none"> Quality of service Quality of restaurant and facilities Food quality and safety Compliance with global or nationally accepted "standards" i.e. ecological balance / sustainability of life, gender equality, PWD and other popular causes 	<ul style="list-style-type: none"> DAILY QSCH Readiness Checklist implementation Regular QSCH audit Quarterly Regular QSCH Quick Visit every other month Annual Calibration of QSCH Standards Proficiency Test for Managers Maintenance of facilities Training of store personnel RM Assembly, Specialists Assembly to address Guest Related issues, Best Practices sharing
3 Community	<ul style="list-style-type: none"> Consultation sessions prior to store opening Community/Advocacy Events 	<ul style="list-style-type: none"> Quality of service Hiring opportunities Corporate social responsibility 	<ul style="list-style-type: none"> Partnerships with social enterprises Annual charity/ advocacy events

4 Suppliers

- | | | |
|--|--|---|
| <ul style="list-style-type: none"> • Communication lines (phone, email, meetings) • Supplier accreditation process • Supplier negotiations and bidding • Order placement/PO issuance | <ul style="list-style-type: none"> • Issues with bidding and procurement • Scheduling and logistical concerns • Minimum accreditation requirements and schedule | <ul style="list-style-type: none"> • Regular engagement with suppliers • Supplier orientation process on Company policies and commitments |
|--|--|---|

5 Government

- | | | |
|--|---|---|
| <ul style="list-style-type: none"> • Annual audits, reports, and publications • Press releases | <ul style="list-style-type: none"> • Compliance with laws and regulations • Opportunities and areas for public and private sector collaboration • Completeness and accuracy of reports | <ul style="list-style-type: none"> • Compliance, transparency and timeliness on submission of required reports and renewal of permits and licenses • Updating of company policies and systems based on latest government regulations, as needed • Attendance and participation to government sponsored learning sessions and compliance programs |
|--|---|---|

6 Investors

- | | | |
|--|--|---|
| <ul style="list-style-type: none"> • Investor touch points (meetings, conferences, commissary visits, email, phone) • Press releases | <ul style="list-style-type: none"> • Business viability and growth • Financial outlook and disclosures • Business risks and opportunities | <ul style="list-style-type: none"> • Facilitating effective two-way communication between the Company and financial community • Transparency and accountability within the board of directors and company's strategic plans • Regular engagements through different touch points with investors and shareholders |
|--|--|---|

7 Media

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> • Press briefings and conference • TV and radio advertisements | <ul style="list-style-type: none"> • Proper representation and labeling • Marketing practices | <ul style="list-style-type: none"> • Regular consultations • Branding/Marketing guidebook |
|---|---|---|

OUR STRATEGIES

102-15

Shakey's Pizza Asia Ventures, Inc. (PIZZA) is in the business of creating long-term value for all stakeholders. The following key strategies will allow us to meet this goal.

— 1 —

Establish market leadership and strong brand positioning in the full-service, fast casual, family dining space

We primarily serve the A, B, and upper C income classes and expect our guest base, particularly the C market (middle class), to grow as their personal disposable income increases. We believe that we are well-positioned to capture these growth opportunities and meet the needs of this market as they eat out more often and seek full-service dining experiences in a well-designed, comfortable, clean, and guest-oriented atmosphere.

We have an iconic brand which is one of the Philippines' top in the restaurant space. We also have ownership and control of said brand, which means no royalty payments and increased ability to invest in our guests, plus the freedom to execute and react quickly to market changes.

Our distinct store environment and highly guest-centric "WOW" culture creates that premium yet affordable dining experience which makes Shakey's unique. In particular, we pride ourselves in the quality of our staff and our best-in-class service training, embedding in each of our personnel a sense of ownership and an "entrepreneurial spirit," most especially when it comes to taking care of our guests.

— 2 —

Grow our store base in both existing and new markets, locally and internationally, through an increasing company-owned network and a well-established franchising model

We believe that the growing market and the increasing need for Shakey's trademark experience make it viable to expand our network base. On top of this, our proven store economics and operation simplicity allow such expansion to be profitable as well.

In addition, we have multiple store formats which provide the flexibility to adapt to and penetrate different types of markets.

Our established franchising model likewise helps drive store rollout, especially in second- and third-tier cities where we remain severely underpenetrated.

Finally, we also own the "Shakey's" brand in the Middle East, China, Australia, New Zealand, and other Asian countries (excluding Japan and Malaysia), which provides the opportunity for international expansion.

—3—

Increase same-store sales growth by developing multiple sales channels and continuously providing innovative products to enhance our iconic base offering

We intend to increase same-store sales growth via elevated transaction count and average check by attracting new guests, converting first-time guests into repeat and loyal users, improving the overall guest experience, and offering more premium products.

We plan to expand as well the reach, speed, and efficiency of our delivery and online sales channels to make it more convenient and accessible to enjoy a Shakey's, most especially in high-traffic urban areas.

We will continue to invest in our brand through advertising and marketing programs to further grow customer awareness, loyalty, and brand love. We will also build on our already-popular Shakey's SuperCard loyalty program and maximize its established customer base.

Finally, we will maintain our differentiated and high-quality menu with its iconic and well-loved products, supplementing these with continuous innovation.

—5—

Continue to develop best-in-class organizational capabilities

We believe that an effective organizational structure and support are central to ensuring our long-term and sustainable growth.

We will remain focused on nurturing an environment where employees are respected, empowered, and rewarded. We believe that the Company's growth benefits our people the most as it creates opportunities for their own personal and career growth as well. We will also equip our people with the tools and skills to best take advantage of this growth.

Our Center for Leadership and Learning in 2008 is at the heart of training and skills development. It regularly conducts seminars and teach-ins to increase the efficiency and competency of our people to help in their career advancement.

We also establish leadership and succession plans to cover all aspects of operations. These, alongside other human resource initiatives, will help us retain qualified and competent employees to meet the needs as we grow.

—4—

Support operational improvements across both store network and corporate support in order to create efficiencies and enhance profitability

We believe that operational proficiency in our company-owned and franchised stores increases both guest satisfaction and store-level profitability. These are integral elements in our business.

We have introduced information technology systems to streamline restaurant operations and will continue to design programs to monitor operational performance and customer satisfaction.

In addition, we intend to enhance our delivery system by using advances in technology to shorten delivery times.

Finally, we plan to leverage and take advantage of economies of scale as we grow and expand.



GRILLING SOMETHING NEW

Last April 2019, PIZZA announced the acquisition of Peri-Peri Charcoal Chicken and Sauce Bar ("Peri"), an emerging fast casual and full-service restaurant brand in the Philippines.

Over the last few years, Peri made famous incorporating piri-piri in its chicken and variety of sauces, appealing to the Filipinos' love for both poultry and a strong distinctive taste. Its mainstay is charcoal-grilled chicken, marinated for 24 hours and served with an assortment of unique sauces to choose from.

Since then, the business has demonstrated consistent profitability, brand strength, and robust growth in both system-wide sales and store count.



"Peri's founder has done a great job bringing this creative concept to life – blending in a local Philippine twist with piri-iri's Portuguese origins. The brand now has a strong following and recently gained even more traction - evident in its strong same store sales growth last year amidst the more challenging macro environment, and the amount of interest in new stores from potential lessors and franchisees..."

"...We look forward to growing this business through our tried and tested formula of investing in the brand, investing in the people, and investing in the stores. We will maintain the taste and look that made Peri famous, but hope to further elevate the customer experience with Shakey's trademark "WOWING" service and improve the stores' accessibility via proper site selection and expansion of network." -- **Vicente Gregorio, President and CEO**

"We are excited by the potential of Peri to scale. We expect it to be an important future growth driver for our fast casual chain restaurant business. Our deep insights into how to best serve the typical fast casual restaurant guest should allow us to further grow the Peri brand. This is in addition to leveraging our team's execution capabilities, which remain best-in-class, and our restaurant operating systems, which have also continued to improve over the last few years..."

"...This Peri acquisition is another vote of confidence in the growing middle class in the Philippines. We will continue to invest in the restaurant space and diversify the business portfolio in the hopes of achieving our vision of establishing WOW BRANDS - a handful of industry-leading, full-service restaurant chains appealing to the Filipinos' increasing need for affordable yet premium dining out options." -- **Christopher Po, Chairman**



"Peri-Peri"

"Peri-Peri" came from the African Bird's Eye Chili "Piri Piri" that was discovered by the Portuguese who sailed in search of the famed spice route. It releases a fiery spice, igniting a wealth of flavors on every taste bud.



Food and Sauces



Peri-Peri Chicken



Pizza



Sauces



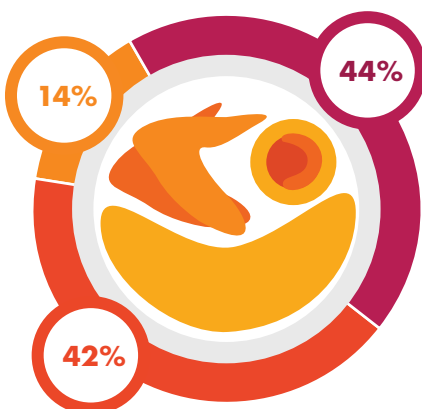
Pasta



Platters

The average spend per head ranges from PHP250 to PHP350, comparable to that of Shakey's.

Sales Mix



- Chicken (Main Plates)
- Group Meals
- Others

Chicken Main Plates make up close to half of sales.

Market

Similar to Shakey's, the expected market is A, B, and upper C (C1) – the growing middle class.

Ambiance

Peri also provides an aspirational full-service dining experience at an affordable price



Store Count

23

stores

as of end March 2019

FGD Feedback

"There's a special taste exuded because of the process; the chicken taste is unique."

- Regular User of Peri

"Lots of options - choose sides; there's tortilla, there's hummus, salsa. You feel like you can personalize your meal without going out of your budget."

- Non-Regular User of Peri

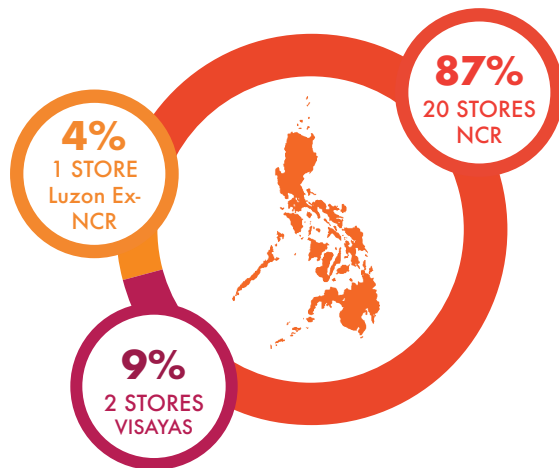
"It's like you're in the Pirates of the Caribbean. I like how the bottles have lots of different colors - something different, colorful, vibrant/good vibes and fun, fresh."

- Regular User of Peri

Peri has an established following and strong brand recall from different types of visitors.

Source: Kantar Millward Brown, February 2019

Store Network



There is opportunity to scale in NCR first, then outside where there is severe underpenetration.

Store Breakdown by Ownership



Why Peri?

Established Brand Strength

It has a strong following and has recently gained more traction as it appeals to Filipinos' love for both poultry and a strong distinctive taste.

Potential to Grow

It has demonstrated consistent profitability, consequently increasing the amount of interest for new stores from potential lessors and franchisees.

A Vision of WOW BRANDS

As an emerging fast-casual and full-service restaurant brand in the Philippines, it is a good addition to PIZZA's business portfolio given the aim to diversify through a handful of industry-leading full-service restaurant chains that appeal to the Filipinos' growing need for premium yet affordable dine-out options.

BOARD OF DIRECTORS

Standing from Left to Right

LEONARDO ARTHUR T. PO

Director & Treasurer

TEODORO ALEXANDER T. PO

Vice Chairman

LEOPOLDO H. PRIETO, JR.

Advisor to the Board

CHRISTOPHER T. PO

Chairman

VICENTE L. GREGORIO

Director, President & CEO

PAULO L. CAMPOS III

Independent Director

Seated from Left to Right

FERNAN VICTOR P. LUKBAN

Lead Independent Director

EILEEN GRACE Z. ARANETA

Independent Director

FRANCES J. YU

Independent Director

MA. PILAR P. LORENZO

Advisor to the Board

RICARDO GABRIEL T. PO

Vice Chairman





BOARD OF DIRECTORS

102-27



CHRISTOPHER T. PO 102-23
Chairman

Christopher T. Po was re-elected as the Company's Chairman on August 16, 2018. He concurrently serves as the Executive Chairman of Century Pacific Food, Inc. (CNPf) and as a Director of Arthaland Corporation (ALCO), a property developer listed on the PSE. Prior to those roles, he was Managing Director for Guggenheim Partners, a U.S. financial services firm, where he was in charge of the firm's Hong Kong office. Previously, he was a Management Consultant at McKinsey and Company working with companies in the Asian region. He also worked as the Head of Corporate Planning for JG Summit Holdings, a Philippine-based conglomerate with interests in food, real estate, telecom, airlines, and retail. He graduated summa cum laude from Wharton School and College of Engineering of the University of Pennsylvania with dual degrees in Economics (finance concentration) and applied science (system engineering) in 1991. He holds a Master degree in Business Administration from the Harvard University Graduate School of Business Administration. He is also a member of the Board of Trustees of WWF-Philippines and is the President of the CPG-RSPo Foundation, the socio-civic arm of CNPF.



RICARDO GABRIEL T. PO
Vice Chairman



Ricardo Gabriel T. Po was re-elected as the Company's Vice Chairman on August 16, 2018. He concurrently serves as a Vice Chairman of CNPF and as a Vice Chairman of ALCO. He was the Executive Vice President and Chief Operations Officer of CNPF from 1990 to 2006 and became the Vice Chairman of its Board of Directors in 2006. He graduated magna cum laude from Boston University with a Bachelor of Science degree in Business Management in 1990. He also completed the Executive Education Program (Owner-President Management Program) at Harvard Business School in 2000.



TEODORO ALEXANDER T. PO
Vice Chairman

Teodoro Alexander T. Po was re-elected as the Company's Vice Chairman on August 16, 2018. He concurrently serves as the Vice Chairman, President, and Chief Executive Officer of CNPF. Since 1990, he has held various positions in CNPF. He graduated summa cum laude from Boston University with a Bachelor of Science degree in Manufacturing Engineering in 1990. He also completed the Executive Education Program (Owner-President Management Program) at Harvard Business School.

AUDIT COMMITTEE**CHAIRPERSON****MEMBER****BOARD RISK OVERSIGHT COMMITTEE****CHAIRPERSON****MEMBER****CORPORATE GOVERNANCE COMMITTEE****CHAIRPERSON****MEMBER****RELATED PARTY TRANSACTION COMMITTEE****CHAIRPERSON****MEMBER****LEONARDO ARTHUR T. PO**
Director & Treasurer

Leonardo Arthur T. Po was re-elected as the Company's Director and Treasurer on August 16, 2018. He concurrently serves as the Director and Treasurer of CNPF and as the Director, Executive Vice President, and Treasurer of ALCO. He graduated magna cum laude from Boston University with a degree in Business Administration and has extensive and solid business development experience in consumer marketing, finance and operations of fast-moving consumer goods (FMCG), foodservice, quick-serve restaurants, and real estate development.

**VICENTE L. GREGORIO**
Director, President & CEO

Vicente L. Gregorio was re-elected as the Company's Director, President, and Chief Executive Officer on August 16, 2018. He concurrently serves as a member of the Board of the Philippine Franchise Association, Cavallino, Inc., Don Bosco Technical College, Bosconian International Chamber of Commerce, and Plan Master Insurance and Financial Services, Inc. He has been the Company's President and CEO since March 2013. He has more than thirty years of experience in the food business, previously serving as Operations Director in various food service companies prior to assuming the position of Executive Vice President and Chief Operations Officer of the Company in February 2003. He graduated from Central Colleges of the Philippines with a Bachelor of Science degree in Electrical Engineering and has earned units from the Business Administration Master's program of the Graduate School of Business at the Ateneo de Manila University.

**FERNAN VICTOR P. LUKBAN**
Lead Independent Director

Fernan Victor P. Lukban was re-elected as the Company's Lead Independent Director on August 16, 2018. He concurrently serves as the Lead Independent Director of CNPF and as a Director of PSE-listed company Central Azucarera de Tarlac, Inc. He is a well-recognized consultant in family business, strategy, entrepreneurship, and governance. He holds undergraduate degrees in Engineering (Industrial Management - Mechanical from De La Salle University, Manila) and graduate degrees in economics (MSc in Industrial Economics from the Center for Research & Communication, now University of Asia & the Pacific) and in business (MBA from IESE Barcelona, Spain). He spent much of his early professional years in academia, helping establish the University of Asia & the Pacific where he currently participates as a consultant, mentor, and guest lecturer. He is a founding fellow of the Institute of Corporate Directors. He also served as an Independent Director of ALCO from 2011 to 2016.



PAULO L. CAMPOS III Independent Director



Paulo L. Campos III was re-elected as the Company's Independent Director on August 16, 2018. He concurrently serves as the Co-Founder and Chief Executive Officer of ZALORA Philippines, having founded the company in late 2011. Prior to ZALORA, he was a management consultant with the Boston Consulting Group in Singapore where he worked with companies across the region on issues related to business development, organizational development, investor communications, and strategy. He holds a Master in Business Administration from Harvard Business School and graduated magna cum laude from Princeton University with a degree from its Woodrow Wilson School of Public and International Affairs. After university, he was employed with Ayala Land, Inc. as a Special Assistant to the President until 2008.



FRANCES J. YU Independent Director



Frances J. Yu was elected as the Company's Independent Director on August 16, 2018. She concurrently serves as an Independent Director of CNPF and as the Chief Retail Strategist of Mansmith and Fielders, Inc., the largest marketing and sales training company in the Philippines. She was previously the Vice President and Business Unit Head of Rustan's Supermarket and the Vice President and Head of Marketing Operations for Rustan's Supercenters, Inc. She founded FJY Consulting, Inc., a corporate marketing and management consulting company which she managed as President. She was also the Vice President and General Manager of a marketing research and consulting firm catering to the top 500 corporations in several sectors. From 2003 to 2005, she served as the Chairperson for the National Retail Conference and Stores Asia Expo (NRCE) Programs Committee of the Philippine Retailers Association. She graduated summa cum laude from Fordham University, New York with a Bachelor of Arts degree in English Literature.



EILEEN GRACE Z. ARANETA Independent Director



Eileen Grace Zshornack-Araneta was elected as the Company's Independent Director on March 5, 2019. She concurrently serves as an Independent Director of CNPF and as a consultant for brand and communications strategy to both multinational and local clients. Her professional experience spans 25 years as a marketing and advertising practitioner, having held senior positions at Unilever Philippines and J. Walter Thompson. At Unilever, she occupied a Southeast Asia regional post as Vice President of Brand Development for Knorr. Prior to this, she was Managing Director for Unilever Foods Philippines handling the Knorr, Lady's Choice, Best Foods, and Lipton brands. She was also Marketing Director for the personal care division with an extensive portfolio of brands such as Sunsilk, Cream Silk, Rexona, Pond's, Dove, Close Up, and Vaseline. Through her involvement with a wide range of brands, she has built up deep expertise in category strategy, consumer insight mining, and brand and advertising development. She is a graduate of the University of the Philippines where she finished her Bachelor of Science degree in Business Economics as magna cum laude.

ADVISORS TO THE BOARD



MA. PILAR P. LORENZO

Ma. Pilar Prieto-Lorenzo is a graduate of Marymount College, New York with a Bachelor of Science degree in Business Administration major in Finance. She served as Vice Chairman of International Family Food Services, Inc. (IFFSI) - now Shakey's Pizza Asia Ventures, Inc. (PIZZA) - until the sale to Century Pacific Group. She currently serves as Chairman of Panda Development Corporation (Dunkin' Donuts franchisee) and is a Director of Cavallino, Inc. (RACKS) and Tencav Corporation (Tenya). She is also a member of the Board of Trustees of The Beacon School.



LEOPOLDO H. PRIETO, JR.

Leo Prieto, Jr. graduated from Georgetown University College of Arts and Sciences with a Bachelor of Arts degree in Economics and International Finance in 1971. He was the Chairman of IFFSI until the sale to Century Pacific Group. He is currently the Chairman of Cavallino, Inc. and Tencav Corporation and is a member of the Board of LLP Enterprises, Inc.

IN MEMORIAM



ENRIQUE A. GOMEZ, JR. APRIL 14, 1952 - NOVEMBER 11, 2018

Enrique A. Gomez, Jr. was first elected as the Company's Director on July 20, 2017, until his passing in 2018. He concurrently served as a Director of CNPF and as Chairman of IdeaForma Asia Pacific Group, Inc., a management consultancy company. He was President of San Miguel Food and Beverage International, Inc. from 2004 to 2005. From 2001 to 2004, he was President of San Miguel Purefoods Company and Chairman/Director of all food group subsidiaries. He was President of La Tondena Distillers, Inc. (now Ginebra San Miguel, Inc.) from March 2000 to April 2001 and also served as San Miguel Packaging Products President and Chairman of all packaging group subsidiaries from June 1998 to February 2000.

Farewell to a great leader and beloved mentor. Thank you for touching our lives.



SENIOR MANAGEMENT

Standing from Left to Right

1 ROLANDO H. BONIFACIO
Guest Engagement
Director

4 GILBERT L. TOLENTINO
Company-Owned Store
Operations Director

7 JENNIFER V. LAPA
Chief Human Resources
Officer

2 JOSE ARNOLD T. ALVERO
Franchise and Business
Development Director

Seated from Left to Right

5 JASMINE E. YU
Digital Acceleration
Director

8 MARIA ELMA C. SANTOS
Human Resources and
Organizational Excellence
Director

3 JORGE MARIA Q. CONCEPCION
SPAVI General Manager

6 ARMIE M. QUINTOS
Finance Director



Standing from Left to Right

9 ALOIS BRIELBECK
In-House Commissary
General Manager

12 MARVIN Q. DA SILVA
Vice President
International Operations

15 GIOVANNA M. VERA
Investor Relations Officer

10 MANUEL T. DEL BARRIO
Vice President & Chief
Finance Officer, Chief Risk
Officer, Chief Information
Officer & Compliance Officer

13 LAURO D. VELASCO, JR.
International Operations
Director

16 MARY JENNIFER S. TAN
Procurement Director

Seated from Left to Right

11 CARMELO A. CABREROS
Information Technology
Director

14 MARIA ROSARIO L. YBANES
Corporate Secretary

CORPORATE GOVERNANCE

102-18

The Company recognizes the importance of good governance in successfully progressing in its sustainability journey and creating greater value for shareholders. We believe that good corporate governance is to span across our entire value chain to ensure the organization operates along the lines of business ethics, complies with rules and regulations, and adheres to fair labor practices as we continue to fulfill our multiple economic, moral, legal, and social obligations towards our stakeholders.

SHAREHOLDERS

Elect / Dismiss

Ratify / Dismiss

BOARD OF DIRECTORS



**Corporate
Governance
Committee**



**Board Risk
Oversight
Committee**



**Related Party
Transaction
Committee**



**Audit
Committee**

Assists

Appoints



**Corporate
Secretary**

Report

- Elect
- Determine Remuneration Parameters
- Supervise and Review

Report



**Independent
Auditor**

Report

Review

Executive Committee & Management Committee

Appoints



**Compliance
Officer**

Report

- Elect
- Determine Remuneration Parameters
- Supervise and Review

Audit



**Internal
Audit**

Audit

Management Teams & Rest of Organization

Ensures compliance

Shareholders

Shareholders are encouraged to actively participate by exercising their rights. Such rights include the following among others:

1 Participating and voting during stockholders' meetings

2 Exercising the appraisal right on instances stated in Section 81 of the Corporation Code

3 Voting and being voted as director or officer of the Company

4 Inspecting records of all the Company's business transactions and minutes of any meeting

5 Receiving dividends declared by the Board of Directors

6 Sharing in the distribution of the Company's remaining assets after its dissolution and liquidation








Shareholder rights can be found in the Company's Manual on Corporate Governance available on the PIZZA website.

Board of Directors

The Board of Directors (the Board) is to act in the best interest of the Company and all its shareholders.

The following are some of the roles and responsibilities of the Board. Further details regarding the Board may be found in the Board Charter available on the Company website.

To the Company

-  Approve the selection and assess the performance of Senior Management and other control functions
-  Attend and actively participate in all meetings of the Board and its respective committees
-  Ensure an effective performance management framework is in place to certify Management and personnel performance are at par with set standards
-  Oversee the development of and approve business objectives and strategies and monitor their implementation
-  Supervise the proper implementation of and compliance to the Code of Business Conduct and Ethics, including standards for professional and ethical behavior for internal and external dealings
-  Assure the Company has an appropriate internal control system, including a mechanism for managing potential conflicts of interest of the Board, Management, and shareholders
-  Make certain there is a sound enterprise risk management framework for key business risks

To Shareholders

-  Encourage active shareholder participation and minimize costs and administrative impediments to said participation
-  Be transparent about and fairly promote shareholder rights, and provide processes and procedures for them to follow
-  Attend and actively participate in all shareholders' meetings
-  Have a formal and transparent board nomination and election policy
-  Establish corporate disclosure policies and procedures to ensure the comprehensive, accurate, reliable, and timely report of relevant and material information, including non-financial information

COMPOSITION OF THE BOARD OF DIRECTORS

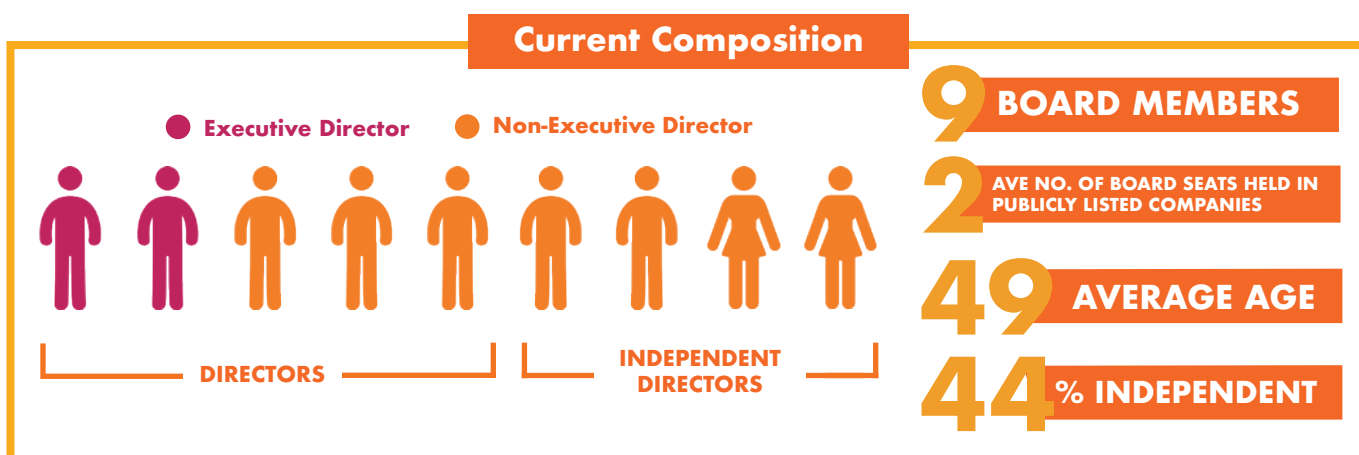
The Board of Directors is to have a collective working expertise that is relevant to the Company's industry or sector.

Majority of the Board should consist of non-executive directors in order to secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

Additionally, at least three or one-third of the Board, whichever is higher, must be independent directors.

This ensures that no director or group of directors can dominate the decision making process, protecting the Company's interest over the interest of individual shareholders.

A lead independent director is designated should the Chairman of the Board not be independent and is authorized to lead the Board in cases where management has clear conflicts of interest.



QUALIFICATIONS

The Board ensures that it has an appropriate mix of competence and expertise. Its members should also remain qualified for their positions individually and collectively in order to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

The qualifications of directors, among others, include:

- College education or equivalent academic degree
- Practical understanding of the business of the Company
- Good standing in the relevant industry, business, or professional organization
- Relevant previous business experience

In addition to the above, non-executive directors can only concurrently serve as directors in a maximum of five publicly listed companies to ensure he or she can allot sufficient time for Company matters.

TRAINING

The Company has set guidelines and procedures concerning the orientation program for first time directors.

Its directors attended corporate governance seminars conducted by the Institute of Corporate Directors (ICD) in August 2018.

SUCCESSION PLAN

The Board ensures that an effective succession planning program for directors and key officers are in place. This is to help secure the continuous growth of the Company.

COMMITTEES OF THE BOARD OF DIRECTORS

102-22

The Board Committees are to support the effective performance of the Board's functions. Their purpose, memberships, structures, and responsibilities are further discussed in the Committee Charters available on the Company website.

Audit Committee

The Audit Committee is tasked to oversee Senior Management in maintaining an effective internal control framework which is able to provide assurance in areas including reporting, monitoring compliance with laws, regulations, and internal policies, and the efficiency and effectiveness of operations.

It ensures that both internal and independent auditors are to have unrestricted access to all records, properties, and personnel to enable them to perform their audit functions

independently from one another. It is composed of at least three non-executive directors, majority of whom, including the Chairman (who should not be Chairman of the Board or of any other committee), should be independent. All must be experienced in the areas of accounting, auditing, and finance.

The Audit Committee meets with the Board at least every quarter without the presence of the Chief Executive Officer or any other member of the management team.

Current Composition

● Non-Executive Director



INDEPENDENT DIRECTORS

Internal Audit

The Audit Committee has an independent Internal Audit function that provides objective assurance and consulting services, monitoring and guiding the implementation of company policies and bringing a systematic approach to evaluating and improving the effectiveness of the Company's governance, risk management, and control functions.

The Committee oversees Internal Audit, recommending the approval of the Internal Audit Charter which contains the function's responsibilities and plans.

It ensures the independence of the Internal Auditor and reviews and monitors Management's

responsiveness to Internal Audit.

Additionally, the Audit Committee periodically meets with the Chief Audit Executive, whose appointment is recommended by the Committee.

Darel G. Pallesco was appointed as the Company's Chief Audit Executive and has 8 years of experience in auditing, compliance, and risk management roles in various companies prior to joining PIZZA in 2014.

Internal Audit is to render an annual report on its responsibilities, activities, and performance relative to the audit plans and strategies approved by the Audit Committee.

It is also to provide a statement declaring whether it is compliant with the International Standards for the Professional Practice of Internal Auditing.

Internal Audit assists the Audit Committee to ensure

- Reliability and integrity of financial and operating information
- Compliance with policies, plans, procedures, laws, and regulations
- Safeguard of assets
- Resources are economically and efficiently used
- Results of operations and programs are consistent with established objectives, goals, and plans

External Audit

The Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the independent auditor. It should be alerted for any situation that may potentially rise due to conflicts of interest which could impair the independent auditor's objectivity.

SyCip Gorres Velayo & Co. was re-appointed as the Company's

independent auditor for 2018 during the Annual Stockholders' Meeting last August 16, 2018, with Maria Pilar B. Hernandez as the engagement partner. It is to assess the Company's audited financial statements and provide its judgment on the compliance of said statements with the Philippine Financial Reporting Standards.

The Audit Committee met with the

Independent Auditor in 2017 without the presence of anyone from the Management team.

In 2018, SyCip Gorres Velayo & Co. was paid PHP2.37 million for their audit services. SyCip Gorres Velayo & Co. is a member firm of Ernst & Young.

2 Board Risk Oversight Committee

The Board Risk Oversight Committee is to oversee the Company's enterprise risk management system to ensure its functionality and effectiveness. Its responsibility is to supervise Management's activities in managing credit, market liquidity, and operational, legal, and other risk exposures.

It comprises of at least three members, of whom majority

are independent, including the Chairman (who should not be Chairman of the Board or of any other committee). At least one member should be knowledgeable in risk and risk management.

The Committee should always have clear communication with the Chief Risk Officer. Manuel T. Del Barrio, the Company's Chief Finance Officer, was appointed as Chief Risk Officer.

Current Composition

● Non-Executive Director



└ INDEPENDENT DIRECTORS ┘

3 Corporate Governance Committee

102-24

The Corporate Governance Committee is responsible for ensuring the Company's compliance with corporate governance principles and practices. It periodically reviews the Company's corporate governance framework to ensure it remains appropriate given material changes in the corporation's size, complexity, strategy, and business and regulatory environments.

The Committee is also to function as a Nomination and Remuneration Committee, determining the nomination and election process and establishing a formal and transparent procedure in developing a policy for determining remuneration.

It composes of at least three members, all of whom should be independent, including the Chairman.

Current Composition

● Non-Executive Director



└ INDEPENDENT DIRECTORS ┘

4 Related Party Transaction Committee

The Related Party Transactions Committee is tasked to review all material related party transactions of the Company. It also informs regulating and supervising authorities relating to the Company's related party transaction exposures and ensure appropriate disclosures are accomplished.

The Committee is comprised of at least three non-executive directors, two of whom should be independent, including the Chairman.

Current Composition

● Non-Executive Director



└ INDEPENDENT DIRECTORS ┘

Corporate Secretary

The Corporate Secretary is to keep abreast of relevant laws, regulations, governance issuances, industry developments, and operations of the Company and advise the Board on all relevant issues as they arise.

Atty. Maria Rosario L. Ybañez was appointed as the Company's Corporate Secretary on May 23, 2018, and has been involved in the practice of corporate, civil, criminal, labor, and intellectual property law since 2001. She attended her training on corporate governance conducted by the ICD in August 2018.

Compliance Officer

The Compliance Officer is responsible for determining and measuring the Company's adherence with its Manual on Corporate Governance, relevant laws, the Code of Corporate Governance for publicly listed companies, SEC rules and regulations, and all governance issuances of regulatory agencies.

Manuel T. Del Barrio, the Company's Chief Finance Officer, was appointed as Compliance Officer. He attended his training on corporate governance conducted by the ICD in August 2018.

Executive Team

102-26

The Executive Team, along with the rest of the Management team, answers to the Board of Directors and is responsible for the operations and performance of the Company. It concretizes the Company's objectives and targets by executing its strategies and attaining set targets. The Team is spearheaded by the Chief Executive Officer (CEO).

The positions of CEO and Chairman of the Board are held by separate individuals. Their roles in the organization are distinguished below:

Chief Executive Officer

- Supervise, monitor, and control operational activities and performance
- Oversee operational alignment and operating structures
- Determine the Company's strategic direction and implement its short- and long-term strategic plans
- Oversee operations and all day-to-day management decisions of the Company
- Manage the Company's resources prudently
- Serve as the link between internal and external stakeholders and provide stockholders with a balanced and comprehensible assessment of the Company's performance, position, and prospects

Chairman of the Board

- Maintain qualitative and timely lines of communication and information between the Board and Management
- Preside Board meetings and ensure its focus on the Company's overall risk appetite, key governance concerns, and contentious issues that will significantly affect operations
- Focus on long-term goals and important strategic moves
- Evaluate performance of high-level executives

Rest of the Organization

The rest of the organization completes the Company and supports its strategies in order to achieve its ever- growing targets. With competent professionals who embody the core values, PIZZA is able to fulfill its purpose of providing great times and great memories... always! As such, attracting, developing, and retaining talent across the organization is of key importance.

PIZZA sets high standards for itself with its WOW philosophy and performance goal of being better than before, better than others, and better than expected. It is an organization with a culture anchored on guest centricity, understanding and respect, excellence, sense of ownership, trustworthiness, strategic thinking, and tenacity. As such, PIZZA sees the importance of investing in its people.

PIZZA continuously strives to boost the entrepreneurial spirit of its people through its Think Guest Program. Its rewards philosophy is to "Pay for Performance" and ensure that high performers are recognized and differentiated from the rest. The Company wants its expansion program to spur the career growth of its people, making sure it retains those who share the same passion for excellence and demonstrate grit in order to sustain PIZZA's edge in the industry.

The Company's policies also promote compliance with government regulations on health and safety, while employee welfare policies are designed to help employees achieve work-life balance. It also believes in providing opportunities to people with disabilities and working hand-in-hand with local communities through special recruitment projects.



CODE OF BUSINESS CONDUCT AND ETHICS

102-17

205-2

The Company's policies on the following business conduct and ethics affecting the directors, senior management, and employees are discussed below:

CONFLICT OF INTEREST

102-25

All employees, irrespective of rank, should always act for the best interest of the Company. All conflict of interest shall be avoided and prohibited. In the event that such will occur, disclosure must be done to the immediate supervisor or human resources head.

CONDUCT OF BUSINESS AND FAIR DEALINGS

206-1

Business is dictated by free competition - no monopoly and no price manipulation. Price is dictated by supply and demand. Employees are required to comply with fair trade practices.

RECEIPT OF GIFTS FROM THIRD PARTIES

All employees are prohibited from accepting gifts based on the no gift policy of the Company.

RESPECT FOR TRADE SECRETS AND USE OF NON-PUBLIC INFORMATION

All employees are required to sign and adhere to a confidentiality agreement. All employees are prohibited from disclosing or using to their own advantage any non-public information.

COMPLIANCE WITH LAWS AND REGULATIONS

All employees, in the conduct of business, are obliged to comply with all relevant laws and regulations.

USE OF COMPANY FUNDS, ASSETS, AND INFORMATION

All employees are required to act as responsible custodians of all company funds, assets, and information. As such, all are required to protect and preserve company assets.

EMPLOYMENT AND LABOR LAWS AND POLICIES

The Company complies with all existing employment and labor laws and policies.

CONFLICT RESOLUTION

The Company provides a work environment that is conducive to friendly resolution of disagreement. Superiors should promote amicable settlement of conflicts.

WHISTLE BLOWER

The Company has a whistle blower policy that provides an avenue for employees to report misconduct of fellow employees, including their superiors, while protecting the employee's identity and welfare.

REPORTING OF PERSONAL TRANSACTIONS

All controlling shareholders, directors, and executive officers must report any of their dealings in the Company's shares as well as changes in their beneficial shareholdings in the Company to the Compliance Officer.

INSIDER TRADING

The Company's insider trading policy states that all managers and up are strictly prohibited from buying or selling PIZZA shares for five trading days prior to the release of and up to three trading days after the disclosure of reports containing material information.

Notices of said trading blackouts are issued to covered persons by e-mail.

Said persons are required to report these transactions within three business days from the transaction date, after which the Compliance Officer will promptly disclose according to relevant rules and regulations the buy or sell details to the Philippine Stock Exchange and Securities and Exchange Commission.

DISCIPLINARY ACTION

Disciplinary actions are meted only after due process. The Company has a Code of Conduct that serves as a guide for the employees' behavior.

RISK MANAGEMENT

102-15

102-30

205-1

RISKS IN SAME-STORE SALES GROWTH

We operate in highly competitive markets.

The Philippine food service industry in general is highly competitive with relatively low barriers to entry. As such, many well-established food service businesses compete directly and indirectly with us. We generally compete with national, regional, and local- ly-owned full-service and casual din- ing stores that offer dine-in, carry-out, delivery, and catering services. These segments are highly competitive with respect to, among other things, location, managing and meeting human resources requirements, taste, price, raw materials, food quality and pre- sentation, service, brand awareness and loyalty, and the ambience and condition of each store.

Damage to our reputation and the Shakey's brand, and negative publicity to our stores, could negatively impact our business.

Any incident that erodes consumer affinity for our brand could significant- ly reduce its value and damage our business. We may be adversely affect- ed by news reports or other negative publicity regardless of their accuracy regarding food quality issues, public health concerns, illness, safety, inju- ry, customer complaints or litigation, health inspection scores, integrity of ours or our suppliers' food processing, employee relationships or govern- ment or industry findings concerning our stores, or stores operated by other food service providers or others across the food industry supply chain. Finally, there has been a marked increase in the use of social media platforms and similar devices, making the availability of information virtually immediate as is its impact.

Our growth is dependent, in part, upon our ability to maintain and enhance the value of our brand, consumers' connection to our brand, and positive relationships with our franchisees. We believe we have built our reputation on the high quality of our food, service, and staff as well as on our culture and the ambience in our stores thanks to tried and

tested operational systems that cover all aspects of food safety and quality as well as guest service and hospitality.

We must protect, invest, and grow the value of our brand to continue building barriers to entry in this highly competitive industry. Our ability to successfully compete in our markets depends as well on our ability to maintain low-cost operations, al- lowing us to provide value-for-mon- ey options to our guests and further enhance their loyalty via promotions, meal bundles, and loyalty programs, among others.

RISKS IN INCREASING STORE NETWORK

Our growth is highly dependent on our ability to open new stores, maintain our existing store net- work, and select strategically locat- ed sites for our store branches.

One of the key means of achieving our growth strategy will be through opening new stores, both compa- ny-owned and franchised, maintain- ing our existing network of stores (in- cluding successfully relocating these stores when necessary), and operat- ing those stores on a profitable basis. We may not be able to open stores as quickly as planned. In the past, we have experienced delays in open- ing some stores due to construction delays and delays in obtaining local permits which could happen again in future store openings. Delays or fail- ure in opening stores could materially and adversely affect our growth strat- egy and our business, financial condition, and results of operations.

In addition, one of our biggest chal- lenges is locating and securing an adequate supply of suitable store sites in our target markets. Competi- tion for those sites is intense among other store and retail operators, and there is no guarantee that a sufficient number of suitable sites will be avail- able in desirable areas or on terms that are acceptable to us in order to achieve our growth plan.

Opening new stores in existing markets may negatively affect sales at our existing stores.

The opening of a new store in or near markets in which we already have stores could adversely affect sales at these existing stores. Existing stores could also make it more difficult to build our guest base for a new store in the same market. Sales cannibal- ization between stores, which could affect our sales growth as we contin- ue to expand our operations, could adversely affect our business, finan- cial condition, and results of operations.

Our ability to open new stores and maintain our existing store network also depends on using our brand strength and proven track record to negotiate new leases or renew existing leases at acceptable or favorable terms. We also ensure that we have identified, hired, and trained qualified em- ployees for each site from the devel- opment of the store to construction and to the eventual opening and op- erational execution.

In particularly competitive markets, managing construction and develop- ment costs of stores is key. There are instances where unavoidable delays and overruns will occur due to de- lays by landlords in delivering leased premises to us, unforeseen engineering or environmental problems, trouble securing required government approvals and licenses, inclement weather, natural disasters, and other calamities. In these cases, we man- age the overall system growth rate by ensuring we have a number of back- up sites and sufficient funds from op- erations to finance any incremental costs.

Our primary business strategy does not entail opening new stores that we believe may materially affect the sales at our existing stores, a large por- tion of our stores is still concentrat- ed in the greater Metro Manila area. There are still many opportunities to expand beyond the usual first-tier cities. Moreover, we may selectively open new stores in or around areas of existing stores operating at or near capacity to effectively serve our guests and create a better dining

and delivery experience. This, in the long run, is beneficial to the brand and to the continued increase in sales.

RISKS IN MAINTAINING PROFITABILITY

Changes in food and supply costs and availability could adversely affect our results of operations.

Our food distributors and suppliers may be affected by higher costs to produce and transport commodities used in our stores, higher minimum wage and benefit costs, and other expenses that they pass through to their customers which could result in higher costs for goods and services supplied to us. We may not be able to anticipate and react to changing food costs through our purchasing practices and menu price adjustments in the future. As a result, any increase in the prices charged by suppliers would increase the food costs for our company-owned stores and for our franchise owners and could adversely impact profitability.

We rely on key suppliers for certain raw materials and the failure of those suppliers to adhere to and perform contractual obligations may adversely affect our business.

We rely on key suppliers for certain raw materials. Any material interruptions in our supply chain, including failure or delays in delivery, such as a material interruption of ingredient supply due to the failure of third-party distributors or suppliers or interruptions in service by common carriers that ship goods within our distribution channels, may result in significant cost increases and reduce store sales.

Our profitability and operating margins are dependent, in part, on our ability to anticipate and react to changes in food and beverage costs, particularly the costs of key ingredients such as cheese, chicken, and potatoes. We religiously monitor prices as well as the supply and demand situation of the raw material to ensure we are adequately covered at reasonable prices. We also maintain a network of alternative distributors or suppliers who can provide contingent

supply on a timely basis. Moreover, we work closely with key third-party service providers to monitor their adherence to and performance of contractual obligations.

In addition, we may choose to pass along commodity price increases to our guests as long as we continue to provide them value for their money and a high-level dining experience relative to peers at the same price point.

RISKS IN FRANCHISING

Our results of operations and growth strategy depend, in part, on the success of our franchisees, and we are subject to various additional risks associated with our franchise owners.

Franchisees are independent contractors and are not our employees, and we do not exercise control over their day-to-day operations. A portion of our revenues comes from royalties and sales of raw materials and supplies and equipment to our franchisees which we expect to continue in the future. Accordingly, we are reliant on the performance of our franchise owners in successfully opening and operating their stores and paying royalties to us on a timely basis.

If we fail to identify, recruit, and contract with a sufficient number of qualified franchise owners, our ability to open new franchised stores and increase our revenues could be materially adversely affected.

The opening of additional franchised stores depends, in part, upon the availability of prospective franchise owners who meet our criteria. We may not be able to identify, recruit, or contract with suitable franchise owners in our target markets on a timely basis or at all. In addition, our franchise owners may not have access to the financial or management resources that they need to open the stores contemplated by their agreements with us; or they may elect to cease store development for other reasons. If we are unable to recruit suitable franchise owners or if franchise owners are unable or unwilling to open new stores as planned, our growth may be slower than anticipated which could

materially adversely affect our ability to increase our revenues, our business, financial condition, and results of operations.

We provide training and support to franchisees and oversee the quality of franchised store operations via a network of area business managers whose performance metrics are also tied to the performance of franchisees within their scope.

The strength of our brand and the industry-leading economics of our stores afford us a wide array of interested franchisees. Moreover, many of our franchise owners operate more than one store; so our growth strategy includes tapping the significant number of existing franchise owners who are interested in increasing their own network.

In selecting our franchisees, we ensure that they have the business acumen and financial resources necessary to operate successful franchises in their franchise areas in a manner consistent with our standards and requirements and that they will hire and train qualified managers and other store personnel. Our franchise agreement also adequately covers situations wherein franchisees do not meet our standards and requirements and any other disputes when they may arise.

INVESTOR RELATIONS PROGRAM

Maintaining open communications and credibility with various stakeholders is a priority of Shakey's Pizza Asia Ventures, Inc. (PIZZA).

Why We Engage

The primary objectives of PIZZA's Investor Relations (IR) team are:

- to build a full and fair valuation of the security's price in order to reduce cost of capital and create value for shareholders
- to ensure the Company's continued access to capital markets in order to provide the necessary support for long-term growth

How We Engage

The IR team meets its objectives through various activities that revolve around:

- facilitating effective two-way communication between the Company and the financial community
- building confidence in the Company's strategic plans and gaining trust in the management team's ability to execute them

The IR team is the financial market's main point of contact.

It provides the appropriate information to investors and analysts in a manner that is timely and easy to understand. Said communication program is meant to be clear and consistent, focusing on the key metrics that drive business performance. It facilitates as well all required disclosures to the regulatory authorities, primarily the Philippine Stock Exchange and the Securities and Exchange Commission.

As a trusted source of information, it prides itself in freeing up C-suite time, allowing them greater flexibility to focus on operating and building the business.

The primary subject of IR communication is the Company's ability to create shareholder value.

It focuses primarily on conveying management's long-term vision and the many interim key milestones necessary to achieve these goals.

Through this exercise, it hopes to build the trust and confidence of long-term shareholders whose objectives most closely align with that of the Company's.

Analysts and investors are also valuable sources of feedback on both the IR program and broader corporate strategy.

The IR team actively engages third parties to comment on the quality of its work and for their views and expectations of the Company.

Building these productive relationships with financial market participants provide valuable insights that may help support the Company's fundamentals. It uses this information flow as an opportunity to obtain new ideas and identify global practices, analyzing them then sharing these with the management team when appropriate.

PIZZA iR

CONTACT INFORMATION

Giovanna M. Vera
Head of Investor Relations
investorrelations@shakeys.biz



**AWARDED
PHILIPPINES'
BEST SMALL CAP
COMPANY**
by Finance Asia in 2018



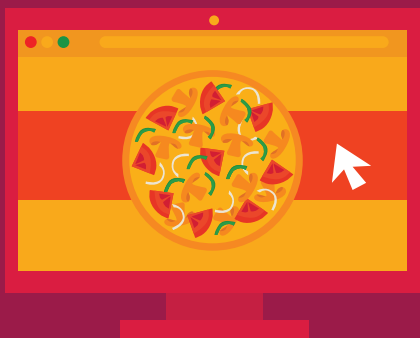
**NOMINATED BEST IPO LOCAL
SMALL INVESTOR PROGRAM**
by the PSE Bell Awards for
Excellence in Corporate Governance in
2017

2018 HIGHLIGHTS

1 INVESTOR COMISSARY VISIT



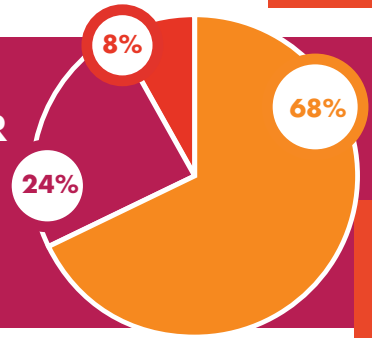
WELCOMING ANNUAL GENERAL MEETING



CORPORATE WEBSITE

204 TOTAL NUMBER OF INVESTOR MEETINGS

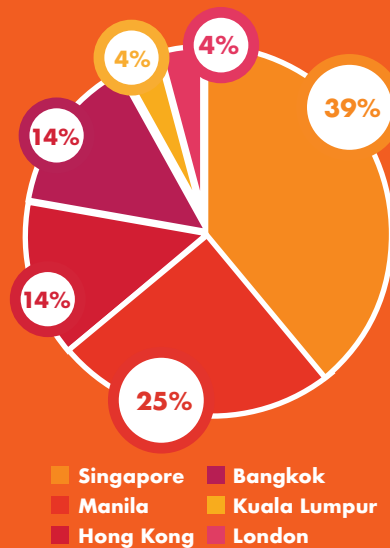
Investor Conference Company Visit Call



INVESTOR RELATIONS PROGRAM

15 AVERAGE NUMBER OF MEETINGS PER CONFERENCE

Regional Breakdown of Attended Conference



CONFERENCE CALLS ON QUARTERLY FINANCIAL RESULTS

May 11

First Quarter 2018 Earnings Call

Aug 7

First Half 2018 Earnings Call

Nov 12

First Nine Months 2018 Earnings Call

GLOSSY ANNUAL REPORT



ATTAINMENT OF SELL-SIDE COVERAGE FROM BROKERAGE

INSTITUTION	ANALYST
AB Capital Sec	Edgar Lay
BDO Nomura	Angelo Torres
BPI Jefferies	Javier Consunji
Citi	Patricia Tamase
CLSA	Joyce Ramos
COL Financial	Andy Dela Cruz
Credit Suisse	Hazel Tanedo
Deutsche Bank	Carissa Mangubat
Macquarie	Karisa Magpayo
Regina Capital	Paola Lopez
Unicapital Sec	Wendy Estacio

7 PRESS RELEASES

STOCK HIGHLIGHTS

102-5

Stock Exchange

Shakey's Pizza Asia Ventures, Inc. is listed on the Philippine Stock Exchange (PSE) with the ticker symbol "PIZZA." The stock has no foreign ownership limit and a minimum board lot of 100 shares. Its Initial Public Offering (IPO) was held on December 15, 2016.

Dividend History

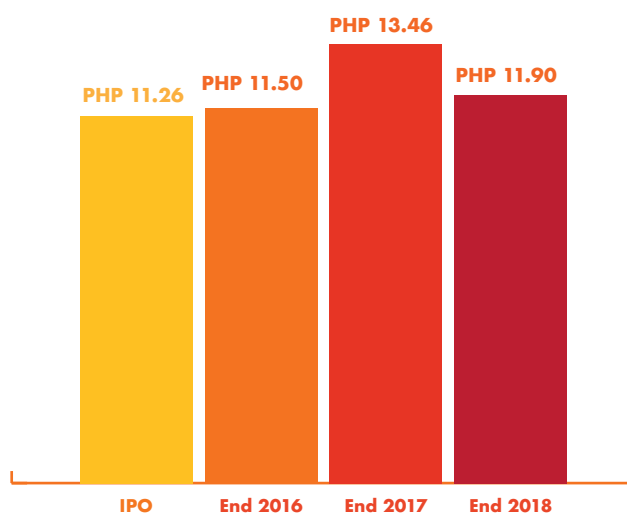


Prior to the above dividends, PIZZA paid out quarterly cash dividends to its shareholders as a private company. Its Board of Directors approved on December 31, 2015, and June 30, 2016, the quarterly and special cash dividend declaration of PHP150.4 million and PHP986.9 million respectively.

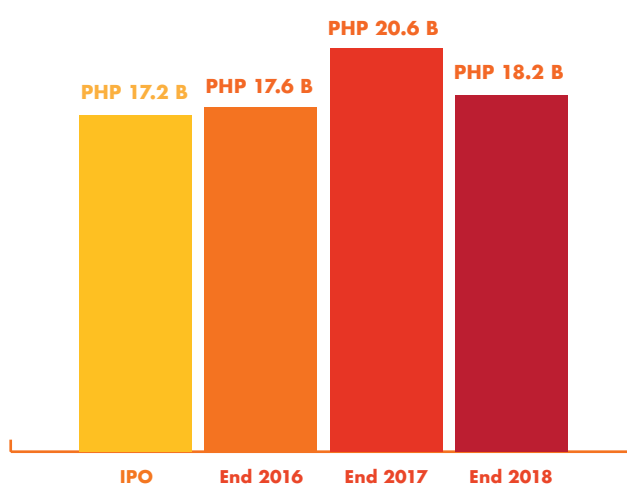
* Of previous year's recurring net income

Stock Performance

Stock Price



Market Capitalization



-11.6%

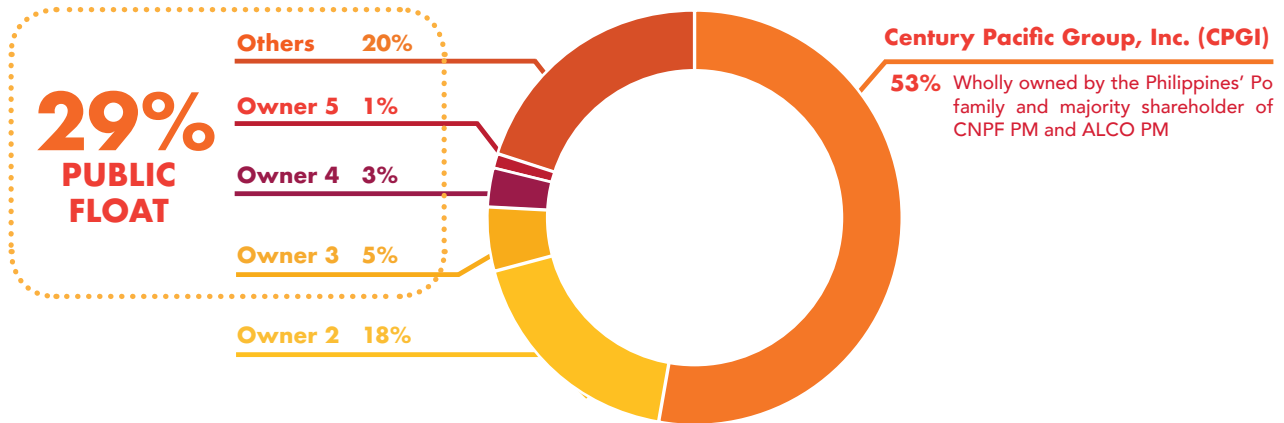
Growth
Year-on-Year

+5.7%

Increase
since IPO



Shareholders



Annual Stockholders' Meeting

PIZZA's Annual Stockholders' Meeting is held every June 20th.



Information Disclosures

PIZZA files and discloses information in compliance with the requisites put forward by the Philippines Securities and Exchange Commission and the PSE.

Such information are immediately made public via the Company's corporate website and its official PSE online portal page as follows:



www.shakeyspizza.ph



http://edge.pse.com.ph/companyInformation/form.do?cmpy_id=664



Share Capital

PIZZA's authorized capital as of end 2018 was PHP2 billion composed of 2 billion common shares with a PHP1.00 par value. As of the same period, there were **1,531,321,053** listed, issued, and outstanding shares.

The market capitalization of the Company's common shares as of end of 2018, based on the closing price of **PHP11.90** per share, was **PHP18,222,720,530.70**.



MANAGEMENT'S DISCUSSION AND ANALYSIS

102-45

Consolidated Statements of Financial Position

PIZZA had consolidated total assets of PHP9.63 billion as of December 31, 2018, an increase versus 2017 total assets. This is primarily attributable to the increase in cash and cash equivalents and property and equipment. Consolidated net property, plant, and equipment was PHP1.71 billion as of year-end 2018. Capital expenditures for the year reached PHP434 million, which were invested in the building of new stores and improvements in the corporate office and commissary.

Total equity increased to PHP4.57 billion from PHP3.97 billion at the end of 2017 driven primarily by the Company's generated net income during the year. Book value per share (BVPS) increased by 15% to PHP2.98 compared to PHP2.60 as of end 2017.

Meanwhile, total liabilities declined to PHP5.06 billion from PHP5.13 billion following the 20% decrease in accounts payable and other current liabilities for the full-year 2018 to PHP800 million. Prior to the IPO in 2016, a PHP5.0 billion acquisition loan was lodged into the Company as part of the acquisition strategy of CPGI and the sovereign wealth fund of Singapore to acquire the in-house commissary which supplies the raw materials and baked goods to the Company, as well as the trademark companies that hold the rights and trademarks of the Shakey's brand. Post-IPO, the Company was able to raise approximately PHP1.1 billion, of which approximately PHP1.0 billion was used to prepay the loan on January 3, 2017. As of end 2018, total interest-bearing debt stood at PHP3.9 billion.

The Company's return on equity for full-year 2018 remained robust at 19.7%. Net debt-to-equity ratio stood at 1.01x as of end 2018. This is slightly lower versus 1.23x as of the year before. Considering only interest-bearing liabilities, net gearing ratio is at 0.76x as of end 2018.

Consolidated Statements of Comprehensive Income

System-wide sales, which comprises sales from both company-owned and franchise stores, increased by 12% from PHP8.35 billion to PHP9.36 billion as of end 2018. This was driven by healthy same-store sales growth of 4% and successful store network expansion of 20 net new stores in 2018. Same-store sales refer to sales generated from stores that have operated for at least fifteen months and exclude sales from new stores.

Consolidated net revenues, composed of sales from company-owned stores, franchise and royalty fees from franchisees, and revenues from wholly-owned subsidiaries, reached PHP7.58 billion, surging by 8% from reported revenues of PHP7.00 billion for the twelve months ending December 31, 2017. Likewise, this brings the Company's three-year compounded annual revenue growth rate to 13% since 2015.

For the year ending 2018, consolidated cost of sales grew by 9% from PHP4.94 billion in 2017 to PHP5.40 billion, rising slightly faster than the 8% growth in consolidated net revenues. Consolidated cost of sales is mainly composed of raw material and packaging costs, direct labor costs, and store-related costs including rent, utilities, etc. The accelerated increase in cost of goods was due to elevated commodity prices and raw material costs relative to the previous year.

As a result, consolidated gross profit amounted to PHP2.18 billion for the full-year 2018, surging by 5% from PHP2.07 billion. This yielded a gross profit margin of 29% as the Company executed inventory-buying strategies and implemented price increases.

Consolidated operating income reached PHP1.21 billion in 2018, rising by 4% from PHP1.16 billion in 2017. The growth is attributed to sustained synergies between the Company and its majority shareholder, CPGI, such as economies of scale in purchasing common materials, media buying, and lowered logistics costs as both companies use the same warehouse and cold storage facility.

Interest expense of PHP189 million was recorded for the twelve months ending December 31, 2018. This amount pertains to interest on the PHP3.9 billion remaining of the acquisition loan used to acquire the wholly-owned subsidiaries.

All in all, consolidated net income after tax reached PHP841 million, yielding a net income margin of 11%. This is an increase of 10% versus the 2017 recorded net income after tax of PHP762 million. The Company has sustained a three-year compounded annual net income growth rate of 21% since 2015.

Consolidated Statements of Cash Flows

Consolidated net cash provided by operating activities amounted to PHP921 million for the full-year 2018, lower than the previous year's PHP972 million. The decrease is primarily attributable to the increase in working capital. Consolidated net cash used in investing activities was PHP349 million. This is mainly due to the acquisition of property and equipment. Consolidated net cash used by financial activities was PHP385 million in 2018 primarily due to interest payments. All in all, net cash generated for the year totaled PHP189 million, leading to cash and cash equivalents balance of PHP434 million at year-end 2018.

The Company's cash conversion cycle increased to positive 3 days, a contraction compared to the previous year's negative 21 days but nonetheless within the reasonable range. Inventory days jumped to 40 days and receivable days decreased to 24 days, while payable days was reduced to 62 days.



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Shakey's Pizza Asia Ventures Inc. and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein as at December 31, 2018 and 2017, and each of the three years in the period ended December 31, 2018, in accordance with the Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein and submits the same to the stockholders or members.

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

Christopher T. Po
Chairman of the Board

Vicente L. Gregorio
President & Chief Executive Officer

Manuel T. Del Barrio
Vice President & Chief Financial Officer

Signed this 10th day of April 2019.



SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Shakey's Pizza Asia Ventures Inc.
15Km East Service Road corner Marian Road 2
Barangay San Martin de Porres, Parañaque City 1700

Opinion

We have audited the consolidated financial statements of Shakey's Pizza Asia Ventures Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Impairment Assessment of Goodwill and Trademarks

Under PFRS, the Group is required to annually test the amount of goodwill and trademarks for impairment. As at December 31, 2018, the Group's goodwill, mainly arising from its acquisition of the dough manufacturing business in the Philippines, amounting to P1,078.6 million and trademarks amounting to P4,987.1 million, are considered significant to the consolidated financial statements since these account for 63% of the Group's total assets. In addition, management's assessment requires significant judgment and is based on assumptions, specifically forecasted long-term revenue growth rate, operating expenses, gross margin and discount rate, which are affected by expected future market or economic conditions. The Group's disclosures about goodwill and trademarks are included in Notes 5 and 6 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's impairment assessment process and related controls. We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include forecasted long-term revenue growth rate, operating expenses, gross margin and discount rate. We compared the key assumptions used, such as forecasted long-term revenue growth rate, operating expenses and gross margin against the historical performance of the cash generating units (CGU) and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosure about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and trademarks with indefinite life.

Adoption of PFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under the modified retrospective approach. The adoption of PFRS 15 resulted in significant changes in the Group's revenue recognition policies, processes, and procedures. The Group recorded transition adjustments that decreased the retained earnings as of January 1, 2018 by P115.3 million. The adoption of PFRS 15 is significant to our audit because this involves application of significant management judgment and estimation in the: (1) assessment whether all promises in the franchise contracts meet the definition of distinct performance obligations; (2) determination of the transaction price and significant financing component of the franchise contracts; (3) determination of the stand-alone selling price of the sale of goods and service; and (4) assessment of the timing of revenue recognition.

The disclosures related to the adoption of PFRS 15 are included in Note 3 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's process in implementing the new revenue recognition standard, including revenue streams identification and scoping. We reviewed the memorandum of PFRS 15 adoption and accounting policies prepared by management.

For significant revenue streams, we obtained sample contracts and reviewed whether the accounting policies appropriately complied with the five-step model and cost requirements of PFRS 15.



In relation to initial franchise fees, we reviewed sample franchise contracts focusing on the identification of the performance obligations, determination of the transaction price, allocation of the transaction price to the performance obligations and the timing of revenue recognition. We reviewed management's assessment on whether the activities being performed prior to franchise store opening are distinct performance obligations. For the transaction price, we checked the calculation of the significant financing component and compared the interest rates used in the calculation against published reference rates of the Bankers Association of the Philippines, adjusted using the Group's credit spread.

For each revenue stream, we checked whether the Group's timing of revenue recognition is based on when the performance occurs and control of the related goods or services is transferred to the customer. We also reviewed the transition adjustment calculation of the management and the related disclosures.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 17-A for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to date of this auditor's report, and the SEC Form 20 IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2018 which are expected to be made available to us after that date.

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

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

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

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

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

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

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



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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.



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

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

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

SYCIP GORRES VELAYO & CO.

Maria Pilar B. Hernandez

Partner

CPA Certificate No. 105007

SEC Accreditation No. 1558-AR-1 (Group A),
February 26, 2019, valid until February 25, 2022

Tax Identification No. 214-318-972

BIR Accreditation No. 08-001998-116-2019,
January 28, 2019, valid until January 27, 2022

PTR No. 7332559, January 3, 2019, Makati City

April 10, 2019

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	P433,777,621	P244,994,340
Trade and other receivables	508,494,649	586,496,825
Inventories	597,145,719	362,206,579
Prepaid expenses and other current assets	70,903,767	61,438,393
Total Current Assets	1,610,321,756	1,255,136,137
Noncurrent Assets		
Property and equipment	1,711,899,346	1,538,385,394
Goodwill	1,078,606,020	1,078,606,020
Trademarks	4,987,109,602	4,987,109,602
Pension asset	13,666,188	–
Deferred input value-added tax	63,451,832	95,666,175
Deferred tax assets	31,044,664	25,100,727
Rental and other noncurrent assets	137,079,814	128,843,614
Total Noncurrent Assets	8,022,857,466	7,853,711,532
TOTAL ASSETS	P9,633,179,222	P9,108,847,669
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	P799,504,485	P1,005,167,485
Current portion of loans payable	48,449,757	48,411,689
Current portion of contract liabilities	19,285,813	–
Income tax payable	100,558,936	59,139,697
Total Current Liabilities	967,798,991	1,112,718,871
Noncurrent Liabilities		
Loans payable - net of current portion	3,836,966,162	3,885,420,461
Accrued pension costs	–	25,134,979
Accrued rent	101,853,055	76,181,330
Contract liabilities - net of current portion	93,314,414	–
Dealers' deposits and other noncurrent liabilities	63,425,467	35,150,922
Total Noncurrent Liabilities	4,095,559,098	4,021,887,692
Total Liabilities	5,063,358,089	5,134,606,563
Equity		
Capital stock	1,531,321,053	1,531,321,053
Additional paid-in capital	1,353,554,797	1,353,554,797
Retained earnings	1,668,017,627	1,095,525,015
Other components of equity	16,927,656	(6,159,759)
Total Equity	4,569,821,133	3,974,241,106
TOTAL LIABILITIES AND EQUITY	P9,633,179,222	P9,108,847,669

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
REVENUES			
Revenue from contract with customers	P7,578,718,618	P-	P-
Net sales	–	6,750,949,174	5,738,977,478
Royalty and franchise fees	–	252,863,907	206,631,050
	7,578,718,618	7,003,813,081	5,945,608,528
COSTS OF SALES	(5,399,319,411)	(4,937,716,670)	(4,158,600,507)
GROSS INCOME	2,179,399,207	2,066,096,411	1,787,008,021
GENERAL AND ADMINISTRATIVE EXPENSES	(973,225,277)	(905,415,529)	(984,652,184)
INTEREST EXPENSE	(188,515,123)	(177,304,646)	(128,490,292)
OTHER INCOME - NET	64,578,557	38,807,186	262,353,688
INCOME BEFORE INCOME TAX	1,082,237,364	1,022,183,422	936,219,233
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current	257,160,480	258,100,841	184,883,829
Deferred	(15,838,544)	1,939,257	(7,849,801)
	241,321,936	260,040,098	177,034,028
NET INCOME	840,915,428	762,143,324	759,185,205
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Disposal of AFS investments	–	(534,464)	2,888,071
Unrealized gain on changes in fair value of AFS investments	–	–	534,464
	–	(534,464)	3,422,535
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods (net of tax) -			
Actuarial gain on defined benefit obligation	32,982,022	9,553,179	4,878,542
Tax effect	(9,894,607)	(2,865,953)	(996,977)
	23,087,415	6,687,226	3,881,565
TOTAL OTHER COMPREHENSIVE INCOME	23,087,415	6,152,762	7,304,100
TOTAL COMPREHENSIVE INCOME	P864,002,843	P768,296,086	P766,489,305
Basic/Diluted Earnings Per Share	P0.55	P0.50	P0.88

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Other Components of Equity		
				Unrealized Gain (Loss) on Changes in Fair Value of AFS Investments	Cumulative Actuarial Loss -Net of Tax	Total
Balances at January 1, 2018	P1,531,321,053	P1,353,554,797	P1,095,525,015	P-	(P6,159,759)	P3,974,241,106
Effect of adoption of new accounting standards	-	-	(115,290,711)	-	-	(115,290,711)
Balances at January 1, 2018, as restated	1,531,321,053	1,353,554,797	980,234,304	-	(6,159,759)	3,858,950,395
Total comprehensive income	-	-	840,915,428	-	23,087,415	864,002,843
Cash dividends	-	-	(153,132,105)	-	-	(153,132,105)
Balances at December 31, 2018	P1,531,321,053	P1,353,554,797	P1,668,017,627	P-	P16,927,656	P4,569,821,133
Balances at January 1, 2017	P1,531,321,053	P1,353,554,797	P486,513,796	P534,464	(P12,846,985)	P3,359,077,125
Total comprehensive income (loss)	-	-	762,143,324	(534,464)	6,687,226	768,296,086
Cash dividends	-	-	(153,132,105)	-	-	(153,132,105)
Balances at December 31, 2017	P1,531,321,053	P1,353,554,797	P1,095,525,015	P-	(P6,159,759)	P3,974,241,106
Balances at January 1, 2016	P768,614,050	P-	P829,245,434	(P2,888,071)	(P16,728,550)	P1,578,242,863
Proceeds from issuance of capital stock	762,707,003	1,353,554,797	-	-	-	2,116,261,800
Total comprehensive income	-	-	759,185,205	3,422,535	3,881,565	766,489,305
Cash dividends	-	-	(1,101,916,843)	-	-	(1,101,916,843)
Balances at December 31, 2016	P1,531,321,053	P1,353,554,797	P486,513,796	P534,464	(P12,846,985)	P3,359,077,125

SHAKEY'S PIZZA ASIA VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P1,082,237,364	P1,022,183,422	P936,219,233
Adjustments for:			
Depreciation and amortization	230,752,920	208,930,640	137,985,368
Interest expense	188,515,123	177,304,646	128,490,292
Movements in:			
Accrued rent	25,671,725	12,010,268	21,452,132
Accrued pension costs	(5,819,145)	353,647	(1,642,783)
Accretion income	(3,981,670)	(2,731,459)	(4,149,485)
Interest income	(1,706,189)	(1,186,755)	(3,291,346)
Unrealized foreign exchange gain	(1,256,949)	(97,122)	(194,819)
Loss (gain) on disposal of property and equipment	118,201	(1,734,824)	(238,591)
Loss (gain) on disposal of AFS	–	(1,436,223)	4,056,548
Gain on reversal of advances	–	–	(222,502,148)
Dividend income	–	–	(486,897)
Income before working capital changes	1,514,531,380	1,413,596,240	995,697,504
Decrease (increase) in:			
Trade and other receivables	78,002,176	(165,671,908)	167,663,201
Inventories	(234,939,140)	(105,921,355)	855,740
Prepaid expenses and other current assets	(8,063,520)	(48,128,437)	(3,758,892)
Increase (decrease) in			
Accounts payable and other current liabilities	(205,782,576)	140,713,580	(51,211,514)
Contract liabilities	(7,036,891)	–	–
Net cash generated from operations	1,136,711,429	1,234,588,120	1,109,246,039
Income taxes paid (including creditable withholding taxes)	(217,143,095)	(263,399,287)	(178,442,725)
Interest received	1,706,189	1,186,755	3,291,346
Net cash provided by operating activities	921,274,523	972,375,588	934,094,660
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Property and equipment	(434,122,382)	(768,164,192)	(417,637,547)
Subsidiaries - net of cash acquired	–	–	(6,010,636,947)
AFS investments	–	–	(1,124,639,257)
Proceeds from disposal of:			
Proceeds from disposals of property and equipment	29,737,309	21,588,901	5,264,498
AFS investments	–	1,126,609,944	681,365,595
Financial assets at FVPL	–	–	36,084,300
Increase (decrease) in dealers' deposits and other noncurrent liabilities	32,256,215	21,362,038	(25,623,290)
Decrease (increase) in:			
Deferred input value added tax	32,214,343	(55,408,492)	(8,082,285)
Rental and other deposits	(8,757,317)	(23,394,756)	(5,572,608)
Dividends received	–	–	486,897
Net cash provided by (used in) investing activities	(348,671,832)	322,593,443	(6,868,990,644)

(Forward)

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Interest	(P182,073,515)	(P175,813,487)	(P114,984,533)
Dividends	(153,132,105)	(153,132,105)	(1,101,916,843)
Loan	(50,109,891)	(1,050,000,000)	–
Proceeds from:			
Loan	–	–	4,975,000,000
Issuance of capital stock		–	2,116,261,800
Net cash provided by (used in) financing activities	(385,315,511)	(1,378,945,592)	5,874,360,424
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,496,101	439,250	194,819
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	188,783,281	(83,537,311)	(60,340,741)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	244,994,340	328,531,651	388,872,392
CASH AND CASH EQUIVALENTS AT END OF YEAR	P433,777,621	P244,994,340	P328,531,651

Disclaimer: The complete set of the consolidated financial statements, including the notes, are covered by the independent auditor's report and are made available to all shareholders through the definitive information statement for the annual stockholders' meeting on June 20, 2019. The consolidated financial statements should be read in conjunction with the notes. A copy of the full set of the consolidated financial statements may be downloaded through the Company's website (www.shakeyspizza.ph).

GRI CONTENT INDEX

102-55

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission	
			Part Omitted	Reason
GRI 101: Foundation 2016				
General Disclosures				
GRI 102: General Disclosures 2016	Organizational profile			
	102-1 Name of the organization	About the Company. Page 6.		
	102-2 Activities, brands, products, and services	Our Business. Page 8-9.		
	102-3 Location of headquarters	Contact Information. Page 105.		
	102-4 Location of operations	https://www.shakeypizza.ph/store-locator		
	102-5 Ownership and legal form	Stock Highlights. Page 84.		
	102-6 Markets served	Guest Service. Page 36.		
	102-7 Scale of the organization	A Quick Glance. Page 7.		
	102-8 Information on employees and other workers	Talent Acquisition & Management. Page 39.		
	102-9 Supply chain	The Value of How We Do Things. Page 34-35.		
	102-10 Significant changes to the organization and its supply chain	There were no significant changes in the supply chain.		
	102-11 Precautionary Principle or approach	Food Safety and Quality. Page 52-53.		
	102-12 External initiatives	Impact to Communities. Page 47.		
	102-13 Membership of associations	This information is not available.		
	Strategy			
	102-14 Statement from senior decision-maker	Chairman and CEO's Messages. Page 17-23.		
	102-15 Key impacts, risks, and opportunities	Our Strategies. Page 58-59 Risk Management. Page 80-81..		
	Ethics and integrity			
	102-16 Values, principles, standards, and norms of behavior	Refreshing and redefining. Page 12-15.		
	102-17 Mechanisms for advice and concerns about ethics	Code of Business Conduct and Ethics. Page 78-79.		
	Governance			
	102-18 Governance structure	Corporate governance. Page 72.		
	102-19 Delegating authority	Our Sustainability Journey. Page 28.		
	102-20 Executive-level responsibility for economic, environmental, and social topics	Our Sustainability Journey. Page 28.		
	102-21 Consulting stakeholders on economic, environmental, and social topics	Stakeholder Engagement. Page 56-57.		
	102-22 Composition of the highest governance body and its committees	Committees of the Board of Directors. Page 75.		
	102-23 Chair of the highest governance body	Board of Directors. Page 66.		
	102-24 Nominating and selecting the highest governance body	Corporate governance. Page 76.		
	102-25 Conflicts of interest	Code of Business Conduct and Ethics. Page 78.		

	102-26 Role of highest governance body in setting purpose, values, and strategy	Corporate governance. Page 77.		
	102-27 Collective knowledge of highest governance body	Board of Directors. Page 66-69.		
	102-28 Evaluating the highest governance body's performance	https://spavi-noo-prod-p3.s3.ap-southeast-1.amazonaws.com/s3fs-public/documents/Corporate_governance/ANNUAL%20BOARD%20PERFORMANCE%20ASSESSMENT%20v2.pdf		
	102-29 Identifying and managing economic, environmental, and social impacts	What Sustainability is for us? Page 30.		
	102-30 Effectiveness of risk management processes	Risk Management. Page 80.		
	102-32 Highest governance body's role in sustainability reporting	The Chairman's Letter. Page 17.		
	102-33 Communicating critical concerns	Employee Welfare. Page 44.		
	102-34 Nature and total number of critical concerns	There were no critical concerns raised during the reporting period.		
	102-35 Remuneration policies	Remuneration Process:		
	102-36 Process for determining remuneration	The Company reviews compensation paid to its executives/officers on a yearly basis. The levels of remuneration of the Corporation should be sufficient to be able to attract and retain the services of qualified and competent executives/officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.		
	102-37 Stakeholders involvement in remuneration	<p>Remuneration Policy and Structure for Executive and Non-Executive Directors:</p> <p>The Company's By-Laws provide that directors shall receive reasonable per diems for their attendance at each meeting of the Board. Any compensation other than per diems may be allowed subject to the approval of stockholders representing at least a majority of the outstanding capital stock.</p> <p>Remuneration Scheme:</p> <p>The Company's By-Laws provide that directors shall receive reasonable per diems for their attendance at each meeting of the Board. Any compensation other than per diems may be allowed subject to the approval of stockholders representing at least a majority of the outstanding capital stock. The Company's annual reports and information and proxy statements include disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year, which may be subject to objection or ratification of the stockholders. There were no issues on the compensation of directors and officers which was brought up in the last annual stockholders meeting.</p>		
	Stakeholder engagement			
	102-40 List of stakeholder groups	Stakeholder Engagement. Page 56-57.		
	102-41 Collective bargaining agreements	https://www.shakeyspizza.ph/investors/corporate-information		
	102-42 Identifying and selecting stakeholders	Stakeholder Engagement. Page 56-57.		
	102-43 Approach to stakeholder engagement	Stakeholder Engagement. Page 56-57.		
	102-44 Key topics and concerns raised	Stakeholder Engagement. Page 56-57.		

		Reporting practice		
	102-45 Entities included in the consolidated financial statements	Stock Highlights. Page 86.		
	102-46 Defining report content and topic Boundaries	What Sustainability is for us? Page 30-31.		
	102-47 List of material topics	What Sustainability is for us? Page 30-31.		
	102-48 Restatements of information	Not applicable, since this is our first sustainability report		
	102-49 Changes in reporting	Not applicable, since this is our first sustainability report		
	102-50 Reporting period	About the Report. Page 4.		
	102-51 Date of most recent report	Not applicable, since this is our first sustainability report		
	102-52 Reporting cycle	About the Report. Page 4.		
	102-53 Contact point for questions regarding the report	About the Report. Page 4.		
	102-54 Claims of reporting in accordance with the GRI Standards	About the Report. Page 4.		
	102-55 GRI content index	GRI content index. Page 99-104.		
	102-56 External assurance	No external assurance was conducted for this report.		
GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission	
			Part Omitted	Reason
Material Topics				
GRI 200 Economic Standard Series				
Economic Performance				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Economic Value Creation. Page 37		
	103-2 The management approach and its components	Economic Value Creation. Page 37		
	103-3 Evaluation of the management approach	Economic Value Creation. Page 37		
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Economic Value Creation. Page 37		
Indirect Economic Impacts				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Jobs supported. Page 38.		
	103-2 The management approach and its components	Jobs supported. Page 38.		
	103-3 Evaluation of the management approach	Jobs supported. Page 38.		
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Impact to Communities. Page 47.		
	203-2 Significant indirect economic impacts	Jobs supported. Page 38.		
Procurement Practices				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Responsible Sourcing. Page 55.		
	103-2 The management approach and its components	Responsible Sourcing. Page 55.		
	103-3 Evaluation of the management approach	Responsible Sourcing. Page 55.		
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Responsible Sourcing. Page 55.		
Anti-corruption				

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Code of Business Conduct and Ethics. Page 78-79.		
	103-2 The management approach and its components	Code of Business Conduct and Ethics. Page 78-79.		
	103-3 Evaluation of the management approach	Code of Business Conduct and Ethics. Page 78-79.		
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Risk Management. Page 80.		
	205-2 Communication and training about anti-corruption policies and procedures	Code of Business Conduct and Ethics. Page 78-79.		
	205-3 Confirmed incidents of corruption and actions taken	There were no confirmed incidents of corruption in 2018.		
Anti-competitive Behavior				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Code of Business Conduct and Ethics. Page 78.		
	103-2 The management approach and its components	Code of Business Conduct and Ethics. Page 78.		
	103-3 Evaluation of the management approach	Code of Business Conduct and Ethics. Page 78.		
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Code of Business Conduct and Ethics. Page 78.		
GRI 300 Environmental Standards Series				
Materials				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Packaging and Waste. Page 50-51.		
	103-2 The management approach and its components	Packaging and Waste. Page 50-51.		
	103-3 Evaluation of the management approach	Packaging and Waste. Page 50-51.		
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Packaging and Waste. Page 50-51.		
	301-2 Recycled input materials used	Packaging and Waste. Page 50-51.		
	301-3 Reclaimed products and their packaging materials	Packaging and Waste. Page 50-51.		
Energy				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Energy Efficiency. Page 49.		
	103-2 The management approach and its components	Energy Efficiency. Page 49.		
	103-3 Evaluation of the management approach	Energy Efficiency. Page 49.		
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Energy Efficiency. Page 49.		
	302-3 Energy intensity	Energy Efficiency. Page 49.		
	302-4 Reduction of energy consumption	Energy Efficiency. Page 49.		
Water				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Water Consumption. Page 49		
	103-2 The management approach and its components	Water Consumption. Page 49		
	103-3 Evaluation of the management approach	Water Consumption. Page 49		
GRI 303: Water 2016	303-1 Water withdrawal by source	Water Consumption. Page 49		
Emissions				

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	GHG Emissions. Page 48		
	103-2 The management approach and its components	GHG Emissions. Page 48		
	103-3 Evaluation of the management approach	GHG Emissions. Page 48		
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	GHG Emissions. Page 48		
	305-2 Energy indirect (Scope 2) GHG emissions	GHG Emissions. Page 48		
	305-4 GHG emissions intensity	GHG Emissions. Page 48		
	305-5 Reduction of GHG emissions	GHG Emissions. Page 48		
Supplier Environmental Assessment				
GRI 103: Management Approach 2016 GRI 308: Supplier Environmental Assessment 2016	103-1 Explanation of the material topic and its Boundary	Responsible Sourcing. Page 54		
	103-2 The management approach and its components	Responsible Sourcing. Page 54		
	103-3 Evaluation of the management approach	Responsible Sourcing. Page 54		
GRI 400 Social Standards Series				
Employment				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Talent Acquisition and Management. Page 39		
	103-2 The management approach and its components	Talent Acquisition and Management. Page 39-45		
	103-3 Evaluation of the management approach	Talent Acquisition and Management. Page 39-45		
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Promotions & Retention. Page 41		
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Welfare. Page 44		
Occupational Health and Safety				
GRI 103: Management Approach 2016 GRI 403: Occupational Health and Safety 2016"	103-1 Explanation of the material topic and its Boundary	Employee Welfare. Page 44.		
	103-2 The management approach and its components	Employee Welfare. Page 44.		
	103-3 Evaluation of the management approach	Employee Welfare / Engagement & Evaluation. Page 44-45.		
Training and Education				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Development Programs & Trainings. Page 40.		
	103-2 The management approach and its components	Development Programs & Trainings. Page 40.		
	103-3 Evaluation of the management approach	Development Programs & Trainings. Page 40, 45.		
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Development Programs & Trainings. Page 40.		
	404-2 Programs for upgrading employee skills and transition assistance programs	Development Programs & Trainings. Page 40.		
Diversity and Equal Opportunity				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Workforce Profile. Page 39.		
	103-2 The management approach and its components	Workforce Profile. Page 39.		
	103-3 Evaluation of the management approach	Engagement & Evaluation. Page 45		

GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Workforce Profile. Page 39.		
Freedom of Association and Collective Bargaining				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Found in the Corporate Information section in our website: https://www.shakeyspizza.ph/investors/corporate-information		
	103-2 The management approach and its components	Found in the Corporate Information section in our website: https://www.shakeyspizza.ph/investors/corporate-information		
	103-3 Evaluation of the management approach	Found in the Corporate Information section in our website: https://www.shakeyspizza.ph/investors/corporate-information		
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Found in the Corporate Information section in our website: https://www.shakeyspizza.ph/investors/corporate-information		
Supplier Social Assessment				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Food Safety and Quality. Page 52-54.		
	103-2 The management approach and its components	Food Safety and Quality. Page 52-54.		
GRI 414: Supplier Social Assessment 2016	103-3 Evaluation of the management approach	Responsible Sourcing. Page 54-55.		
Customer Health and Safety				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Food Safety and Quality. Page 52-53.		
	103-2 The management approach and its components	Food Safety and Quality. Page 52-53.		
	103-3 Evaluation of the management approach	Food Safety and Quality. Page 52-53.		
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Food Safety and Quality. Page 52-53.		
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	There were no confirmed incidents of non-compliance concerning the health and safety of our products and services in 2018.		
Customer Privacy				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Found in the Privacy Policy Section in our website: https://www.shakeyspizza.ph/privacy-policy		
	103-2 The management approach and its components	Found in the Privacy Policy Section in our website: https://www.shakeyspizza.ph/privacy-policy		
	103-3 Evaluation of the management approach	Found in the Privacy Policy Section in our website: https://www.shakeyspizza.ph/privacy-policy		
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Found in the Privacy Policy Section in our website: https://www.shakeyspizza.ph/privacy-policy		

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Sustainability and
Annual Report 2018

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This Sustainability and Annual Report is a product of

