



2017

ANNUAL
REPORT

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MANILA PAVILION HOTEL

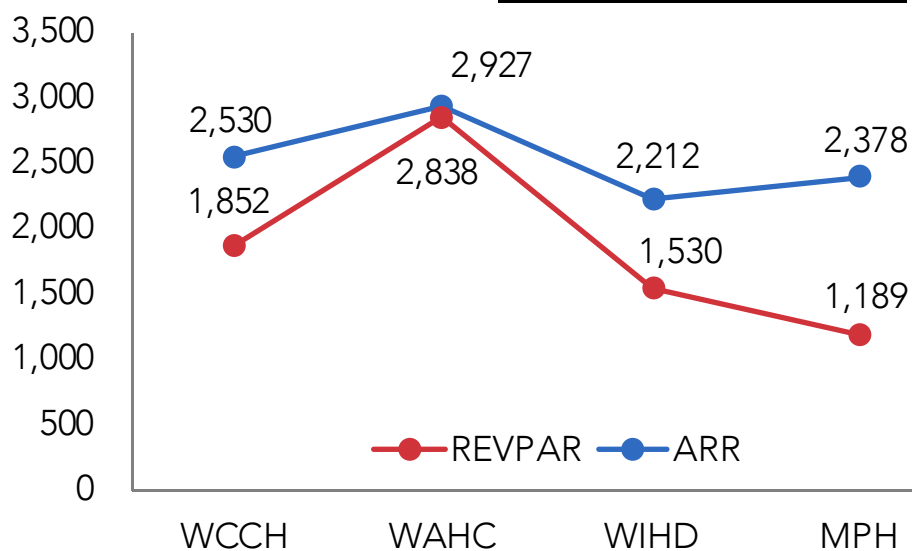
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WATERFRONT HOTELS & CASINOS CORPORATE OFFICE

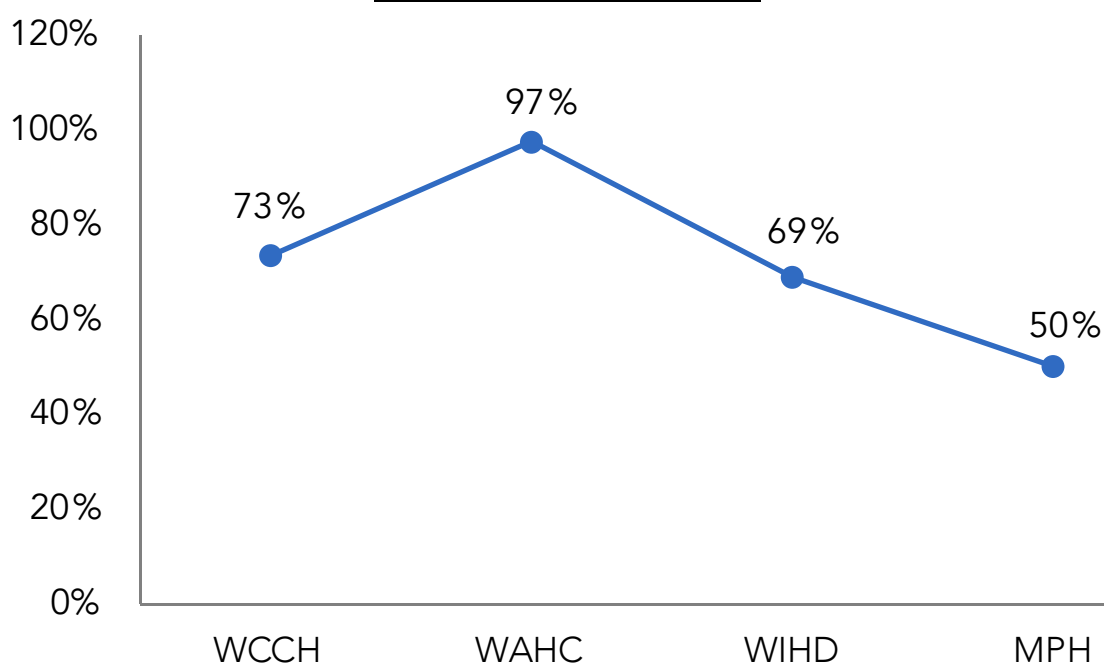
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WATERFRONT PHILIPPINES, INC. AND SUBSIDIARIES

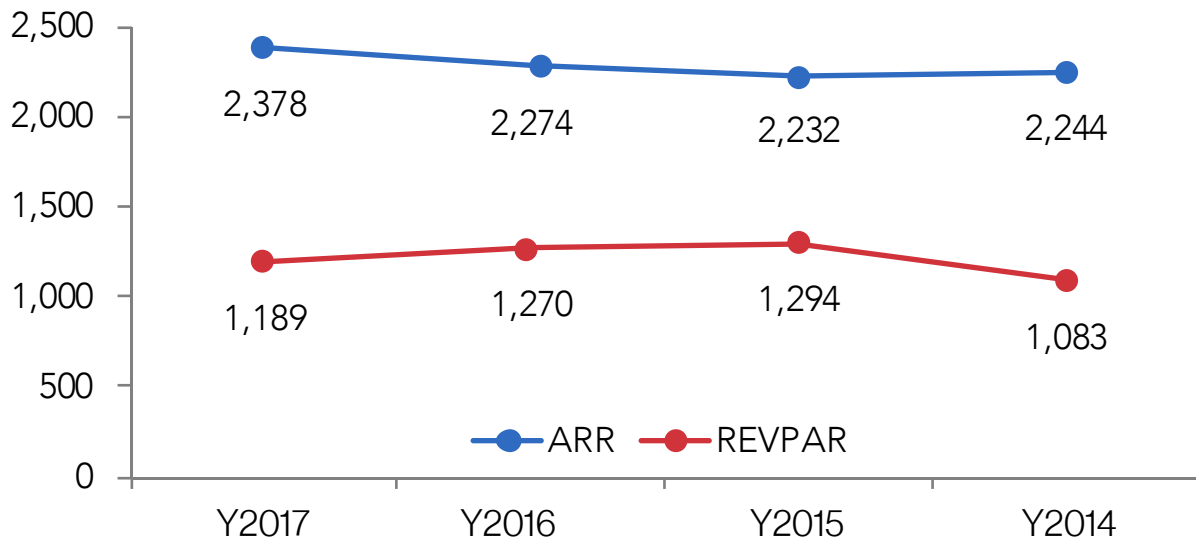
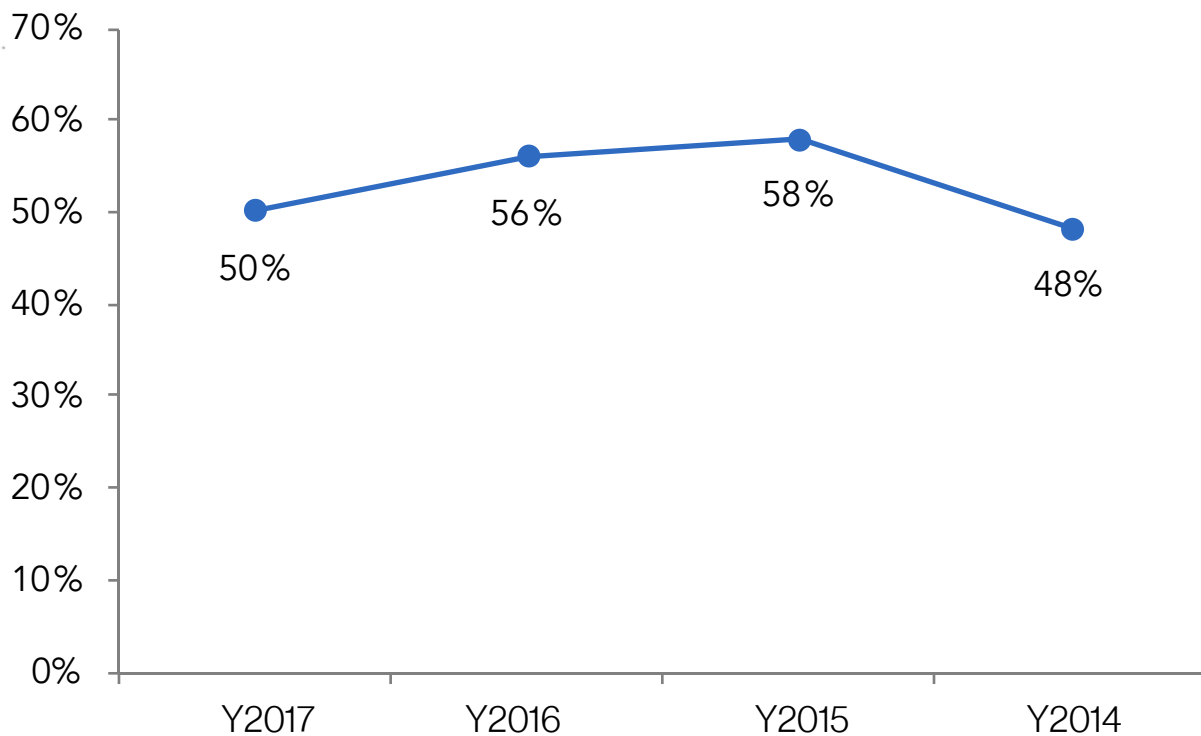
REVPAR & ARR 2017



OCCUPANCY 2017

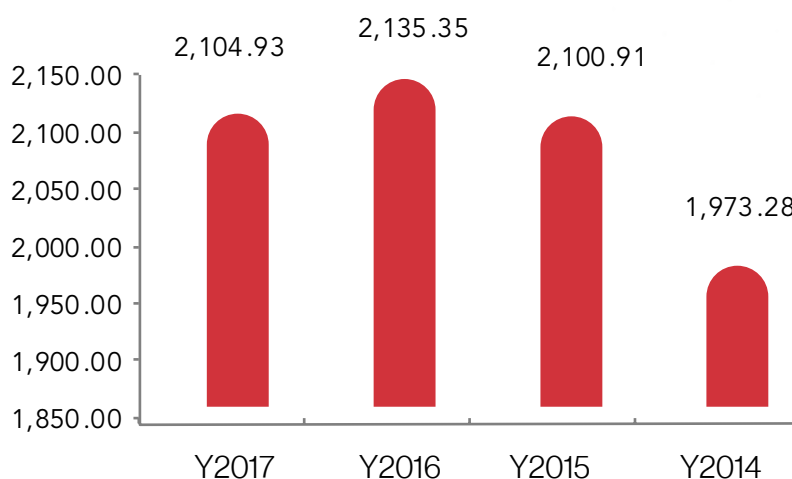


HOTEL CORPORATION

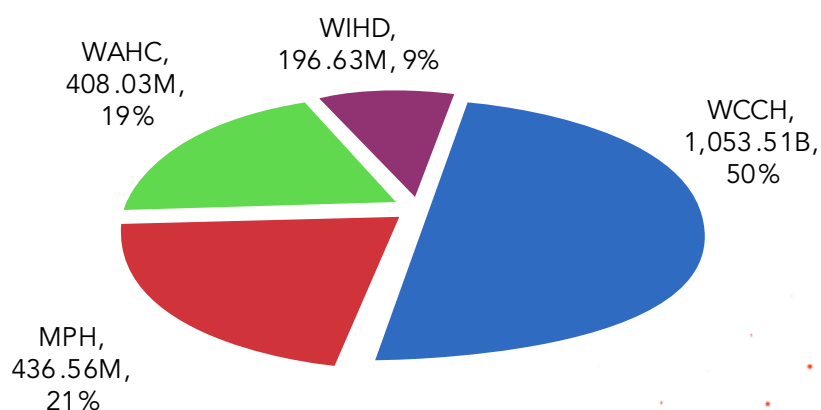
REVPAR & ARR 2017OCCUPANCY 2017

WATERFRONT PHILIPPINES, INC. AND SUBSIDIARIES

Consolidated Revenue (In Millions)

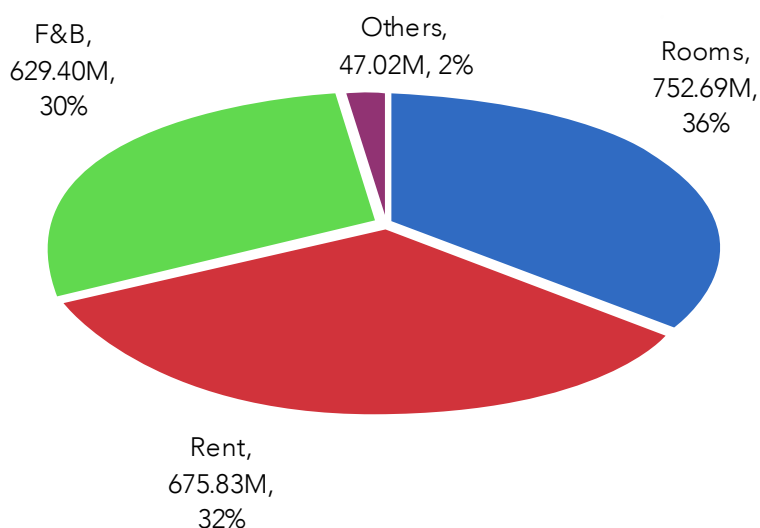


Revenue Per Hotel 2017

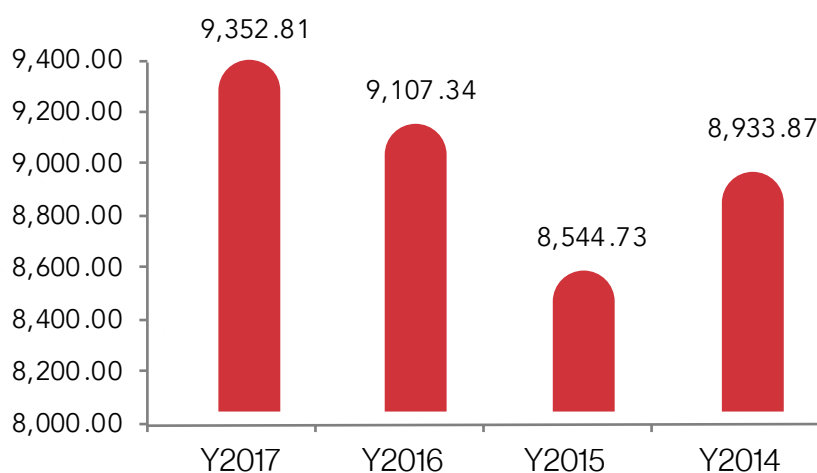


WATERFRONT PHILIPPINES, INC. AND SUBSIDIARIES

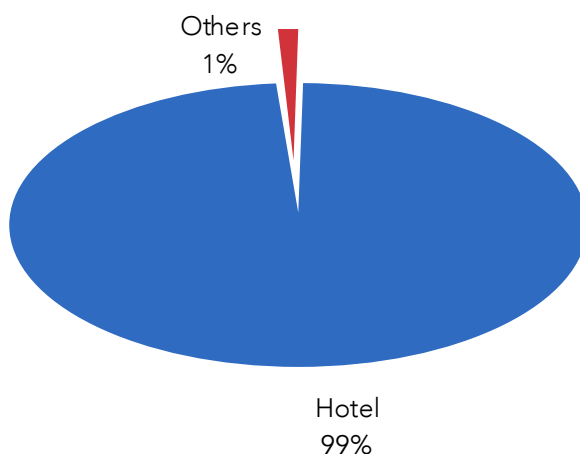
Consolidated Revenue Breakdown 2017



Total Assets (In Millions)

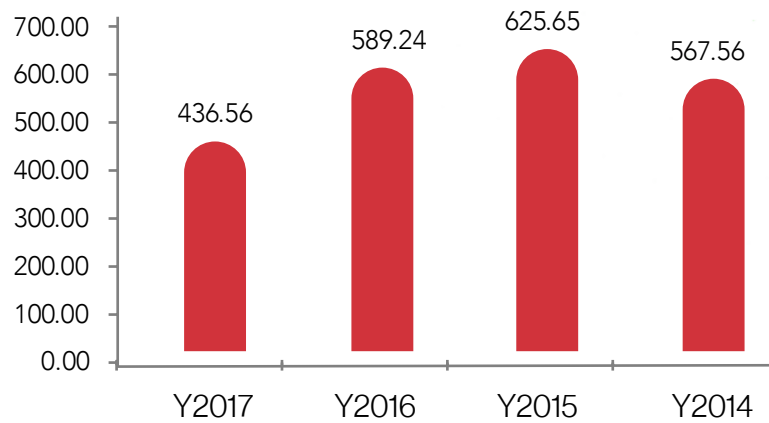


Revenue Stream 2017

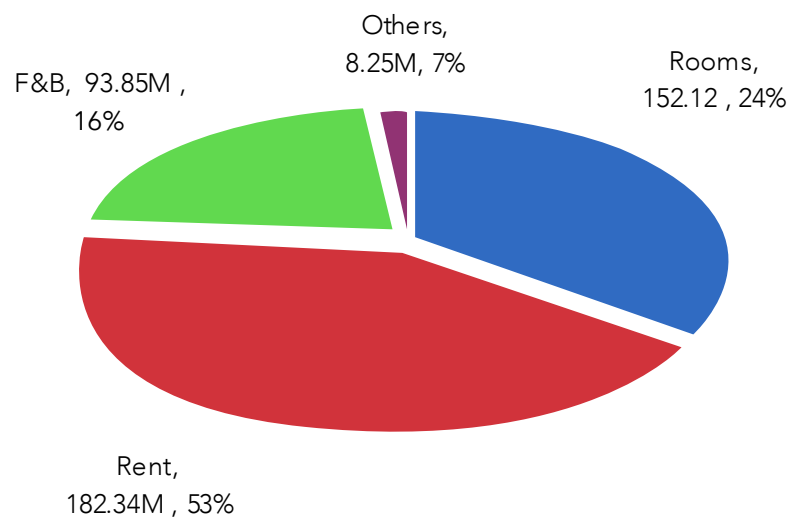


ACESITE PHILIPPINES HOTEL CORPORATION

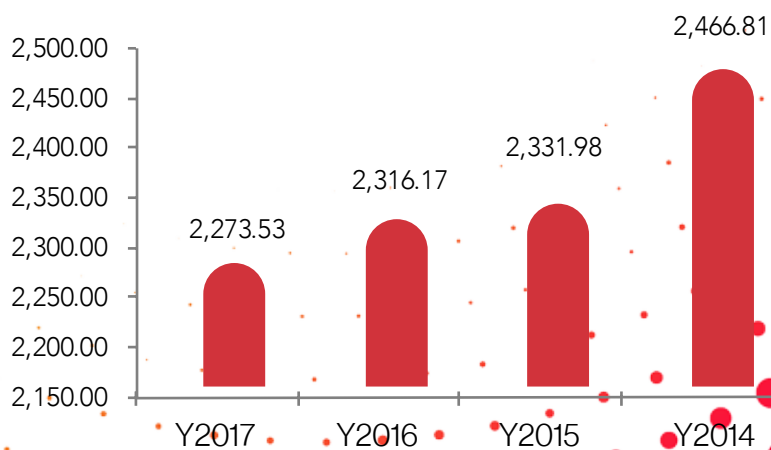
Consolidated Revenue (In Millions)



Consolidated Revenue Breakdown 2017



Total Assets (In Millions)



OUR BRANDS

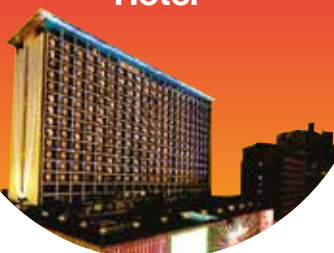
Waterfront Cebu City Hotel and Casino



Grand and stately, our flagship hotel is a Philippine landmark. It has 561 guest rooms, 10 food and beverage outlets, an international standard convention facility and a 6-story entertainment/casino block.



Manila Pavilion Hotel



An establishment rich in history, the Manila Pavilion is a world-class hotel located in the busy Manila Bay area. Watch the warmth of Filipino hospitality come to life in this distinguished and modern city structure. It offers a fine choice of 486 rooms, 3 food and beverage outlets and a 5-story casino block.



Waterfront Airport Hotel & Casino



Conveniently located right across the Mactan-Cebu International Airport, this hotel provides unparalleled accessibility and ease for business and leisure travelers. It has 166 rooms, 4 food and beverage outlets and a Casino Filipino facility.



Waterfront Insular Hotel Davao



Cradled in a grove along the Davao Gulf, this resort hotel is matchless in its capacity to serve large business meetings and conferences with its convention facilities, 159 rooms, and 5 food and beverage outlets.



OUR SUBSIDIARIES



Waterfront Wellness Group, Inc.

Our subsidiary engages in establishing and operating state-of-the-art sporting, fitness and recreational facilities.

2017
10.48
2016
11.62
2015
13.81



Waterfront Food Concepts, Inc.

Creativity driven, Waterfront Food Concepts manages our lifestyle restaurants and supplies the finest bread, pastries and desserts for our Cebu hotels and local institutional clientele.

2017
2.50
2016
1.93
2015
3.82



Mayo Bonanza, Inc.

This amusement and recreation subsidiary oversees the operations of VIP slot machine arcades in partnership with the Philippine Amusement and Gaming Corporation's (PAGCOR) Slot Machine Arcade Project. The company actualized its operations on February 12, 2008.



Waterfront Hotel Management Corporation

Our hotel management subsidiary ensures that the Waterfront tradition of service excellence and its solid experience is conveyed in all new acquisitions and management ventures.



Waterfront Entertainment Corporation

This subsidiary takes care of managing the country's first ever integrated hotel reservations and booking system featuring a full-service, round-the-clock, seven days a week Central Reservations Office. The Securities and Exchange Commission approved its change name to Waterfront Horizon Corporation on December 2017.



Waterfront Promotions Limited and Club Waterfront International Limited

Our wholly-owned subsidiaries were set up to promote and organize groups of foreign casino players to be part of PAGCOR's Foreign High-Roller Marketing Program. At present, the Group has temporarily suspended operations. However, the Management of WPI has given directive to provide necessary support to resume operations in the future.



STRATEGIC OPTIMIZATION

The year 2017 delivered mixed results for WPI. Your company has accomplished major milestones this year—foremost of which is our flagship property, Waterfront Cebu City Hotel and Casino, breaching the PHP 1 billion mark in gross revenue for the first time in its history, a breakthrough we can all be very proud of. For most aspects of operations, 2017 continued the upward trajectory seen in the past year. Concurrently, however, challenges have presented themselves, slowing the growth potential in some areas of our operations. We are confident that these challenges can be resolved by employing the right strategies towards setting the entire group back in sync and on track.

Waterfront Cebu City Hotel and Casino (WCCHC), our largest hotel, remains an excellent performer overall, with double-digit increases in significant aspects of operations. Occupancy has grown 12%, from 61% in 2016 to 73% this year. Revpar is up an impressive 20%, from PHP 1,537 the previous year to PHP 1,852 this year. Rooms generated PHP 359.42 million in 2017 well above PHP 300.67 million in 2016, another remarkable leap of 20%. F&B contributed PHP 348.54 million this year, compared to PHP 308.33 million the past year—yet another double-digit gain of 13%. ARR has increased by 1%, from PHP 2,508 in 2016 to PHP 2,530 in 2017. Rent and related income generated PHP 334.19 million in 2017 compared to PHP 328.21 million in 2016, up by 2%. Other operating departments produced PHP 11.36 million. As previously mentioned, gross revenue crossed the PHP 1 billion mark for the first time: from PHP 951.44 million in 2016, it has surged to PHP 1.05 billion in 2017—a pivotal achievement and signifying a leap of PHP 102.07 million in annual revenue. We are optimistic that the uptrend beyond the one billion point will continue as the company moves forward and builds on its momentum. GOP is up 7%, from PHP 393.27 million in 2016 to PHP 422.16 million this year, which makes for PHP 28.88 million of added revenue. NOP has grown by double digits, from PHP 157.62 million in the past year to PHP 184.29 million this year—a rise of 17% or PHP 26.66 million in revenue.

These impressive numbers are reinforced by effective cost control measures. Despite the high growth, WCCHC as a property managed to limit costs to relatively low figures. In 2017, cost and expenses for the property only increased by 13%, at PHP 631.35 million in 2017 compared to PHP 558.17 million in 2016. Payroll and energy cost were also kept in check, despite the growth in demand and operations.

Waterfront Airport Hotel and Casino (WAHC) demonstrates outstanding production for another year. High demand for the property has resulted in one of our best-ever annual records for occupancy. From the previous year's 91%, the occupancy rate for this property skyrocketed to 97%, a growth of 6%. Revpar is up by 23%, from PHP 2,298 in 2016 to PHP 2,838 in 2017. The double-digit growth trend continues for other categories. ARR reflects a 16% increase from PHP 2,534 in 2016 to PHP 2,927 in 2017. Rooms revenue is up 21%, from PHP 129.42 million in 2016 to PHP 156.53 million in 2017. F&B revenue increased from PHP 76.89 million in 2016 to PHP 77.52 million in 2017, a rise of 1%. Rent and related income is up by 10% at PHP 160.62 million versus PHP 145.49 million the past year. Other operating departments collectively grew revenue by 17%, from PHP 11.38 million in 2016 to PHP 13.36 million in 2017. Gross revenue for the property grew by 12%, from PHP 363.17 million in the previous year to PHP 408.03 million this year. GOP is up a staggering 24%, from PHP 165.92 million the past year to PHP 205.03 million in 2017. NOP increased by double digits as well, growing by 19% at PHP 103.86 million, from PHP 87.52 million in 2016.

Cost and expenses at the property were kept at a minimum, increasing by merely 3% despite the heightened operations resulting from building demand. Payroll cost increased by 13% and energy cost increased by only 2%.

Waterfront Insular Hotel Davao (WIHD) shows conservative yet still positive overall growth this year. The property has performed well despite competition from newer properties in the Davao area. ARR is at PHP 2,212 in 2017, up 5% from last year's PHP 2,104. Revpar increased by 4% from PHP 1,468 in 2016 to PHP 1,530 in 2017. Rooms revenue is up by 5% as well, from PHP 80.43 million in 2016 to PHP 84.62 million

this year. F&B revenue increased by 1%, from PHP 105.64 million in 2016 versus PHP 106.98 million in 2017. Occupancy this year is at 69%. Gross revenue is at PHP 196.63 million, up 3% from PHP 191.54 million in 2016. GOP is at PHP 28.83 million. NOP decreased by 2%, from PHP 12.40 million in the past year to PHP 12.09 million this year.

Cost control measures have contributed to sustaining overall profitability. Payroll cost was effectively dropped by 30%, from PHP 42.95 million the past year to PHP 29.89 million currently. Energy cost was kept almost level at PHP 27.34 million versus PHP 27.03 million in 2016, a 1% increment.

Manila Pavilion (MPH) has faced considerable stresses this year, resulting in lower performance in comparison to our provincial properties, which posted double-digit strides, yet the property still managed to deliver positive figures in some aspects of operations. Occupancy rate is at 50%. Revpar is at PHP 1,189. ARR increased by 5% from PHP 2,274 in 2016 to PHP 2,378 in 2017. Rooms revenue also increased by 0.3% from PHP 151.60 million in 2016 to PHP 152.12 million in 2017. Rent and related income is at PHP 182.34 million. F&B revenue is at PHP 93.85 million. Other operating departments generated a 210% increase in income, from PHP 2.66 million in 2016 to PHP 8.25 million in 2017. Gross revenue for the property is at PHP 436.56 million. GOP is at PHP 65.29 million and NOP is at PHP -43.96 million.

Cost control measures have successfully reduced expenses for the company, with payroll cost and energy cost decreasing by 3% and 5% respectively. Overall cost and expenses was reduced by 1%.

The difficulties faced by MPH in 2017 were in part due to infrastructure challenges in Metro Manila and the tourism climate, which were not favorable to our Manila property. MPH also experienced a decline in revenue due to the expiry of its long-term contract with PAGCOR. We resolved this by immediately acting upon a new contract to supplant lost revenue streams. This gap between corporate agreements reflected on 2017's figures, but the property's productivity would have turned around in 2018 had the contracts materialized.

In the spirit of transparency and timely disclosure, we must bring up the incident of the fire at the Manila Pavilion on March of 2018. While beyond the usual scope of this report, it is a topic that needs to be

addressed. The fire resulted in significant damage to our Manila property, resulting in its temporary closure. Rest assured, however, that we have been working tirelessly towards resuming our Manila operations and are on the path to not merely rebuilding but transforming it into an even better property.

In previous years, limitations of the product—the Manila Pavilion, upon acquisition, having already been an older property—also limited the infrastructure development of the hotel. Now that there is a chance to start from a completely new blueprint, we are taking the opportunity to rebuild in a revolutionary way. We plan to modernize and truly maximize the hotel's strategic advantages. The Manila Pavilion's unique location advantage, having the potential to tap markets among Manila's neighboring districts for recreation, historical tourism and business, is about to be harnessed to its fullest potential.

A new and transformed hotel will be the main attraction in this captured market. The Manila Pavilion Hotel is set for a full upgrade and redesign of facilities to create an optimal experience with an impressively wide range of options for guests. Full modernization will make it state-of-the-art in its class. The new additions and upgrades will ensure the buildup of new market interest and solidify its competitive edge.

Among its new luxurious facilities are a brand-new, fully modernized swimming pool area and recreation floor, exciting new dining outlets within a fully redesigned casino area, al fresco rooftop dining and a cafe with an exhilarating view. Rooms will be outfitted with all-new equipment and amenities, and designed to fit modern cosmopolitan tastes. The hotel area will undergo a design transformation that will delight and surprise the market. The new Manila Pavilion will be 360-degree leisure, entertainment, relaxation, business and hospitality experience as never before. The property, being situated in historic Old Manila, one of the most dynamic business and leisure centers in the Philippines, will once more shine as its crown jewel.

Waterfront's consolidated revenues for the year reflect this mixed outcome among the properties. Occupancy for the group increased by 3%, from 69% in 2016 to 72% in 2017. Gross revenue is at PHP 2.10 billion. GOP is at PHP 684.15 million. Net income is at PHP 198.73 million. Rental revenue is at PHP 675.83 million. Rooms revenue was boosted by double digits, from PHP 662.12 million in 2016 to PHP 752.69 million in 2017, an increase of 14%. F&B revenue is also strong

STRATEGIC OPTIMIZATION

overall, increasing from PHP 595.04 million in 2016 to PHP 629.40 million in 2017, a growth of 6 %. Other income is at PHP 47.02 million. Revpar increased by 13%, from PHP 1,643 in 2016 to PHP 1,852 in 2017. ARR rose by 7%, from PHP 2,355 last year to PHP 2,512 in the current year.

Operating expenses are at PHP 1.42 billion. Energy cost was effectively controlled for the group overall, increasing only by 3%, from PHP 330.68 million in the past year to PHP 339.74 million this year. Payroll cost dropped by 3%, a decrease from PHP 336.52 million in 2016 to PHP 326.88 million this year.

Despite the challenges, the Waterfront brand remains as robust as ever. Our new tagline, "We're at the center of it all," and our new revitalized brand signify our leadership in the industry, our strength and ability to draw the market. What does this mean for our company? It demonstrates an alignment of objectives, a powerful, unified message and a confident voice. Waterfront continues to leverage its strengths, both of its infrastructure and its network, to maintain a competitive edge in the hospitality industry.

Being at the center of it all requires innovation. We continue to be innovative in reaching our market. Our online production this year remains consistent with the growing global trend with a 23% growth rate on revenue at PHP 329.15 million from last year's PHP 268.29 million contributing 43% of the total Rooms gross revenue.

We are highly confident in this area of growth for our company as we continue to shift our focus to tech-savvy markets, which are proving to be ideal markets, and leverage the power of new technology to open doors for our brand. Maintaining a positive trajectory requires effective and strategic decision-making. Our group continues to forge ahead as a market leader by strategically optimizing our assets, locations, organization, operations and brand to deliver a superior product and emerge at the top of our game.

We have already carved out our vision for the company. Waterfront Properties is on a clear trajectory to driving further growth by moving on our

path with decisiveness—the ability to respond immediately and effectively to whatever challenge lies ahead, and the confidence to rebrand and rebuild better than ever.



A handwritten signature in dark ink, appearing to read "Renato", written in a cursive style.

Renato B. Magadia
Waterfront Philippines, Inc.

FROM THE CHAIRMAN

REBUILDING STRONGER

Your company experienced a challenging year in 2017.

The Manila Pavilion Hotel faced many obstacles brought about by the convergence of several factors, among which is the declining infrastructure in Metro Manila, resulting in an increasing inability to support sustainable and evenly-distributed tourism, thus diverting the market and affecting growth among properties within our area. Another factor is the corporate-related events that resulted in decreased revenue for the hotel.

Despite these challenges, Acesite has rallied and managed to turn out adequate performance this year, with growth in some areas of our operations. Rooms revenue is up 0.3% from PHP 151.60 million last year to PHP 152.12 million in 2017. F&B revenue is at PHP 93.85 million. Rent and related income is PHP 182.34 million. Other operating departments reflect a 210% growth, from PHP 2.66 million in 2016 to PHP 8.25 million in the current year. Gross revenue for 2017 is PHP 436.56 million. GOP is PHP 65.29 million and NOP is PHP -43.96 million. Occupancy for the property this year is at 50%. Revpar is PHP 1,189. ARR grew 5% from PHP 2,274 in 2016 to PHP 2,378 in 2017.

Figures for Waterfront Properties, however, continue to show overall strength. The performance of our provincial properties provided a much-needed counterbalance, signifying the distribution of growth in the hospitality market, boosted by marketing and infrastructure. The high concentration of tourism is no longer confined to the Philippine capital and is moving towards tourism hotspots in the South. The political climate has also fueled this growth and confidence in the Philippine provinces as the new gateways for tourism.

Consolidated figures among the properties reflect this mixed profile. Gross revenue is PHP 2.10 billion. GOP is PHP 684.15 million. Net income is PHP 198.73 million. Occupancy for the group grew by 3%, from 69% in 2016 to 72% in 2017. Rooms revenue surged from PHP 662.12 million in 2016 to PHP 752.69 million in 2017, an increase of 14%. Rental revenue is at PHP 675.83 million. F&B revenue increased from PHP 595.04

million in 2016 to PHP 629.40 million in 2017, a 6% positive growth. Revpar grew significantly by 13%, from PHP 1,643 in 2016 to PHP 1,852 this year. Other income is at PHP 47.02 million. ARR increased by 7%, from PHP 2,355 in 2016 to PHP 2,512 in 2017.

Energy cost for the entire group was limited to a 3% increase, despite overall growth in provincial operations, from PHP 330.68 million in the past year to PHP 339.74 million currently. Payroll cost effectively decreased by 3%, from PHP 336.52 million in 2016 to PHP 326.88 million in 2017. The company showed highly effective cost controls in general.

The Manila Pavilion experienced lost revenue due to the official end of our long-term lease contract with PAGCOR, a major contributor to rental income in past years of operation. Despite this, your company took steps to replace the lost revenue by establishing a new contract with Acesite Leisure and Entertainment Corporation (ALEC), a gaming firm positioned to supplant the role of PAGCOR as previous lessee. The contract with ALEC was an immediate counterstep to assure that the gap created by the previous contract's expiry was as brief and least interruptive as possible. New revenue streams from the agreement with ALEC to operate a casino would have rejuvenated the revenue stream. This decisive corporate measure would have effectively replenished the gap by 2018.

However, as of this writing, we are compelled to address the incidents of March 2018, which prevented the continuation of our operations. The fire at the Manila Pavilion Hotel caused vast damage to the property, resulting in its temporary closure. The incident has forced us to revisit our plan and create a new strategy to rebuild and rebrand.

This unforeseen incident has now caused us to rethink our original strategy and pivot. We now see this as an entryway to the unconstrained modernization of our hotel. As previous limitations regarding structure and property age are now out of the way, we are free to modernize as we please, with the discretion to upgrade our facilities to state-of-the-art level.

REBUILDING STRONGER

With every challenging phase in a company's story comes a silver lining: the opportunity for massive and uncompromising change.

We are determined to unlock the full potential of our land asset located at the very heart of Old Manila. The Manila Pavilion will come back as a bold, re-energized center for all things business and leisure, capturing the dynamism of the markets in Manila's celebrated historic district. It will offer a fresh, new experience unlike any other. The Manila Pavilion Hotel will be fully remodeled beyond anyone's expectations, and we look forward to embarking on this new game plan.



A handwritten signature in black ink, appearing to read 'Arthur M. Lopez'.

Arthur M. Lopez

Acesite (Phils.) Hotel Corporation

FROM THE CHAIRMAN

The renovation will include a fully modern look and experience that will make our property stand out in its class. Rooms will be completely renovated to feature the freshest in present-day design and amenities. Our guests will enjoy the best of modern technology and innovative features. The F&B department will benefit from new facilities, creating possibilities for revolutionizing products in this area. There will be all-new features across the hotel, including a vibrant rooftop cafe with stunning views and an al fresco section, a swimming pool located at its own leisure floor, and more function rooms to serve every need and purpose.

We are not naive to the extensive task that lies ahead. We are aware of the tremendous responsibility that lies in reinvigorating an entire facility and reinventing a trusted brand. The Manila Pavilion is an iconic property not just for Manila but for the Philippines, a landmark that has created a lasting historical imprint, and with that its own distinct value. We take this challenge as a chance to heighten that value by opening a fresh perspective. It is not enough to simply build on a previous legacy. We intend to creatively forge a path to take everything great about that legacy and make it relevant for the future.

We see this as the beginning of a new and better chapter, a springboard to march ahead—to completely transform our property into a new and distinct lifestyle brand, an attraction that generates its own value and takes the hotel experience further. Such is the hallmark of strong organizations: the ability to see opportunity within difficulty. Acesite will now be able to completely rejuvenate its strategy and be on track for full property modernization.

YEAR IN REVIEW

OUR COMPANY IN 2017

We take pride in our stability and ability to adapt to the times, constantly innovating and creating value for our customers, peers and shareholders. As the top Filipino-owned hotel chain, Waterfront Philippines Group, Inc. and its subsidiaries is committed to keeping its lead as the quintessential brand of Filipino hospitality excellence.

This year heralded many milestones in our business. Among the many achievements of 2017, we are most proud of our flagship property, Waterfront Cebu City Hotel and Casino, having breached the billion-peso mark in gross revenue.

Our provincial properties continue to perform exceptionally. Waterfront Cebu City Hotel and Casino (WCCHC) and Waterfront Airport Hotel (WAHC) lead the way in double-digit growth in key aspects of hotel operations and market reach. Key figures to note this year include the PHP 1.05 billion annual gross revenue generated by WCCHC, an 11% jump from the previous year, as well as the hotel's double-digit percentage increases in occupancy, Rooms revenue, Revpar, food and beverage and NOP. WAHC continues on its impressive performance for a consecutive year, pushing an already high occupancy rate 91% in 2016 to an all-time-high of 97%. WAHC also delivered double-digit increases in gross revenue, GOP, NOP, Revpar, ARR, Rooms revenue, rent and related income, and other operating departments. (For further information, see details per hotel under "Our Brands".)

However, the growth trend has not been uniform throughout our hotels. Our Manila property experienced significant operational setbacks within this period, due to a combination of interruptions in business contracts and unforeseen incidents.

Despite the mixed overall picture in growth and revenue brought about by the challenges we faced in the year, our management expertise and optimization strategies have enabled us to remain competitive and robust as a company. We constantly work at determining the most strategic decisions and maintain an effort to streamline our costs year after year in order to attain steady profitability and growth. Looking at the big picture, we are confident that the company remains in a positive outlook.

Our enduring promise of a uniquely Filipino brand of service with a global level of excellence is kept in all of our properties and touch points. The fundamentals of world-class hospitality are showcased in all of our hotels. Each property is dedicated to delivering the best value to our guests. The Waterfront standard ensures that product and service conforms to the highest benchmarks in each hotel's class.

Our marketing efforts this year were geared towards consolidating the Waterfront brand and message. Through savvy campaigns, fresh design and new content, we made sure that this message was clearly conveyed to our loyal customers while working to tap new markets. Our new tagline "We're at the center of it all." and revised brand collateral communicates confidence, dynamism, strength and brand unity. The idea of Waterfront being a hub sets the foundation for our future plans of creating a more integrated, one-stop-shop experience when visiting our properties.

Apart from traditional channels, the Waterfront product now reaches consumers worldwide through the tremendous ease and convenience of technology. Because of tech adoption, we reach our market where it spends the most time—online.

Online productivity has surged consistently through recent years. It reflects a continuous trend of shifting consumer habits, but more importantly, our ability to capture and capitalize on this trend. International statistics show that travelers and guests increasingly find online platforms as the most ideal ways of booking hotel stays. This trend is most prominent in the Asian tourist market, with the Chinese market leading the way as the largest-spending group and Japan among the world's most tech-savvy tourists. For Waterfront, Japan comprises the top international market with China also among our fastest rising markets.

Through active online expansion, we have ensured a constant stream of business from an ever-expanding market.

Our website and customized mobile app jointly continue to generate a significant percentage of bookings. Our Online Travel Agent (OTA) partners and

other online distribution channels have aggressively delivered increasing percentages of total Rooms revenue and comprise the year's highest source of online growth. Technology-enabled booking facilities have strengthened our company and proven that innovation is the way to maintain a leadership position in the industry.

Overall, 2017 carries with it the positive momentum of the past two years. The high levels of profitability and growth of 2015 and 2016, especially of the latter, were largely echoed among our provincial properties. The Cebu and Davao hotel properties collectively generated PHP 1.66 billion, 79% of total revenue for the group. Waterfront Cebu City Hotel & Casino (WCCHC), Waterfront Airport Hotel & Casino (WAHC) and Waterfront Insular Hotel Davao (WIHD) also reflected an overall growth for collective revenue, from PHP 1.51 billion in 2016 to the current figure of PHP 1.66 billion, a growth rate of 10%.

Our provincial properties continue to be a focus of tourism growth. Tourist interest is successfully moving to these areas. Improvements in airport infrastructure, aggressive international marketing via various independent agencies, a political climate that favors provincial growth and increased tourist engagement in these destinations contribute to the success of these properties.

Our clever re-selling and cross-selling of our properties also contribute to the growth figures. Integrated marketing of our properties is a means of providing more options and driving a seamless travel experience for the customer. This strategy enhances customer loyalty and increases the probabilities of interacting with our brand.

In terms of product quality, constant training of our personnel—our Peers—is essential to maintain our service above industry standard. We consistently exceed annual required training hours for nearly all key positions. The Waterfront brand value endures through our people. Our service is the ultimate communication of our uniquely Filipino signature of comfort, modern convenience and luxury.

Cost control is another vital aspect of our company's health. As we strive to achieve the best in quality and drive growth, we increase profitability further by constantly evaluating our business in order to streamline and optimize our systems. We have strong cost control protocols in place in order to ensure that

our company is realizing the best possible profitability as we minimize energy, sales and manning costs.

Our partnership with Cofely Philippines, a third-party vendor, contributes to energy cost control. Improved equipment delivers higher energy efficiency even as energy costs increase and operations expand. Using better technology has effectively curbed our energy expenditures year on year, despite the increasing demand due to operations growth as seen in the increase in occupancy this year and the increasing power costs in the Philippines.

We also have several practical measures in place for energy saving, such as optimal thermostat setting, preventive maintenance, proper handling of equipment at function rooms, monitoring of electricity use and avoidance of wasteful practices. We make sure that these are consistently and strictly implemented throughout our organization.

To control manning costs, we continue to implement our Early Retirement Program as a viable option for our personnel. Peers are given the choice to take advantage of an attractive package that enables them to retire earlier. This is meant to be a win-win situation and a way of harmoniously streamlining our workforce.

In order to reduce cost of sales, we leverage our suppliers, employ integrated bulk buying strategies, effectively negotiate long-term supply agreements, strictly limit spoilage and wastage in all departments, conserve all aspects of our resources and engage in effective large-scale planning and resource management.

We have effectively managed our cost centers. Costs have been low in relation to our growth and improvement needs. A conservative rise in consolidated costs for the group and its subsidiaries reflects the efficiency of our system. In 2016, consolidated costs and expenses for all hotels and subsidiaries amounted to PHP 1.36 billion. In 2017, that figure rose to PHP 1.42 billion. Given the growth and demand in our provincial properties, necessary capital expenditures for the entire group and overall size of our operations, the 4% variance is a conservative figure. Cost and expenses for hotels rose by 6%, from PHP 1.29 billion in 2016 to PHP 1.37 billion in 2017. For our subsidiaries, costs are significantly lower by double digits—a reduction of 35%, from PHP 72.59 million in 2016 to PHP 47.36 million in 2017.

Overall energy costs only grew by 3%, from PHP 330.68 million in 2016 to PHP 339.74 million in 2017. Personnel costs dropped from PHP 336.52 million in 2016 to PHP 326.88 million in 2017, a reduction of 3%. Consolidated rental costs were reduced from 2016's PHP 47.93 million to PHP 37.41 million in 2017, a variance of -22%. Consolidated rooms cost was reduced by 18% from PHP 37.02 million in the previous year to PHP 30.34 million in the current year. F&B cost is at PHP 222.57 million. Repairs and maintenance cost is level with a 0.18% increase from last year at PHP 48.70 million. Other costs are at PHP 415.15 million.

To enhance product quality, annual capital expenditures on product improvement are essential. For WCCHC, the company spent PHP 4.68 million on transportation facilities improvement. Acesite or Manila Pavilion Hotel (MPH) capital expenditures was devoted to major upgrades in connectivity (WiFi) and the PABX or call system. WAHC acquired more equipment and facilities due to increased demand and WIHD underwent amenities upgrades to retain service quality. (See details under Facility Upgrades.)

As we are located in the Philippines' prime hubs for tourism and economic expansion, we leverage our strategic locations to our advantage. In the previous year, we decided to engage master planners to explore our site potentials in order to derive the true value of our facilities and real estate assets. By partnering with national and international master planners like AECOM, Casas and Recio Architects we aim to create brand new value for both our customers and shareholders by unlocking the true potential of our prime properties, situated in the most strategic locations in the country. We are currently exploring the next steps to this plan.

Being a top Philippine operator of world-class hotels, entertainment and convention facilities, we contribute to the country's economic growth by providing a valuable experience category for local and international guests. Our hotel experience is unique and country-wide, providing our guests with flexible options with an assurance of high quality hotel stays. Waterfront is a center for business, recreation, entertainment and relaxation, offering the best possible range of options in one luxurious hub.

HOTEL PERFORMANCE

Best practices, efficiency in resource management, aggressive online expansion, intensified marketing, strategic cost control and dedication to the quality of

our product have all contributed to our stability this year, despite the many challenges we have faced. We still accomplished many milestones, ending with double-digit growth in many key markers in our provincial properties.

While reflecting a mixed overall performance, Waterfront's general upward trend of the past two years continues among our provincial hotels. Our expert management of our resources has enabled us to bridge gaps in performance especially and allow a path to uniform recovery in the coming years.

Innovation remains our strong point. We are using our challenges as a platform to re-energize our brand. The Manila Pavilion Hotel (MPH), though experiencing setbacks this year, will be transformed into a fully modernized facility—a bold move that will fully showcase our capabilities as a hospitality brand. This year, we have undertaken to fully replace the IT infrastructure of our Manila hotel. Fiber optic cabling was installed in the property, ready to carry the most modern and innovative systems in the market. First to be replaced were the call or PABX system of the hotel, followed by the POS system for all the outlets. A brand new POS system was set up for both the hotel and casino.

Our innovations and bold forays into new technology channels as well as our management's strong commitment to building an ever-increasingly efficient organization all contribute to Waterfront's strength and enduring brand value. We are bridging traditional channels with new, exponentially growing technological avenues, ensuring continuity of our brand into the online space.

Consolidated gross revenue for 2017 is robust at PHP 2.10 billion. Gross revenue for hotel operations this year is steady at PHP 2.09 billion, while our subsidiaries generated PHP 12.98 million in gross revenue.

Group GOP is at PHP 684.15 million this year. Consolidated NOP is at PHP 198.73 million.

Consolidated costs and expenses are at PHP 1.37 billion, while cost and expenses for the subsidiaries amounted to PHP 47.36 million.

Waterfront Cebu City Hotel and Casino (WCCHC) accounts for 50% of total revenue this year, passing the billion peso mark for the first time at PHP 1.05 billion, a stellar achievement for this property. This is also an 11%

increase in revenue, from PHP 951.44 million in 2016, and a 5% leap in percentage contribution to total group revenue, from 45% last year.

Manila Pavilion Hotel (MPH) brings in a 20% share with PHP 436.56 million. Waterfront Airport Hotel and Casino (WAHC) generates PHP 408.03 million, an increase of 12% from last year's PHP 363.17 million. WAHC comprises 19% of total group revenue. Waterfront Insular Hotel Davao (WIHD) steadily contributes 9% of overall group revenue, generating PHP 196.63 million. This figure is also up 3% from the past year's PHP 191.54 million. All properties with the exception of MPH have increased their revenue from the past year. (See further details per property.)

The Guest Satisfaction Index (GSI) dimensions in 2017 show an overall satisfactory performance for our hotels. The system has 4.00 as the passing mark, with 5.00 as the highest possible rating.

WCCHC continues to garner high ratings as ratings for overall hotel experience have increased from 4.52 in 2016 to 4.64 in 2017, a 3% growth in guest satisfaction. For individual categories, the hotel maintains ratings well above the standard, with the Rooms dimension performing under specific criteria as follows: 4.40 for Efficiency of Service; 4.41 for Friendliness of Staff and 4.53 for Guest Rooms. F&B ratings increased by 2% from 4.44 in 2016 to 4.54 in 2017. C&E increased from 4.04 to 4.42, a rise of 9.41%.

WAHC also performs well with ratings above the standard level. The Rooms dimension ratings are as follows: 4.26 for Efficiency of Service; 4.33 for Friendliness of Staff and 4.22 for Guest Rooms. F&B is the highest among the group at 4.62. C&E is at 4.51. Overall hotel experience is at 4.30.

WIHD reports the following GSI ratings under Rooms: 3.62 for Efficiency of Service; 3.71 for Friendliness of Staff and 3.45 for Guest Rooms. F&B rating is at 4.35. C&E is at 4.38. Overall hotel experience is rated at 3.51.

MPH in 2017 reflected an overall hotel experience GSI of 3.61. Under Rooms dimension, the performance is as follows: 3.68 for Efficiency of Service; 3.71 for Friendliness of Staff and 3.62 for Guest Rooms. C&E is at 1.86. F&B rating is at 3.75, a 27% growth rate from 2.95 the previous year.

ROOMS

The company continues to reap the benefits of investing in continued improvement of its facilities and amenities.

We constantly look to make room improvements in all our properties, be it extensive or subtle, in order to engage our market, improve guest satisfaction and maintain our overall competitiveness. Each year, new or subtle refurbishments are distributed across our hotels to maintain a fresh and exciting experience.

Consolidated Rooms revenue increased by 14% this year. Rooms revenue in 2016 was at PHP 662.12 million, versus PHP 752.69 million this year, reflecting a positive variance of 14%. Rooms have also contributed to a larger portion of gross revenue this year, providing 36% of our consolidated gross income versus 31% in the previous year.

The group's occupancy, Revpar and ARR all continued on their increased momentum in 2017. Occupancy for group increased by 3%, from 69% in 2016 to 72% in 2017. Group Revpar increased from PHP 1,643 in 2016 to PHP 1,852 in 2017, a 13% rise. ARR also increased 7% from PHP 2,355 in 2016 to PHP 2,512 in 2017.

Waterfront prides itself in providing a room experience unlike any other. Our spacious suites—consistently larger than those in similar categories among hotels in our class—and modern and well-designed amenities satisfy the taste of the sophisticated leisure and business traveller. Sustained improvements in room amenities have resulted in better guest satisfaction ratings.

Our continued intensified marketing efforts drive better Rooms sales. We have expanded our marketing channels online via web and mobile to convey our message of quality, convenient and comfortable urban stays. We also launched the new design of the brand this year with the tagline "We're at the Center of it All." Our campaign value proposition is all about the perfect hotel stay. Waterfront's idea of a perfect hotel stay is a combination of the right amenities, a strong culture of service and the right location. This value proposition is evident in our sales and marketing collateral. Through numerous press release (PR) and group advertising activities, we intensified our exposure, sales support and guest satisfaction index.

Our guest rooms continue to be praised for their comfort and spaciousness—our notable large floor area offers more than the usual for any city hotel, giving

a greater feeling of relaxation, freedom and luxury. Waterfront gives its guests the rare luxury of his own home away from home, a private urban sanctuary that is generous in space. Waterfront's famous signature bed, the "Slumber Splendor Bed", designed for an ultra-comfortable rest, is a highlight of every stay, giving superior comfort and garnering excellent guest reviews. Our luxury suites continue to stand out for their impeccable interiors, with sophisticated design combining modern relaxation with intricate highlights and rich accents. Our luxurious business spaces offer connectivity and convenience for elite travelers. Their exceptional quality and style, combining both comfort and sophisticated chic, makes for a memorable stay.

Waterfront also provides dedicated room categories that serve our markets well. Whether it is an executive suite at an exclusive floor with dedicated all-day dining and office facilities, or a grand room at our entertainment area situated conveniently in proximity to our gaming spaces, or an affordable room category dedicated to our group bookings and MICE-related stays, our large number of rooms and categories enables us to address the varying needs of our guests.

FOOD AND BEVERAGE

Our purchasing system has been improved in order to manage F&B costs. Our recent investment in Micros Materials Control delivers benefits year on year, as it offers a scalable software solution for Purchasing and Cost Management. After establishing this as our purchasing and cost-managing software, we are seeing the advantages of using this instrument for the qualified and rational accomplishment of the administrative functions in the F&B area. Three years in the running, it still benefits us significantly.

We upgraded our Fidelio F&B Inventory System to a Materials Control System. This was implemented in all properties: WCCHC, WAHC, WIHD and MPH. The bandwidth of the hotels was also increased to 10 MB for MPH, WAH and WIHD.

We are passionate about introducing new experiences at our dining outlets. Our international chef roster and menus have been refreshed in 2017, providing our dining guests with even more options, mindful of international trends and changing market sensibilities. Our continued investment in F&B training distinguishes our hotel experience as unique with superior restaurant service. We continually evaluate our menus and F&B staff to ensure that our offerings

are kept fresh and in tune with global dining trends.

We have implemented noticeable upgrades in our restaurant and lobby lounge menus that pique guest interest as well as improve our bottom line. Our recently onboarded chefs with their respective culinary specialties and guest chefs introduce constant variety and innovation to our dining experience. In 2017, we invited acclaimed Filipino celebrity chefs Jackie and Ronald Laudico to curate our menu.

Our F&B managers deliver international caliber to our outlets, having undergone constant trainings and certifications.

To promote our F&B outlets, we use a mix of traditional advertising media and new media strategies. This year we have intensified our social media promotions by inviting prominent social media ambassadors to spread the word about our themed dining promotions.

To support all of our product improvement efforts, we continue to use the Waterfront Recipe Guide System. It enables us to standardize best-selling dishes aimed at structured consistency in preparation and taste.

F&B overall reflects a 6% growth rate in consolidated revenue this year, from PHP 595.04 million in 2016 to PHP 629.40 million in 2017.

F&B also contributes 30% of the entire group's gross revenue, up 2% from its 28% contribution in the previous year.

OUR BRANDS

Waterfront Cebu City Hotel and Casino. Our flagship hotel remains an unrivaled property for business and leisure stays at the heart of Cebu's Central Business District. A sprawling and grand edifice located at Cebu City's prime area, right across Asiatown IT Park and within minutes of Cebu Business Park, it boasts of a first-rate location and an ideal choice for anyone who values accessibility, security and mobility.

WCCHC is one the largest facilities with the most number of rooms in the Visayas-Mindanao area, proposing an unbeatable package of sophisticated business travel, round-the-clock entertainment and unmatched variety of dining options. It is a convention hub with one of the country's largest convention facilities capable of hosting a wide variety of MICE

functions with the advantage of being a one-stop urban hotel with high accommodation capacity.

The hotel's occupancy rate grew by double digits. Occupancy is at 73% this year versus 61% in 2016. Rooms Revenue is up double digits by 20%, from PHP 300.67 million in 2016 to PHP 359.42 million in 2017. Revpar is currently at PHP 1,852, up 20% from PHP 1,537 in 2016. ARR increased by 1% from PHP 2,508 in 2016 to PHP 2,530 this year.

Gross Revenue for WCCHC has grown even higher from the previous year. WCCHC managed an 11% increase in total revenue from PHP 951.44 million in 2016 to PHP 1.05 billion. The property managed to cross the billion peso threshold for the first time—a notable achievement for our flagship hotel.

F&B income surged 13% from PHP 308.33 million the past year to PHP 348.54 million this year. Rent and related income increased 2% from PHP 328.21 million in 2016 to PHP 334.19 million in 2017. Income from other operating departments is at PHP 11.36 million.

WCCHC contributed 50% of the Waterfront group's total revenue performance or as previously mentioned, PHP 1.05 billion.

GOP reflects an increase of 7%, from PHP 393.27 million in 2016 to PHP 422.16 million in 2017. NOP also increased, from 2016's PHP 157.62 million to PHP 184.29 million in the current year.

Manila Pavilion Hotel and Casino. The year 2017 was a particularly challenging time for MPH. The hotel experienced several difficulties arising from unforeseen incidents and the discontinuance of corporate contracts.

MPH occupancy in 2017 at 50%. Rooms Revenue is at PHP 152.12 million, up 0.34% from 2016's PHP 151.60 million. Revpar for 2017 is at PHP 1,189.

ARR is at PHP 2,378, reflecting an increase of 5% versus PHP 2,274 in 2016. Rent and Related Income is at PHP 182.34 million.

NOP is PHP -43.96 million. Food and Beverage income is PHP 93.85 million. Income from other operating departments is at PHP 8.25 million, an increase of 210% from last year's PHP 2.66 million. Cost and expenses have been lowered by 1%, at PHP 371.27 million, a decrease from 2016's PHP 373.17 million.

GOP is at PHP 65.29 million. MPH has reduced its payroll costs by 3% from PHP 126.66 million in 2016 to PHP 123.40 million in 2017. The hotel's energy cost has decreased by 5%, from PHP 102.51 million in 2016 to PHP 96.96 million in 2017.

MPH is poised for another reinvention as it remains a relevant landmark in a bustling area with a quaint setting and high tourist activity. It is highly accessible from the Ninoy Aquino International Airport.

Future hotel upgrades will aim for full modernization. The extensive changes to the hotel infrastructure will include state-of-the-art recreation, gaming and dining facilities.

Waterfront Airport Hotel and Casino. Waterfront Airport Hotel and Casino (WAHC) is one of the most strategic Waterfront properties. It has an excellent location, in proximity to the Mactan-Cebu International Airport (MCIA), which is currently being developed to become the prime gateway to Visayas and Mindanao and other international destinations under new international management.

This property is one to watch, as MCIA's massive improvements, expansion and modernization will benefit the hotel with increased tourist traffic from all over the world. This influx requires the proximity and convenience of an airport hotel. The property also has the most number of rooms for a hotel in its class in the area, assuring its ability to cater to larger bookings.

WAHC is one of our best-performing properties of 2017. GOP is up double digits by 24%, from PHP 165.92 million in the past year to PHP 205.03 million this year. NOP (after tax) is significantly raised as well, up 19% from PHP 87.52 million in 2016 to PHP 103.86 million in 2017.

Occupancy grew 91% in 2016 to 97% in 2017—a 6% rise. Rooms Revenue also saw a double digit increase of 21% from PHP 129.42 million in 2016 to PHP 156.53 million in 2017. Revpar increased significantly by 23% from PHP 2,298 to PHP 2,838. ARR rose from PHP 2,534 to PHP 2,927—a 15% annual increase.

Rent and related income rose 10%, from PHP 145.49 million in 2016 to PHP 160.62 million in 2017. F&B income grew 1%, from PHP 76.89 million previously to PHP 77.52 million currently. Other operating departments report a total income of PHP 13.36 million, increased by 17% from PHP 11.38 million in the previous year.

Cost and expenses at the property amount to PHP 203 million. Payroll cost is at PHP 39.86 million. Energy cost is at PHP 47.03 million.

Waterfront Insular Hotel Davao WIHD is our prime property in Davao City, showing moderate to level growth in 2017. Gross revenue for the property is up this year by 3%, from PHP 191.54 million in 2016 to PHP 196.63 million currently. GOP is at PHP 28.83 million and NOP (after tax) is at PHP 12.09 million.

The hotel reports a 69% occupancy rate. Rooms Revenue increased by 5%, from PHP 80.43 million in 2016 to PHP 84.62 million in 2017. Revpar grew by 4%, from PHP 1,468 to PHP 1,530. ARR increased by 5% from PHP 2,104 in 2016 to PHP 2,212 in 2017.

F&B revenue grew by 1%, from PHP 105.64 million in 2016 to PHP 106.98 million in 2017. Income from other operating departments is at PHP 5.02 million. Cost and expenses for the hotel amounted to PHP 167.80 million. Energy cost for 2017 is PHP 27.34 million. Payroll cost for the property is PHP 29.89 million, a reduction of 30% from PHP 42.95 million in 2016.

We consider WIHD as a key presence one of the most important cities in Southern Philippines, a strategic placement of the brand at a business hub. The hotel exudes iconic history with picturesque views and a showcase of the Filipino brand of luxury.

MARKETING HIGHLIGHTS

WCCHC organized one of the biggest wedding expos in the country in 2017. "Cebu Wedding Expo 2017: Walk Me Down to the Waterfront" was a gathering of the top wedding suppliers and organizers in the Visayas. As the grandest wedding trade fair in Cebu, it featured three fashion shows showcasing the creations of the Cebu Circle of Fashion Creatives, the Fashion Designers Association of the Philippines Cebu Chapter and couture made by nationally and internationally acclaimed Filipino designers JC Buendia, Mark Bumgarner, Jun Escario, Michael Leyva, Cary Santiago and more.

WIHD created buzz this year from participation in culinary events. Representatives Rhyann Bahi-an and Ashlie Martin were declared culinary champions at the Unilever Food Solutions' Elite Chef Challenge held last March 9, 2017 at the Davao Trade and Convention Center. Their winning dish: Bisteca de Manzo, a Western-inspired course with porcini demi glace, grilled salmon with vanilla hollandaise and broccoli

puree with truffles and Bagoong Rock Honey Chicken, a Filipino-made dish with salted egg prawns and a taste of Mayonesa Samgyeopsal.

Waterfront's nationwide campaign rolled out our reinvigorated brand values: the perfect hotel stay combined with the right amenities, a strong culture of service and the right location.

Our marketing team supervised the development of a new and fresh look for our collateral, including newly designed sales brochures and folders, fact sheets, keycards and keycard jackets. To support the newly launched campaign, Waterfront Hotels & Casinos staged a couple of media trips and continuously distributed press releases from March until December of 2017. This marketing blitz and public relations effort generated a combined total number of 158 print and online press releases and with a combined media value of PHP 55.99 million.

OUR SUBSIDIARIES

Our subsidiary companies complement our hotels by providing support services and being in themselves independent brands as well as important streams of revenue. Privately managed and known for the novelty, unique value-added experience and service quality they bring to each hotel, these diversified services contribute significantly to our brand experience, company profitability and business efficiency.

These companies develop alongside our main business, contributing a priceless support network of services, experiences and revenue opportunities and making the Waterfront organization a much more dynamic one, able to innovate and expand in various areas.

Waterfront Wellness Group, Inc. (WWGI) offers a sports and recreation facility in our Cebu City property with top-of-the-line equipment and 24-hour fitness with in-house spa and wellness services. In 2017, Citigym achieved a gross revenue of PHP 10.48 million. GOP is PHP -9.18 million. NOP is PHP -9.05 million. Cost and expenses are at PHP 19.66 million.

Gym membership revenue is at PHP 6.38 million. Our wellness facility generated revenue of PHP 2.13 million. Pool revenue is at PHP 717,097.00. Other income from WWGI increased by 44% from PHP 879,397.00 in 2016 to PHP 1.26 million in 2017. Total assets for this subsidiary is currently valued at PHP 23.13 million.

We intend to innovate further and create enticing packages for gym memberships, introducing wellness programs that are on-trend and offer great value.

Waterfront Food Concepts, Inc. (WFC) streamlines sourcing and production for our food outlets, creating fresh, scalable, high-quality culinary products and improving the efficiency of our dining options. It is the largest industrial supplier of fine baked goods in Cebu with a loyal base of institutional customers. In 2017, WFC posted gross revenues of PHP 2.50 million, a 30% growth from the previous year's PHP 1.93 million. GOP is at PHP -6.84 million. Net income is at PHP -6.88 million.

Cost and expenses are at PHP 9.35 million. Total assets under the company are valued at PHP 6.36 million.

Waterfront Hotel Management Corporation was established to oversee the thrust of instituting an all-Filipino chain of hotels in the country and to manage local and independent hotels. The company is currently seeking new investment and expansion opportunities.

Waterfront Entertainment Corporation (WEC) successfully established the country's first ever integrated hotel reservations and booking system featuring a full-service, round-the-clock, 7-days-a-week Central Reservations Office. This centralized automated system with full contact center support offers a better way of servicing our wide global clientele, giving them ultra-convenient booking while assuring us of better ability to track our business. Its change of name was adopted on March 24, 2017.

Mayo Bonanza, Inc. in partnership with Philippine Amusement and Gaming Corporation (PAGCOR) aggressively taps into slot machine segment potentials in the gaming market. Under contract with Atlantic Dynamo of the British Virgin Islands, it leases space and VIP slot machine arcades for PAGCOR. It recently opened a 1,200 square meter VIP arcade housing 240 slot machines in Sta. Cruz, Manila. Total assets under the company are valued at PHP 5.80 million.

GOP is at PHP -472,385.00 an 82% recovery from 2016's PHP -2.69 million. NOP is at PHP -502,749.00. Judicious cost-saving measures as well as a gap in corporate rental contracts have reduced costs

in the company this year by 99%, from PHP 31.77 million in 2016 to PHP 472,385 in 2017. The company is currently seeking new business opportunities.

Waterfront Promotions LTD and its wholly-owned subsidiary Club Waterfront International Limited, Inc., was founded to focus on the international gaming market, promote Philippine casinos and organize special groups to participate in PAGCOR's Foreign High Roller Marketing Program.

OUR STRENGTHS

Our strengths move us forward and keep us ahead of the competition. The Waterfront brand offers a unique value proposition: the integrated experience of luxury, leisure, comfort, convenience, service excellence and an unsurpassed national presence.

Leading operator of first class Filipino hotels in the country.

We are one of the largest Filipino-owned hotel chains in the Philippines, and one of a handful with state-of-the-art convention facilities to accommodate thousands. We allocate large areas of gaming space for PAGCOR in our country's prime locations. Our positions in key cities in the Philippines give us leverage to market our brand locally and internationally, plus the ability to cross-sell our hotel services to travelers in the local market.

Unfaltering hotel performance.

Our consistent operating record and integrity speaks for our brand. We make sure that all our profitability markers are at par with our targets. We aim to serve our shareholders with conscientious effort to maintain top value through top performance, navigating industry and economic factors. Our growth is evidenced by profitable figures and the upkeep of our reputable brand image.

Proven and experienced management team.

Our top management is passionate and highly driven. We have an experienced and qualified team with successful track records, spread across our different departments. This team has successfully developed and enriched our business through consistent performance, innovation and the establishment of strategic alliances that enable us to weather difficult times in the industry.

We continually improve our capacities by participating in international trainings and seminars, keeping pace with new trends and applying these locally. Such practices result in a global outlook, which is incorporated in our operations.

Wide customer base.

Our brand appeals to a broad market, whether it is tour groups or premium leisure travelers. This is because we are able to integrate many types of experiences into our hotels. We are flexible and convenient, while at the same time a benchmark of value and quality.

We cater to both local and international guests, giving our markets their desired experiences and maintaining competitive rates. We value and nurture our Filipino customer base. Local guests are highly loyal to our hotels. On a consolidated basis, over 55% of our room nights production is from Filipino customers. The rest is spread across a range of nationalities that varies year to year.

We also have a solid customer base of corporate clients and local and international travel agencies. We strive to achieve continuous growth through nurturing our Manila Sales and Reservations Office teams who sell our Cebu and Davao properties and also facilitate the cross-selling of services between hotels.

To further grow our customer base, we have entered into profitable agreements with domestic corporate clients to provide rooms for their employees at customized rates during special booking periods. Through our ability to provide flexible terms, we intend to develop brand loyalty and create a strong referral network.

Our company continues to optimize technology as a means to reach a wider range of customers. We set up a booking system that allows us to develop and reach out to new market segments and makes booking and payment fast, convenient and easy. In addition, we are in partnership with several alternative distribution systems and a global distribution system to expand our marketing reach.

Responsive to dynamic market change.

Our competitive position is strengthened by our dynamic organizational philosophy, as well as our ownership structure. We are flexible and highly responsive to market factors, able to make critical decisions and interventions at a quicker pace. Our

facilities and wide range of services as well as the independence of our subsidiaries provide us with many tools for adjustment of the guest experience, which aids in customization and responsiveness to our market's needs.

Opportunity to benefit from economies of scale.

Our size and market leadership allows us to benefit from economies of scale. Through the use of our bulk purchasing policy, we are able to secure contracts and services, and procure supplies on favorable terms and prices. This helps us efficiently manage our operating costs in relation to linen products and consumables, such as paper products, food and beverages. Profitability is maximized.

Competent management and operating systems.

We have streamlined our operations to make it more efficient. Marketing and room reservations are managed through our central reservation system and our real-time reservation system online. We make use of the latest advances in technology to facilitate higher efficiency. We are the first hotel chain in the country to implement a Corporate Fidelio shell and use OPERA for our Property Management System (Front Office) and Marketing (Sales and Catering).

Through a centralized procurement and bulk purchasing policy, we ensure a consistent quality standard of goods supplied to us. Moreover, standardizing the products used in our hotels provides guests with confidence in the quality of each hotel and helps us efficiently manage our operating costs. Our strong presence in the Philippine hospitality industry has been able to develop procurement channels that allow us to obtain value-for-money goods and services catering to the needs of our hotel operations.

Our systems, procedures, and activities are supported by a complete and comprehensive set of operating manuals that are strictly adhered to by all our companies.

Strategic locations.

Our properties are centrally located in the central business districts of the three prime Philippine regions, namely: Manila, Cebu and Davao. These are the key cities of the country with the highest tourism traffic. As such, our location gives us access to a greater number of foreign and local travelers as well as enables us to attract ideal markets.

Capable acquisition strategies.

Our management team has substantial management experience in the acquisition of equity interests in hotels in the Philippines. We have enjoyed considerable success in formulating and implementing clear acquisition strategies, and seizing opportunities to explore market potential of the hotel industry.

Our acquisition strategy remains sound as it takes half the time to acquire and renovate properties as it does to conceptualize, construct and pre-open new properties. With our expertise in hotel management, and our partnership with an investment group that is premised on the transfer of clean properties with minimal business risks, we are confident in our ability to improve operations and enhance the value of acquired assets.

Dynamic growth approach.

We see our revenue to grow further from the expanding opportunities in the gaming industry and by consolidating our partnership with the Philippine Amusement and Gaming Corporation. We believe the gaming industry is poised to become a major contributor to the Philippine economy, especially with the establishment of the Bagong Nayong Pilipino Entertainment City in the Manila Bay area, and the growth impetus ascribed to tourism by the national government. We intend to open several new slot machine arcades in select locations around the Philippines, in partnership with Elixir Gaming Technologies, an established name in the gaming industry.

Integrated company support services.

Our company stretches across several subsidiaries that provide important support services for our properties. (See Our Subsidiaries section for details.)

GROWTH STRATEGIES

Waterfront is passionate about the improving quality of our product. We believe this is essential for continued growth and sustainability. This year we focused on sustaining product quality to improve guest satisfaction and ensure our profitability and staying power.

Facility upgrades in recent years have served to pique consumer interest in our hotel experience. Guest

feedback has consistently been encouraging, motivating us to continue improvements in all our properties.

The year 2017 is all about sustainability in all of our properties. Having instituted key renovation and improvement efforts in previous years, the year is all about maintaining our lead as a unique hotel chain experience. Alongside our property improvements, we believe that the key elements to growth reside in strategic acquisitions, constantly seeking new distribution channels and consistent training of our personnel to preserve a standard of excellence in our organization.

Facility Upgrades.

Following major facility renovations in the past years, Waterfront conducts its annual developmental projects to assure the quality of its product.

WCCHC invested PHP 4.68 million on transportation facilities upgrades.

WAHC invested a total of PHP 6.28 million in hotel improvements for 2017. Capital expenditures included improvements in room amenities and added facilities to accommodate increasing demand for various hotel services.

WIHD invested PHP 6.31 million in various improvements, which includes transport, amenities, facilities and equipment.

MPH spent PHP 33.80 million on IT improvements, facilities and amenities.

Such attention to the care and maintenance of our facilities go a long way in retaining high guest satisfaction and making sure that the Waterfront brand is properly curated with every detail.

Peer Development.

Waterfront values the guest experience above all, driving us to continually nurture and maintain excellence among our people, whom we call our "peers".

Aware of the highly competitive standards within the hospitality industry, Waterfront centers on knowledge and skills training that enables its peers to provide an unforgettable customer-focused

experience. The Peers' Training and Development programs are geared towards preparing our peers to conform to ever-changing and globally diverse service standards. This continuous upgrade in service competency is reinforced by our own local passion to convey the signature warmth of the Filipino Hospitality.

Our year-long focused training and development efforts resulted in the group surpassing the Training Index target of 90 hours per person in 2017. The group achieved a Training Index of 137.04 hours per person, the highest Training Index by far—a record in comparison to previous years. Leading the group with the highest Training Index is WCCHC with 161.09 hours per person, followed closely by WAHC with 149.37 hours, then WIHD with 130.41 hours and WPHC with 107.30 hours.

Waterfront through WIHD, received a training grant of nearly PHP 1 million from the Tourism Industry Skills Program, a project by the Philippines' Department of Tourism (DOT), the Government of Canada and the Asian Development Bank. The aim of this DOT project is to improve our country's global competitiveness in the tourism industry. With the training grant, our hotels were able to gain the Magnums Butler International Certification. Our peers also earned Hospitality Supervisor Certifications from the American Hotel and Lodging Educational Institute, HACCP and ServSafe Food Handlers and Managers' Certifications.

The Department Heads and Managers from all our properties were sent to international, national and regional conventions and conferences to keep them abreast of essential issues and recent requisites in the industry. With the latest innovations in service, several in-house training programs were established to keep the peers up-to-date with the added modern guest amenities. Emergency Response and Preparedness programs were also intensified across all properties.

Waterfront believes in employee engagement and involvement in Corporate Social Responsibility (CSR) activities. Through company-wide CSR activities, peers participate in a holistic developmental program. (See CSR section "Giving Back" for details.)

All these are consistent with the Waterfront goal of excellence in Peers' Training and Development. Peers are embraced as the group's strategic partner throughout our operations. The program is key to the development of effective and result-driven interventions and initiatives aligned with the ongoing

transformations that all the hotels are undergoing in order to uphold our competitive and distinctive advantage in the hospitality industry.

Business Diversification.

Master Planners are currently tasked to evaluate and create strategies to derive the true value of our prime properties. This business decision has been embarked on in 2016, and is expected to reshape the direction of Waterfront as a group as we decide on more strategic transformations in the future.

Through hiring both nationally prestigious and international-caliber master planners such as AECOM and Recio & Casas Architects, we hope to increase our overall real estate value by unlocking the true potential of our assets. This will be done through several approaches, including the determination of best use capacity, the setting up of diversified revenue streams, and various ways of complementing, enhancing and improving on our core business. Being located in several key cities in the country, this is a massive undertaking to reinvigorate the Waterfront brand in all of our locations.

This is part of our commitment to deliver ever-increasing shareholder value and to remain dynamic as a company, constantly moving from strength to strength.

Expanding Distribution.

In 2017 continued expansion in our online channels has fuelled more growth for our company. Our profitability is anchored on our innovative and bold efforts in marketing and distribution, ensuring that we reach our market where it produces the most appreciable results.

Total online production has successfully remained robust among all our properties—this is an aggregate of production rates from our Global Distribution Service (GDS), Online Travel Agencies (OTAs), website and mobile app.

Online production continues to contribute significantly to total revenue year on year. Online revenue in 2017 remains strong among all our properties.

Through combined online channels, WCCHC generated PHP 165.49 million in 2017, an increase of 24% from PHP 133.74 million in 2016. WAHC online production is PHP 67.87 million, up 8% from PHP 62.95

million the previous year. WIHD's online revenue grew by 30% at PHP 23.89 million, versus PHP 18.41 million generated in 2016. MPH online production increased by 35%, from PHP 53.19 million in 2016 to PHP 71.91 million in 2017.

Total room nights production via online channels has also seen a significant increase for most of our properties. WCCHC room nights booked online rose from 48,467 in 2016 to 56,690 in 2017—a 17% growth rate. WAHC online-booked room nights in 2017 tallied 19,967. WIHD room nights increased by 19%, from 8,583 in 2016 to 10,193 in 2017. MPH total room nights via online channels increased from 23,008 in 2016 to 30,620 in 2017—a positive variance of 33%.

The Waterfront mobile app is a vital tool in capturing the tech-savvy market segments. It provides a convenient option for guests who prefer the speed and ease of a booking app option. The app undergoes regular software upgrades to maintain security, enhance user-friendliness and improve efficiency. New features such as web administration for dynamic data, dynamic data display, an API setup, more room options on the booking page, more information on room rates on the booking page, booking guarantee via credit card, improved contract information on Terms of Service and Privacy Policy sections and overall ease of data management have all contributed to increased patronage of the app. Data derived from the app assists the company in making better decisions and developing dynamic marketing policies.

For the group, the Waterfront mobile app generated 173 room nights at an average rate of PHP 2,585.93 with a total revenue of PHP 447,365.

The Waterfront website enjoys a continued stream of patronage. The site is well-maintained and constantly updated to improve user experience and ensure current information. For the site, the top 10 engaged countries are Philippines, USA, Japan, Australia, South Korea, Singapore, Canada, UK, India and UAE.

For WCCHC, web-based bookings generated 2,577 room nights. ARR increased from PHP 3,341 in 2016 to PHP 3,485 in 2017, a growth rate of 4%. Revenue generated via website for this property amounted to PHP 8.98 million.

For WAHC, web-based bookings generated 1,039 room nights. ARR increased by double digits at 30% from PHP 3,070 in 2016 to PHP 3,996 in 2017. Revenue

from the website for this property in 2017 is at PHP 4.15 million.

For MPH, web-based bookings generated 852 room nights. ARR in 2017 under this category is at PHP 2,813. Revenue generated is PHP 2.40 million.

For WIHD, web-based bookings generated 566 room nights. ARR increased by 3% from PHP 2,541 in 2016 to PHP 2,626 in 2017. Revenue generated via website for this property is at PHP 1.49 million.

Waterfront established new online distribution and management systems in recent years, which are now well integrated and are effectively performing for the company. For WCCHC, WAHC and WIHD, we continue to use the new Channel Management System that has been implemented, and the booking engine provided by Compass Edge. These systems from our providers offer greater efficiency and speed. They also guarantee ease of management and better integration of our booking systems.

The hotel engaged Compass Edge to develop a simplified site in Chinese to cater to the Mainland market. The page is published under the hotel's subdomain, www.waterfrontcebucityhotel.com.cn and has been live now for over a year. The site was translated by Mainland Chinese professionals, and used Search Engine Optimization via Baidu, where it was submitted for indexing. The site is mobile-friendly and is responsive in order to cater to various displays on desktop, tablet and mobile. Marketing is also expanded through social media channels, as the site is linked to Chinese social media accounts on Weibo, with promotional posts in Simplified Chinese.

Waterfront continues to generate steady sales volume through its Central Reservations System (CRS), which makes us the only integrated network of hotels in the country with a powerful presence through our 24/7 toll-free number. Anyone can book using a single 1-800 number, 1-800-WFRONT8 (9376688), for all Waterfront Hotels nationwide. This channel caters to guests who prefer booking by phone.

In 2017, the number of calls received through our Central Reservations Office (CRO) increased from 2016's 88,159 calls to 98,950 made this year, a growth of 12%. Of these calls, actual bookings made averaged at 14%. Inquiries made the bulk of calls at 71%. Drop call percentage is at 4%. Online-generated calls for the year averaged 3%.

Email statistics in 2017 exceeded those of the previous year. In 2016, Waterfront received a total of 134,512 emailed booking inquiries and requests from corporate groups, 144,560 from the web and 20,536 from travel agencies. The total emailed booking inquiries and requests amounted to 299,608. In 2017, our hotels received 132,703 email requests from corporate groups, 220,658 from web origins and 40,795 via travel agencies. The annual total for emails in the current year is 394,156, a 23.99% growth vs 2016.

We maintain a partnership with our B2B and B2C Online Travel Agencies (OTA's) across strong markets such as Korea, Japan, China, and Europe/US. We are currently working with Sabre as our global distribution partner. It is the world's largest online sales, marketing and distribution service for hotel groups. Sabre's hospitality solutions platform, delivered primarily as a Software-as-a-Service (SaaS) model, enables our hotel to take advantage of an integrated global reservations system, as well as marketing and distribution services that help us boost our revenue, identify cost control areas and greatly improve our customer service. Using the SynXis Central Reservation System in tandem with Sabre's global distribution system, we are able to reach a global market in the most efficient and savvy means possible.

This system provides the best and most comprehensive search facilities for agents in the hotel and resort industry, assisting them in making thousands of customized searches and generating instant confirmations. These partnerships support a strong distribution network for the company, ensuring solid growth infrastructure.

GDS contribution data in 2017 proves that it continues to benefit our group. GDS-generated Room Nights have increased from 660 in 2016 to 666 in 2017—a growth rate of 1%. Average Room Rate (ARR) grew from PHP 2,608 in 2016 to PHP 3,549 in 2017, a 36% growth rate. Total GDS-contributed revenue rose from PHP 1.72 million in 2016 to PHP 2.36 million in 2017—an increase of 37%.

OTA's have continued to produce double-digit growth for the group in 2017. Combined OTA-generated revenue for the group are as follows: a total of 111,597 Room Nights for all properties compared to 97,204 in 2016—a 15% increase; ARR of PHP 2,772 for all properties versus PHP 2,491 in 2016—an 10% increase, and a total revenue of PHP 309.33 million,

from PHP 242.18 million in 2016, reflecting a 28% growth rate in revenue generated through this channel.

Our contract with Hotelbeds, a Guarantee Buy and Preferred Partnership Agreement for WCCHC, continued to generate significant production increases until its end date in October 2017.

Our marketing, sales and reservations offices are the backbone of our revenue, representing our properties and facilitating cross-selling of our hotels and services. We ensure that our sales service is integrated, flexible, on point and always with that Filipino touch of excellence.

Our convention facilities are international standard and are the largest in Visayas and Mindanao, giving us an edge in bidding for larger MICE projects. These include large corporate conventions, beauty pageants, diplomatic functions, sports and gaming events, government agency events, industry-specific events, socio-civic conventions and business forums.

Overall we continue to expand in innovative ways, using technology and new media to our advantage as a cost-effective way to expand our market share, explore new markets and ensure the strength of our brand presence locally and internationally.

FOCUS ON THE BUSINESS TRAVELER

Waterfront gives a wide range of business-related conveniences to ensure that our guests enjoy a productive stay. Our special attention to detail, well-equipped business centers, accessibility, unrivaled facilities and presence in major cities of the Philippines make us best positioned to cater to the business traveler's needs.

Our recent renovations have positioned us to offer a highly desirable product for the premium corporate traveler as well as the premium individual traveler, who both seek an experience of comfort and luxury.

We are located throughout the country's major cities, in proximity to international airports. No other hotel chain in the Philippines has the reach and presence of Waterfront Hotels. Our hotels are located ideally within a short distance from major international airports, the Ninoy Aquino International Airport (NAIA) and the Mactan-Cebu International Airport (MCIA). Whether it is in Manila, the country's biggest tourism

hub and its political, social and economic center, or in Cebu, considered the gateway of tourism in Southern Philippines and the fastest-growing destination in the country, or Davao, a major city in the Mindanao area and an ideal base for business in the area, Waterfront is able to provide business travelers with first class accommodations and convenience expected of a business-savvy hotel.

Our capability to accommodate large numbers of travelers for all types of business gatherings. We provide the best range of venues for all types of meetings and conventions. No other hotel chain can boast of having the facilities to handle small, medium and large-scale gatherings with ease.

Our unrivaled facilities for MICE. We have the largest international convention center in the Visayas-Mindanao area, unparalleled for its size and available facilities. The convention center readily accommodates over 4,000 people. Throughout our hotels, we maintain a consistent focus on travelers with the MICE objective. We are flexible and efficient, able to provide all technical equipment and assistance necessary for business functions of any scale.

Urban recreational facilities. We have all the facilities that a business traveler requires to relax and unwind. Throughout our hotels, we maintain wellness facilities: gyms, spas, swimming pools and gaming areas that put the business traveler at ease. We know how important it is for guests to find an oasis in the city, and Waterfront, throughout its urban locations, provides sophisticated facilities for wellness, exercise and relaxation.

Connectivity. Waterfront Cebu City Hotel and Casino offers fast and free WiFi in-room and in its public areas. Our widespread connectivity service, whether in our rooms or our public spaces has been praised by many guests as generous and highly efficient. Nothing satisfies a business traveler more than a reliable, readily available Internet connection that enables him to work anytime, anyplace.

Fully equipped business centers. Our business centers are equipped to accommodate the business traveler's needs for Internet access, secretarial functions, copying services and communication. We take pride in being able to provide an "office away from the office", while maintaining that relaxed hotel ambience.

International gaming facilities. We provide gaming options to the international traveler. Our hotels give you the enticing option to discover the unique thrills of gaming while on your business trip. Our newly expanded PAGCOR Casino block at WCCHC boasts more gaming options and recreational space, ensuring an even more enjoyable stay.

A wide range of dining options. Being able to cater to a wide range of tastes and food preferences is a source of pride for our hotels. Business travelers who have unique preferences will find themselves at home in our dining outlets which serve international cuisine, from Chinese to Italian to Japanese. Menu customization for those with special dining requirements is done by our highly competent F&B staff. We provide a wide range of menu options for business functions to suit your preference and budget.

Affordability and competitiveness. We have successfully remained within the business traveler's reach by staying true to our commitment of value for money. We continue to be highly competitive and best in class, giving our guests luxurious stays that are reasonably priced and appealing to our target market. This is especially relevant in today's business climate, where companies are adjusting their budgets and looking to find the best value for business travel.

Online ubiquity. Waterfront now boasts of an expanded online presence. We touch base with our clientele through our web and mobile tools that are designed to capture our market through well-strategized user interfaces. Bookings and payments are made secure and easy through constant improvements in our software. Our prestigious linkage with Sabre allows us to be in touch with business travelers across the world, being easily accessible through search and Sabre's extensive global distribution network. Our online booking facility also allows convenient reservations 24/7, enabling the global traveler ease in planning his stays. We are progressively increasing our online presence by continuously finding new and upcoming online markets to the Philippines so we can serve the business traveler better.

Furthermore, we add priceless touches to the business traveler's stay. Our rooms and suites are specially furnished to please the jetsetter with sophisticated taste. The contemporary design aesthetic is prevalent throughout our hotels, adding an element of freshness, modernity and style that contributes to an unmatched experience.

The Ambassador Lounge is a highlight of our business stay. It offers the privilege of a top-floor location with splendid city views ideal for the corporate guest. Furnished with modern office equipment, state-of-the-art computers, audio polycom service, high-speed WiFi access, exclusive buffet breakfast, light afternoon snacks and full convention & secretariat support, the experience is perfect for on-the-go business executives. Whether it is the stunning, expansive new lobby at our

Cebu flagship hotel or the beautifully renovated rooms at MPH, or the progressive improvements in all of our properties, you are assured of a warm touch that cares for your every whim.

The unique combination of sensible sophistication, convenience, expanded F&B options, integrated gaming, wellness facilities, excellent service and attention to detail all adds to the signature touch that is unmistakably Waterfront.

ACCOLADES

NOMINATIONS, AWARDS & CITATIONS	YEAR	ORGANIZATION	PROPERTY
Bronze Award, Gross Sales	2017	Rakuten Travel	WAHC
Bronze Award, Customer Review Scores	2017	Rakuten Travel	WAHC
Best Events Venue	2017	Sun.Star Publications' Best of Cebu Awards	WCCHC
Token of Appreciation for Corporate Social Responsibility	2017	iCanServe Foundation Cebu	WCCHC
Chinese Preferred Hotel	2017	Ctrip	WCCHC
Best Chinese Restaurant (Grand Slam)	2016	Sun.Star Publications' Best of Cebu Awards	WCCHC
Golden Circle Award	2016	Agoda	WCCHC
Loved by Guests Award	2016	Hotels.com	WIHD
Best Gym	2016	Best of Cebu Awards by Sun.Star Publications	WWGI
GTA Powering Global Travel Award	2015	GTA	WCCH
Golden Circle Award	2015	Agoda	WCCH
Loved by Guests Award	2015	Hotels.com	WIHD
Most Engaged Hotel	2015	Expedia	WIHD
Best Recommended Hotel	2015	Holiday Check	WAHC
Top 20 Taxpayers	2015	LGU of Mactan	WAHC
Three-Star Hotel Accreditation Status	2015	Department of Tourism (DOT)	WAHC
Four-Star Hotel Accreditation Status	2015	DOT	MPH
Best General Manager Nominee	2015	World Luxury Hotel Awards 2015	WCCHC
Luxury Casino Hotel Nominee	2015	World Luxury Hotel Awards 2015	WCCHC
Nominated for Best Luxury Hotel	2015	World Luxury Hotel Awards 2015	WCCHC
Silver and Bronze Medals	2015	Mindanao Culinary Festival Competition	WIHD
Certificate of Appreciation	2015	Philippine Coast Guard	WIHD
First Class Hotel	2015	DOT	WIHD
Large Taxpayer	2015	Bureau of Internal Revenue	WCCHC, WAHC, WIHD, MPH

GIVINGBACK

Waterfront's Corporate Social Responsibility (CSR) program remains an integral part of our thrust as a company. Each of our hotels regularly selects relevant causes to include in our CSR agenda—projects that reflect our corporate values and respond to the exigencies of the time. We update our CSR priorities according to the changing needs of the community.

We believe in creating a tangible impact within the vicinity of our business. We pay special attention in responding to the needs of the immediate community and ensure that we contribute to its continued growth and improvement.

The group has also adopted ecological awareness as part of its business philosophy. We believe that environmental sustainability of our business operations goes hand in hand with profitability and best practices.

As part of our priority CSR efforts in 2017, Waterfront Philippines Inc. (WPI), through WIHD, handed a PHP 1 million donation to the House of Hope, a childhood cancer advocacy organization, during its annual Survivors Day. (See details under WIHD.)

Waterfront Cebu City Hotel & Casino (WCCHC).

Women's health education and awareness is an important advocacy of the hotel. The Philippines has the highest breast incidence among 197 countries, according to recent statistics. The country also has the lowest survival rate for breast cancer among fifteen Asian countries. Aware of the need for critical action, WCCHC actively promotes Breast Cancer Awareness Month in October.

In partnership with iCanServe Foundation of Cebu and with the help of Rotary Club Cebu Fuente and other sponsors this 2017, WCCHC gathered women's health advocates, media personalities, VIP guests and breast cancer survivors in an effort to promote support for the foundation's various missions and spread the word about Pink October.

A benefit event, "Twist and Shout for a Cause", hosted by WCCHC and co-hosted by iCanServe Foundation, was organized in order to raise funds for the breast cancer awareness group, which also provides support services for breast cancer survivors in the Philippines. All proceeds of the event benefited iCanServe Foundation.

WCCHC also launched a one-of-a-kind Pink October promotion called "Pink Escape", an accommodations package that incorporates a PHP 50 donation to the Breast Cancer Foundation.

The hotel hosts its annual Christmas Tree Lighting Event, benefiting underprivileged children in partnership with the Kapwa ko Mahal ko Foundation-Cebu. The 2017 Christmas Tree Lighting event "Smiles of the Season" was a meaningful celebration with a social conscience.

WCCHC continues to work with Kapwa ko Mahal ko Foundation-Cebu to help develop a healthy community by reaching out and awarding financial assistance to families in dire need. The partnership with the foundation will be slated to continue for several years.

Ecological preservation has always been an important priority for the hotel. Every year, the hotel re-evaluates its energy efficiency and finds ways to improve its environmental footprint, never ceasing in its effort to cut carbon emissions and reduce energy use. Not only does this make sound business sense—more importantly, it contributes to lesser human impact on the environment.

The hotel continues to save on fuel cost by upgrading its boiler to the Simech Industries Boiler System. While it keeps diesel fuel consumption at a minimum, it also reduces carbon emissions year on year. We installed a 125 BHp from 250 BHp boiler system to further save on fuel consumption and produce minimal carbon emissions by 20-25% due to its efficient burning process thus reducing the hotel's carbon footprint.

The hotel leaves subtle "Save the Environment" cards in all rooms. It is both an information drive to raise environmental awareness among guests, encouraging them to reuse towels and linens to limit water consumption and a program to limit the use of detergents that cause water pollution.

The property participates in Earth Hour this year, as it has committed to doing every year, turning off exterior lights and dimming the lights at the Grand Lobby during the designated period. In-house guests were encouraged to participate in energy-saving by switching off lights and other electronic devices in the rooms. Earth Hour's successful adoption lowers energy cost for the establishment and more importantly, through collective participation of commercial establishments and private volunteerism,

diminishes energy consumption worldwide. It is also a program that teaches people globally to be aware of energy-saving practices.

Waterfront Airport Hotel and Casino (WAHC).

WAHC started its annual CSR activities earlier than the traditional Christmas effort by visiting the residents of Caohagan Island in Mactan in September. The CSR activity was called "Feet for a Change", which included feeding, distribution of school supplies and handing out of slippers to the local children. Footwear is crucial to maintaining children's health, as this basic necessity prevents many infections and ensures that the children can be active and mobile. The residents of Caohagan have been beneficiaries of WAHC for several years now.

Every year, the hotel takes part in Earth Hour. Lights in large public areas are switched off. Instead of electric lights, candle centerpieces were used for lighting, and still as minimally as possible throughout the property. To heighten awareness of this cause, a thirty-minute educational video presentation was shown to explain the significance and impact of the campaign to all participating guests. The hotel has cumulatively saved 5 kilowatt-hours.

As with all other properties, energy conservation is a mainstay of WAHC's projects. The property finds ways to increase its energy efficiency thus contributing less to pollution and carbon footprint. The hotel's installation of an efficient digital thermostat control system in all guest rooms and the conversion of halogen lights to LED lights continues to save on cost, efficiency and power consumption.

Manila Pavilion Hotel (MPH). For the second year in a row, MPH has made the charity organization Asociación de Damas de Filipinas the beneficiary for the hotel's Christmas activities. Asociación de Damas de Filipinas is an orphanage that enables children aged six and below to experience conditions of family care in a quality environment geared towards their holistic growth. The effort began in 2016 when MPH visited the orphanage during Christmas season to distribute food and gifts. In 2017, school supplies, grocery items and used but durable linens were turned over to the orphanage for their use.

MPH took a remarkable step in helping mitigate the negative ecological impact of climate change by its use of electric heat pumps instead of diesel-powered boilers. This initiative is aimed at reducing carbon

emissions, the principal contributor to global warming. It was agreed that this is an ideal long-term step, too, in increasing the hotel's efficiency and minimizing costs, while reducing the hotel's carbon footprint for years to come.

We anticipate that further modernization of the hotel as planned will drastically improve its carbon footprint by using the latest energy-saving equipment and adopting more efficient systems. The social advocacy programs of the hotel will be resumed after completion of its rebuilding and rebranding.

Waterfront Insular Hotel Davao (WIHD).

The year 2017 marked the ten-year partnership between WIHD and the House of Hope Foundation for Kids with Cancer. Over the years, the Hotel has laid out initiatives for the benefit of the foundation, which helps children cope with the many difficulties of the disease, as well as provide survivor support. Proceeds from hotel offers and promotions have also been donated to the beneficiaries for their much needed treatment fund.

On the tenth year anniversary of Waterfront's partnership with House of Hope, Waterfront Philippines Inc. through WIHD handed PHP 1 million pesos as a commemorative donation during the foundation's Survivors Day held last December 9, 2017 at the Ateneo de Davao University.

Childhood cancer treatment in Mindanao continues to be one of the region's biggest health challenges being one of the most under-funded, with lower survival rates than the rest of the country due to the indigent state of most patients. However, statistics for survival among children with pediatric cancer have begun to improve in recent years, jumping from 10% to 50%. Better coordination among government agencies, charity groups and private organizations should be able to deliver even more promising results in the years to come.

WIHD is the first hotel in the Philippines to achieve a breakthrough using solar energy. The hotel is lauded as the first in the country to utilize solar power in its water heating processes and to supplement its other energy needs. This vital program cuts our energy use and over time has generated tremendous savings both for the company and the environment.

Along with all other Waterfront properties, the hotel showed solidarity in its support for Earth Hour by

conserving energy during the designated time. All lights in and around the property were dimmed during Earth Hour to participate in the global drive to conserve energy.

The hotel also partners with government agencies to continue on its coastal clean up drive. Together with the Environmental Management Bureau XI (EMB) of the Department of Environment and Natural Resources (DENR), it regularly implements a joint coastal clean up to preserve the surrounding marine environment.

The long-term objective of this project is to reduce the incidence of flooding in Davao and to preserve the environmental integrity of its coastal waters. Floods are responsible for sudden and extensive environmental, economic and public health emergencies. Pollution and environmental

degradation contribute to the deterioration of health and living standards and destroy the ecological diversity of the area. WIHD believes in implementing regular cleanup and mangrove-planting measures to mitigate the effects of pollution and urbanization.

Waterfront supports environmental sustainability and invests in the Philippines' present and future potential. We are fully committed to environmental and community causes, believing that successful business ownership entails a responsibility.

We remain strongly dedicated to promoting public health, preserving the environment and working with Filipino communities, knowing that the Philippines' success requires every single Filipino company to reach out beyond business, and be actively involved in its betterment.



INDUSTRY OVERVIEW

BALANCING GROWTH & SUSTAINABILITY

As the global tourism industry remains bullish for another consecutive year, eyes turn to sustainability efforts to ensure long-term health.

For yet another year the global tourism industry is showing no signs of slowing down. Tourism figures are still rising by an impressive average growth rate of >4% per year, for the eighth consecutive year. The total international tourist arrivals in 2017 reached 1.32 billion. This means that there are over 84 million tourist arrivals more in 2017 than in 2016, a growth rate of 7% in just one year. Between 2008 and 2017, over 393 million more people have traveled internationally.¹

Regions such as Asia-Pacific and Europe are leading the pack with the highest share of tourist arrivals. Europe comprises a 51% share in international arrivals or 671 million, while Asia-Pacific comes second at 25% or 324 million. Both regions show impressive growth as well. Europe gained +8% in arrivals this year, while Asia-Pacific grew by +6%. Africa, while capturing only 63 million or 5% of total global arrivals, grew the highest this year by +9%.¹

China is an especially important market as the world's top tourism spender by a large margin. In 2017, Chinese tourists spent USD 258 billion, a +5% growth from 2016. The second top spenders are USA at USD 135 billion, a +9% increase from the past year.¹

We are in the midst of a golden age of global tourism. Starting with the post WWII era—around the 1950s—to the present, we may consider ourselves at the peak of a booming industry: the “apex of tourism”². We are at the height of the industry's continuous period of global consolidation, following numerous milestones in technology advancement including developments in aviation, public transport and information technology (IT).

Tourism has become a well-defined and vital branch of the global economy.² The dramatic arch in tourism activity today is influenced by optimized marketing efforts, the popularity of new media and blogging as alternative sources of information, the exponential effects of digital channels in facilitating bookings, and

the increasing variety, novelty and independence of the travel experience.

Hotels and other tourism-related businesses are becoming increasingly innovative with each passing year, offering an endless variety of value and experiences that set each stay apart from others. Indeed, originality and the introduction of unique value-added elements to a stay entice more patronage of companies that want to stand out. Marketing strategies echo these new value propositions, as creativity is the key to drawing curiosity and interest from customers.

Asia-Pacific accounts for 30% of the world's international tourism receipts, according to the WTO. The region's share has nearly doubled since the year 2000, when it was at 17%. One of the most important features of this Asian regional dominance is its leadership in the shift from the industrial to the technological age.¹

While the picture is of overall growth, this also means that there is stiff competition among many players to gain a slice of the pie. The Philippines competes with many other countries for quality, variety of experience, value for money, convenience, facilities and key infrastructure, both physical and digital. Among the challenges identified in the Asian region among stakeholders are policy implementation difficulties, stakeholder participation in global sustainability initiatives and coordination challenges.

While being well-positioned to take advantage of the dynamism in the Asia space, Filipino tourism players also need to contend with the constraints that are inherent in a developing country. Infrastructure continues to be one of the major issues. There is a clear lag in mass transport, urban planning, tech infrastructure development, effective tourism programs and other areas that are supposed to support the boom in tourism. The Philippines, with its challenges, may not be able to harness the full benefits of this boom, yet given these limitations, the Philippines has managed to perform well in its effort to entice visitors.

TOURISM

BY THE NUMBERS

6.6
MILLION
foreign tourists
traveled to the
Philippines in 2017



^11%
VS 2016's arrivals
of 5.97 million

South Korea remained
the top source market
with 1.5M arrivals, almost
a quarter of the total.



**CEBU
BORACAY**
top destination
for South Koreans
in 2017

Tourism arrivals in the Philippines hit a new high of 6.6 million in 2017. This is an 11% growth from 5.97 million in 2016. The country's top tourism market remains South Korea, with arrivals at 1.6 million. This represents nearly 25% of the total tourist arrivals. The top destinations of 2017 for South Koreans were Boracay and Cebu.⁴

Consistent with global figures, tourists from China represented the highest in terms of arrival growth at 43%. The Department of Tourism (DOT) attributed this growth to "improved ties between the Philippines and China, added air routes, and the Visa Upon Arrival (VUA) option for Chinese nationals". Projected arrivals in 2018 are at 7.4 million, according to the DOT.⁴ Being within this period of steep growth, questions of ensured continuity and sustainability set in. How does

the industry maintain a healthy pattern of growth in the years to come?

Tourism has a footprint on the environment. The industry has grown more conscious of its role in ensuring that there is a balance between this massive period of economic growth in the sector and its responsibility to protect the environment, thus also preserving touristic experiences throughout the world in their best state.

The current WTO's thrust towards sustainability is part of future-proofing the industry as well as a conscious push to establish accountability and responsibility among all stakeholders. Today's global tourism movement is geared towards the development of the right environment for resilient and sustainable economic activity.

Because tourism in the Asia-Pacific region is growing at a markedly greater pace than other regions in the world, WTO has developed several approaches to addressing the issues that arise from this massive shift. Among the key conclusions in the WTO Asia-Pacific report are: that tourism in this region can be harnessed to reduce poverty, increase employment rates and boost the economy, yet still play a role in cultural and heritage preservation, as well as protection of the environment.¹

The idea is that businesses can derive real benefits from participating in green, fair, respectful and inclusive tourism. Technology is a key instrument in driving the industry towards the future, and the industry is working towards greater global integration and dialogue, so that more technological solutions paired with sound action and policy can sustain this great period of growth.

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