

MATERIAL RISK FACTORS

1. State of the Global Travel and Tourism Industry

Economic cycles including those brought about by the political instability or outbreak of an epidemic, in the different regions affect the country's tourism and travel industry. This type of risk is generally less predictable and may significantly affect the corporation's financial condition. To sustain the demands of its operations in such occasions, DFP has kept its inventory costs at a reasonable level so as not to seriously strain its financial resources.

2. Calamities and other Natural Disasters

Natural disasters such as earthquakes, typhoons and floods as well as acts of terror, infection and other factors beyond the control of DFP could adversely affect operations. The development of disaster contingency plans is intended to minimize losses.

3. Foreign Exchange Fluctuations

The company transacts business in different currencies. As a result, our financial statement/condition is affected by fluctuations in foreign exchange rates. Reduction on the effects of exchange rate fluctuations can be achieved through exchange rate futures contracts, and for reportorial purposes, the effect in the translation of foreign exchange transactions is summarized under one account.

4. Restrictions imposed by National and Local Laws and Regulations

Our operations are subject to restrictions both locally and on a national level. Local government regulations such as "no plastic policy" and "smoking bans" affect the demand for DFP products. On the national level, additional burden imposed by laws such as the Sin Tax and other regulatory requirements drive our costs up. To remain competitive in the travel retail market, supply contracts include a mechanism for review of the pricing policy.

5. System Security Breach

Unauthorized intrusions in DFP computer systems may compromise data and/or applications critical to the operations of the corporation. As best practice, we have installed security solutions and tools to protect the networks, the operating systems, the servers and enterprise data. Backup and recovery methodologies are also contained in the IT Business Continuity Plan (BCP).

6. Trade Liberalization

Import trade liberalization reduces the competitive advantage of the duty free business that may affect the profitability of the operations. Costs for importation for the domestic market can be brought down to more reasonable levels on account of its volume. Adjustments in pricing policies, increase in product value offers and development of specialized categories and/or exclusive product lines intended to serve a specific need of the market are among the measures that are undertaken to mitigate the effects of liberalization.