

**MINUTES OF THE
ANNUAL STOCKHOLDERS' MEETING OF
MACROASIA CORPORATION**
Held on 13 May 2021 at 3:00 P.M.
via Zoom Webinar

	<u>Number of Shares</u>	<u>Percentage</u>
Total No. of Outstanding Shares (Net of Treasury Shares)	1,890,958,323 shares	100.00%
Total No. of Shares Represented by Proxy and Present Remotely or via Voting in Absentia	1,379,851,409 shares	72.97%

Directors and Officers Present:

Carmen K. Tan	:	Director
Lucio C. Tan III	:	Director
Joseph T. Chua	:	Director, President and COO
Vivienne K. Tan	:	Director
Michael G. Tan	:	Director
Eduardo Luis T. Luy	:	Director and Treasurer
Johnip G. Cua	:	Independent Director
Ben C. Tiu	:	Independent Director
Marixi R. Prieto	:	Independent Director
Samuel C. Uy	:	Independent Director
Atty. Marivic T. Moya	:	Senior Vice President for Human Resources, Legal and External Relations Chief Compliance Officer Corporate Information Officer
Amador T. Sendin	:	Chief Financial Officer Chief Risk Officer Senior Vice President for Administration
Belgium S. Tandoc	:	Vice-President for Business Development Data Protection Officer
Atty. Florentino M. Herrera III	:	Corporate Secretary

I. CALL TO ORDER

On behalf of the Chairman and CEO, Dr. Lucio C. Tan, Mr. Lucio C. Tan III called the meeting to order.

Mr. Lucio C. Tan III delivered the following message on behalf of the Chairman:

We look back on 2020 as one of the toughest years of our lifetime. COVID-19 has caused pain, uncertainties and suffering for many of us. Within the context of people we know or love getting sick, our commitment to respond and sacrifice, in order to continue our service for others was tested during this time of the pandemic.

In the professional way that our MacroAsia staff are known for, we have been helping our country in the movement of people and cargo in the restricted airport spaces, including the vaccines. Even beyond the airport at some point, our staff were providing meals to OFWs in various quarantine hotels. At the risk of contracting the virus themselves, our employees have responded well in our vision of serving all in these difficult times. Our core businesses in the aviation services were battered by the downturn in tourism and aviation travel. Yet, our teams have shown remarkable agility and resilience, as we adapted to the dwindling business volumes.

While our financial results are down in 2020, we believe that we have reached the bottom of the downturn last year. We see a slow pace to recovery and return to normalcy, as we join the collective effort to recover from this pandemic through various initiatives like establishing herd immunity through vaccination.

Over time, MacroAsia has been building a broader portfolio of businesses that will drive long-term value creation and serve a broader set of customer needs. Regardless of what our teams are doing, it stands worthy to mention that the professionalism and commitment of MacroAsia employees to serve the public, as developed through the years under the guidance of my grandfather, Dr. Lucio C. Tan, and the late MAC Chairman Washington Sycip, will sustain MacroAsia's further growth. Against this backdrop, we look forward to a brighter future for MacroAsia as the operating environment soon eases up to normalcy.

On behalf of the Chairman, I thank the various operating teams for their continuing service to the public during the quarantine period. Thank you also to other stakeholders for the confidence you have placed in MacroAsia through your investment. Together, we will rise from this difficult period in our operating history.

Mr. Tan thereafter turned the floor over to the Corporation's President and Chief Operating Officer, Mr. Joseph T. Chua, to preside over the meeting.

The Corporate Secretary, Mr. Florentino M. Herrera III, recorded the minutes of the meeting. He informed the stockholders that the meeting was being recorded in video and audio format, in compliance with the requirements of the Securities and Exchange Commission.

II. CERTIFICATION OF NOTICE

The Corporate Secretary certified that the Notice for the meeting was duly sent twenty-one (21) days prior to the date of the meeting to all stockholders of record of the Corporation as of 13 April 2021, the record date set by the Board of Directors, in accordance with the Revised Corporation Code of the Philippines and the rules of the Securities and Exchange Commission.

The Corporate Secretary stated that the Notice for the meeting was published for two (2) consecutive days, on April 20 and 21, 2021, in the business section of two (2) newspapers of general circulation, the Philippine Star and Philippine Daily Inquirer, both in print and online formats. The Affidavits of Publication issued by the Philippine Star and the Philippine Daily Inquirer are attached hereto as Annexes "A" and "B", respectively.

The Corporate Secretary further stated that the Notice and the Definitive Information Statement were posted on the Corporation's website, and disclosed to the Philippine Stock Exchange.

III. MEETING PROCEDURES

The President noted that although the Corporation is holding its Annual Stockholders' Meeting by remote communication due to the COVID-19 pandemic, it strived to provide the stockholders the best opportunity to participate in the meeting.

The President requested the Corporate Secretary to explain the procedures for the holding of the meeting.

The Corporate Secretary stated that the meeting procedures were outlined in the Corporation's Definitive Information Statement. He highlighted the following key points:

1. The Notice advised stockholders who wished to participate in the Annual Stockholders' Meeting by remote communication and vote *in absentia* to pre-register through the Corporation's website by 4 May 2021.
2. Thereafter, pre-registered stockholders were emailed specific log-in credentials to access the voting portal and attend the Annual Stockholders' Meeting.
3. Stockholders were then permitted to submit their votes through the voting portal until 6 May 2021.
4. Stockholders who opted to vote by proxy were required to submit their proxy forms via email to the Corporate Secretary on or before 29 April 2021, in accordance with the By-Laws of the Corporation.
5. The Office of the Corporate Secretary shall tabulate all votes cast *in absentia*. SGV & Co., as the external auditor of the Corporation, will validate the results. The voting results on each matter will be displayed on the screen.
6. For any queries regarding the matters in the Definitive Information Statement or regarding the Corporation in general, the stockholders were encouraged to send in advance their questions regarding the items in the agenda by using the "Queries" tab found in the Annual Stockholders' Meeting page on or before 7 May 2021 so that they may be addressed during the meeting.

The Corporate Secretary stated that no questions were submitted by the stockholders before the aforesaid deadline. Questions received after the deadline were referred to the Corporation's Investor Relations Officer for a response.

IV. CERTIFICATION OF QUORUM

The President then requested the Corporate Secretary to certify the existence of a quorum for the valid transaction of business at the meeting.

The Corporate Secretary stated that based on the online registration record and the proxies on hand, stockholders owning One Billion Three Hundred Seventy Nine Million Eight Hundred Fifty One Thousand Four Hundred Nine (1,379,851,409) shares or 72.97% of the total outstanding capital stock of the Corporation were present or represented by proxy in the meeting.

The Certification issued by Ms. Joy Jasmin R. Santos, First Vice-President and Chief Trust Officer of the Philippine National Bank Trust Banking Group, the Corporation’s Stock Transfer Agent, on the tabulation of attendance is attached hereto as Annex “C”.

The Corporate Secretary thereafter certified that a quorum existed for the valid transaction of business.

V. APPROVAL OF THE MINUTES OF THE ANNUAL STOCKHOLDERS’ MEETING HELD ON 17 JULY 2020

The President proceeded to the next item in the Agenda, the approval of the Minutes of the Annual Stockholders’ Meeting held on 17 July 2020 (the “Minutes of the 2020 ASM”). The President stated that the Minutes of the 2020 ASM were attached to the Corporation’s Definitive Information Statement, which was posted on the Corporation’s website and disclosed to the Phil. Stock Exchange.

The Corporate Secretary presented Resolution No. SH-2021-01, and based on the votes received, reported the approval by the stockholders of the following resolution which was shown on the screen:

RESOLUTION NO. SH-2021-01

“RESOLVED, That the Minutes of the Annual Stockholders’ Meeting held on 17 July 2020 as disclosed in the Corporation’s Definitive Information Statement, be noted and approved.”

	FOR	AGAINST	ABSTAIN
Number of Shares Voted	1,379,840,093	0	11,316
Percentage of Outstanding Shares	72.970%	0%	0.001%

VI. PRESENTATION OF 2020 ANNUAL REPORT AND FINANCIAL REPORT

The President reported on the 2020 Annual Report of the Corporation and its subsidiaries (the “MacroAsia Group”) and the Business Outlook for 2021. A copy of the President’s Report is attached hereto as Annex “D”.

Thereafter, the Chief Financial Officer, Mr. Amador T. Sendin, presented the Financial Report on the results of operations for the year ended 31 December 2020, a copy of which is attached hereto as Annex “E”.

VII. APPROVAL OF ANNUAL REPORT AND THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The President requested the Corporate Secretary to present the proposed resolution regarding the notation and approval of the Annual Report and the Audited Financial Statements of the Corporation for the year ended 31 December 2020.

The Corporate Secretary presented Resolution No. SH-2021-02, and based on the votes received, reported the approval by the stockholders of the following resolution which was shown on the screen:

RESOLUTION NO. SH-2021-02

“RESOLVED, That the Corporation’s Annual Report and Audited Financial Statements for the year ended 31 December 2020 be noted and approved.”

	FOR	AGAINST	ABSTAIN
Number of Shares Voted	1,379,840,093	0	11,316
Percentage of Outstanding Shares	72.970%	0%	0.001%

VIII. RATIFICATION OF ALL ACTS, PROCEEDINGS AND RESOLUTIONS OF THE BOARD OF DIRECTORS AND MANAGEMENT SINCE THE 2020 ANNUAL STOCKHOLDERS’ MEETING UP TO 13 MAY 2021

The President then proceeded to the approval, confirmation and ratification of all acts, proceedings and resolutions of the Board of Directors and Management of the Corporation since the Annual Stockholders’ Meeting held on 17 July 2020 up to 13 May 2021.

The President stated that a summary of the acts, proceedings and resolutions of the Board and Management is contained in the Definitive Information Statement.

The Corporate Secretary thereafter presented Resolution No. SH-2021-03, and based on the votes received, reported the approval by the stockholders of the following resolution which was shown on the screen:

RESOLUTION NO. SH-2021-03

“**RESOLVED**, That all acts, proceedings and resolutions of the Board of Directors and of Management since the last Annual Stockholders’ Meeting held on 17 July 2020 up to today’s meeting be, as they are hereby approved, confirmed and ratified.”

	FOR	AGAINST	ABSTAIN
Number of Shares Voted	1,379,840,093	0	11,316
Percentage of Outstanding Shares	72.970%	0%	0.001%

IX. ELECTION OF DIRECTORS

The President stated that the Articles of Incorporation of the Corporation provides for eleven (11) directors. The Board is composed of seven (7) Regular Directors and four (4) Independent Directors.

The President then requested the Corporate Secretary to explain the procedure for the nomination and election of the directors.

The Corporate Secretary explained that in accordance with the Corporation’s By-Laws and Manual on Corporate Governance, the nomination of the Corporation’s directors was conducted by the Corporate Governance Committee. All recommendations were signed by the nominating stockholders and were submitted to the Corporate Governance Committee and the Corporate Secretary at least thirty (30) days before the date of the Annual Stockholders’ Meeting.

In pre-screening the qualifications of the nominees for independent directors, the Corporate Governance Committee noted the rules outlined in the SEC Memorandum Circular No. 4, Series of 2017, regarding the term limits of Independent Directors, which provides that:

- 1) Independent directors shall serve for a maximum cumulative term of nine (9) years, reckoned from 2012;

- 2) In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

The Corporate Secretary stated that Mr. Johnip G. Cua has served the maximum cumulative term of nine (9) years as Independent Director of the Corporation. The Board of Directors of the Corporation, during its meeting held on 18 March 2021, recognized that Mr. Cua has been an invaluable Independent Director of the Corporation. His guidance on projects and reforms in the MacroAsia Group which are in the process of being implemented are required, particularly with his mindset as an Independent Director, keenly speaking on behalf of minority interests. His proven expertise and wide experience in marketing and sales of fast-moving consumer goods ("FMCG") in an international setting are much needed by the Group during these challenging times, especially since some business units are currently pivoting towards non-airline revenue sources. The MacroAsia Group would benefit from his continued leadership of key committees and guidance to the management teams of the various business units.

Based on the aforesaid meritorious justifications, the Board approved the eligibility of Mr. Cua to serve as an Independent Director of the Corporation for another two (2) years.

Based on aforesaid Board approval, the Corporate Governance Committee resolved to approve the re-nomination of Mr. Cua as Independent Director.

The Corporate Secretary reported that the Corporate Governance Committee approved the following nominees for election as members of the Board of Directors of the Corporation for 2021-2022:

1. Dr. Lucio C. Tan
2. Carmen K. Tan
3. Lucio C. Tan III
4. Joseph T. Chua
5. Vivienne K. Tan
6. Michael G. Tan
7. Eduardo Luis T. Luy

For Independent Directors:

8. Johnip G. Cua
9. Ben C. Tiu
10. Marixi R. Prieto
11. Samuel C. Uy

The Corporate Secretary thereafter presented Resolution No. SH-2021-04, and based on the votes received by each of the nominees, and considering further that there are only eleven (11) nominees for the eleven (11) seats in the Board, reported the approval of the following resolution which was shown on the screen:

RESOLUTION NO. SH-2021-04

“RESOLVED, That the eleven (11) nominees to the Board of Directors who have been confirmed by the Corporate Governance Committee, namely:

1. Dr. Lucio C. Tan
2. Carmen K. Tan
3. Lucio C. Tan III
4. Joseph T. Chua
5. Vivienne K. Tan
6. Michael G. Tan
7. Eduardo Luis T. Luy

For Independent Directors:

8. Johnip G. Cua
9. Ben C. Tiu
10. Marixi R. Prieto
11. Samuel C. Uy

are hereby elected as directors of the Corporation for the ensuing year and until the election and qualification of their successors.”

The final votes received by the nominees are as follows:

	FOR	AGAINST	ABSTAIN
Dr. Lucio C. Tan	1,372,576,086	7,264,007	11,316
Carmen K. Tan	1,372,576,106	7,263,987	11,316
Lucio C. Tan III	1,379,702,654	137,439	11,316
Joseph T. Chua	1,379,702,674	137,419	11,316
Vivienne K. Tan	1,372,576,106	7,263,987	11,316
Michael G. Tan	1,372,576,086	7,264,007	11,316
Eduardo Luis T. Luy	1,379,702,674	137,419	11,316
Johnip G. Cua	1,372,713,505	7,126,588	11,316
Ben C. Tiu	1,372,713,525	7,126,568	11,316
Marixi R. Prieto	1,372,713,525	7,126,568	11,316
Samuel C. Uy	1,379,840,093	0	11,316

X. APPOINTMENT OF EXTERNAL AUDITOR

The President then proceeded to the appointment of the external auditor of the Corporation for the ensuing year. He requested the Chairman of the Audit Committee, Mr. Johnip G. Cua, to explain the endorsement of the external auditor.

Mr. Cua explained that the Corporation’s Manual of Corporate Governance provides that the Audit Committee is tasked to select and evaluate the External Auditor of the Corporation which is thereafter endorsed to the Board of Directors and presented to the stockholders for approval.

Mr. Cua reported that, after careful deliberation, and after evaluating the performance of the accounting firm of Sycip Gorres Velayo & Co. (SGV & Co.) for the past year, the Audit Committee endorsed to the Board its appointment as External Auditor of the Corporation for calendar year 2021. The appointment of SGV & Co. was approved by the Board of Directors on 18 March 2021.

The Corporate Secretary thereafter presented Resolution No. SH-2021-05, and based on the votes received, reported the approval by the stockholders of the following resolution which was shown on the screen:

RESOLUTION NO. SH-2021-05

“RESOLVED, That SGV & Co. be appointed as the External Auditor of the Corporation for calendar year 2021.”

	FOR	AGAINST	ABSTAIN
Number of Shares Voted	1,379,840,093	0	11,316
Percentage of Outstanding Shares	72.970%	0%	0.001%

XI. OTHER MATTERS

The President advised the stockholders that the Corporation did not receive any queries on or before the 7 May 2021 deadline. He stated that the Corporation’s Investor Relations Officer will address any questions submitted after the deadline. He also informed the stockholders that they may submit additional questions regarding the meeting by sending an email to asmquery@macroasiacorp.com on or before 31 May 2021.

XII. ADJOURNMENT

There being no other matters to discuss, upon motion duly made and seconded, the meeting was adjourned.

CERTIFIED CORRECT:

FLORENTINO M. HERRERA III
Corporate Secretary

ATTESTED BY:

JOSEPH T. CHUA
*Chairman of the Meeting/
President and Chief Operating Officer*

REPUBLIC OF THE PHILIPPINES) s.s.
QUEZON CITY)

AFFIDAVIT OF PUBLICATION

I, **EMMA V. DOROTEO**, of legal age, single, Filipino and with office address at c/o **PhilSTAR Daily, Inc.**, 202 Railroad Street corner Roberto S. Oca Street, Port Area, Manila, after being duly sworn to in accordance with law, depose and state:

That I am the **BILLING & COLLECTION MANAGER** of the **PhilSTAR Daily, Inc.** a domestic corporation duly organized and existing under by virtue of Philippine laws with office and business address at 202 Railroad Street corner Roberto S. Oca Street, Port Area, Manila.

That the said corporation publishes **THE PHILIPPINE STAR**, a daily broadsheet newspaper published in English and of general circulation.

That the order of _____
MacroAsia Corporation

captioned as follows: _____
Notice of Stockholders Meeting

Please see attached printed text which had been published in **The Philippine STAR** in its issues of: **April 20 and 21, 2021**
print; April 20 and 21, 2021 One NewsOnline

FURTHER AFFIANT SAYETH NAUGHT.
QUEZON City, Philippines

Emma V. Doroteo
EMMA V. DOROTEO
Affiant

SUBSCRIBED AND SWORN to before me this _____ day of APR 22 2021 affiant exhibited to me her Unified Multi-Purpose ID (UMID) CRN(No. 0003-8049504-7).

Doc. No. 426
Page No. 87
Book No. xiv
Series of 2021

[Signature]
ATTY. GARY A. SANCIO
Notary Public
Until June 30, 2021
Adm. Matter No. NP-020 (2019-2020)
Roll No. 44261
IBP No. 1082447/06-30-17/Q.C.
PTR No.0699756/01-08-2021/QC

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S. S.

AFFIDAVIT OF PUBLICATION

I, ADELA G. MENDOZA, of legal age, Filipino, married and a resident of 14 Registration Street, SSS HMS North, Quezon City, Philippines after having duly sworn to in accordance with law, hereby declare and testify.

1. That I am the Manager – Classified Ads Department of the PHILIPPINE DAILY INQUIRER, INC., publisher of the Philippine Daily Inquirer, a newspaper of general circulation and in the Philippines, with editorial and business address at PDI Building, 1098 Chino Roces Avenue corner Yague and Mascardo Streets, Makati City,

2. That at the order of _____

MACRO ASIA CORPORATION

Re: Notice of Annual Stock Holder's Meeting

Text of which would be described as follows:

AS PER ATTACHED


Has been published in the Philippine Daily Inquirer's print and digital edition in its issue/issues of:

April 20 and 21 , 2021

Affiant Further Sayeth
Naught, Makati Philippines _____


ADELA G. MENDOZA
Affiant

SUBSCRIBED AND SWORN to before me this APR 21 2021 day of _____ PHILIPPINES, affiant exhibited to me her Driver's License No. N102-01-455507 issued at Quezon City until October 10, 2023 and her SSS ID. No. 03-9451924-9, bearing her photograph and signature.


ATTY. JOSHUA R. LAPUZ
Notary Public Makati City
Until Dec. 31, 2021
Appointment No. M-66-(2020-2021)
PTR No. 8531012 Jan. 4, 2021 / Makati
IBP Lifetime No. 04897 Roll No. 45790
MCLE Compliance No. VI-0016566
G/F Fedman Bldg., 199 S. Alameda St.
Legaspi Village, Makati City

Doc. No. 1468
Page No. 31
Book No. 107
Series of 2021



Trust Banking Group
Fiduciary Services Division
 3F Trust Banking Group
 PNB Financial Center Pres. D. Macapagal Boulevard
 Pasay City, Philippines
 Trunk Lines: (632) 8891-6040 to 70 local 2307
 Direct Line: (632) 8573-4575
 Fax: (632) 8526-3379

May 11, 2021

MACROASIA CORPORATION
 12/F Allied Bank Center,
 6754 Ayala Avenue, Makati City

Attention : **ATTY. FLORENTINO M. HERRERA III**
 Corporate Secretary

Subject : **FINAL TABULATION OF ATTENDANCE**

Gentlemen:

Below is our final tabulation of attendance who register through MacroAsia ASM Registration Portal and electronic mail for the MacroAsia Corporation Annual Stockholders' Meeting through remote communication at 03:00 in the afternoon of May 13, 2021:

Particulars	No. of Shares	Percentage to Total Outstanding & Subscribed Shares (net of Treasury Shares)
IN PERSON	35,508	0.00
BY PROXY	1,379,815,901	72.97
TOTAL	1,379,851,409	72.97

TOTAL OUTSTANDING & SUBSCRIBED SHARES (net of Treasury Shares)

1,890,958,323

Very truly yours,
Philippine National Bank
 Acting Through Its Trust Banking Group
 As Transfer Agent

By:

JOY JASMIN R. SANTOS
 First Vice President and
 Chief Trust Officer

EMYLYN P. AUDEMARD
 Stock and Transfer Account Officer
 and Unit Head

PRESIDENT’S REPORT OF OPERATIONS
(Delivered by Mr. Joseph T. Chua)

Dear Fellow Stakeholders in the MacroAsia Group:

We started year 2020 with guarded optimism, as we saw stronger operating statistics unfold at the start of the year. In January last year, flight and passenger volumes were up in the major airports, marked by a strong domestic travel market. But then, the responses of the various governments to contain the spread of COVID-19 saw the closure of their major airports only for essential flights, repatriation flights, cargo and the like.

The Philippine government implemented in Luzon, the biggest island in the country, enhanced community quarantine measures starting on the midnight of March 16 2020, thus, almost grounding all forms of travel. Luzon is the major gateway for air travel in the country, as the island hosts the Manila International Airport and the Clark International Airport. Up to now in 2021, the National Capital Region and nearby provinces still grapple with high number of covid-19 cases, causing the imposition of general community measures that restrict travel in general.

Since our core businesses depend on tourism and travel volumes, we saw our operating performance for 2020 suffer as follows:

- a) Our aircraft maintenance, repair and overhaul JV, Lufthansa Technik Philippines, had its line maintenance business achieve only **USD54 million in 2020, a 45% drop** from 2019, as fewer planes were operating and released to service in the airports. Its base maintenance business involving mostly heavy repair of aircraft in LTP hangars in the Macroasia Special Ecozone in Manila booked only **USD73 million, 27% lower than 2019** as engineering staff were restricted to work in full capacity due to the quarantine rules;
- b) Our inflight and other catering revenues dipped by **67% to PHP951 million** in 2020, from PHP2.9 billion in 2019. This revenue drop corresponds to the 67% meal volume decline, from 13.8 million meals produced in 2019 to only 4.5 million meals produced in 2020.
- c) Our groundhandling revenues for 2020 stood at **PHP1.0 billion, 63% lower** than the PHP2.8 billion. Flights handled in 2020 totaled 72,089, 63% lower than the 197,079 flights in Year 2019.
- d) Our revenues from our water business units in 2020 is at **PHP221 million, 36% lower** than the PHP347.6 million booked in 2019, as the cubic meters of water billed drop by 16%, from 7.8 million in 2019 to 6.5 million cubic meters in 2020, principally because of the closure of Boracay Island to tourism, impacting on the water business of our subsidiary in that Island.

As our topline was impacted heavily by the deterioration in our operating environment, the management teams responded with various cash conservation and cost containment strategies. We tried to save jobs as much as possible by putting staff on furlough, also rotating them on the limited job requirements in the airport premises. Management also undertook voluntary pay-cuts up to now, but the conditions called for more drastic HR interventions. Thus, a number of our business units had no option but to campaign for voluntary retirement of staff and implement phased-in retrenchment programs as well. As we ended 2020, our staff numbers comprised of organic and

inorganic staff totaled 8,492 bodies, a 44% drop from 15,195 bodies we had by end of 2019. Thus, our 2020 bottomline was also impacted by one-time personnel costs for the separation of staff, as well as continuing expenses to keep our staff safe and protected from the virus through personal protective equipment and frequent COVID-19 testing in our premises.

Our shareholders understood the difficulties we have been going through last year, as they approved in the 2020 Annual Shareholders' meeting, a 20% stock dividends paid out in the third quarter of 2020, replacing the cash dividends that was initially approved before the onset of the disruptive quarantine period. The cash saved was allocated by management for expansion projects, principally directed at areas outside of the airport.

Plans and Prospects

MacroAsia Group aviation-related business units continue to be impacted by the global downturn in air travel due to COVID-19. Being an archipelago, air travel in the Philippines is expected to recover faster as connectivity among islands is a necessity. It has been observed that domestic flights have started to return in the second half of 2020, as more local government units open their borders to domestic tourism and inter-island travel. Air cargo has remained resilient compared to passenger travel, as our teams saw volumes hold up during the quarantine period.

We believe that air travel will return in due time, and the MAC Group will have a lean and resilient workforce to meet the demand. While the financial results for 2020 are marked by substantial accounting provisions for expected credit losses to conform with reporting standards, such provisioning are not expected in 2021, with a general belief that airline clients have already survived the worst part of the travel woes due to the pandemic.

Other than the sustainable cost leadership efforts on airport-related businesses, the MacroAsia Group has focused on "scaling its edges" – growing its non-airline related business (water concessions, non-airline food business, resource development and the like).

While meeting the requirements of our airport businesses, we also are focused on the following:

- A. **Growing our non-airline food business:** MacroAsia SATS Food Industries (MSFI) started operations in March 2019, supporting the requirements of the inflight kitchens. Being a commissary outside of the airport, it is able to produce meals for the general public, as well as institutional clients or food brands as contracted by establishments to be its "dark/virtual kitchen" partner. MSFI is looking to have a significant increase in utilization rate by end of 2021 as the Company has established its presence through various online platforms, launching its own brand ("MAC Chefs Depot" and "Chef's Express"). It has been successful in being a virtual kitchen for some name brands, and is currently growing its portfolio to produce items for various quick-service restaurants with a multi-store channel. It has also locked-in a multiple-year supply contract for a budget carrier. It is focusing its portfolio growth to cater to more institutional clients, convenience stores, and other players with existing market reach.
- B. **Expanding our water concessions and utilities businesses:** While our concession areas in Cavite and Nueva Vizcaya saw significant portfolio and volume growth in 2020, such growth was not enough to offset the impact of the closure of tourism in Boracay Island, resulting into lesser water demand in that area. The government has now re-opened the island to domestic tourism, and the water demand in the area is slowly growing. In 2021, our water businesses will grow as we see our Cavite operations doubling its account portfolio due to new operations in areas outside of Naic, particularly in

Maragondon, Gen. Trias and Lancaster New City. Solano Water is also expanding its network due to the completion of its tertiary line expansion project started in 2020. We have completed this January 2021, the 5 MLD Maragondon Water Treatment Plant which will soon be operational as transmission lines are completed.

A new JV in 2020 that is focused on sewage treatment will also be operational in 2021. Its treatment plant is based in Gen. Trias, Cavite. This JV's business, focusing on a niche market, will help water districts, LGUs and commercial establishments comply with the Clean Water Act, while enabling us to have new sources of water revenues.

- C. **Revisiting our Mining Assets (MPSAs):** The mining assets of MacroAsia are legacy assets of the original company (MAC was formerly Infanta Mineral And Industrial Corporation). Due to the high nickel price and market demand, MAC has received various development offers for the Infanta Nickel Mine. MAC is currently studying the commercial offers, without MAC allocating funds for any further investment in this area. Whatever direction MAC will take in this regard, such will be seen as beneficial to the Group as it will bring an opportunity to generate cash from the asset. In April 2021, the DENR has approved the assignment by MAC Parent Company of its mineral production sharing agreements with the government, in favor of MacroAsia Mining Corporation, a MAC subsidiary. Through MacroAsia Mining Corporation, an unlisted subsidiary, we believe that we can achieve a market valuation of the MPSAs in due time.

We have other ongoing initiatives related to aviation services that continue up to now. For one, our MRO JV is finishing the shell of its multiple-use hangar facility in 2021. Further development of this hangar facility will depend on the developments in the aviation business though. LTP will have the capacity to meet MRO requirements as soon as pent-up demand happens. Our pilot school, First Aviation Academy is currently in the process of buying more training equipment and planes from a major flying school, positioning itself to accept more pilot trainees from the Philippines and outside, as soon as travel returns to normal. Our groundhandling company, which invested in a digital radio trunking system in NAIA, Clark, Cebu, Gen. Santos and Davao airports will soon benefit from operating this system in 2021, with the eventual goal of offering this service to others as well. We are capitalizing on the shifts that we foresee from this pandemic.

While our aviation-services businesses continue to suffer as quarantine measures are in place, we foresee that the operating environment will soon be conducive for tourism and flying, especially with the strong push by governments to have big parts of the population vaccinated. Moving forward, our defensive strategy to grow other segments focusing on non-aviation businesses will make MAC stronger and more resilient, beyond surviving the COVID-19 crisis that started in 2020 for us.

Over time, MAC will have a broader portfolio of businesses that focus on value creation, spanning a set of customer needs within and outside aviation services. Our transformation agenda can only be made possible though, with your continuing support and confidence on us and our operating teams.

In closing, we thank the Board of Directors for their guidance and motivation. We also thank our business partners, our employees and host communities whose relentless dedication make our businesses survive in these difficult times. We thank our shareholders and many stakeholders for their continued trust as the company moves towards its goal of generating sustainable value for all.

2020 Financial Report
(Delivered by Amador T. Sendin)

Dear MAC stakeholders:

Year 2019 sets the pre-pandemic business barometer for our airline services units.

Before 2020, we saw continuing topline or revenue growth year-on-year. January and February 2020 reflected volume growth in terms of airport activities, but then starting March, business volumes dropped significantly, reaching the bottom by April 2020. Airport volumes reflected a mere 6% of where we were in April 2019. By December, volumes have risen to 24% of what we achieved in December 2019. It is a slight recovery, but it is a volume increase nevertheless, compared to April 2020.

The volume trendline reflects prolonged recovery, until we reach the baseline levels of 2019. Also in 2020, we felt some impact from the Taal Volcano eruption in January, and the two big typhoons in the fourth quarter. Combining the impact of these events, including SARS, 911 and the like, none measure up though to COVID-19, as the worst disruption in our operating history. The Group's top-line consolidated revenues stood at Php2.26 billion, 63% lower than the Php6.2 billion revenues in 2019. The bottom line reflects a Net Loss of Php1.8 billion, a reversal from 2019's net income of Php1.19 billion.

In the fourth quarter comparisons, the Q4 loss for 2020 of Php943.5 million is mainly due to accounting provisions that had to be taken up to comply with financial reporting standards.

The full-year underlying adjustments for expected credit losses, retirement and other provisions booked amounted to Php1.025 billion. Thus, the 2020 reported loss of Php1.8 billion would have been limited to Php775 million, were it not for these underlying adjustments. In forthcoming reporting periods, these provisions will be re-evaluated in line with prevailing business conditions.

The revenue or topline decline of 63% principally drove the bottom-line loss for 2020. All business segments experienced substantial revenue downturn in 2020 due to tourism and travel constraints. While repatriation and cargo flights kept our ground handling slightly occupied, the loss of passenger volumes and meals by 67%, especially from foreign airline clients impacted heavily our airline catering business units. The revenue downturn was exacerbated by the various accounting provisions as mentioned earlier, the one-time costs related to staff reduction, as well as additional operating costs to make our operations safe and compliant with health standards to contain the spread of the virus.

Total direct costs amounted to Php2.36 billion, a 51% decrease from the P4.8 billion costs in 2019, as direct labor was reduced in line with business volumes. However, consolidated operating expenses decreased only by Php 106.9 million or 10% from 2019's Php1.04 billion, as there were one-time rightsizing costs and various impairment provisions that were booked.

Financing charges increased to Php132.52 million in 2020, from Php88.38 million in 2019 in line with the increase in notes payable of the Group and loan interests for the Sucat Commissary which

started full commercial operations. Previously, the interests for the Sucat loan were capitalized before construction completion.

Our investments in three JVs where MAC holds a minority stake resulted into a share in net loss of associates amounting to Php639.8 million in 2020, in contrast to a share in net income of associates amounting to Php1.08 billion in 2019.

Share in net loss of Lufthansa Technik Philippines, which MAC owns 49%, amounted to Php599.0 million compared to an income share of Php1.03 billion in 2019. LTP booked provisions for expected credit losses amounting to US\$33.1 million in 2020. Cebu Pacific Catering Services, which MAC owns 40%, resulted into a loss contribution share of Php10.42 million in 2020, compared to a profit share of Php39.84 million in 2019. MAC's 30% share in net loss from JASCO which performs groundhandling in Narita, Japan amounted to Php30.4 million in 2020.

Financial Position

The Group's consolidated total assets stood at Php10.39 billion, a 17% decrease from 2019's Php12.49 billion, primarily due to movements in the Investment in Associates account which is recognized under the equity method of accounting in the consolidated financial statements. The Group recorded a decrease of 56% or P1.72 billion in this investment account, from P3.09 billion in 2019 to Php1.37 billion in 2020.

Receivables and contract assets declined by Php158.8 million or 8%, due to collection of trade receivables and increase in provisions for doubtful accounts and expected credit losses.

Property and equipment of Php2.44 billion decreased by Php119.16 million compared to Php2.56 billion in 2019, due to straight-line depreciation of assets, offset by capital expenditures in the water subsidiaries.

Loans payable of Php1.78 billion refers to outstanding local bank loans availed before 2020 by several subsidiaries to finance their asset acquisition. The 3% net decrease in loans payable is due to loan amortization payments.

The standalone listed Parent Company's Total Assets grew by 12% to Php6.0 billion, from Php5.4 billion in 2019, mainly due to the increase in its Cash from Php 583 million to Php 904.7 million in 2020. Parent Company's cash was preserved in the banks, when 20% stock dividends were distributed rather than cash dividends.

By end of 2020, MAC Parent's retained earnings available for dividends amount to Php2.29 billion. This can be used for future dividends, whether cash, stocks or property dividends to separate the mining or water assets into different holding companies.

Buyback Program

While Php200 million are approved in 2020 for the Company's Share Buyback Program, no buyback transactions happened in line with the cash conservation program of the Company when the quarantine measures were implemented by the government by March. As of December 31, 2020, we have 42,347,600 treasury shares in MAC.

The Group is in a Net Debt position of Php550 million in 2020, as a result of previous pre-pandemic borrowings to fund capital expenditures to complete the huge Sucat Commissary, the sewage treatment plants in Boracay Island and the airport vehicles and equipment needed in the expansion of groundhandling in several airports before 2020.

The current loan maturities stood at Php836.8 million by December 2020. This pertains to portions of long-term debt falling due in 2021, and such amount has now declined to Php 660 million today due to loan payments already made. Companies with long-term loans are MacroAsia-SATS Food Industries (commissary), MacroAsia Airport Services (GSE), Boracay Tubi (STP), and Summa Water (WTP). These companies continue to have recurring cash flow to settle their obligations despite the tough operating environment.

MAC, the listed parent company is in a net cash position of Php395 million as of December 2020. Its short-term borrowings of Php500 million, which was used as bridge financing for various projects of subsidiaries is down to Php375 million today, as payments have been made.

As of year-end 2020, the Group remains in good financial standing to continue operating in the challenging environment, while meeting the selected programs for expansion in some segments. The Group's cash stood at Php1.27 billion by year-end 2020, in contrast to Php1.22 billion in 2019. The principal movements in cash were driven by dividend inflows, loan settlements and cash utilization to address the rightsizing requirements of major aviation units.

Capital expenditures of subsidiaries for 2020 was restrained to Php157 million, in line with the cash conservation measures that were undertaken, compared to a CAPEX of Php515 million in 2019. It is forecasted that CAPEX spending will increase to Php329 million in 2021, funded partially by debt for new water projects in Cavite that will generate immediate cash flow.

2021 Outlook

While the effects of the worldwide pandemic are severe for air travel and tourism, flight and passenger movements now trend towards a slow recovery. In the Philippines, the vaccination roll-out may be a boost for the return of travel volumes, although its impact will go beyond 2021. Our business units in the aviation sector will continue to implement the cash conservation and cost containment strategies from 2020, while we will also pursue new revenue streams in other areas.

We remain very cautious in our perspective of the aviation services business, but bullish on the other non-airline activities that have shown sustainability and resiliency during the pandemic period. We will still face possible consolidated losses for 2021 because of the slow aviation recovery, but we believe that such will be of a lesser scale. The worst seems to be over when we ended 2020.

Our teams commit to drive our recovery towards profitability, although we know that external factors weigh heavily against an immediate rebound. At this point, we thank you for your support as we continue to adapt and grow further in this difficult period.