



## I. CALL TO ORDER

On behalf of the Chairman and CEO, Dr. Lucio C. Tan, Mr. Lucio C. Tan III, Director of the Corporation, delivered the following message to the stockholders of the Corporation:

Years 2020 and 2021 are difficult periods for all of us, even beyond the aviation sector. The MacroAsia Group, which relies heavily on aviation services, is facing a tough period that demands so much from its people. Beyond job losses, we have seen many of our staff suffer from COVID-19 due to the nature of their work in the airports that require direct interaction with customers. Our services to serve the public continued nevertheless, despite the financial losses that we have been bearing as travel volumes continue to be constrained. The early part of 2021 saw recovery of travel volumes, but such trend was immediately derailed by the Covid-19 Omicron variant for most part of 2021.

In coping early on with the business downturn, the MacroAsia Group reorganized and trimmed its workforce rigorously, enabling our current teams today to present a younger, efficient and cost-effective organization than before the crisis. We also took the challenge to move forward, and “Scale The Edges” of our traditional business segments.

Our teams took to heart the drive to generate new sources of cash flow outside of the aviation segment, as this strategy ensures not only survival but a stronger future for MacroAsia.

Beyond 2021, we hope that the trendline of travel recovery will continue, as more people get vaccinated and as governments relax travel restrictions all over the world. We look forward to a brighter future for MAC as the operating environment slowly moves towards a new normal.

On behalf of the Chairman, we thank our operating teams for their passionate service to the public during this crisis.

I will now turn over the floor to Mr. Eduardo Luis T. Luy, President and Chief Operating Officer of MAC, who will preside over this meeting.

The Corporation's President and Chief Operating Officer, Mr. Eduardo Luis T. Luy, called the meeting to order and welcomed the stockholders to the 2022 Annual Stockholders' Meeting of MacroAsia Corporation (the "Corporation").

The President stated that the Corporation is holding its Annual Stockholders' Meeting by remote communication via Zoom Webinar application in order to safeguard the health and ensure the safety of the stockholders and stakeholders of the Corporation.

The Corporate Secretary, Mr. Florentino M. Herrera III, recorded the minutes of the meeting. He informed the stockholders that the meeting is 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 12 April 2022, 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 19 and 20, 2022, 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 3 May 2022.
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 2022.
4. Stockholders who opted to vote by proxy were required to submit their proxy forms via email to the Corporate Secretary on or before 28 April 2022, 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 6 May 2022 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 Seventy Four Thousand One Hundred Fifty Two (1,379,074,152) shares or 72.93% of the total outstanding capital stock of the Corporation were present or represented by proxy in the meeting.

The Certification issued by Ms. Maria Victoria C. Mendoza, Assistant Vice-President and Ms. Emylyn P. Audemard, Manager 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 13 MAY 2021**

The President proceeded to the next item in the Agenda, the approval of the Minutes of the Annual Stockholders' Meeting held on 13 May 2021 (the "Minutes of the 2021 ASM"). The President stated that the Minutes of the 2021 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-2022-01, 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-2022-01**

**"RESOLVED**, That the Minutes of the Annual Stockholders' Meeting held on 13 May 2021 as disclosed in the Corporation's Definitive Information Statement, be noted and approved."

	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
Number of Shares Voted	1,379,074,130	0	0
Percentage of Outstanding Shares	72.93%	0%	0%

**VI. PRESENTATION OF 2021 ANNUAL REPORT AND FINANCIAL REPORT**

The President reported on the 2021 Annual Report of the Corporation and its subsidiaries (the "MacroAsia Group") and the Business Outlook for 2022. 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 2021, 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 2021**

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 2021.

The Corporate Secretary presented Resolution No. SH-2022-02, 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-2022-02**

**"RESOLVED**, That the Corporation's Annual Report and Audited Financial Statements for the year ended 31 December 2021 be noted and approved."

	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
Number of Shares Voted	1,379,074,130	0	0
Percentage of Outstanding Shares	72.93%	0%	0%

**VIII. RATIFICATION OF ALL ACTS, PROCEEDINGS AND RESOLUTIONS OF THE BOARD OF DIRECTORS AND MANAGEMENT SINCE THE 2021 ANNUAL STOCKHOLDERS' MEETING UP TO 12 MAY 2022**

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 13 May 2021 up to 12 May 2022.

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-2022-03, 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-2022-03**

“**RESOLVED**, That all acts, proceedings and resolutions of the Board of Directors and of Management since the Annual Stockholders’ Meeting held on 13 May 2021 up to today’s meeting be, as they are hereby approved, confirmed and ratified.”

	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
Number of Shares Voted	1,379,074,130	0	0
Percentage of Outstanding Shares	72.93%	0%	0%

**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. Ben C. Tiu 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 2022, recognized that Mr. Tiu, backed by his technical expertise and experience in various fields, particularly in mining, banking and equities, has been an invaluable Independent Director of the Corporation. His guidance on projects which are in the process of being implemented, like those in the mining and water segments, is required especially with his perspective as an Independent Director, keenly speaking from experience and on behalf of minority interests. As the Corporation implements the spin-off of the mining business, the MacroAsia Group would benefit from Mr. Tiu's continued guidance and involvement in key committees.

Based on the aforesaid meritorious justifications, the Board approved the eligibility of Mr. Tiu 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. Tiu 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 2022-2023:

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

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-2022-04, 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-2022-04**

**“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. Eduardo Luis T. Luy
4. Lucio C. Tan III
5. Kyle Ellis C. Tan
6. Vivienne K. Tan
7. Michael G. Tan

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:

	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
Dr. Lucio C. Tan	1,371,980,802	7,093,328	0
Carmen K. Tan	1,371,980,802	7,093,328	0
Eduardo Luis T. Luy	1,379,074,130	0	0
Lucio C. Tan III	1,379,074,130	0	0
Kyle Ellis C. Tan	1,379,074,130	0	0
Vivienne K. Tan	1,371,980,802	7,093,328	0
Michael G. Tan	1,371,980,802	7,093,328	0
Johnip G. Cua	1,371,980,802	7,093,328	0
Ben C. Tiu	1,371,980,802	7,093,328	0
Marixi R. Prieto	1,371,980,802	7,093,328	0
Samuel C. Uy	1,379,074,130	0	0

**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 2022. The appointment of SGV & Co. was approved by the Board of Directors on 18 March 2022.

The Corporate Secretary thereafter presented Resolution No. SH-2022-05, 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-2022-05**

“RESOLVED, That SGV & Co. be appointed as the External Auditor of the Corporation for calendar year 2022.”

	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
Number of Shares Voted	1,379,066,930	7,200	0
Percentage of Outstanding Shares	72.93%	0.0004%	0%

**XI. OTHER MATTERS**

The President advised the stockholders that the Corporation did not receive any queries on or before the 6 May 2022 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](mailto:asmquery@macroasiacorp.com) on or before 31 May 2022.

**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:**

**DR. LUCIO C. TAN**  
*Chairman and CEO*

**EDUARDO LUIS T. LUY**  
*Chairman of the Meeting/  
President and Chief Operating Officer*

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

**AFFIDAVIT OF PUBLICATION**

I, **LEO N. ALISGAR**, 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 Annual Stockholders Meeting**

Please see attached printed text which had been published in **The Philippine STAR** in its issues of:


**April 19 and 20, 2022 Issues in print;**  
**April 19 and 20, 2022 online in OneNews.ph**

FURTHER AFFIANT SAYETH NAUGHT.  
QUEZON City, Philippines

  
**LEO N. ALISGAR**  
Affiant

SUBSCRIBED AND SWORN to before me this APR 21 2022 day of \_\_\_\_\_ affiant exhibited to me her Unified Multi-Purpose ID (UMID) CRN No. 0111-2584437-3

Doc. No. 166  
Page No. 35  
Book No. XXIII  
Series of 2022

  
**ATTY. GARY A. SANCIO**  
Notary Public  
Until December 31, 2022  
Adm. Matter No. NP-146 2021-2022  
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 GERSALIA MENDOZA, of legal age, Filipino, married and a resident of 14 Registration St. SSS Homes North, Quezon City Philippines after having duly sworn to in accordance with law, hereby declare and testify.

1. That I am the Classified Manager of the PHILIPPINE DAILY INQUIRER, INC., publisher of the Philippine Daily Inquirer which is being published daily in English, of general circulation with editorial and business address at Chino Roces St. cor. Yague and Mascardo Sts., Makati.

2. That at the order of  
**MACROASIA CORPORATION**

Re: NOTICE OF ANNUAL STOCKHOLDERS'  
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 19 and 20, 2022

Affiant Further Sayeth  
Naught, Makati Philippines \_\_\_\_\_

  
**ADELA G. MENDOZA**  
Affiant

SUBSCRIBED AND SWORN to before me this  
**APR 20 2022** day of \_\_\_\_\_  
PHILIPPINES, affiant exhibited to me her Driver's License No. 102-01-455507 issued at Quezon City valid until October 10, 2023 and her SSS No. 03-9451924-9, bearing her photograph and signature.

Doc. No. 326  
Page No. 67  
Book No. 100  
Series of 2022.

  
**ATTY. JOSHUA P. LAPUZ**  
Notary Public Makati City  
Until Dec. 31, 2023  
Appointment No. M-019-(2022-2023)  
PTR No. 8852510 Jan. 3, 2022 / Makati  
IBP Lifetime No. 04897 Roll No. 45790  
MCLE Compliance No. VI-0016565  
G/F Fedman Bldg., 199 Salcedo St.  
Legaspi Village, Makati City



**TRUST BANKING GROUP**  
**Fiduciary Services Division**

3F Trust Banking Group  
 PNB Financial Center Pres. D. Macapagal Boulevard  
 Pasay City, Philippines

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 Direct Line: (632) 8573-4575  
 Fax: (632) 8526-3379

May 10, 2022

**MACROASIA CORPORATION**  
 12/F PNB Makati 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 registered 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 12, 2022:

Particulars	No. of Shares	Percentage to Total Outstanding & Subscribed Shares (net of Treasury Shares)
IN PERSON	34,702	0.00
BY PROXY	1,379,039,450	72.93
<b>TOTAL</b>	<b>1,379,074,152</b>	<b>72.93</b>

**TOTAL OUTSTANDING SHARES & 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:

**MARIA VICTORIA C. MENDOZA**  
 Assistant Vice-President

**EMLYNN P. AUDEMARD**  
 Manager

## PRESIDENT’S REPORT

Dear Shareholders, Management, Staff, and Other Stakeholders of MacroAsia:

The COVID-19 pandemic is the single biggest challenge that MacroAsia has faced so far in its operating history. Beyond work, it has caused unprecedented and continuing disruptions even in our personal lives, with very few of us being spared of its destructive after-effects. Despite the difficulty of it all, this hardship somehow summoned extraordinary resilience in our operating teams, shaped by our culture of passionate service excellence throughout the years.

While bearing the brunt of financial losses due to diminished travel volumes in the various airports as well as the ever-present threat of contracting COVID, our people continue to serve in the airport terminals. This crisis tells the story of MacroAsia’s strength and fortitude as our people were continuously tested in their ability to deal with unforeseen situations, serve the public relentlessly, and emerge as one unit tougher.

Our transformation as a Group was abrupt yet necessary. The travel downturn saw us implement with a heavy heart, several tranches of retrenchment and retirement from 2020 to 2021. Labor linked directly to business activities is a key driver for our operating costs and success as a services provider. Before the crisis in December 2019, our workforce, including our outsourced personnel, numbered 13,645. By December 2021, this was trimmed to 7,851, a 42% reduction that tracks the severe downturn in our businesses. This 2022 though, as flight and passenger movements trend towards recovery, we have also started increasing again our workforce, hopefully reaching pre-pandemic levels within two years or less.

Revenues or top line numbers are the biggest challenge for MacroAsia. In 2019, our pre-pandemic baseline, we reached record revenues of Php6.16 billion, but this dropped to Php2.26 billion in 2020 due to the onset of COVID-19 restrictions in March 2020, and bottomed out to Php1.95 billion in 2021 as restrictions were in place for a full year. We foresee that 2022 revenues will be on an upward trend compared to 2021, as recent data shows travel movements have now increased.

In 2019, our bottom line or net income was Php1.19 billion, but in 2020, we booked a record net loss of Php1.80 billion, driven substantially by expected credit loss provisions for various airline clients due to the prevailing uncertainties in the aviation industry then. For 2021, such net loss was trimmed down to Php150 million, despite the lower revenue base compared to 2019. Our reversal of the prior year’s credit loss provisions, reduced labor costs, lower operating expenses and improved businesses outside of the aviation industry contributed to this recovery. The changes in the makeup of our workforce of our aviation-related companies contributed to a comprehensive income of Php161 million for 2021, as these companies benefitted from gains on defined retirement benefit plans due to a younger, lean and renewed workforce. Our financial statements are explained in more detail in the management report which forms part of our Information Statement and the audited financial statements as previously disclosed to the public through the PSE and MAC websites.

Our operating statistics for 2021 reflect the business downturn in our aviation services segments. Our maintenance, repair and overhaul business (MRO) through Lufthansa Technik Philippines (LTP) trended towards recovery and net income since August 2021. By the end of 2021, LTP's fleet portfolio for the line maintenance business was 78% of pre-pandemic level, although its heavy repair business or base maintenance activities were just 52% of 2019 level. For 2022, LTP forecasts that its base maintenance business will approximate 2019 levels, as it eyes the opening of added capacity through a newly-constructed hangar which commercially opened in April 2022.

In 2021, our food services group continued to face low demands for inflight meals, as meal volumes were merely 15% of pre-pandemic levels due to the low outbound passenger volumes of international travel from the Philippines during the year. However, the institutional and non-airline meal sales driven by our commissary that opened in 2019 saw a 10% year-on-year growth from 2020 to 2021, with major clients coming on board in 2022.

Like airline catering, our ground handling business has been constrained by low commercial flight volumes, although charter, cargo and repatriation flights provided some relief in various airports. The flight movements that we serviced in 2021 remained at 36% of pre-pandemic levels. With the Philippines having most areas now at COVID-19 Alert Level 1 status according to the Philippine Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF), most locations in the country have eased up on travel restrictions. This has caused domestic carriers to recently forecast that they will reach domestic travel volumes on par with pre-pandemic levels within 2022. However, international flight movements may still take a year or more to return to pre-pandemic volumes.

One segment that grew for us in 2021 is the water business, as our volumes in terms of cubic meters sold jumped by 137% compared to 2019, mainly due to the bigger client base in our Cavite operations and in our startup in Nueva Vizcaya. Our billed water volume in 2019 was 4.5 million cubic meters, compared to 10.6 million cubic meters in 2021. Due to the momentum of our business development efforts, we expect this segment to grow further in 2022.

As for mining, it may be recalled that through government grant, the MAC Parent Company held Mineral Production Sharing Agreement (MPSA) Nos. 220-2005-IVB and 221-2005-IVB covering 1,113.98 and 410.00 hectares respectively in Brooke's Point Palawan. The said MPSAs granted MAC the exclusive right to explore, develop and commercially utilize nickel, chromite, iron and other associated mineral deposits within the contract area. In line with plans to spin-off mining, MAC Parent assigned said rights to its wholly-owned subsidiary, MacroAsia Mining Corporation (MMC). In 2021, MAC received from the DENR the Notice of Issuance of an Order for the Deed of Assignment dated June 7, 2019 executed by and between MAC and MMC. Consequently, the MPSAs are now being recorded in the name of MacroAsia Mining Corporation, and during MAC's Special Board Meeting on July 23, 2021, the Board approved the signing of a Memorandum of Agreement (MOA) between MMC and Calmia Nickel, Inc. for the Infanta nickel mine in Brooke's Point Palawan. In exchange for royalties to MacroAsia, the agreement allows Calmia to explore and operate the Infanta Nickel Mine as covered by the MPSA of MMC in Brooke's Point, Palawan.

## **Plans and Prospects**

While waiting for the return of travel volumes to pre-pandemic levels, our operating teams will continue to focus on “Scaling The Edges” – growing our non-airline related business through water concessions, non-airline food business, resource development and the like. These entail our focus on three key areas:

- A. **Growth in institutional and commissary food business:** MacroAsia SATS Food Industries (MSFI), which started operations in March 2019, will continue to increase its client portfolio for its Muntinlupa commissary, but will also commence studies on potential expansion for commissaries outside of Luzon due to the business opportunities presented by its major clients.
- B. **Expansion of our water businesses:** While our concession areas grew in 2021, we expect further growth in coverage for potable water supply in other locations in 2022. We will continue to work closely with our current partners to grow what we already have, while pursuing new projects that will deliver returns within a short development period. Beyond potable water supply, this will include wastewater treatment and septage management systems.
- C. **Revisiting our Mining Assets (MPSAs):** Through MacroAsia Mining Corporation, an unlisted subsidiary, we believe that we can achieve a market valuation of the MPSAs in due time. MacroAsia Corporation also has subsidiaries like Bulawan Mining Corporation and MMC Management and Development Corporation that also have mining rights that offer development potentials, which we will continue to explore together with other partners.

While our aviation-services businesses’ topline progress continue to move in line with the return of airline travel, we foresee that our progress in the aforementioned non-airline segments will strengthen our cash generation capability during critical incidents that impact on the aviation industry. Our defensive strategy of “Scaling The Edges” will make MAC stronger and more resilient, beyond surviving the COVID-19 crisis.

Our efforts towards the transformation of MacroAsia beyond aviation services can only be strengthened by your continuing support and confidence in us and our operating teams. On behalf of the executive and management teams, we thank the Directors of the various boards for their valuable feedback, guidance and motivation. We also thank our partners, our staff and our host communities for their collective passion to work together so that we can all survive and do better in these difficult times. And last, but definitely not the least, we thank our shareholders for their trust and confidence in our leadership and stewardship as we move onward and upward to bring MacroAsia to new heights.

## 2021 Financial Report

Dear MAC stakeholders,

2021 is a full year of operations constrained by COVID-19 restrictions, not only in the Philippines but regionally where sources of international passengers into the Philippines come from. The aviation-related revenue squeeze for the MacroAsia Group resulted into the adjustment of our overall strategy from one of “**Focusing on the Core Businesses**” to “**Scaling the Edges**”. With this key direction, our teams have underpinned two strategic priorities:

Firstly, **CASH GENERATION** – requiring a keen focus on sales to cash conversion and accelerating growth, whether organic or inorganic, on those areas with highest business potential notwithstanding the pandemic;

Secondly, **CASH CONSERVATION** – an asset-light approach for new projects are pursued, and for existing businesses, we leverage our scale and operating capabilities, streamlining business processes to eliminate activities that are not valued by end customers as we sustain a culture of expense efficiency to drive sustainable growth.

In 2021, we had to cope with continuing mobility restrictions, especially with the Delta Variant hitting the country. In NAIA, average flight movements per day for 2021 was 17% of 2019 pre-pandemic average, although there were indicative increases of passenger and flight movements as we moved into the last quarter of 2021. In hindsight, our internal assessments follow the general feeling that the volume trendline forecast reflects prolonged recovery, until we reach the baseline levels of 2019.

The Group’s top-line consolidated revenues stood at Php1.95 billion, 14% lower than the Php2.26 billion revenues in 2020. The bottom line reflects a Net Loss of Php150.9 million, a significant decline from the net loss of Php1.8 billion in 2020.

In the fourth quarter comparisons, the Q4 income for 2021 of Php352.4 million is mainly due to the contribution of our MRO segment, which has returned to profitability starting in the third quarter of 2021.

The Group ended 2021 with a total consolidated comprehensive income of Php161.8 million, compared to a comprehensive loss of Php2.03 billion in 2020. This improvement in 2021 reflects the lower operating loss level, aided by other comprehensive income gains from remeasurement of retirement obligations mainly due to lower staff numbers and to foreign currency translation adjustments.

In 2021, while the Group’s core aviation-related business units experienced a continuing revenue downturn, the water segment has reported a 25% increase in revenues. One driver is the revenue contribution of Aqualink Resources Development Inc. (ARDI), a new JV of our fully-owned Naic Water Services Corporation with Lancaster New City’s developer, PRO-FRIENDS. This JV is managing the water system of Lancaster New City, a huge real estate development in Cavite.

Our ground handling business continued to be impacted by the decline in flight volumes, but as travel restrictions were relaxed in line with the government's success in its vaccination efforts and to spur the reopening of the economy, travel volumes in the airports started to return slowly by the second half of 2021.

Our airline catering business faced substantial meal volume downturn as commercial passenger travel was restricted. Towards the third quarter of 2021, travel and inflight meal volumes started to grow, especially in the PAL Kitchen operated by MacroAsia. In the latter part of 2021, our non-airline catering company, MacroAsia SATS Food Industries, has been successful in acquiring key accounts for servicing, enabling a significant revenue portfolio growth that will benefit future operating periods from 2022 and onwards

During 2021, the Group has also re-evaluated accounting provisions related to impairment of non-financial assets and expected credit losses in line with the prevailing business conditions. With the issuance of E.O. 130 lifting the nine-year moratorium on granting new mining permits in the Philippines, and as the Infanta Nickel Mine generated advanced royalty receipts from a mining operator, management reversed the previously recognized mining-related impairment loss amounting to P217.1 million. With the agreement signed with the mine operator, it is expected that the nickel mine will reopen soon, providing recurring cash inflow through royalty payments.

Total direct costs amounted to P1.99 billion, a 16% decrease from the P2.36 billion costs in 2020, as direct labor was reduced in line with business volumes. Consolidated operating expenses decreased by Php 464.1 million or 50% from 2020's Php931.66 million, mainly due to cost saving measures implemented, and to also reflect the reversal of accounting impairment provisions.

Financing charges increased to Php159.71 million from Php132.52 million in 2020, due to the interest on lease liabilities from the long term leased water facility of Aqualink Resources - the Lancaster New City JV. This JV leases its water facilities comprised of pumps and pipeline systems from the real estate developer, and a portion of the lease payment to the lessor is being amortized as interest expense over the lease term. Finance charges pertaining to the loans payable of the Group decreased as loan payables were reduced through periodic payments.

Our investments in three JVs where MAC holds a minority stake resulted into a share in net income of associates amounting to Php317.8 million, in contrast to a share in net loss of associates amounting to Php639.8 million in 2020.

Share in net income of Lufthansa Technik Philippines, which MAC owns 49%, amounted to Php350.6 million compared to share in net loss of Php616.3 million in 2020.

Cebu Pacific Catering Services, which MAC owns 40%, resulted into a loss contribution share of Php6.0 million in 2021, compared to loss contribution of Php1.73 million in 2020.

MAC's 30% share in net loss from JASCO which performs groundhandling in Narita, Japan amounted Php42.95 million in 2021 compared to Php30.4 million in 2020.

### **Financial Position**

The Group's consolidated total assets stood at Php10.47 billion, a 1% increase from 2020's Php10.39 billion, due to movements in the Investment in Associates account which is recognized under the equity method of accounting, and increase in right of use asset for the long-term lease of a water facilities by Aqualink, but offset by the decline in cash and cash equivalents and receivables and other contract asset.

Receivables and contract assets declined by Php397.8 million or 23%, due to collection of trade receivables and decrease in provisions for doubtful accounts and expected credit losses.

Property and equipment of Php2.35 billion decreased by Php89.15 million compared to Php2.44 billion in 2020, due to straight-line depreciation of assets, offset by capital expenditures mainly in the water subsidiaries and the aviation training school.

Loans payable of Php1.56 billion refers to outstanding local bank loans availed before 2020 by several subsidiaries to finance their asset acquisition. The 13% net decrease in loans payable is due to loan amortization payments.

The standalone listed Parent Company's Total Assets declined by 4% to Php5.8 billion, from Php6.0 billion in 2020, mainly due to the decrease in its Cash from Php904.7 million to Php220.0 million in 2021. The cash decreased due to debt-servicing and bridge financing for subsidiaries for some of their projects.

By end of 2021, MAC Parent's retained earnings available for dividends amount to Php2.37 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**

No buyback transactions happened in 2021 in line with the cash conservation program of the Company. As of December 31, 2021, we have 42,347,600 treasury shares in MAC. In the Annual Shareholders' Meeting last year, Management was authorized by the shareholders to sell such treasury shares for fund raising purposes if needed, but no such related actions were pursued after that annual meeting.

By end of 2021, the Group is in a Net Debt position of Php1.08 billion, as a result of previous pre-pandemic borrowings to fund capital expenditures, mainly 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.

The current loans stood at Php651.2 million as of December 2021. This pertains to portions of long-term debt falling due in 2022. 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 on a stand-alone basis, is in a net debt position of Php64.5 million as of December 2021. Its short-term borrowings of Php275 million, which was used as

bridge financing for various projects of subsidiaries is down to Php265 million today, as payments have been made.

With the looming turnaround of aviation-related businesses, increased capacity in its property, plant and equipment (PPE), and the cash inflow from new projects, the Group stands on solid financial ground to continue operating in the challenging environment, while meeting the selected programs for expansion in some segments.

The Group's cash stood at Php503.6 million by year-end 2021. The principal movements in cash were driven by loan settlements, capital expenditures and funding of operating cash flow requirements.

Consolidated capital expenditure in 2021 was restrained to Php157 million, consistent with the strategic direction. It is forecasted that CAPEX spending will double in 2022, 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, flights and passenger movements now trend towards recovery. In the meantime, our business units in the aviation sector will continue to implement the cash conservation and cost containment strategies, while we will also pursue new revenue streams in other areas.

While initial trends early in 2022 point to return to profitability for some key units as breakeven points are breached because of increased travel volumes, 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. The impact of external factors, like another COVID-19 spike or the Russian-Ukraine conflict are hovering dark clouds for aviation travel.

Our teams commit to drive our recovery towards profitability, although we know that external factors continue to burden us 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.