





# **MACROASIA CORPORATION AND SUBSIDIARIES**

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

**For the First Quarter and  
Period Ended March 31, 2022**

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**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

Our unaudited condensed consolidated financial statements include the accounts of MacroAsia Corporation and its subsidiaries, collectively referred to as the “the Group” or “MacroAsia Group” in this report.

The unaudited condensed consolidated financial statements for the first quarter ended March 31, 2022 have been prepared in accordance with Philippine Accounting Standard 34, Interim Financial Reporting. Accordingly, the unaudited condensed consolidated financial statements which are filed as Annex 1 of this report, do not include all the information required by generally accepted accounting principles in the Philippines (Philippine GAAP) for complete financial statements as set forth in the Philippine Financial Reporting Standards (PFRS).

**DISCUSSION AND ANALYSIS (MD&A) OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The main objective of this MD&A is to help the readers understand the dynamics of our Group’s businesses and the key underlying factors for our financial results. Hence, our MD&A is comprised of discussions about our core business units and our analysis of the results of their operations. This section also focuses on key statistics from the unaudited condensed consolidated financial statements and discusses known risks and uncertainties relating to the aviation industry in the Philippines where we operate during the stated reporting period. However, our MD&A should not be considered all inclusive, as it excludes unknown risks, uncertainties and changes that may occur in the general, economic, political and environmental conditions after the stated reporting period or after the date of this report.

Our MD&A should be read in conjunction with our unaudited condensed consolidated financial statements and the accompanying notes. All financial information is reported in Philippine peso (₱), unless otherwise stated.

Any references in this MD&A to “the Parent Company”, “MAC”; or “the Corporation” means MacroAsia Corporation and references to the “MacroAsia Group” or “the Group” means MacroAsia Corporation and its subsidiaries/associates.

Additional information about the Group which includes annual and quarterly reports can be found in our corporate website, [www.macroasiacorp.com](http://www.macroasiacorp.com).

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**BUSINESS OVERVIEW****MacroAsia Corporation**

MacroAsia Corporation is a publicly-listed company, incorporated in the Philippines on February 16, 1970, under the name Infanta Mineral and Industrial Corporation to primarily engage in the business of geological exploration and development. On January 26, 1994, its Articles of Incorporation was amended to change its primary purpose from geological exploration and development to that of engaging in the business of a holding company and to change its corporate name to Cobertson Holdings Corporation. On November 6, 1995, the SEC approved the amendment to the Parent Company's Articles of Incorporation to change its name from Cobertson Holdings Corporation to its present name, MacroAsia Corporation. MAC began commercial operations as a holding company under its amended charter in 1996. On August 7, 2018, the Company's Articles of Incorporation was further amended for the extension of the Company's corporate life for another 50 years, from and after February 15, 2020. However, under the Revised Corporation Code of the Philippines, MAC shall have perpetual corporate life. Its registered office address is at 12th Floor, PNB Allied Bank Center, 6754 Ayala Avenue, Makati City.

MAC, through its subsidiaries and associates, is presently engaged in aviation-related support businesses. It provides in-flight and institutional catering services, airport ground handling services, aircraft maintenance, repair and overhaul (MRO) services, charter flight services, and operates an economic zone at the Ninoy Aquino International Airport (NAIA). Its subsidiaries and/or associated companies render services directly to airline customers/locators at twenty-seven (27) locations all over the country including NAIA, generating both local and export revenues. A subsidiary also has a pilot training school, with trainer planes in Clark and Subic airports. Several subsidiaries have revenue-generating activities from production of potable water from various sources, bulk water supply, water distribution in service concession areas outside of Metro Manila, sewerage and septage management systems.

MAC continues to operate mainly through its eight (8) subsidiaries and three (3) associates, as fully discussed below.

**MacroAsia Catering Services, Inc.**

MacroAsia Catering Services, Inc. (MACS) was incorporated on November 5, 1996, then with a corporate name of MacroAsia-Eurest Catering Services, Inc. (MECS), to primarily provide in-flight catering services in NAIA. When MACS started commercial operations on September 1, 1998, it was a joint venture between MacroAsia Corporation (67%) and two foreign partners: SATS Ltd. (then known as Singapore Airport Terminal Services at 20%) and Compass Group International B.V. (then known as Eurest International B.V., at 13%). By mutual agreement of the three JV partners, a sale and purchase agreement with Compass Group International B.V. was executed on June 28, 2006 whereby MAC acquired the 13% shareholdings of the Compass Group. Since then, MACS continued to operate as a joint venture between MAC (80%) and SATS (20%). In the same year, the Board of Directors of MACS decided to change its company name to MacroAsia Catering Services Inc. On September 14, 2015, MAC signed a deed of absolute sale covering the assignment and

transfer of part of its MACS' stake (13%) to SATS Ltd., thus changing the ownership structure in MACS to 67% MAC and 33% SATS.

MACS' in-flight kitchen facility is situated in a two-hectare lot being leased from the Manila International Airport Authority (MIAA). MACS' inflight operation is based on a concession agreement with MIAA that grants the right to operate an in-flight catering service for civil and/or military aircraft operating at the NAIA and/or the Manila Domestic Airport. MACS secures such right by remitting the monthly Concessionaire's Privilege Fee (CPF) which is 7% of its gross income.

MACS consistently complies with both local and international hygiene standards and environmental regulations. MACS also holds HACCP and HALAL certificates conferred by independent and professional certifying organizations. To ensure that high standards are followed at all times, MACS maintains an in-house laboratory manned by licensed microbiologists who are capable of performing advanced testing.

Capturing 55% of the in-flight catering market based on the number of clients, MACS is the catering service provider to 17 full-service foreign carriers, freighters, VIP flights and General Aviation clients and 4 major airport lounges operating at the NAIA. MACS also has contract with an airline to provide top-up meals and ground feeding in case of flight delays.

MACS is also providing food services management and meals to non-airline institutional clients outside NAIA. This business has grown in line with the expansion plans of MACS to go beyond its airline catering portfolio. Because of the significant growth of this business, MACS incorporated MacroAsia SATS Food Industries Corporation (MSFI) on July 14, 2015 as a fully-owned subsidiary to operate a new food commissary near the East Service Road, Muntinlupa City, to service the food production requirements of institutional clients and to support the inflight kitchens inside NAIA. This commissary has a 25,000 meals-per-day capacity, reaching 2/3 utilization rate at times this 2022. MSFI also caters part of the food requirements of Cebu Pacific Air. The property for this commissary is leased from MacroAsia Properties Development Corporation and has been operational since March 26, 2019.

As part of the company's expansion, MACS incorporated MacroAsia SATS Inflight Services Corporation (MSIS) on May 16, 2016 (a fully-owned subsidiary) which started to operate the inflight catering kitchen at the PAL Inflight Center, PAL Gate 3, Baltao St. cor MIA Road, Pasay City last March 16, 2019. Pre-pandemic, the subsidiary provided inflight catering services for an average of 21,000 meals per day to Philippine Airlines (PAL). This 2022, MSIS is producing average of 11,000 meals per day.

MACS has been the recipient of several awards and commendations for outstanding service, besting other service providers from all over the world. Last September 2019, EVA Air presented the 2018 Excellence in Catering Award – South East Asia to MACS, this is the second consecutive year that MACS ranked no.1 among 7 stations in SEA region. In 2018, MACS ranked 4th in Qatar Airways' network-wide catering service provider evaluation program. MACS was also a recipient of the ADB SPC Excellence Award in December 2018. In 2017, MACS was recognized by Qantas (QF) for its "On-time Performance, Safety and

Service Delivery” and also by Japan Airlines for being part of the “2016 Best Airport Performance Award” received by the Manila Station. Last March 2017, Singapore Airlines awarded MACS the SQ Merit Award for catering excellence for fiscal year 2015-2016, a consistent feat for several years.

MACS has a wide supplier’s base, both local and international and it is not dependent on any single raw material supplier. MACS operates a bonded warehouse facility inside NAIA under a Bonded Warehouse License and monitored by a Bureau of Customs representative. Based on its quality standards, regular supplier quality audits (SQA) are conducted by MACS’ Quality and Food Safety Department Officers together with Purchasing and Production Department representatives at the supplier’s premises to inspect and verify the compliance to its manufacturing and supply standards.

MACS’ airline clients include Air Niugini (PX), All Nippon Airways (NH), Cathay Pacific (CX), China Airlines (CI), China Eastern (MU), Eva Air (BR), Gulf Air (GF), Japan Airlines (JL), Korean Air (KE), Oman Air (WY), Qantas Airways (QF), Qatar Airways (QR), Royal Brunei (BI), Saudia Airlines (SV), Singapore Airlines (SQ) and Xiamen Airlines (MF). MACS is also the preferred caterer for VIP flights from NAIA. Pre-pandemic MACS delivered as high as 6.2 million meals in 2019, at an average production of about 17,138 meals a day and services an average of 42 international flights a day, serving more than half of the foreign airlines that fly out of Manila. At present, MACS’ average production is 3,400 meals a day as a number of airline clients are still in the process of transforming their meal service offerings close to pre-pandemic menus previously serviced by MACS.

MACS is not aware of any existing or probable government regulations that would have an adverse impact on its on-going operations. It has no research and development activities/costs during the last three fiscal years.

#### **MacroAsia Airport Services Corporation**

MacroAsia Airport Services Corporation (MASCORP) was incorporated on September 12, 1997 to provide, manage, promote and/or service any and all ground handling requirements of military and/or commercial aircraft for passengers and cargo. MASCORP commenced its ground handling operations on April 19, 1999 at the NAIA, and has been generating both domestic and export sales.

On June 15, 1999 the company originally signed a joint venture agreement with Ogden Aviation Philippines B.V. to expand its international resource. Ogden Aviation Philippines B.V. was subsequently acquired by Menzies Aviation Group in 2001. By April 12, 2007, MacroAsia Corporation (MAC) acquired the 30% share of Menzies making MASCORP a wholly-owned subsidiary of MAC. On November 5, 2019, Konoike Transport Co. Ltd., a leading service contracting and logistics service provider in Japan, acquired 20% shares of the Company from MAC. Thus, decreasing MAC’s shareholdings to 80%.

Through its marketing efforts, coupled with the capability to offer a total aviation services product (in synergy with the catering and MRO business of MAC), and price

competitiveness, MASCORP entered into new ventures in 2015. It started providing cargo services for PAL Express in Manila, apron cleaning of Lufthansa Technik Philippines' (LTP) and Philippine Airlines' (PAL) Terminal 2 ramp parking areas and ground support maintenance services for LTP in Manila, Cebu and Davao.

Aside from its current ground handling services to local and foreign clients in Manila for NAIA Terminals 1, 2, & 3, MASCORP is also operating in most key domestic destinations open to international flights to include Cebu, Kalibo, Davao, Clark, and Puerto Princesa. In 2017, its ground handling operations expanded to 17 more stations to support the operations of PALex.

The year 2018 opened doors to new opportunities for MASCORP to expand its foreign airline market share in Manila, Cebu, Clark, Kalibo and Davao. In the first half of the year, MASCORP started to handle the operations at Manila station of Jeju Air, Kuwait Airways, and Jetstar Japan and Cebu station operations of Jeju Air, Jin Air, Silk Air and Vanilla Air. Davao Station welcomed Silk air as its foreign airline client. In the last quarter of 2018, MASCORP started handling Philippine Airlines' International Flight in Cebu - Terminal 2, Air Seoul in Kalibo, Tiger Air Taiwan in Cebu and Jeju Air in Clark Station.

In the first quarter of 2019, MASCORP took over full ground handling and cargo operations for Philippine Airlines and PAL Express at NAIA Terminals 2 and 3 as well as Mactan Cebu International Airport. MASCORP has also started its service partnership with the two major foreign carriers. Qatar Airways has chosen MASCORP as its ground handling agent for its Davao operations and MASCORP also started servicing United Airlines.

The effect of the COVID-19 pandemic was felt by MASCORP as early as the first quarter of 2020. With global travel restrictions limiting flight activities, majority of its operations were forced to downscale as airline service requirements were reduced drastically. In order to ensure that its costs are managed, MASCORP had to put in place a retrenchment program in four phases in line with the decrease in flights that has resulted in a surplus of manpower.

MASCORP started 2022 with a lean workforce, but in recent months, it has commenced re-hiring of new staff since airline clients started to mount more flights as the travel industry improved. With most of its clients implementing cost-cutting measures to support their recovery. MASCORP has made efforts to closely coordinate with its foreign airline clients to adjust service levels and requirements to achieve the most cost-efficient handling that would optimize savings.

With most foreign airline clients returning flight operations to its pre-covid levels and the Philippine Government's ease of travel restrictions, MASCORP sees a more promising financial year this 2022.

MASCORP's operations is dependent upon its concession agreements with Manila International Airport Authority (MIAA) for Manila station (Terminal 1, 2 & 3), GMR Megawide Cebu Airport Corporation (GMCAC) for Cebu station, Luzon International Premier Airport Development Corporation (LIPAD) which took over Clark International Airport

Corporation (CIAC) for Clark Station, and Civil Aviation Authority of the Philippines (CAAP) for Kalibo, Davao, General Santos, Basco, Laoag, Puerto Princesa, Busuanga, San Vicente, Bacolod, Iloilo, Antique, Legazpi, Tacloban, Roxas, Butuan, Cotabato, Dipolog, Camiguin, Siargao, Zamboanga, Tawi-tawi, Cagayan De Oro, Davao. Its concessions agreement with the new stations is currently being processed with CAAP.

MASCORP secures its concessions by regularly paying the monthly Concession Privilege Fee (CPF), which is computed at 7% for MIAA (Manila Station), and CAAP (Davao Station), 7% and 10% for domestic and international flight, respectively for GMCAC (Cebu Station), and 4.9% for LIPAD (Clark Station), of the monthly gross revenues on both domestic and international services.

MASCORP is not aware of any existing or probable government regulations that would have an adverse effect on its business. Given the nature of its business, it has no research and development activities during the last three fiscal years.

### **MacroAsia Properties Development Corporation**

MacroAsia Properties Development Corporation (MAPDC), another fully-owned subsidiary, was incorporated on June 4, 1996 to primarily engage in the acquisition, development and sale of real properties. After it completed its first infrastructure project in 1997 and following the Asian economic crisis, the company suspended pursuing further property development projects as a core business and refocused its efforts on aviation-support activities.

On August 31, 2000, MAPDC was registered as an Economic Zone (Ecozone) Developer/Operator with the PEZA. As such, it enjoys tax incentives. It re-started commercial operations on the same date, this time as the ecozone developer/operator of the 23-hectare MacroAsia Special Ecozone at the NAIA, with LTP as its anchor locator for the next 25 years. LTP is an associated company of MAPDC as LTP is 49% owned by MAC.

MAPDC has a 25-year lease covering the 23-hectare property occupied by the Ecozone with the Manila International Airport Authority (MIAA). Today, the MacroAsia Special Ecozone is the only operational ecozone at the NAIA.

The MacroAsia Special Ecozone is presently managed by a lean team of core employees. The support services needed to maintain the ecozone are provided by contracted local service providers. Early in 2014, MAPDC acquired a 3-storey building near the East Service Road close to the Sucat Toll area in Muntinlupa City, which was developed and leased out as the commissary for food services to non-airline clients.

In 2015, MAPDC has entered into 2 long term lease agreements with Mactan Cebu International Airport Authority for a total of 4.3 hectares inside the airport. Also in 2015, LTP assigned its leased area inside the Mactan Cebu International Airport to MAPDC, comprising 2.7-hectares of developed land proximate to MAPDC's new leased areas in the airport. On

October 2, 2018, 5 hectares of these leased areas was approved and designated as a special ecozone for aviation-related services, to be known as MacroAsia Cebu Special Ecozone.

MAPDC is the subsidiary that serves as a vehicle for the entry of the Group into the water services business (bulk water supply or commercial retail of treated surface water in selected localities). Starting 2012, MAPDC has projects in provinces outside of Metro Manila. One project entails the treatment of surface water from the Magat River in Cagayan Valley, and the piped distribution of the treated water to the homes of residents in the town of Solano, Nueva Vizcaya. To implement this project, MAPDC formed a 100%-owned subsidiary, SNV Resources Development Corporation (SNVRDC) to be the water treatment facility operator and distributor of treated water in the said municipality. Commercial operations started during the first quarter of 2016. In December 2, 2016, MAPDC acquired 67% of Boracay Tubi System, Inc. (BTSI), one of the two water service providers in Boracay Island, Aklan. In August 2017, MAPDC acquired 100% of Naic Water Supply Corporation (NAWASCOR), a water utility company in Naic, Cavite, which has entered into a joint venture agreement with Maplecrest Group, Inc. (49% ownership) and incorporated Aqualink Resources Development, Inc. (ARDI) for a joint water project in Cavite which started operations in June 2021. In 2017, MAPDC started site development activities for the Maragondon, Cavite Bulk Water Project.

MAPDC is subject to PEZA rules and regulations and is not aware of any other existing or probable government regulations that may have any adverse effects on its business. MAPDC does not have any other significant agreements or patents, copyrights, licenses, franchises, concessions, or royalty agreement. It did not incur any research and development costs during the last three fiscal years.

#### **MacroAsia Air Taxi Services, Inc.**

MacroAsia Air Taxi Services, Inc. (MAATS) is a wholly-owned subsidiary of MAC which was incorporated in June of 1996. MAATS is a licensed, non-scheduled domestic flight operator providing helicopter chartering services from its base at the General Aviation Area, Manila Domestic Airport to any point within the Philippines.

MAATS started commercial operations in October 1996. Since January 2013, MAATS has added to its service portfolio the provision of services for Fixed-Based Operations (FBO), mainly to support the maintenance, repair, overhaul (MRO) clients of Lufthansa Technik Philippines. FBO work entails the provision of airport solutions or logistical support, facilitating and securing all the necessary permits for a smooth and trouble-free entry and exit of MRO flights. The airport solutions provided by MAATS enhances the marketing of LTP-Manila as an attractive MRO station for foreign airlines.

Today, MAATS has continued to focus on FBO services, rather than helicopter chartering.

There are no existing or probable government regulations that may have an adverse effect on MAATS operations. MAATS did not incur any research and development expenditures during the last three fiscal years.

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**First Aviation Academy**

First Aviation Academy Inc, (FAA) was incorporated on December 5, 2017 and has its training facility established and inaugurated in March 2019 in Subic Bay International Airport as an aviation career and resource center. Its business model was built on addressing the forecast shortage of professional pilots not only in the Philippines but worldwide. FAA is a joint venture flight school between MACroAsia (51%) and PTC Holdings Corporation (49%).

FAA is providing ab initio pilot training, certification and aviation-related career development courses. Depending on the course, graduates may hold a Private Pilot License (PPL), an Instrument Rating (IR), a Multi-Engine Rating (MER) and a Commercial Pilot License.

Other main features that set FAA apart from other flying schools in the country are its fleet of relatively brand new TECNAM Planes with full glass cockpit electronics instrumentation and the 2-brand new Redbird MCX simulators, the Redbird CE510 Citation Mustang, the TD2 G-1000 Trainers and the Redbird SD/CL Simulator. In June 2021, FAA has purchased 9 Cessna 172 planes and 1 Redbird Flight Simulator from the former Philippine Air Lines Aviation School (PALAV) to augment its fleet. Five (5) of these Cessna planes are equipped with glass cockpit instrumentation, known as the Garmin 1000. A newly built ATPT Sim trainer is also an added advantage in the FAA training program, wherein the student's knowledge and skills in flying the sophisticated Airbus planes will be enhanced in anticipation for their entry to Type Rating Course before becoming a full-pledged airline pilot. With bigger number of assets, FAA is able to train more pilots and become a major resource provider in aviation industry.

FAA is compliant with DOH and CAAP safety and health protocols for operation during the ECQ. There are no existing or probable government regulations that may have an adverse effect on FAA operations. FAA did not incur any research and development expenditures during the last three fiscal years.

**Allied Water Services Inc. (formerly Airport Specialists' Services Corporation)**

On July 2, 1999, Airport Specialists' Services Corporation (ASSC), initially a wholly-owned subsidiary of MASCORP, was incorporated primarily to manage and to promote, service and/or provide manpower support for any and/or all ground handling requirements of private, military and/or commercial aircraft. ASSC commenced operations immediately after its incorporation but had ceased operations shortly thereafter. Toward the end of 2006, MAC acquired MASCORP's 100% ownership in ASSC. The effective ownership of MAC in ASSC was thus increased from 70% to 100%. Through the restructuring, the Company effectively acquired the 30% minority interest of Menzies Aviation Group in ASSC. Consequently, ASSC became a direct subsidiary of MAC.

Incorporated primarily as an aviation-support entity, ASSC was converted into a water holding company under the new name, Allied Water Services, Inc. (AWSI) on August 22, 2019. AWSI will establish, maintain and operate waterworks systems for potable water supply and/or wastewater treatment systems. Currently, there are two subsidiaries under

AWSI namely, Summa Water Resources, Inc. (SWRI), and AlliedKonsult Eco-Solutions Corporation (AlliedKonsult) which remains under the project development stage. On September 13, 2019, Cavite AlliedKonsult Services Corporation (Cavite Allied) was incorporated. This is a wholly-owned subsidiary of AlliedKonsult that will engage in the construction of septage treatment plants and facilities. Inclined toward a spinoff of water business units, MAC is preparing its water segment to be transferred fully under AWSI from MAPDC.

On October 1, 2018, ASSC, purchased 60% shares of stock held by the former individual shareholders of SWRI. SWRI has supplied water treatment equipment and bulk water to private and government entities in several locations in the Philippines – Balesin, Mactan, Iloilo, Albay, Bulacan, and Cavite to name a few. In September 2018, Summa and Citicore Power Inc. formed a joint venture company named Citicore Summa Water Corporation (CS Water) of which the former holds 40% ownership. The joint venture was established to develop raw water sources and supply treated bulk water for its customers. In June 2019, CS Water signed a Joint Venture Agreement for the financing, development, rehabilitation, expansion, improvement, operation and maintenance of the water supply and septage management of Janiuary Water District.

There are no existing or probable government regulations that may have an adverse effect on AWSI operations. It did not incur any research and development costs during the last three fiscal years.

### **MacroAsia Mining Corporation**

MacroAsia Mining Corporation (MMC), another wholly owned subsidiary of MAC, was incorporated on September 25, 2000 to serve as an institutional vehicle through and under which the business of a mining enterprise may be established, operated and maintained.

MMC has been focused on providing consultancy and mining exploration services, particularly on nickel areas and projects. Since 2013, MMC has served the exploration and drilling requirements for the nickel laterite deposits of some of the major nickel producers in the country.

Bulawan Mining Corporation (BUMICO) and Management Development Corporation (MADECOR), former subsidiaries of Philippine National Bank (PNB), have already been transferred to MMC. The former was officially purchased from PNB on November 15, 2018 and is now known as MMC BUMICO. The latter, meanwhile, was acquired on March 2, 2020 and is now called MMC MADECOR. The move is part of a bigger program on the spinning-off of the mining segment of MacroAsia Corporation.

The acquisition of BUMICO included its right for their Exploration Permit Application (EXPA 103-VII) over a 506-hectare area in Basay, Negros Oriental. The area has a high potential for copper-gold molybdenum–silver mineralization. Several copper and gold mining companies have shown interest in the area. In addition, MMC BUMICO also inherited the Operating Agreement with Philex Mining Corporation (PMC) in relation to the Bulawan Mining Project.

Furthermore, MLC MRD 510 and EP 008-2010-VI which are under an agreement with Philex Gold Philippines, Inc. (PGPI) are now likewise part of the MMC portfolio. The former is under renewal since 2014 with consequent conversion to MPSA while the latter's application for the first renewal for exploration was filed on January 31, 2013. Both applications are yet pending with the MGB Central Office.

On the other hand, MMC MADECOR has acquired EXPA 000100-VI from PNB MADECOR. It is covered by an agreement with PGPI. The said application has been granted Clearance for issuance of the permit based on a July 4, 2019 memorandum from MGB Central Office but subject to several conditions. The First Letter Notice regarding the conditions to be met was communicated to PGPI in July 10, 2020 and forwarded to PNB Madecor on August 19, 2020. MMC MADECOR, which has acquired PNB MADECOR, then transmitted the required documents to PGPI in September 29, 2020. PGPI has since submitted the documents to MGB Regional Office No. VI on October 14, 2020. On June 7, 2019, MAC, executed Deeds of Assignment (DOAs) in favor of MMC, wherein MAC assigned to the latter, all its rights and interests under its Mineral Production Sharing Agreements (MPSA) in Palawan. These DOAs were submitted for approval of the DENR as required by law. The Mines and Geosciences Bureau (MGB-DENR) approved the transfer on February 1, 2021.

The MPSA's that were assigned to MMC are Mineral Production Sharing Agreement (MPSA) Nos. 220-2005-IVB and 221-2005-IVB covering the 1,113.98 and 410.00 hectares, respectively, situated in Brooke's Point Palawan. With the DENR approval, these tenements are now recorded under MMC. The said MPSAs grant the company the exclusive right to explore, develop and commercially utilize nickel, chromite, iron and other associated mineral deposits within the contract area. MMC started discussions with other nickel mine operators to start the operations of at least the nickel mine due to the demand for this mineral for batteries, among others.

On July 29, 2021, MMC signed a memorandum of agreement with Calmia Nickel, Inc. (CNI) for the exploration and eventual mining operations of the Infanta Nickel Project (MPSA No. 220-2005-IVB). Confirmatory drilling activities commenced in early November 2021 as part of the due diligence work being conducted by CNI.

MMC's present operations do not require the intensive use of raw materials. Therefore, it does not have any major existing supply contracts.

MMC is not aware of any other existing or probable government regulations that may have any adverse effects on its business. MMC does not have any other significant agreements or patents, copyrights, licenses, franchises, concessions, or royalty agreement. It did not incur any research and development costs during the last three fiscal years.

#### **Tera Information and Connectivity Solutions, Inc.**

Tera Information and Connectivity Solutions, Inc. (TICS) is a fully-owned subsidiary of MAC which was incorporated on February 11, 2021. TICS was incorporated primarily to provide information management and data connectivity, including radio trunking and other services.

There are no existing or probable government regulations that may have an adverse effect on TICS operations. TICS did not incur any research and development expenditures during its first year from incorporation.

### **Lufthansa Technik Philippines, Inc. – A Joint Venture with MacroAsia Corporation**

Lufthansa Technik Philippines, Inc. (LTP) is a joint venture between MAC (49%) and Lufthansa Technik AG of Germany (51%). It provides a wide range of aircraft maintenance, repairs and overhaul (MRO) services at the NAIA, DMIA, MCI, Kalibo International Airport, Puerto Princesa Airport, and Davao International Airport.

Following the signing of the joint venture agreement on July 12, 2000, and its subsequent registration with the Philippine Economic Zone Authority (PEZA) as an economic zone locator on August 30, 2000, LTP started its commercial operations on September 1, 2000. Since then, it has been recognized as an outstanding company that has consistently generated export revenues for the country.

As an ecozone locator, LTP has a 25-year lease contract with MacroAsia Properties Development Corporation (MAPDC). It has technical services agreements with Philippine Airlines (PAL) as a base client, as well as with other airlines, including Lufthansa Technik AG of Germany.

LTP also has a concession agreement with MIAA upon which its business operations is highly dependent. The agreement grants LTP the right to operate as a provider of aircraft MRO services at NAIA Terminals 1, 2 and 3. LTP secures such right by yearly renewal of the agreement and paying the monthly CPF (7% of gross revenue).

On February 10, 2012, LTP opened its third aircraft hangar to accommodate maintenance works for the Airbus A380, the world's biggest and most technologically advanced commercial aircraft today.

In 2015, LTP completed its project to expand its existing two hangar bays, thus increasing its service capability for A380 heavy maintenance check, also enabling LTP to enter base maintenance for the B777. The hangar expansion was inaugurated in December 2015 and LTP had the first heavy check in its second A380 hangar in January 2016. In 2016, LTP welcomed its first Asian A380 customer, the South Korean carrier flew to Manila in April and May for C1-checks on two A380s.

Furthermore, the B777 base maintenance capability build-up was completed in the later part of 2016, and having Philippine Airlines' B777 as its first customer in the first quarter of 2017.

This 2022, LTP has completed the construction of a mixed-use hangar. This hangar will add additional capacity for the base maintenance of aircraft of low-cost carriers.

LTP has continued and further strengthened partnership with PAL as its main client for aircraft maintenance, repair and overhaul services not only in LTP's Manila facility but also in Line Stations in Clark, Cebu, Puerto Princesa, Kalibo and Davao.

LTP has also intensified collaboration with Lufthansa Group operators to gain new commitment for Lufthansa Airlines base maintenance. Other global clients for Aircraft Base Maintenance would include Lufthansa Cargo, Aurora Airlines, AirAsia X, British Airways, Cebu Pacific Air, Eurowings Discover, Indigo, Jetstar Japan, and Kuwait Airways to name a few.

Through improvement of products and services for Aircraft Line Maintenance, customers have renewed their trust and confidence with LTP namely ANA, Royal Brunei.

Aviation Authorities who have airworthiness oversight on these airline customers issue Approvals/Certifications to LTP for it to be able to provide MRO services to these airlines. LTP is approved/certificated by 19 Aviation Authorities worldwide as a provider of aircraft MRO services, including the Civil Aviation Authority of the Philippines (CAAP), the United States' Federal Aviation Administration (FAA), European Aviation Safety Agency (EASA), Korea MOLIT, Japan Civil Aviation Bureau (JCAB), Kingdom of Saudi Arabia GACA, India Directorate General of Civil Aviation (DGCA), and Kuwait Directorate General of Civil Aviation (DGCA) among others. LTP is also an official Design Department of Lufthansa Technik AG EASA Part 21 Design Organization, enabling it to create in-house minor repairs/changes to aircraft. The extent of LTP's work/services largely depend on these Approvals/Certifications, which require/specify that LTP's services must be carried out in accordance with the relevant aviation regulations. These Approvals/Certifications are renewed either annually, every two, three or five years.

LTP is not aware of any existing or probable government regulations that would have an adverse impact on its on-going operations. It has no research and development activities/costs during the last three fiscal years.

#### **Cebu Pacific Catering Services, Inc.**

Cebu Pacific Catering Services, Inc. (CPCS) is MacroAsia's first in-flight catering venture which started commercial operations in October of 1996. MAC has 40% equity in this joint venture, while its partners - Cathay Pacific Catering Services of Hongkong and MGO Pacific Resources Corporation hold 40% and 20% equity, respectively.

CPCS is the first and presently still the only full-service airline catering company at the MCIA. CPCS is an economic zone locator covering 3,050 sqm in Mactan, Cebu and services both domestic and international airlines.

CPCS owns a two-storey kitchen facility designed to fully meet projected total airline catering demands and to easily accommodate future expansion. The facility was designed and developed by Cathay Pacific Catering Services (HK). With its current portfolio of clients,

the facility still has excess capacity to serve the requirements of Mactan Cebu International Airport in the years to come.

It procures its raw materials from the local market and does not have any major raw materials supply contracts. CPCS services Philippine Airlines, Korean Air and Asiana Airlines, Cathay Pacific as well as Cebu Pacific Airlines.

CPCS operations during the COVID-19 quarantine period in Cebu City from March 2020 to the present was impacted heavily due to the closure of Mactan-Cebu Airport at some point, and the slow return of air travel in the airport. Most flights were cancelled and a number of foreign airlines that had to land in Cebu for ferry-flights uplifted meals from their originating hubs. CPCS has its facility repaired and renovated, in time for reopening in 2022.

As a registered entity, CPCS is subject to the rules and regulations of the Philippine Economic Zone Authority (PEZA). It is not aware of any existing or probable government regulations that would have an adverse effect on its operations.

CPCS does not have any other significant agreements or patents, copyrights, licenses, franchises, concessions, or royalty agreements. No research and development costs have been incurred by CPCS during the last three fiscal years.

### **Japan Airport Service Corporation**

Japan Airport Service Co., Ltd. (also known as JASCO in Japan Aviation Industry) was founded on March 25, 1960 as an integrated ground handling company to provide safe flight operations, in addition to value-added quality services marked by on-time performance to 24 carriers operating out of Narita International Airport in Japan.

In 2017, JASCO joined the KONOIKE Group; a global enterprise listed on the First Section of the Tokyo Stock Exchange and has immediately become one of the strengths of KONOIKE Group's Airport Division. In line with the MAC and KONOIKE Group partnership which took place on November 5, 2019, MAC purchased 30% of JASCO through NKS Holding Co. Ltd., 100% Tokyo-based subsidiary of Konoike Transport Co. Ltd on December 6, 2019.

JASCO currently has six major functions including Flight Operation Management, Baggage Handling & Special Passenger Assistance Services, Cabin Cleaning, Loading/Unloading & Aircraft Movement, Cargo & Mail Handling and self-support GSE Maintenance. It is still organically growing its capacity and capability to the other fields of ground handling.

To fulfill the commitment for safe flight operation with high-quality services, JASCO tailors all SOPs based on the operational requirements of respective customer carriers and exercises "Point-and-Assured" at every critical point of the process to ensure full compliance. Such exercise has earned JASCO a recognition for service excellence, with quite a few awards from its customer carriers.

Due to the impact of COVID-19, for the fourth quarter of 2021, operating rate of passenger flights (including P-FERRY flights) was 18.5%, lower by 31.5%, compared with the planned target (50%) for the 4th Quarter. Due to the volume decline, the expected sales were not secured despite of the newly procured freighter handlings and increased air cargo warehousing business.

To cope with the situation that almost all passenger flights were canceled and suspended, a minimum number of employees are retained working at the airport, while the surplus employees were furloughed temporarily to apply for the Japanese government financial relief package. To best reserve the available skilled staffs, JASCO also implemented a surplus employee secondment program. As of the end of March 2022, JASCO seconded a total of 85 staffs (71 staffs to 23 affiliated companies under KONOIKE TRANSPORT and 16 staffs to 3 outside client companies) leaving 353 regular employees and 80 outsourced staffs working at the airport.

JASCO achieved better financial performance against the budget as result of efforts to mitigate the operating costs for GSE fuel and consumable items, and enhance the manpower utilization by inter-sectional cross collaborations supported by the multi-skills foster program among all sections, even though additional expenses were spent for GSE repairs and maintenance in preparation for flight resumptions.

JASCO is not aware of any existing or probable government regulations that would have an adverse effect on its operations. JASCO does not have any other significant agreements or patents, copyrights, licenses, franchises, concessions, or royalty agreements. No research and development costs have been incurred by JASCO since it became an affiliate of MAC.

**KEY PERFORMANCE INDICATORS**
*(in thousands except for ratios)*
**March 31, 2022 and 2021**

The Group uses major performance measures or indices to track its business results. The analyses are based on comparisons and measurement on financial data of the current period against the same period of the previous year. Among the measures are the following:

**Return on Net Sales (RNS)**

This ratio measures the amount of income, after all costs and expenses, including taxes are deducted, for every peso of net revenue earned.

		2022	2021
Return on	Total Net Income/(Loss)	(₱52,087)	(₱284,361)
Net Sales	Total Net Revenues	710,274	397,380
		= <u>-7.33%</u>	= <u>-71.56%</u>

Net revenues pertain to the revenues of the subsidiaries of the Group while the net income includes our share in the profits of our associates, LTP, CPCS and JASCO. The improvement in the consolidated RNS in the current period compared to same period last year is caused primarily by income contribution from our associate (LTP) and improvement in revenues generated by our operating subsidiaries in the current year compared to the same period last year. Business volumes in 2022 improved, as a result of easing of restrictions imposed by the government.

**Return on Investment (ROI)**

This ratio measures the amount of income earned on invested capital.

		2022	2021
Return on	Net Income/(Loss) attributable to Equity holder of Parent	(₱26,879)	(₱235,176)
Investment	Total Interest-bearing Liabilities + Equity attributable to Equity holder of Parent	6,319,406	6,107,634
		= <u>-0.43%</u>	= <u>-3.85%</u>

Movement in ROI ratio is parallel to that of the RNS due to the financial performance as discussed above. The Group had a number of loans for a facility construction and equipment acquisition purposes in prior periods, which substantially have outstanding balances as of the period end.

### Return on Equity (ROE)

This KPI is a measure of the owner's return for every peso of invested equity.

		2022	2021
Return on Equity	= $\frac{\text{Total Net Income/(Loss)}}{\text{Total Equity}}$	= $\frac{(\text{₱}52,087)}{3,908,825}$	$\frac{(\text{₱}284,361)}{4,343,180}$
		= <u>-1.33%</u>	<u>-6.55%</u>

The ROE in 2022 improved compared to the same quarter of 2021, mainly due to the improvement in the financial performance of the Group.

### Direct Cost and Operating Expense Ratio

These ratios measure the average rate of direct costs and operating expenses on products/services sold.

		2022	2021
Direct Cost Ratio	= $\frac{\text{Total Direct Cost}}{\text{Total Net Revenues}}$	= $\frac{\text{₱ } 669,496}{710,274}$	$\frac{\text{₱}458,789}{397,380}$
		= <u>94.26%</u>	<u>115.45%</u>

		2022	2021
Operating Expense Ratio	= $\frac{\text{Total Operating Expenses}}{\text{Total Net Revenues}}$	= $\frac{\text{₱}148,008}{710,274}$	$\frac{\text{₱}153,168}{397,380}$
		= <u>20.84%</u>	<u>38.54%</u>

The decrease in direct cost and operating expenses ratio of the group as compared to the previous year are related to the increase in revenue as a result of the improvement in business activities of the Group.

### Current Ratio

This ratio measures the Group's ability to settle its current obligations.

		2022	2021
Current Ratio	= $\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$	= $\frac{\text{₱}2,325,006}{2,225,286}$	$\frac{\text{₱ } 2,976,847}{2,452,012}$
		= <u>1.04: 1</u>	<u>1.21: 1</u>

Although lower than that of the same period last year, the Group still has a healthy current ratio indicating the Group's solid ability to meet its current liabilities, with an adequate portion of current assets held as cash. The decrease in current liabilities was due to the net loans' settlement and other liabilities.

### Debt-to-Equity Ratio

This ratio indicates the relationship of the Group's debts to the equity of the owners.

		2022	2021
Debt-to-Equity Ratio	= $\frac{\text{Total Interest-bearing Debts}}{\text{Total Equity}}$	= $\frac{₱1,485,849}{4,904,158}$	= $\frac{₱1,764,454}{4,470,389}$
		= <u>30.30%</u>	= <u>39.47%</u>

The decline in debt-to-equity ratio is due to the net decline loans which remained outstanding at period end, while the equity increased due to remeasurement gains during the current year.

### Interest Coverage Ratio

This ratio measures the number of times a company could make the interest payments on its debt with its earnings before interest and taxes.

		2022	2021
Interest Coverage Ratio	= $\frac{\text{Total Earnings before Interest and Taxes}}{\text{Interest Expense}}$	= $\frac{(₱14,491)}{36,746}$	= $\frac{(₱270,085)}{28,358}$
		= <u>-0.39:1</u>	= <u>-9.52:1</u>

Considering the loss for the period, the negative ratio on the current year shows that the Group's operating results during the period, measured through EBIT, is insufficient to cover interest payments arising from its debts for the period, but since the Group has a positive current ratio, the Group has the ability to settle interests as they fall due.

### Asset-to-Equity Ratio

This ratio measures the company's leverage and long-term solvency.

		2022	2021
Asset-to-Equity Ratio	= $\frac{\text{Total Assets}}{\text{Total Equity}}$	= $\frac{₱10,432,988}{4,904,158}$	= $\frac{₱10,042,048}{4,470,389}$
		= <u>2.13: 1</u>	= <u>2.25: 1</u>

Ratio between total assets and total equity, indicates that the assets of the Group continue to be supported principally by shareholders' capital rather than debt during this pandemic period.

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**RESULTS OF OPERATION (Year-to-Date March)**

The Group recorded a consolidated net loss after tax of ₱52.09 million for the period ended March 31, 2022, exhibiting a significant improvement from the consolidated net loss after tax of ₱284.36 million in the same period of 2021. While the core business segments of the Group continue to be impacted by the downturn in air travel due to COVID-19-related quarantine and airport restrictions since the onset of the pandemic, 2022 volume developments now trend towards recovery in the airline industry. The number of flights and meals served are slowly improving as travel and safety protocol restriction measures are slowly eased.

Revenues from in-flight catering contributed 39% of the total revenues and post an increase from last year's ₱131.29 million to the current year's ₱275.02 million. This is brought about by increase in the number of meals served to airline and non-airline clients, from 577,663 in 2021 to 2,189,174 meals in 2022.

Revenues from ground-handling & aviation services increased by ₱91.17 million (42%) from ₱216.73 million in 2021 to ₱307.90 million in 2022. Flights handled increased by a total of 6,921 flights (42%), from 16,345 in 2021 to 23,266 flights in the current year.

Revenues from water operations contributed 15% of the total revenues, an increase by ₱71.06 million (196%) to ₱107.39 million from ₱36.32 million during the same period last year due to the increase in commercial water sales in Boracay, as the island has benefitted from more relaxed entry policies for visitors, and 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. Billed volume of water in cubic meters ("cu.m.") increased by 161%, from 1.48 million cu.m. in 2021 to 3.87 million cu.m. in 2022.

Administrative revenues from ecozone leases did not vary significantly as rates charged did not vary significantly compared with last year.

Exploratory drilling revenue represents MMC's earnings from drilling contracts. The Company has not undertaken drilling contracts during the current year.

The aviation training school, First Aviation Academy ("FAA"), posted an increase in revenue by 120% from ₱5.76 million to ₱12.68 million as the conduct of operations and trainings have improved during the current period.

Total direct costs in 2022 amounted to ₱669.50 million, an increase of ₱210.71 million (46%) from 2021. The increase in total direct costs is aligned with the business volume growth. Consolidated operating expenses declined by ₱5.16 million from ₱153.17 million in 2021, due to cost saving measures implemented by the Group.

Share in net income/losses of associates (LTP, CPCS and JASCO) amounted to a net income of ₱81.86 million, which increased by ₱153.95 million from a net loss of ₱72.08 million from same period last year. Changes in equity shares from period to period are dependent upon

the results of operations of the associated companies. For the period ended March 31, 2022, our MRO business registered an income of ₱192.53 million from which we share 49% or ₱94.34 million. In the first quarter of 2021, MAC's share in LTP's loss is ₱56.24 million, out of ₱114.77 million. LTP has continued to report quarterly net income contribution in 2022 due to increase in business volume its line maintenance, and most notably on its base maintenance business. CPCS - our catering associate in Cebu, reflected a net loss since airline meal orders were minimal. MAC booked its 40% net loss share in CPCS at ₱1.15 million, compared to last year's ₱1.48 million share in net loss. JASCO-our groundhandling associate in Japan, contributed a loss of ₱11.32 million, compared to the loss contribution of ₱14.36 million from same period last year, representing the 30% share of MAC.

The interest income of ₱0.20 million pertains to income earned from short-term investments and interests accruing from deposits. Financing charges increased from ₱28.36 million in 2021 to ₱36.75 million in 2022, 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.

Other income and charges decreased to ₱10.26 million against the ₱16.26 million in 2021 mainly due to forex loss as dollar exchange rates depreciated. The Group posted a provision for income tax in the amount of ₱0.85 million in 2022, compared to 2021's (₱14.08) million. Income tax expense recognized relates to the tax attributable on the taxable income reported by MAC Group.

#### **FINANCIAL POSITION (Year-to-Date March)**

At the consolidated level as of March 31, 2022, total assets stood at ₱10.43 billion, posting a ₱37.10 million decrease from last year-end's level of ₱10.47 billion. Cash and cash equivalents of ₱413.94 million decreased by ₱89.70 million (18%), which is caused by cash outflows due to operating requirements and loan settlements. The Group sees no liquidity issues in 2022, as the cash balances of the operating subsidiaries are able to meet their currently maturing obligations.

Receivables decreased by ₱25.56 million or 2% due to collection of trade receivables. Inventories of ₱97.90 million were maintained in line with forecasted inventory level requirements. Input taxes and other current assets of ₱469.67 million represents input taxes, creditable withholding and prepaid taxes and unamortized prepayments for insurance covers, rent, utilities and unconsumed supplies as of March 31, 2022.

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. Movements in the account are contributed by the share in cumulative translation adjustments for LTP and JASCO due to foreign exchange fluctuations, share in re-measurement gains and losses on defined benefit plans due to the revised PAS19 policies, share in cash dividends declared and actually received during the current period, and the incremental equity share in net earnings/loss of the associated

companies. The Group recorded an increase of ₱100.12 million (5%) in this investment account, from ₱1.85 billion in 2021 year-end to ₱1.95 billion as of March 31, 2022 as a result of aggregate income contribution from associates.

The Group's property and equipment of ₱2.31 billion decreased from last year's ₱2.35 billion due to recognition of depreciation, and offset by new acquisitions made by our catering, ground handling, water Companies. Investment property of ₱143.85 million pertains to land held for future development by MAPDC.

Input taxes-net represent VAT paid on purchases of goods and services that can be recovered as tax refund/credit from the Bureau of Internal Revenue (BIR). The Group also has input taxes arising from acquisition of property and equipment and other assets.

The carrying amount of deferred income tax assets of ₱166.46 million as of March 31, 2022, remained at the same level as prior year's ending balance. Other noncurrent assets increased by ₱2.66 million or 0.4% to ₱640.09 million. Other noncurrent assets account also include deferred project costs, rental and refundable deposits, advances to contractors, restricted investment, prepaid rental equity investments designated at fair value through other comprehensive income (FVTOCI)/ available for sale (AFS) investments and retirement assets. The goodwill recognized by the Group amounting to ₱127.84 million resulted from the Company's acquisition of a non-controlling interest (13%) from a previous stockholder of MACS in 2006 and the purchase by MAPDC of 67% of BTSI in 2016, 100% of NAWASCOR in 2017 and ASSC of 60% of SUMMA in 2018. Service concession right amounting to ₱420.06 million pertains to incurred construction costs in relation to the construction of water treatment plant and pipe laying activities of SNVRDC and right for water supply and distribution of NAWASCOR and SUMMA. This asset was accounted for in accordance to IFRIC 12, Service Concession Arrangements, under the intangible asset model as SNVRDC received the right to charge users of the public service.

Accounts payable and accrued liabilities increased by ₱59.02 million (4%) as of March 31, 2022, representing the amounts owed to suppliers and service providers. These increases are driven by the growth in business volumes. Loans payable of ₱1,485.85 million refers to the loans availed from local banks by several companies under the Group to finance their asset acquisition as a result of business expansion which remain outstanding as of year-end. During the year, loans was availed by BTSI amounting to ₱55 million. Loan settlement during the year amounted to ₱129.4 million.

Accrued retirement benefits payable and other long term employee benefits of ₱126.60 million is accounted for based on the latest actuarial valuation of the Group. Deferred tax liabilities of ₱116.72 million remained at the same level as prior year's ending balance. Dividends payable of ₱31.97 million shows the remaining outstanding checks payable by the Parent Company for the cash dividends declared to MAC shareholders and outstanding dividends to non-controlling interest of MAC's subsidiary.

The Group's other reserves pertain to MAC's gain on the sale of 13% of MACS shares of stock to SATS and the sale of MASCORP's 20% shares to Konoike Transport Co., LTD. ("Konoike"), net of taxes paid. This is accounted for in accordance with International GAAP

2015 on sale of shares of stock without loss of control. Other components of equity pertain to Reserve for fair value changes of financial assets investments amounting to ₱51.02 million, the Parent Company's share in foreign currency translation adjustments gain/(loss) of LTP and JASCO in the amount of ₱18.26 million which changes in accordance with US\$ and JPY exchange rate fluctuations during the period covered, MAC's share in re-measurements of defined benefit plan of associates, and remeasurements of defined benefit plans of subsidiaries.

Movement in the "non-controlling interests" depends on the results of operations of MACS, MASCORP, AWSI, FAA, and subsidiaries of MAPDC with JV partners. This account reflects the 33% equity share of SATS (JV Partner of MAC) in the catering JV, 40% share of minority shareholders in SUMMA, 33% share of minority shareholders in BTSI, 49% share of PTC Holding, Inc. ("PTC") in FAA, 20% share of Konoike in MASCORP and 49% share of minority shareholders in Allied Konsult. As of March 31, 2022, non-controlling interests amounted to ₱70.60 million.

### **MacroAsia Corporation's Mining Project**

MacroAsia Corporation holds two Mineral Production Sharing Agreements (MPSAs), MPSA-220-2005-IVB and MPSA-221-2005-IVB, both located in Brooke's Point, Palawan. MPSA-220 or the Infanta Nickel Project covers a total land area of 1,114 hectares with nickel in the form of laterite ore as the primary commodity. This area was the source of ore shipments to Japan in the 1970's.

The total extent of the laterite area explored within the MPSA for the Infanta Nickel Project is around 536 hectares with the deposit composed of limonite and saprolite ores. Within this delineated nickel ore envelope, 2,754 drill holes were done, resulting into 48,568.7 meters drilled. There were also 482 test pits that were dug, yielding 2,550.8 meters more for sampling. The resulting samples collected numbered 52,284, and these were analyzed for nickel (Ni), iron (Fe) and 12 other elements/oxides, including the loss in ignition (LOI), using fused bead done under X-Ray Fluorescence (XRF) technique at Intertek Laboratories. The Parent Company has completed an exploration report that is compliant to the Philippine Mineral Reporting Code (PMRC).

On June 7, 2019, MAC assigned to MMC all its rights and interests under its Mineral Production Sharing Agreements (MPSA) in Palawan. The deeds of assignment were submitted for approval of the DENR as required by law. On April 28, 2021, the Notice of Issuance of an Order for the Deed of Assignment dated June 7, 2019 executed by and between MacroAsia Corporation and MacroAsia Mining Corporation was received. With the DENR approval, these tenements are now recorded under MMC. The said MPSAs grant the company the exclusive right to explore, develop and commercially utilize nickel, chromite, iron and other associated mineral deposits within the contract area. During the Special Board Meeting of MAC on July 23, 2021, the Board of Directors approved the signing of a Memorandum of Agreement (MOA) between MMC and Calmia Nickel, Inc. for the nickel mine in Brooke's Point Palawan. Calmia shall be allowed to explore and operate the mining

tenement of MMC in Brooke's Point, Palawan. Advanced royalties were paid by Calmia to MMC.

MacroAsia Corporation currently has a pending exploration permit application (EXPA) to mineralized areas in Pintuyan-San Ricardo in Southern Leyte denominated as 000093-VII. In addition, it also has other exploration permit applications in Esperanza, Sultan Kudarat (EXPA 080-XII and in Basay, Negros Oriental (EXPA 000103-VII).

### **NUMBER OF STOCKHOLDERS**

There are 844 and 843 stockholders as of March 31, 2022 and December 31, 2021, respectively.

### **OTHER MATTERS**

1. Passenger loads and flight frequencies of airlines are the two most important factors that affect the revenue levels of the Group's operating units that are involved in catering, ground handling and line maintenance. The Group constantly monitors these two factors that directly impact on revenues and costs.
2. Being an aviation services provider, the Group has been impacted during the reporting period by the COVID-19 pandemic as airport traffic movements were constrained to contain the spread of the COVID-19 virus. In 2022, flight and passenger movements have been increasing, compared to 2021.
3. The strict travel measures have gradually eased up, although new virus variants may still provide new constraints for travelers. The management teams of the aviation services companies within the Group have instituted cash conservation and cost-control measures to cope with the ensuing crisis and business downturn. Business recovery of the aviation service units will follow the track of the airline and tourism industries that will benefit from the easing up of quarantine and travel restrictions in the country and elsewhere.

On the other hand, the water utilities and concessions business units of the Group located outside of Boracay - a tourist zone, registered growth in their respective business areas during the time of the community quarantine. The Group's water business saw a big revenue boost, with a water service JV which became operational.

4. With extra capacity made available for food production, especially with the new food commissary outside the airport, the Group has embarked on establishing its footprint as a virtual kitchen for institutional clients and food brands. It has also established its own food products under "Chef's Express" and MAC Chef's Depot on an e-platform (<https://macchefsdepot.com>) and through various re-sellers. Major institutional accounts were acquired for servicing in 2022.

5. The Group foresees that within the next twelve (12) months, operating cash flow will increase due to higher airport traffic volumes, as mobility of people continues to ease up. Before the pandemic, the Group built up its cash reserves through its operating revenues and collections. On the other hand, investments in non-aviation related businesses (water, food commissary, etc.) which have been undertaken in previous periods will support the revenue pipeline in the coming months.
6. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.
7. Other than the water projects in Cavite, there are no material commitments for capital expenditures created during the reporting period.
8. There have been no significant elements of income or loss that did not arise from the Group's continuing normal operations that are not disclosed in the consolidated interim financial statements.
9. The Group is not aware of any future event that will cause a material change in the relationship, vertical and horizontal analyses, of any material item from period to period.
10. Other than the COVID-19 pandemic, the Group is not aware of any seasonal aspects that have material effect during the reporting period.
11. The Group has not issued, repurchased or repaid any debt or equity securities during the current interim reporting period.
12. No material events have occurred subsequent to the end of the current interim period that should be reflected in the financial statements for the interim period.

## SIGNATURES

Pursuant to the requirement of Sec 17 of the Code and Sec 141 of the Corporation Code of the Philippines, this report has been reviewed by the Audit Committee of MacroAsia Corporation on May 13, 2022, and is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on May 13, 2022.

### MACROASIA CORPORATION

Registrant

By:



**EDUARDO LUIS T. IUY**  
President



**AMADOR T. SENDIN**  
Chief Financial Officer

# **MACROASIA CORPORATION AND SUBSIDIARIES**

## **Interim Condensed Consolidated Financial Statements**

**March 31, 2022 and 2021 (Unaudited)**

**and**

**December 31, 2021 (Audited)**

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**GENERAL INFORMATION****Directors (as of March 31, 2022)**

Lucio C. Tan	(Chairman and CEO)
Carmen K. Tan	
Lucio C. Tan III	
Vivienne K. Tan	
Michael G. Tan	
Eduardo Luis T. Luy	(President and COO)
Kyle Ellis C. Tan	(Treasurer)
Johnip G. Cua	(Independent Director)
Ben C. Tiu	(Independent Director)
Samuel C. Uy	(Independent Director)
Marixi R. Prieto	(Independent Director)

**Chief Financial Officer, Chief Risk Officer, Senior Vice President - Administration**

Amador T. Sendin

**Senior Vice President - Human Resources, Legal and External Relations, Chief Compliance Officer / Corporate Information Officer**

Atty. Marivic T. Moya

**Vice-President - Business Development/ Data Protection Officer**

Belgium S. Tandoc

**Corporate Secretary**

Atty. Florentino M. Herrera III

**Stock and Transfer Agent**

Trust Banking Group  
Philippine National Bank (formerly Allied Banking Corporation)  
3<sup>rd</sup> Floor, PNB Financial Center  
Pres. Diosdado Macapagal Blvd., Pasay City

**Banks**

Philippine National Bank  
(formerly Allied Banking Corporation)  
6754 Ayala Avenue, Makati City

Unionbank of the Philippines  
Tektite Building, Ortigas Center, Pasig City

Philippine Bank of Communications  
565-567 Sto. Cristo, Binondo Manila

Asia United Bank  
G/F Morning Star Center Building,  
Gil Puyat Avenue, Makati City

Banco de Oro Universal Bank  
EPC Building, Paseo de Roxas cor.  
Gil Puyat Ave., Makati City

Metrobank and Trust Company  
New Manila Branch 676 Aurora Blvd.,  
New Manila 1112 Quezon City

China Banking Corporation  
8745 Paseo de Roxas corner Villar St. Makati City

**Auditors**

SyCip Gorres Velayo & Co.  
6760 Ayala Avenue, Makati City

**MACROASIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**

	<b>MARCH 31, 2022</b>	<b>DECEMBER 31, 2021</b>
	<b>(UNAUDITED)</b>	<b>(AUDITED)</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	<b>P 413,944,329</b>	<b>P 503,647,838</b>
Receivables and contract asset	<b>1,343,491,042</b>	<b>1,369,052,526</b>
Inventories	<b>97,903,065</b>	<b>102,298,650</b>
Input taxes and other current assets	<b>469,667,767</b>	<b>429,612,984</b>
Total Current Assets	<b>2,325,006,204</b>	<b>2,404,611,998</b>
<b>Noncurrent Assets</b>		
Investments in associates	<b>1,950,531,062</b>	<b>1,850,408,780</b>
Property, plant and equipment	<b>2,314,078,508</b>	<b>2,352,762,320</b>
Investment property	<b>143,852,303</b>	<b>143,852,303</b>
Service concession right	<b>420,063,812</b>	<b>418,804,041</b>
Input taxes -net	<b>131,556,663</b>	<b>135,258,880</b>
Deferred income tax assets	<b>166,464,583</b>	<b>166,464,582</b>
Goodwill and intangible assets	<b>292,463,576</b>	<b>292,022,092</b>
Net Investment in the lease	<b>1,170,344,119</b>	<b>1,177,554,081</b>
Right of Use Asset	<b>878,533,625</b>	<b>890,917,351</b>
Other noncurrent assets	<b>640,093,561</b>	<b>637,431,005</b>
Total Noncurrent Assets	<b>8,107,981,811</b>	<b>8,065,475,435</b>
<b>TOTAL ASSETS</b>	<b>P 10,432,988,014</b>	<b>P 10,470,087,433</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Current loans payable	<b>P 622,652,118</b>	<b>P 630,277,717</b>
Accounts payable and accrued liabilities	<b>1,551,535,964</b>	<b>1,492,518,206</b>
Income tax payable	<b>3,522,634</b>	<b>4,124,101</b>
Dividends payable	<b>31,968,020</b>	<b>31,968,020</b>
Lease Liabilities Right of use Asset	<b>15,607,124</b>	<b>15,607,124</b>
Total Current Liabilities	<b>2,225,285,860</b>	<b>2,174,495,168</b>
<b>Noncurrent Liabilities</b>		
Loans payable- net of current portion	<b>863,197,185</b>	<b>929,973,919</b>
Accrued retirement and other employee benefits payable	<b>126,600,636</b>	<b>121,574,408</b>
Deferred income tax liabilities	<b>116,715,726</b>	<b>117,811,602</b>
Lease Liabilities Right of use Asset - net of current portion	<b>2,131,866,598</b>	<b>2,137,105,374</b>
Other noncurrent liabilities	<b>65,164,069</b>	<b>51,139,026</b>
Total Noncurrent Liabilities	<b>3,303,544,214</b>	<b>3,357,604,329</b>
<b>Total Liabilities</b>	<b>5,528,830,074</b>	<b>5,532,099,497</b>

**Equity**

Capital stock - P 1 par value		
Authorized - 2,000,000,000 shares		
Issued and fully paid - 1,933,305,923 shares	<b>1,933,305,923</b>	1,933,305,923
Additional paid-in capital	<b>281,437,118</b>	281,437,118
Other Reserves	<b>1,003,041,257</b>	1,003,041,257
Other components of equity	<b>(78,310,206)</b>	(96,567,564)
Retained earnings		
Appropriated	<b>850,000,000</b>	850,000,000
Unappropriated	<b>1,303,500,450</b>	1,330,379,054
Treasury shares	<b>(459,418,212)</b>	(459,418,212)
Total equity attributable to equity holders of the parent company	<b>4,833,556,330</b>	4,842,177,575
<b>Non-controlling interests</b>	<b>70,601,609</b>	95,810,361
<b>Total Equity</b>	<b>4,904,157,940</b>	4,937,987,936
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P 10,432,988,014</b>	P 10,470,087,433

**MACROASIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME**
**For the period ended March 31**

	JAN-MAR 2022	JAN-MAR 2021
<b>NET SERVICE REVENUE</b>		
In-flight and other catering	P 275,016,299	P 131,290,167
Ground handling and aviation	307,899,698	216,733,566
Rental and administrative	7,293,166	7,273,302
Aviation training fee	12,678,014	5,760,512
Water	107,386,339	36,322,727
Exploratory drilling fees	-	-
	<b>710,273,515</b>	<b>397,380,274</b>
<b>DIRECT COSTS</b>		
In-flight and other catering	233,845,175	140,145,583
Ground handling and aviation	327,633,848	258,362,218
Rental and administrative	8,765,104	8,904,842
Aviation training cost	19,461,495	12,334,566
Water related expenses	79,625,692	38,688,727
Exploratory drilling expense	165,144	353,492
	<b>669,496,459</b>	<b>458,789,428</b>
<b>GROSS PROFIT</b>	<b>P 40,777,057</b>	<b>P (61,409,154)</b>
<b>SHARE IN NET INCOME OF ASSOCIATES</b>	<b>81,864,926</b>	<b>(72,081,858)</b>
	<b>122,641,982</b>	<b>(133,491,012)</b>
<b>OPERATING EXPENSES</b>	<b>(148,008,283)</b>	<b>(153,167,566)</b>
<b>INTEREST INCOME</b>	<b>198,060</b>	<b>313,685</b>
<b>FINANCING CHARGES</b>	<b>(36,746,256)</b>	<b>(28,357,905)</b>
<b>OTHER INCOME - net</b>	<b>10,677,688</b>	<b>16,259,179</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>P (51,236,809)</b>	<b>P (298,443,620)</b>
<b>PROVISION FOR INCOME TAX</b>	<b>850,547</b>	<b>(14,082,309)</b>
<b>NET INCOME</b>	<b>P (52,087,356)</b>	<b>P (284,361,310)</b>
<b>Attributable to:</b>		
Equity holders of the parent	<b>(26,878,605)</b>	<b>(235,176,479)</b>
Non-controlling interests	<b>(25,208,751)</b>	<b>(49,184,831)</b>
	<b>P (52,087,356)</b>	<b>P (284,361,310)</b>
<b>Basic Earnings Per Share</b>	<b>(0.01)</b>	<b>(0.12)</b>

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**MACROASIA CORPORATION AND SUBSIDIARIES**


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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

		JAN - MAR 2022	JAN - MAR 2021
<b>NET INCOME (LOSS)</b>	<b>P</b>	<b>(52,087,356)</b>	<b>P (284,361,310)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS) - Net</b>			
Net foreign currency translation adjustments		18,257,358	3,484,178
Remeasurements on defined benefit plan		-	-
		<b>18,257,358</b>	<b>3,484,178</b>
<b>Total Comprehensive Income (Loss)</b>		<b>(33,829,999)</b>	<b>(280,877,133)</b>
<b>Attributable to:</b>			
Equity holders of the parent	<b>P</b>	<b>(8,621,247)</b>	<b>P (231,692,302)</b>
Non-controlling interests		<b>(25,208,751)</b>	<b>(49,184,831)</b>
	<b>P</b>	<b>(33,829,999)</b>	<b>P (280,877,132)</b>

For the period ended March 31

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	P (51,236,809)	P (298,443,620)
Adjustments for:		
Equity in net (income) loss of associates	(81,864,926)	72,081,858
Depreciation and amortization	76,828,813	66,851,997
Depreciation and amortization - Right of Use Asset	12,383,726	6,733,285
Interest on Lease Liabilities on Right Of Use Asset	14,270,987	5,314,266
Interest income	(198,060)	(313,685)
Unrealized foreign exchange (gain) loss - net	267,968	(5,096,667)
Retirement benefit cost	5,026,228	4,265,727
Provision for (reversal of) other long-term benefits		-
Financing charges	22,475,269	23,043,639
Operating income before working capital changes	(2,046,804)	(125,563,200)
Decrease (increase) in:		
Receivables	30,358,691	140,814,963
Inventories	4,395,585	1,829,215
Other current assets	(40,054,783)	(96,921,446)
Increase (decrease) in:		
Accounts payable and accrued liabilities	59,017,758	(64,269,734)
Accrued rental payables	-	-
Other noncurrent liabilities	14,025,045	512,348
Cash generated from (used in) operations	65,695,492	(143,597,854)
Interest received	198,060	313,685
Financing charges paid	(22,475,269)	(23,043,639)
Contributions to retirement fund	-	-
Income taxes paid , including creditable withholding taxes	(2,547,890)	(4,336,363)
Net cash from (used in) operating activities	P 40,870,392	P (170,664,172)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment	(34,589,330)	(72,685,950)
Acquisitions of intangible assets	(1,702,770)	-
Dividends received	-	-
Decrease (Increase) in refundable deposits and other noncurrent assets	(2,514,496)	(172,655,668)
Net cash from (used in) investing activities	P (38,806,596)	P (245,341,618)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from availment of notes payable	55,000,000	221,580,000
Payments of notes payable	(129,402,333)	(244,226,895)
Acquisition of treasury shares	-	-
Payment of Lease Liabilities on Right Of Use Asset	(17,097,007)	(9,328,097)
Net cash from (used in) financing activities	P (91,499,340)	P (31,974,992)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	(267,966)	5,096,665
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>	P (89,703,510)	P (442,884,116)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	503,647,838	1,268,774,694
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	P 413,944,329	P 825,890,578

MACROASIA CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
 (In Thousand Pesos)

Attributable to the Equity Holders of the Parent

Retained Earnings

	Capital Stock	Additional Paid-in Capital	Share in Foreign Currency Translation Adjustment of an Associate	Remeasurements on Defined Benefit Plan	Share in Remeasurements on Defined Benefit Plan of Associates	Other Reserves	Reserve for fair value changes of financial assets investments	Treasury Shares	Appropriated	Unappropriated	Subtotal	Non-controlling Interest	Total
<b>BALANCES AT DECEMBER 31, 2020</b>	1,933,306	281,437	(96,499)	(78,364)	(229,442)	1,003,041	38,270	(459,418)	1,350,000	832,541	4,574,872	167,669	4,742,541
Dividend declaration	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (loss)	-	-	3,484	-	-	-	-	-	-	(235,176)	(231,692)	(49,185)	(280,877)
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional investment of non-controlling i	-	-	-	-	-	-	-	-	-	-	-	8,726	8,726
<b>BALANCES AT MARCH 31, 2021</b>	<b>P 1,933,306</b>	<b>281,437</b>	<b>(93,015)</b>	<b>(78,364)</b>	<b>(229,442)</b>	<b>1,003,041</b>	<b>38,270</b>	<b>(459,418)</b>	<b>1,350,000</b>	<b>597,365</b>	<b>4,343,180</b>	<b>127,209</b>	<b>P 4,470,389</b>
<b>BALANCES AT DECEMBER 31, 2021</b>	1,933,306	281,437	(39,098)	11,177	(119,667)	1,003,041	51,020	(459,418)	850,000	1,330,379	4,842,178	95,810	4,937,988
Dividend declaration	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (loss)	-	-	18,257	-	-	-	-	-	-	(26,879)	(8,621)	(25,209)	(33,830)
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional investment of non-controlling i	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>BALANCES AT MARCH 31, 2022</b>	<b>P 1,933,306</b>	<b>281,437</b>	<b>(20,841)</b>	<b>11,177</b>	<b>(119,667)</b>	<b>1,003,041</b>	<b>51,020</b>	<b>(459,418)</b>	<b>850,000</b>	<b>1,303,500</b>	<b>4,833,556</b>	<b>70,602</b>	<b>P 4,904,158</b>

**SUMMARIZED INCOME STATEMENT INFORMATION FOR  
UNCONSOLIDATED SUBSIDIARY**

**LUFTHANSA TECHNIK PHILIPPINES, INC.**  
**SUMMARIZED INTERIM STATEMENTS OF INCOME**  
in PHP

	January to March <b>(UNAUDITED)</b>	
	2022	2021
<b>REVENUE</b>		
Core Revenue	P 1,903,816,376	P 1,247,644,493
Subcon/Reimbursement	386,114,210	163,749,083
<b>TOTAL REVENUE</b>	<b>2,289,930,587</b>	<b>1,411,393,576</b>
<b>LESS: COST OF SALES</b>	<b>903,314,286</b>	<b>377,486,998</b>
<b>GROSS PROFIT</b>	<b>1,386,616,301</b>	<b>1,033,906,578</b>
<b>LESS: OPERATING EXPENSES</b>	<b>1,104,671,015</b>	<b>1,064,114,574</b>
<b>INCOME FROM OPERATIONS</b>	<b>281,945,286</b>	<b>(30,207,996)</b>
<b>LESS/ (ADD): OTHER CHARGES/(INCOME)</b>	<b>65,107,250</b>	<b>70,512,319</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>216,838,036</b>	<b>(100,720,315)</b>
<b>LESS: PROVISION FOR INCOME TAX</b>	<b>24,308,215</b>	<b>14,054,028</b>
<b>NET INCOME</b>	<b>P 192,529,821</b>	<b>P (114,774,343)</b>

**CEBU PACIFIC CATERING SERVICES**  
**SUMMARIZED STATEMENTS OF INCOME**  
 In Pesos

		January to March	
		<u>UNAUDITED</u> 2022	<u>UNAUDITED</u> 2021
REVENUE	P	63,036 P	69,036
LESS: COST OF SALES		2,401,956	2,898,453
GROSS PROFIT		(2,338,920)	(2,829,417)
LESS: OPERATING EXPENSES		662,084	919,661
INCOME FROM OPERATIONS		(3,001,003)	(3,749,078)
LESS/ (ADD): OTHER CHARGES/(INCOME)		(117,194)	(39,123)
INCOME BEFORE INCOME TAX		(2,883,809)	(3,709,955)
LESS: PROVISION FOR INCOME TAX		-	-
NET INCOME	P	(2,883,809) P	(3,709,955)
EQUITY SHARE IN NET INCOME (40%)	P	(1,153,524) P	(1,483,982)

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**SUMMARIZED INCOME STATEMENT INFORMATION FOR  
UNCONSOLIDATED SUBSIDIARY**

**JAPAN AIRPORT SERVICE CO., LTD.  
SUMMARIZED STATEMENTS OF INCOME**

In PHP

	January to March	
	<u>UNAUDITED</u> 2022	<u>UNAUDITED</u> 2021
<b>REVENUE</b>	<b>P 162,431,732</b>	<b>P 154,036,857</b>
<b>LESS: COST OF SALES</b>	<b>195,981,214</b>	<b>204,797,340</b>
<b>GROSS PROFIT</b>	<b>(33,549,482)</b>	<b>(50,760,483)</b>
<b>LESS: OPERATING EXPENSES</b>	<b>22,988,335</b>	<b>23,866,429</b>
<b>INCOME FROM OPERATIONS</b>	<b>(56,537,817)</b>	<b>(74,626,912)</b>
<b>LESS/ (ADD): OTHER CHARGES/(INCOME)</b>	<b>18,820,259</b>	<b>(46,975,545)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>(37,717,558)</b>	<b>(27,651,367)</b>
<b>LESS: PROVISION FOR INCOME TAX</b>	<b>19,651</b>	<b>20,210,124</b>
<b>NET INCOME</b>	<b>P (37,737,209)</b>	<b>P (47,861,491)</b>
<b>EQUITY SHARE IN NET INCOME (30%)</b>	<b>P (11,321,163)</b>	<b>P (14,358,447)</b>

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## **NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **1. Corporate Information and Business Operations**

#### Corporate Information

MacroAsia Corporation (the Company or MAC), a publicly-listed corporation, was incorporated in the Philippines on February 16, 1970 under the name Infanta Mineral & Industrial Corporation to engage in the business of geological exploration and development. On January 26, 1994, its Articles of Incorporation was amended to change its primary purpose from exploration and development to that of engaging in the business of a holding company, and changed its corporate name to Cobertson Holdings Corporation. On November 6, 1995, the Company's Articles of Incorporation was again amended to change its corporate name to its present name. On August 7, 2018, the Company's Articles of Incorporation was further amended for the extension of the Company's corporate life for another 50 years, from and after February 15, 2020. However, under the Revised Corporation Code of the Philippines, MAC shall have perpetual corporate life. Its registered office address is at 12th Floor, PNB Allied Bank Center, 6754 Ayala Avenue, Makati City.

#### Business Operations

The principal activities of the Parent Company and its subsidiaries (collectively referred to as the "MacroAsia Group", "the Group") are described in Note 4. The Parent Company, through its subsidiaries and associates, is presently engaged in aviation-support businesses at 27 airport locations in the Philippines. It provides in-flight catering services, ground handling services for passenger and cargo aircraft, and helicopter charter flight services. It also operates/develops the sole economic zone within the NAIA.

Through MacroAsia Catering Services, Inc. (MACS), the Parent Company, is now providing the food requirements of some passenger terminal lounges in NAIA. It has also ventured into the provision of the food service requirements of non-airline institutional clients outside the airport. Further, considering the expertise of staff gained through the exploration of the Parent Company's Infanta Nickel Project in Palawan, the Parent Company provided nickel exploration services for other mining companies, through MacroAsia Mining Corporation (MMC). Through MacroAsia Properties Development Corporation (MAPDC), the Parent Company started pursuing projects related to reclaimed water supply, bulk water supply using surface water sources, and water distribution in areas outside of Metro Manila.

Through Lufthansa Technik Philippines, Inc. (LTP), an associate, which has a maintenance, repairs and overhaul facility in the Philippines, the Parent Company provides globally competitive heavy maintenance and engineering services for specific models of Airbus and Boeing aircraft for airline clients all over the world.

On February 5, 2020, the Philippine Securities and Exchange Commission (SEC) approved the change of Airport Specialists' Services Corporation (ASSC) registered name to Allied Water Services, Inc. (AWSI) also pursuing subsequent water-related projects.

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## **2. Summary of Significant Accounting and Financial Reporting Policies**

### **Basis of Preparation**

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for equity investments held at fair value through other comprehensive income (FVTOCI), which are carried at fair value. The interim condensed consolidated financial statements are presented in Philippine peso (₱), the Parent Company's functional and presentation currency. Amounts are rounded to the nearest thousands unless otherwise indicated.

### **Statement of Compliance**

The interim condensed consolidated financial statements for the period ended March 31, 2022 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. This does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2021.

### **Changes in Accounting Policies and Disclosures**

The accounting policies adopted are consistent with those of the previous financial years, except for the adoption of the following amendments to existing standards effective beginning January 1, 2022. Except as otherwise indicated, the new standards and amendments have no significant impact on the annual consolidated financial statements of the Group or the condensed interim consolidated financial statements of the Group.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

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The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The Group adopted the amendment beginning April 1, 2021.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The Group adopted the amendments beginning January 1, 2021.

#### Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

#### *Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds Before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a First-time Adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 12, *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the

liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement

- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than

January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

*Effective beginning on or after January 1, 2025*

- **PFRS 17, Insurance Contracts**

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from

January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

### Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group, its direct subsidiaries, the subsidiaries of MACS, MAPDC, Boracay Tubi Systems Inc. (BTSI) and the subsidiary of MMC, Watergy Business Solutions, Inc. (WBSI) and Allied Water Services Inc. (AWSI), which were all incorporated in the Philippines and are registered with the Philippine Securities and Exchange Commission (SEC) as of March 31, 2022 (unaudited) and December 31, 2021 (audited).

Entity	Nature of business	Percentage of Ownership by MAC				Percentage of Direct Ownership by MACS/ MAPDC/ WBSI/BTSI/ MMC/AWSI	
		2022		2021		2022	2021
		Direct	Indirect	Direct	Indirect		
MacroAsia Airport Services Corporation (MASCORP) <sup>(9)</sup>	Ground handling aviation services	80 <sup>(9)</sup>	–	80 <sup>(9)</sup>	–	–	–
MacroAsia Catering Corporation	Services In-flight and other catering services (MACS)	67	–	67	–	–	–
MacroAsia SATS Food Industries (MSFI) <sup>(8)</sup>	Meal production and food processing	–	67	–	67	100	100
MacroAsia SATS Inflight Services Corporation (MSISC) <sup>(8)</sup>	Meal production and food processing	–	67	–	67	100	100
MacroAsia Air Taxi Inc. (MAATS)	Services, Helicopter chartering services	100	–	100	–	–	–
MacroAsia Properties Development Corporation (MAPDC)	Economic Zone (Ecozone) developer/operator and water supplier	100	–	100	–	–	–
SNV Resources Development Corporation (SNVRDC)	Water treatment and distribution	–	100	–	100	100	100

Entity	Nature of business	Percentage of Ownership by MAC				Percentage of Direct Ownership by MACS/ MAPDC/ WBSI/BTSI/ MMC/AWSI	
		2022		2021		2022	2021
		Direct	Indirect	Direct	Indirect		
Boracay Tubi System, Inc. (BTSI) <sup>(3)</sup>	Water treatment and distribution, and construction of sewage treatment plant	–	67	–	67	67	67
MONAD Water and Sewerage Systems, Inc. (MONAD) <sup>(3)</sup>	Water sewerage treatment	–	53.6	–	53.6	80	80
New Earth Water System, Inc. (NEWS) <sup>(3)</sup>	Water projects	–	67	–	67	100	100
Naic Water Supply Corporation (NAWASCOR) <sup>(4)</sup>	Water distribution	–	100	–	100	100	100
Mabini Pangasinan Resources Development Corporation (MPRDC) <sup>(2)</sup>	Water projects	–	100	–	100	100	100
Panay Water Business Resources, Inc. (PWBR) <sup>(2)</sup>	Water projects	–	90	–	90	90	90
Watery Business Solutions, Inc. (WBSI)	Water projects	–	100	–	100	100	100
Cavite Business Resources Inc. (CBRI)	Water projects	–	100	–	100	100	100
First Aviation Academy, Inc. <sup>(5)</sup>	Aviation school	51	–	51	–	–	–
Allied Water Services, Inc. (AWSI) <sup>(1)</sup>	Water projects	100	–	100	–	–	–
AlliedKonsult Eco Solutions Corporation (AKESC) <sup>(2)</sup>	Water treatment	–	51	–	51	51	51
Cavite AlliedKonsult Services Corporation <sup>(2)</sup>	Water treatment	–	51	–	51	100	100
Summa Water Resources Inc. (SWRI) <sup>(6)</sup>	Water treatment and equipment lease	–	60	–	60	60	60
MacroAsia Mining Corporation (MMC)	Mine exploration, development and operation	100	–	100	–	–	–
Bulawan Mining Corporation <sup>(2),(7)</sup>	Mine operation, development and utilization	–	100	–	100	100	100
Aqualink Resources Development, Inc. <sup>(11)</sup>		–	51	–	51	51	51
Tera Information and Connectivity Solutions, Inc. (TICS) <sup>(12)</sup>	Information management and data connectivity	100	–	100	–	–	–

<sup>(1)</sup> Resumed operation as holding company of newly acquired water companies

<sup>(2)</sup> No commercial operations as of December 31, 2021

<sup>(3)</sup> Ownership interest effective December 2, 2016

<sup>(4)</sup> Ownership interest effective August 1, 2017

<sup>(5)</sup> Incorporated on December 5, 2017 and started commercial operations on May 19, 2019

<sup>(6)</sup> Ownership interest effective October 1, 2018

<sup>(7)</sup> Ownership interest effective November 15, 2018

<sup>(8)</sup> Started commercial operations on March 16, 2019

<sup>(9)</sup> Change in ownership interest starting December 5, 2019 (see Note 11)

<sup>(10)</sup> Ownership interest effective March 2, 2020

<sup>(11)</sup> Ownership interest effective March 9, 2021

<sup>(12)</sup> Ownership interest effective February 11, 2021

Subsidiaries are entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but are considered as an impairment indicator of the assets transferred.

#### Non-controlling Interests

Non-controlling interest represents the portion of the net assets of consolidated subsidiaries not held by the Group. Non-controlling interest is presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within the equity section of the consolidated balance sheet, separate from the Company's equity. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognized in equity of the Company in transactions where the non-controlling interests are acquired or sold without loss of control. This is recognized in the Company's "other reserves". If the Group loses control over a subsidiary, it: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any non-controlling interests; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of the consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; (g) reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Group should re-attribute a proportion of the goodwill between the controlling and non-controlling interests when their relative ownership interests change. The proportion of goodwill that is attributable to the non-controlling interests is not necessarily equal to their ownership percentage.

### ***3. Significant Judgments and Accounting Estimates***

The preparation of the consolidated financial statements in accordance with PFRSs requires the Group to exercise judgments, make estimates and use assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

#### **Judgments**

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the consolidated financial statements.

##### *Determination of the Group's functional currency*

Judgment is exercised in assessing various factors in determining the functional currency of each entity within the Group. These include the prices of goods and services, competition, cost and expenses, and other factors including the currency in which financing is primarily undertaken.

The Group, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be Peso. It is the currency of the primary economic environment in which the Group operates. The functional currencies of LTP and JASCO, the Group's associated companies, has been determined to be US\$ and JPY, respectively.

### *Revenue from contracts with customers*

The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Determination of the timing of satisfaction of performance obligation*  
*In-flight and other catering, ground handling and aviation, and water services*  
*The Group assessed that performance obligation for inflight and other catering, except for dry store and beverage, ground handling and aviation and water services are rendered to the customers over time. As a result, the Group's revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment.*

#### *Sale of dry store and beverage*

The Group assessed that performance obligation for sale of dry store and beverage are satisfied at a point in time. The Group uses its judgment on when a customer obtains control of the promised goods. The Group has assessed that the actual delivery of the goods to the customer is the point in time when the performance obligation has been satisfied.

- *Allocation of total transaction price between construction and operation and maintenance of STP*  
Management determined that the contractually agreed price for construction of STP does not depict the amount the Group expects to receive for the performance obligation as the costs of STP are also expected to be recovered through the fees from operation and maintenance. Accordingly, the Group determined that the total transaction price of construction and operation and maintenance (i.e., the performance obligations) of STP needs to be allocated. This required the estimation of each of the performance obligation's stand-alone selling prices based on expected value method. The Group estimates consideration from the construction of STP based on expected gross margin. On the other hand, the Group estimates the variable consideration from operation and maintenance of STP based on the historical patterns of water consumption and room capacity of the Group's customers.
- *Recognition of contract asset*  
The Group incurs certain costs in relation to the services provided to its major customer. Based on management's assessment, these costs are incremental cost in obtaining a contract. Accordingly, the Group recognizes contract asset which are amortized as expense throughout the contract period, which includes the renewal period as management believes that the contract with the major customer will be renewed considering that the Group is providing one of the required services in the operations of its major customer.

*Assessment of control or significant influence over the investee*

The Group makes an assessment whether or not it controls an investee by considering all relevant facts and circumstances which indicate that the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. A reassessment is made if circumstances indicate that there are changes in these control elements. The Group has significant influence over an investee if it only has the power to participate in the financial and operating policy decisions, but not control or jointly control over the investee. As of March 31, 2022 and December 31, 2021, the Group still determined that it controls its subsidiaries and has significant influence over its associates.

*Assessment of operators under Philippine Interpretation IFRIC 12*

Management has assessed that memoranda of agreement with the Municipality of Solano, Nueva Vizcaya (Solano) to provide water distribution facilities and with the Municipality of Naic Cavite (Naic) to develop and operate water supply and distributions system are covered by the Philippine Interpretation IFRIC 12. The memoranda of agreement qualify under the intangible asset model with respect to the operation of the waterwork facilities as the Group has the right (license) to charge users of public service

*Classification of leases - the Group as a lessor*

The Group has entered into short-term leases, which provide no transfer of ownership to the lessee. The Group has determined that, based on an evaluation of the terms and conditions of the arrangements, it retains all the significant risks and rewards of ownership of these equipment and accounts for these as operating leases.

*Determining the lease term of contracts with renewal and termination options - the Group as a lessee*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for leases which are renewable at the option of the lessee. The Group typically exercises its option to renew for these leases because of significant permanent improvement introduced in the leased premises. The renewal periods for leases are not included as part of the lease term if option to renew is at lessor's discretion or leases which renewal depends on mutual consent of contracting parties as these are not reasonably certain to be exercised. Furthermore, the

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periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

#### *Contingencies*

The Group, in its normal course of business, is involved in various legal cases and claims. Based on management's assessment, the Group will be able to defend its position on these cases and that the ultimate outcome will not have a significant impact on the Group's consolidated financial statements. Accordingly, no provision has been recognized for these contingencies. LTP, the most significant associate of the Group also assesses the need to recognize the provisions based on the status of the claims.

#### **Estimates and Assumptions**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects that period, or in the period of revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing material adjustment to the carrying amounts of the Group's assets and liabilities follow.

#### *Determination of fair values in business combination and goodwill*

The Group accounts for the acquired businesses using the acquisition method, which requires the identification of the assets and liabilities of the acquired entities and the determination of their fair values on acquisition date. Management exercises significant judgment and estimation to allocate the purchase price to the fair values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date.

On acquisition of the investment in JASCO, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for either as goodwill included in the carrying amount of the investment relating to an associate or as income in the determination of the Company's share of the associate's profit or loss in the period in which the investment is acquired.

On the acquisition of NAWASCOR and SWRI, any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill or gain on bargain purchase in profit or loss.

As of March 31, 2022 and December 31, 2021, the investment in JASCO amounted to ₱769.7 million and ₱780.4 million, respectively, which includes a goodwill amounting to ₱446.9 million.

#### *Determination of fair value of financial instruments*

When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where

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this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these assumptions about these factors could affect the reported fair value of financial instruments.

*Leases - estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

*Provision for expected credit losses (PFRS 9)*

The Group uses a provision matrix to calculate ECLs for financial assets at amortized cost. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analyzed. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

The assessment of the correlation between observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecasted economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The Group has a segmentation of its credit risk exposures based on homogeneity of credit risk characteristics and credit risk management policies to identify defaulting customers using observable inputs such as historical loss rates, recoveries and write-offs. The Group has also applied forward-looking information for its overlay through statistical test and corroboration using publicly available information.

The Group's receivables, net of allowance for the expected credit losses of ₱63.4 million, amounted to ₱1,343.5 million and ₱1,369.1 million as of March 31, 2022 and December 31, 2021, respectively.

#### *Determination of NRV of inventories*

The Group estimates the NRV of inventories based on the most reliable evidence available at the time the estimates are made. These estimates consider the fluctuations of prices or costs directly relating to events occurring after the reporting date to the extent that such events affect the value of inventories. Other factors include the age of the inventories and Company's experience on write-off and expirations.

The Group did not identify any factors which indicate inventory obsolescence based on the above discussions. Accordingly, no provision was recognized in 2022, 2021 and 2020.

The Group's inventories carried at cost as of March 31, 2022 and December 31, 2021 and amounted to ₱97.90 million and ₱102.30 million, respectively.

#### *Estimating allowances for probable losses on input taxes and TCCs*

The Group estimates the level of provision for probable losses on input taxes and TCCs based on the experience of the Group and assessment of counsels assisting the Group in processing the claims and negotiating the realization of TCCs. As of March 31, 2022 and December 31, 2021, the carrying value of input taxes and TCCs amounted to ₱374.40 million and ₱367.80 million, respectively. Allowance for probable losses amounted to ₱9.63 million as of March 31, 2022 and December 31, 2021.

#### *Determination of fair value of investment property*

The fair value of the Group's investment property is valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. As of March 31, 2022 and December 31, 2021, the fair value of the investment property is based on valuation performed by an accredited and independent valuer. The carrying value of the investment property amounted to ₱143.9 million as of March 31, 2022 and December 31, 2021.

#### *Estimation of useful lives of property and equipment*

The Group estimates the useful lives of property, plant and equipment based on the internal technical evaluation and experience with similar assets. In cases where the use of property, plant and equipment is dependent on the grant of certain permits to conduct its business, management considers the probability of renewal of such permits based on past experience. In this situation, useful lives of property, plant and equipment are based on the economic useful lives rather than the currently effective period of the permits. Estimated useful lives are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. There is no change in the estimated useful lives of property, plant and equipment in 2022 and 2021.

The carrying value of property and equipment subject to depreciation as of March 31, 2022 and December 31, 2021 amounted to ₱1,871.9 million and ₱1,892.6 million, respectively.

#### *Estimation of useful life of service concession right*

At the start of operation of the water work facilities, the service concession right is to be amortized over the concession period as provided in the agreements with relevant

government units. The amortization period is reviewed when there are changes in the expected term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset. In 2018, NAWASCOR was granted additional concession period of 15 years by the Municipality of Naic, Cavite. Accordingly, NAWASCOR changed the useful life of its service concession right from 25 years to 40 years. The carrying value of the service concession right amounts to ₱420.1 million and ₱418.8 million as of March 31, 2022 and December 31, 2021, respectively.

*Estimation of useful life of intangible assets acquired as part of business combination*

The assigned useful lives of intangible assets acquired as part of business combination are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on collective assessment of similar businesses, internal evaluation and experience with similar assets. Further, management considers the probability of renewal of certain permits and the cost and efforts in renewing such permits based on past experience. The useful life of each asset is reviewed at each financial year and updated if expectations differ from previous estimates due to technical or commercial obsolescence and legal or other limits on the use of the asset. There were no changes in the estimated useful lives of customer contract and relationships, while right to use asset is assessed to have indefinite useful life due to minimal efforts required to renew certain permits to extract and distribute water in relevant provinces based on past experience.

The carrying value of the customer contract and relationships amounted to ₱54.0 million and ₱54.9 million as of March 31, 2022 and December 31, 2021, respectively. The carrying value of the right to use asset amounted to ₱108.9 million and ₱109.3 million as of March 31, 2022 and December 31, 2021.

*Determination of impairment indicators and impairment testing of nonfinancial assets*

*A. Nonfinancial assets other than goodwill and intangible assets with indefinite life*

The Group assesses at each reporting date whether there is any indication that its nonfinancial assets other than goodwill and intangible assets with indefinite life (i.e., investments in associates, property, plant and equipment, right-of-use assets, investment property, service concession right, intangible assets, deferred project costs, deferred mine exploration costs) may be impaired. Also, the Group assesses whether facts and circumstances suggest that carrying amount of deferred mine exploration costs may exceed its recoverable amount. The factors that the Group considers important which could trigger an impairment review included the following, among others:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the overall business strategy; and,
- significant negative industry or economic trends.

If such indication exists, the Group performs impairment testing to estimate the recoverable amount of the related asset. Management determined certain facts which indicate impairment of the service concession right which required impairment testing as of March 31, 2022.

The carrying values of the nonfinancial assets are as follows:

	<b>2022</b>	2021
Investments in associates	<b>₱1,950,531,062</b>	₱1,296,805,659
Property, plant and equipment	<b>2,314,078,508</b>	2,448,296,861
Investment property	<b>143,852,303</b>	143,852,303
Service concession right	<b>420,063,812</b>	423,157,700
Deferred project costs	<b>42,783,267</b>	42,783,267
Deferred mine exploration costs	<b>237,489,873</b>	20,418,948

Investment in associates, property, plant and equipment, right-of-use assets

In 2021 and 2020, the aviation-related operations of the Group were significantly impacted by the international and domestic travel restrictions due to the COVID-19 pandemic which resulted to cancellation of passenger flights. As a result, the kitchen facilities of the Group's catering segment have been operating below target capacity. The closure of Boracay to travelers also impacted BTSI, one of the Group's subsidiaries.

For purposes of impairment testing of investment in associates, property, plant and equipment and right-of-use assets, recoverable amount has been determined based on the value-in-use calculations using cash flow projections. The projected cash flows were based on expectations on future outcomes, such as anticipated revenue growth and forecasted volume of flights serviced and meals ordered which are impacted by the COVID-19 pandemic, annual water consumption and operating expenses, taking into account past experiences. The discount rate is a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The discount rates used ranged from 13% to 20% and 8% to 16% in 2021 and 2020, respectively.

Based on the impairment test, the recoverable amount of the investment in associates, property, plant and equipment and right-of-use assets exceeds their carrying values. Management believes that any reasonable possible change in any of the assumptions used would not cause the carrying values to exceed their respective recoverable amount.

Service concession right

In 2021 and 2020, the Group's service concession right for SNVRDC is operating at lower than the expected level and has been operating at a loss since the start of its commercial operation.

For the purpose of impairment testing of SNVRDC's service concession right, recoverable amount is determined based on the value-in-use using cash flow projections based on financial budgets as approved by management covering 17 years of projections, coterminous to the term of the concession agreement with the Municipality of Solano. The projected cash flows are based on expectations of future outcomes considering past experience, adjusted for anticipated revenue growth based on management's future plans. The discount rate is a pre-tax measure based on the weighted average cost of capital (WACC) of listed entities with similar assets or similar in terms of potential risk. The pre-tax discount rate used is 11.8% and 9.5% in 2021 and 2020, respectively.

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Based on the impairment test, the recoverable amount of the service concession right exceeds its carrying value. Management believes that any reasonable possible change in any of the assumptions used would not cause the carrying value to exceed its recoverable amount.

The carrying value of the service concession right subjected to impairment testing amounted to ₱241.7 million and ₱243.2 million as of March 31, 2022 and December 31, 2021, respectively.

*Impairment of deferred mine exploration costs*

The recovery of deferred mine exploration costs depends upon the success of exploration activities and future development of the mining properties, as well as the discovery of recoverable reserves in quantities that can be commercially produced. In prior years, and although the Group's nickel mine is a reactivation of an existing mine that was operational in the 1970s, the Group recognized impairment loss amounting to ₱217.1 million due to the issuance of DENR Administrative Order No. 2017-10 which puts a temporary ban on new projects for open-pit method of mining for ores. Annually though, the Group's MPSAs for its Infanta Nickel Project has been affirmed as valid and subsisting by DENR-MGB, and with the recent issuance of E.O. 130 lifting the nine-year moratorium on granting new mining permits in the Philippines, management reversed the previously recognized impairment loss amounting to ₱217.1 million by December 2021. Management believes that the amount of deferred mine exploration cost is recoverable based on the estimation of value-in-use.

The carrying value of deferred mine exploration cost amounted to ₱237.5 million as of March 31, 2022 and December 31, 2021, respectively.

*Goodwill and intangible assets with indefinite life*

For goodwill and intangible assets with indefinite useful life, the Group performs impairment testing at least on an annual basis or more frequently, if events or changes in circumstances indicate that these may be impaired. For the purpose of impairment testing, goodwill has been allocated to BTSI group, NAWASCOR, SWRI and MACS in 2021 and 2020 as the cash generating units.

The recoverable amounts of the cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on financial budgets as approved by management covering five years of projections. The projected cash flows are based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth based on management's future plans. Cash flows beyond the forecast period are extrapolated into perpetuity assuming four percent (4%) growth rate for impairment test purposes. The discount rate is a pre-tax measure based on the WACC of listed entities with similar assets or similar in terms of potential risk. The pre-tax discount rate used ranged from 12.7% to 13.0 % in 2021 and 9.6% to 11.0% in 2020.

The carrying value of goodwill subjected to impairment testing amounted to ₱127.8 million as of March 31, 2022 and December 31, 2021.

For the right to use of water permits, the recoverable amount is determined based on fair value less cost to sell calculations determined by discounting notional royalty savings after tax. These calculations use net sales projections and the related royalty savings based on a five-year projection. Net sales beyond the forecast period are extrapolated into perpetuity assuming four percent (4%) growth rate for impairment test purposes. Management considered the impact of cost to sell in the calculations of fair value less cost to sell as negligible. The royalty rate is the average of royalty rates for water distribution entities, while the discount rate was a pre-tax measure based on the WACC of listed entities with similar assets or similar in terms of potential risk. The royalty rate applied is 1.6% for both years while pre-tax discount rates used range were 10.7% and 11.0% in 2021 and 2020, respectively.

The carrying value of the right to use asset amounted to ₱108.9 million and ₱109.3 million as of March 31, 2022 and December 31, 2021.

Management believes that no reasonably possible change in any of the assumptions used would cause the carrying values of the goodwill and right-to-use asset to exceed their recoverable amounts. Based on management's assessment, the recoverable amounts of these assets are higher than their carrying values, thus no impairment loss was recognized in 2022, 2021 and 2020.

*Estimation of retirement benefits costs and obligation, and accumulating leave credits*

The cost of defined benefit pension plans, as well as the present value of the pension obligation is, determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All significant assumptions are reviewed at each reporting date. The calculation of accumulating leave credits follows the same assumptions as the defined benefit costs.

In determining the appropriate discount rate, management considers the interest rates of government bonds, adjusted to zero coupon rates, with term consistent with the obligation of the plan.

Accrued retirement and other employee benefits payable amounted to ₱126.6 million and ₱121.6 million as of March 31, 2022 and December 31, 2021, respectively. Pension asset amounted to ₱21.0 million and ₱1.2 million as of March 31, 2022 and December 31, 2021, respectively, and is included under "Other noncurrent assets" account.

*Estimation of provisions for probable loss*

The Group is a party to certain claims arising from the normal course of business. The estimate of probable costs of possible claims has been developed in consultation with the Company's legal counsel and is based upon an analysis of potential results. The information usually required by PAS 37, Provisions, Contingent Liabilities and Contingent Assets, is not disclosed as it may prejudice the Company's negotiation with the third party.

LTP, on the other hand, has recognized provisions as of March 31, 2022 and December 31, 2021, which relate to certain claims by third parties. LTP's management exercised significant judgment in assessing the probability of the claims based on historical experience.

*Recognition of deferred income tax assets*

The Group reviews the carrying amounts of deferred income tax assets (gross of deferred income tax liabilities) at each reporting date and adjusts the balance of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The determination of future taxable income, which will establish the amount of deferred income tax assets that can be recognized, requires the estimation and use of assumptions about the Group's future income and timing of reversal of temporary differences, unused NOLCO and excess MCIT over RCIT.

Deferred income tax assets recognized, which relate primarily to operating subsidiaries, amounted to ₱166.46 million as of March 31, 2022 and December 31, 2021. The Group also has unrecognized deferred income taxes primarily on the non-operating subsidiaries' temporary differences, NOLCO and MCIT.

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#### **4. Segment Information**

The Group's operating businesses are organized and managed separately according to the nature of the aviation-support service provided by its four subsidiaries, maintenance, repairs and overhaul, mining-related activities and water treatment and distribution. This is the basis on which the Group reports its primary segment information. The Group also monitors the revenue and operating results of its associates. Information with respect to these subsidiaries, as well as the Group's associates.

The operations of Group's segments are described as follows:

- In-flight and other catering segment, which is operated by MACS and its subsidiary, MSFI, refers to servicing of meal requirements of certain foreign and domestic passenger airlines at the NAIA and the MDA and of certain non-airline institutional accounts.
- Ground handling and aviation segment, which is operated by MASCORP, refers to both ramp and passenger handling and aviation services to foreign airlines and domestic carriers at 27 airport locations.
- Charter flights segment, which is handled by MAATS, provided international and domestic chartered flights from its base at the General Aviation Area, MDA to any point within the Philippines, through alliances with other helicopter owners. Beginning August 22, 2016, MAATS ceased operating its helicopter charter and is now focused on its Fixed Base Operations (FBO) revenue generating activities.
- Rental and administrative segment, which is primarily operated through MAPDC, pertains to the sub-lease of the MacroAsia Ecozone at NAIA, which MAPDC leases from Manila International Airport Authority (MIAA) with LTP as the anchor locator.
- Mining segment, which pertains to mining-related activities of the Group, refers to expenditures for exploration activities and rendering of exploration-related services.
- Water segment pertains to development (e.g., studies, surveys) and construction of water-treatment facilities activities, which are undertaken by MAPDC through its subsidiaries (NAWASCOR, SNVRDC, MPRDC, PWBRI, WBSI and its subsidiary, CBRI and BTSI and its subsidiaries, MONAD and NEWS) and AWSI through its subsidiaries, SUMMA and Allied Konsult and its subsidiary Cavite Allied Konsult.
- Associates, which represents the Group's investments in associates that are accounted for using the equity method.

The Group has only one geographic segment. There were no inter-segment sales as of March 31, 2022. Segment assets include the operating assets used by a segment and consist principally of cash and cash equivalents, receivables, inventories, other current assets, and property, plant and equipment, net investment in the lease, and right-of-use assets, net of allowances, depreciation and amortization and any impairment in value.

Segment liabilities include all operating liabilities and consist principally of notes payable, accounts payable and accrued liabilities, and lease liabilities. Segment assets and liabilities do not include deferred income tax. Segment results pertain to operating income.

Financial information on the Group's business segments as of and for the period ended March 31, 2022 and 2021 are as follows:

*(In Thousand Pesos)*

	January to March	
<b>REVENUE – External</b>	<b>2022</b>	<b>2021</b>
In-flight and other catering	275,016	131,290
Ground handling and aviation	307,900	216,734
Rental and administrative	7,293	7,273
Aviation training fee	12,678	5,761
Water	107,386	36,323
Exploratory drilling fees	-	-
<b>Total segment and consolidated revenue</b>	<b>710,274</b>	<b>397,380</b>
<b>RESULT – Segment result</b>		
In-flight and other catering services	(25,590)	(78,114)
Ground handling and aviation	(45,279)	(69,410)
Rental and administrative services	(15,183)	(11,749)
Charter flights service	2,730	691
Aviation training	(11,822)	(12,699)
Water	(9,377)	(15,470)
Mining	(2,021)	(1,514)
Share in net income (loss) of associates	81,865	(72,082)
Total segment results	(24,676)	(260,346)
Unallocated corporate income (expenses) and eliminations	(26,560)	(38,097)
Provision for income tax	(850,528)	14,082
<b>Consolidated net income (loss)</b>	<b>(52,087)</b>	<b>(284,361)</b>

(In Thousand Pesos)

	Mar-22	Dec-21
<b>OTHER INFORMATION</b>		
<b>Segment assets</b>		
In-flight and other catering services	1,891,596	1,950,665
Ground handling and aviation	614,775	668,001
Rental and administrative services	2,896,170	2,909,216
Charter flights service	35,008	39,227
Investment in associates	1,950,531	1,850,409
Aviation training	254,865	280,374
Water	2,252,742	2,209,903
Mining	21,852	21,182
<b>Total segment assets</b>	<b>9,917,539</b>	<b>9,928,975</b>
Investment property	143,852	143,852
Deferred tax asset	166,465	166,465
Unallocated corporate assets and eliminations	205,132	230,795
<b>Consolidated total assets</b>	<b>10,432,988</b>	<b>10,470,087</b>
<b>Segment liabilities</b>		
In-flight and other catering services	1,647,014	1,675,613
Ground handling and aviation	1,404,457	1,427,079
Rental and administrative services	2,902,941	2,914,035
Aviation training	337,916	351,603
Charter flights service	15,746	11,795
Water	1,862,663	1,806,694
Mining	35,993	33,300
<b>Total segment liabilities</b>	<b>8,206,731</b>	<b>8,220,119</b>
Deferred tax liabilities	116,716	117,812
Unallocated corporate liabilities and eliminations	(2,794,617)	(2,805,831)
<b>Consolidated total liabilities</b>	<b>5,528,830</b>	<b>5,532,099</b>
<b>Capital expenditures</b>		
	January to March	
	<b>2022</b>	2021
In-flight catering services	1,257	1,342
Ground handling and aviation	1,514	1,466
Rental and administrative services	459	606
Charter flights service	-	-
Aviation training	417	173
Water	32,645	10,664
Mining	-	-
Unallocated corporate capital expenditures	-	58,434
<b>Total</b>	<b>36,292</b>	<b>72,686</b>
<b>Depreciation &amp; amortization</b>		
In-flight catering services	20,213	21,224
Ground handling and aviation	23,651	18,038
Rental and administrative services	6,523	5,944
Charter flights service	-	-
Aviation training	4,162	3,539
Water-related projects	23,008	14,221
Mining	167	524
Unallocated corporate depreciation and amortization	11,488	10,096
<b>Total</b>	<b>89,213</b>	<b>73,585</b>
<b>Non cash gains (losses) other than depreciation &amp; amortization</b>		
In-flight catering services	201	-129
Ground handling and aviation services	-781	-1,638
	<b>-580</b>	<b>-1,767</b>

## 5. Basic/Diluted Earnings per Share

Basic/diluted earnings per share are computed as follows:

<i>(In thousand pesos except earnings per share)</i>	<b>Mar-22</b>	Dec-21	Mar-21
Net income attributable to equity holders of the parent	<b>(26,879)</b>	(2,162)	(235,176)
Divided by weighted average number of common shares	<b>1,896,186</b>	1,896,186	1,896,186
	<b>-0.01</b>	-0.00	-0.12

## 6. Equity

### a. Restriction on retained earnings of the Group

The retained earnings as of March 31 is restricted for dividend declaration for the portion equivalent to the following:

- Undistributed earnings of subsidiaries and equity in net earnings of associates amounting to ₱850.0 million as of March 31, 2022 and December 31, 2021.
- Cost of treasury shares amounting to ₱459.4 million as of March 31, 2022 and December 31, 2021.
- Deferred income tax assets amounting to ₱159.3 million as of March 31, 2022 and December 31, 2021, respectively.

### b. Appropriation of retained earnings

As of December 31, 2016 and 2017, the Company's retained earnings included appropriated amounts of ₱393.1 million and ₱300.0 million for the mining development projects and water projects, respectively. These were originally approved for appropriation in 2011.

On March 22, 2018, the Company's BOD approved the reversal of the appropriation for mining development projects amounting to ₱393.1 million. The appropriation for water projects is retained for the next few years as aligned with the Groupwide water related projects ranging two to three years.

On December 12, 2019, the Company's BOD approved the reversal of the appropriation for water projects amounting to ₱300.0 million and appropriation of ₱850.0 million for various projects to be undertaken by the Group.

On December 6, 2019, the MACS' BOD approved the release from appropriation of the ₱100.0 million appropriated in 2017 and 2016 for construction of an offsite commissary. Further, the BOD approved the additional appropriation of ₱210.0 million for the construction of another offsite commissary, catering trucks, and facility equipment upgrade in the next two years of the Company.

On November 28, 2018, the MACS' BOD approved the additional appropriation of ₱ 55.0 million for the construction of the offsite commissary and equipment upgrade of the Company in the following year.

On March 20, 2018, MASCORP's BOD approved to appropriate another ₱50.0 million of the unappropriated retained earnings for business expansion program which is expected to run for three years effective December 31, 2017.

On December 6, 2018, MASCORP's BOD approved the reversal of appropriated retained earnings of ₱30.0 million made on June 21, 2012 for business expansion. Further, the Company's BOD approved additional appropriation of ₱65.0 million of the unappropriated earnings for business expansion program which is expected to run for three years effective December 31, 2018.

On March 7, 2019 and July 11, 2019, the MASCORP's BOD approved the additional appropriation of ₱50.0 million and ₱100.0 million, respectively of the unappropriated earnings for purposes of various investments to expand business of the Company which is expected to run for three years effective December 31, 2019.

On September 24, 2020, the MASCORP's BOD approved the reversal of appropriated retained earnings of ₱265.0 million. The business expansions to which the previous appropriations were intended, will no longer materialize due to the COVID-19 pandemic which negatively affected the financial results of MASCORP. Hence, the appropriation of retained earnings is no longer necessary.

On October 14, 2021, the MACS' BOD approved the reversal of appropriated retained earnings of ₱500.0 million. The facility upgrades and equipment acquisitions to which the previous appropriations were intended, will no longer materialize due to the COVID-19 pandemic impact. Hence, the appropriation of retained earnings is no longer necessary.

- c. Cash dividends declared by the Parent Company from the unappropriated retained earnings are as follows:

Date Approved	Per share	Stockholder of Record Date	Date of Payment
March 14, 2019	₱0.200	April 12, 2019	May 10, 2019
December 13, 2017	₱0.140	January 5, 2018	January 31, 2018
December 14, 2016	₱0.080	January 6, 2017	February 1, 2017
December 14, 2015	₱0.075	January 4, 2016	January 28, 2016

- d. Treasury stock

On July 16, 2010, the BOD approved the Share Buyback Program (the Program) involving a total cash outlay of ₱50.0 million for the repurchase of the outstanding common shares of the Parent Company from the market, using the trading facilities of the Philippine Stock Exchange (PSE). The Program will not involve any active or widespread solicitation for stockholders to sell. Repurchase of shares of stock will be

done during the period of the Program at such prices perceived by the Parent Company to be lower than the inherent value of the share. The Program will run until the ₱50.0 million authorized cash outlay is fully utilized or until such time that the BOD may direct, subject to appropriate disclosures to the PSE and the SEC.

On June 15 2017, the Board of Directors of MacroAsia Corporation approved to allot ₱210.0 million to buy back shares of MacroAsia Corporation at market price. The mechanics of which shall be similar to the ₱50.0 million buyback program implemented in 2010. The Program commenced on June 20, 2017 and will run until the ₱210.0 million authorized cash outlay is fully utilized, or until such time that the Board of Directors of MacroAsia may direct, subject to appropriate disclosures to the PSE and the SEC.

On March 14, 2019, the Board of Directors approved ₱200.0 million additional funding to the 2017 Share Buyback Program.

On March 6, 2020, the Board of Directors approved another ₱200.0 million additional funding to the 2017 Share Buyback Program.

As of March 31, 2022 and December 31, 2021, the Parent Company's cost and number of shares held in treasury are as follows:

	<b>2022</b>	2021
Cost	<b>₱459,418,212</b>	₱459,418,212
Number of shares held in treasury	<b>42,347,600</b>	42,347,600

Movement in the Parent Company's outstanding shares follows:

	Issued	Treasury	Outstanding
As of December 31, 2009	1,250,000,000	-	1,250,000,000
Acquisition of treasury shares in 2010	-	(2,985,000)	(2,985,000)
As of December 31, 2010	1,250,000,000	(2,985,000)	1,247,015,000
Acquisition of treasury shares in 2011	-	(7,486,000)	(7,486,000)
As of December 31, 2011	1,250,000,000	(10,471,000)	1,239,529,000
Acquisition of treasury shares in 2012	-	(6,125,000)	(6,125,000)
As of December 31, 2014, 2015 and 2016	1,250,000,000	(16,596,000)	1,233,404,000
Acquisition of treasury shares in 2017	-	(6,249,600)	(6,249,600)
As of December 31, 2017	1,250,000,000	(22,845,600)	1,227,154,400
Stock dividend declaration	368,146,293	-	368,146,293
Acquisition of treasury shares in 2018	-	(3,949,100)	(3,949,100)
As of December 31, 2018	1,618,146,293	(26,794,700)	1,591,351,593
Acquisition of treasury shares in 2019	-	(12,845,600)	(12,845,600)

As of December 31, 2019	1,618,146,293	(39,640,300)	1,578,505,993
Acquisition of treasury shares in 2020	–	(2,707,300)	(2,707,300)
Stock dividend declaration	315,159,630	–	315,159,630
As of March 31, 2022 and December 31, 2021	1,933,305,923	(42,347,600)	1,890,958,323

e. Track record of registration of securities

On August 30, 1974, the SEC authorized the registration and licensing of the Parent Company's securities with total par value of ₱20.0 million divided into 2,000,000,000 shares with a par value of ₱0.01 per share.

On December 10, 1993, the Company amended its articles of incorporation, increasing the par value of its shares from ₱0.01 per share to ₱1.00 per share.

On March 22, 2000, the Philippine Stock Exchange, Inc. authorized to list the Parent Company's 750,000,000 shares, with a par value of ₱1.00 per share and 500,000,000 warrants divided into the following:

- i. 250,000,000 shares to cover the 1:4 stock rights offering to stockholders of record as of April 12, 2000 at an offer price of ₱2.00 per share;
- ii. 500,000,000 warrants to cover the 2:1 warrants offering attached to and detachable from the rights shares at a subscription price of ₱0.10 per warrant; and
- iii. 500,000,000 shares to cover the underlying shares of warrants at an exercise price of ₱6.00 per share. Actual listing of the underlying common shares of the warrants shall take effect upon the exercise of the warrants.
- iv. All warrants expired in 2005.

MAC's shares are listed and traded at the Philippine Stock Exchange, Inc. and it has approximately 844 and 843 holders of its common equity as of March 31, 2022 and December 31, 2021, respectively.

f. Cash dividends received by non-controlling interest are as follows:

Entity	Date Declared	Amount	Per share	Dividends attributable to non-controlling interest (SATS)
MACS	December 27, 2019	₱80,000,000	₱64.0	₱26,400,000
MACS	December 6, 2018	75,000,000	60.0	24,750,000
MACS	November 28, 2017	70,000,000	56.0	23,100,000
MACS	December 8, 2016	50,000,000	40.0	16,500,000

As of March 31, 2022 and December 31, 2021, ₱22.4 million, remained outstanding and presented as "Dividends payable" in the consolidated balance sheets.

g. Acquisition of non-controlling interest

The sale of 250,001 shares representing 20% of the total issued and outstanding capital stock of MASCORP to Konoike amounting to ₱1.1 billion (JPY 2.3 billion) was accounted for as a sale of share in subsidiary without loss of control, thus an equity transaction. The excess of consideration received over the carrying amount of the non-controlling interests amounted to ₱886.8 million, which is presented as part of “Other reserves” in the equity section of the consolidated balance sheets.

In December 2015, MAPDC entered into a share purchase agreement with a third party wherein WBSI shall be owned by MAPDC and the third party at 51% and 49%, respectively. The transaction was accounted for as a sale of share in subsidiary without loss of control; thus an equity transaction. The excess of consideration received over the Company amount of the non-controlling interests amounted to ₱24.3 million, which is presented as part of “Other reserves” in the equity section of the balance sheets.

In August 2020, a third party has entered into a deed of absolute sale of shares wherein WBSI shall now be fully owned by MAPDC. The transaction between parent and non-controlling interest is accounted for as an equity transaction. The excess of consideration paid over the Company amount of the non-controlling interests amounted to ₱27.0 million, which is presented as reduction to “Other reserves” in the equity section of the 2020 consolidated balance sheets.

In July 2015, the Company signed a Sale and Purchase Agreement with SATS to sell 162,500 shares representing 13% of the total issued and outstanding capital stock of MACS. After the sale, MACS is 33% owned by SATS. The excess of consideration received over the carrying amount of the non-controlling interests amounted to ₱119.0 million, which is presented as part of “Other reserves” in the equity section of the balance sheets.

## **7. Capital Management**

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders and repurchase or issue new shares. The Group is not subject to externally imposed capital requirements as of March 31, 2022 and December 31, 2021. Further, no changes were made in the objectives, policies or processes for the period ended December 31, 2021 and for the three-month period ended March 31, 2022.

The Group monitors capital vis-à-vis after-tax profit. The Group also monitors the equity ratio. Equity considered by the Group is total equity in the consolidated balance sheets,

excluding items arising from other comprehensive income. The return on equity ratio is computed by dividing the after-tax profit by total capital.

The following summarizes the total capital considered by the Group and the computation of the return on equity:

	31-Mar-22	31-Dec-21	31-Mar-21
Capital stock	1,933,305,923	1,933,305,923	1,933,305,923
Additional paid in capital	281,437,118	281,437,118	281,437,118
Treasury shares	(459,418,212)	(459,418,212)	(459,418,212)
Retained earnings	2,153,500,450	2,180,379,055	1,947,364,820
	<b>3,908,825,279</b>	<b>3,935,703,884</b>	<b>3,702,689,649</b>
Net income/(loss) after tax	<b>(52,087,356)</b>	<b>(150,924,987)</b>	<b>(284,361,310)</b>
Return on equity	<b>-1.33%</b>	<b>-3.83%</b>	<b>-7.68%</b>

## **8. Financial Risk Management Objectives and Policies**

### **Risk Management Structure**

#### *Audit Committee*

The Committee performs oversight role on financial management functions especially in the areas of managing credit, market, liquidity, operational, legal and other risks of the Group.

#### *Risk Management Committee*

The Committee assists the BOD in identifying and assessing the various risks to which the Group is exposed to. The Committee also ensures that the Group's management has implemented a process to identify, manage and report on the risks that might prevent the Group from achieving its strategic objectives.

#### *Board of Directors*

The BOD is responsible for the overall risk management approach and for approval of risk strategies and principles of the Group.

### **Financial Risk Management**

The Group's principal financial instruments are comprised of cash and cash equivalents and some external liabilities which were availed of primarily to fund operations. The Group has other financial assets and financial liabilities such as trade receivables and payables which arise directly from operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, interest rate risk and liquidity risk. The BOD reviews and approves policies for managing these risks and they are summarized as follows:

#### *Foreign currency risk*

The Group's transactional currency exposure arises from sales in currencies other than its functional currency and retaining its cash substantially in currency other than its functional currency. Approximately 70% of MACS' and 19% of MASCORP's revenue are denominated

in US\$ as of March 31, 2022. In addition, the Group closely monitors the foreign exchange rates fluctuations and regularly assesses the impact of future foreign exchange movements on its operations.

The following table demonstrates the impact on the Group's income before income tax and equity of reasonably possible changes in the US\$, with all other variables held constant:

<i>(in millions)</i>	Movement in US\$	Increase (decrease) on Income/Loss before Income Tax US\$
2022	Increase of 5%	6.1
	Decrease of 5%	(6.1)
2021	Increase of 5%	3.5
	Decrease of 5%	(3.5)
2020	Increase of 5%	17.5
	Decrease of 5%	(17.5)

#### *Credit and concentration risk*

Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations under a financial instrument or customer contract, leading to a financial loss. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The Group trades only with related parties and duly evaluated and approved creditworthy third parties. It is the Group's policy that all customers and counterparties that wish to trade with the Group, particularly on credit terms, are subjected to credit verification procedures. In addition, receivable balances are monitored on a continuous basis. The Group has major concentration of credit risk given that the majority of the Group's cash and cash equivalents are deposited in the local affiliated bank and major customers of MASCORP and MSISC include PAL and APC. As of March 31, 2022 and December 31 2021, the related party which comprise the significant portion of the Group's total receivable has a negative working capital and has been incurring losses resulting to a deficit. Management assessed and believes that the carrying amount of the trade receivable from related parties are collectible and that the Group is not exposed to any significant risk since these companies are related parties. Further, the local affiliated bank is one of the country's reputable banks.

With respect to credit risk arising from financial assets, the Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying values of these instruments. The Group only deals with financial institutions that have been approved by the BOD of the Company and those of its subsidiaries. The Group does not require any collateral and other credit enhancements. Consequently, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECL). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance).

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The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- a. *Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.
- b. *Exposure at default (EAD)* is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.
- c. *Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time.

For cash in bank, the Group applies the low credit risk simplification where the Group measures the ECLs on a 12-month basis based on the probability of default and loss given default which are publicly available. The Group also evaluates the credit rating of the bank and other financial institutions to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

For trade and other receivables, an impairment analysis is performed at each reporting date using a provision matrix, however for customers with significant increase in risks of default general approach is used to measure ECLs. The provision rates are based on days past due for groupings of customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. On the other hand, for general approach, we determine the cash shortfall for the difference between the average monthly collection and the average current monthly service billing. The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs, such as:

- Gross Domestic Product (GDP) growth rates
- Unemployment rates
- Inflation rates
- Interest rates
- Foreign currency exchange rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Based on the Group's credit risk experience, expected credit loss rate increases as the age of the receivables increase.

The tables below show the credit quality of the Group's financial assets and an aging analysis of past due but not impaired financial assets.

March 31, 2022	Current	Neither past due nor impaired				ECL	Total
		Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days		
<i>Loans and receivable:</i>							
Cash in bank and cash equivalents*	409,649,464	-	-	-	-	-	409,649,464
<i>Receivables:</i>							
Trade	302,216,430	94,980,647	48,910,914	107,971,423	682,292,749	(63,445,608)	1,172,926,555
Dividends receivable	-	-	-	-	-	-	-
Due from officers and employees	18,120,398	-	-	-	-	-	18,120,398
Interest receivable	4,349,417	-	-	-	-	-	4,349,417
Other receivables	91,736,321	-	-	-	-	-	91,736,321
Non-Trade	55,465,932	-	-	-	-	-	55,465,932
Deposits	40,290,343	-	-	-	-	-	40,290,343
Restricted cash investment	7,181,182	-	-	-	-	-	7,181,182
Contract Assets	16,066,897	-	-	-	-	-	16,066,897
Installment receivables	31,996,727	-	-	-	-	-	31,996,727
Finance lease receivable	17,416,527	-	-	-	-	-	17,416,527
	994,489,639	94,980,647	48,910,914	107,971,423	682,292,749	(63,445,608)	1,865,199,763

\*Exclusive of cash on hand amounting to P4,294,865 as of March 31, 2022.

December 31, 2021	Current	Past due				ECL	Total, net of ECL
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days		
<i>Financial assets:</i>							
Cash in bank	499,815,339	-	-	-	-	-	499,815,339
Trade receivables	329,069,562	103,420,055	53,256,843	117,565,113	737,279,779	(63,445,608)	1,277,145,744
Dividends receivable	-	-	-	-	-	-	-
Due from officers and employees	14,705,570	-	-	-	-	-	14,705,570
Interest receivable	3,251,087	-	-	-	-	-	3,251,087
Other receivables	120,043,634	-	-	-	-	-	120,043,634
Deposits	40,315,667	-	-	-	-	-	40,315,667
Restricted cash investment	7,181,182	-	-	-	-	-	7,181,182
Contract assets	16,300,671	-	-	-	-	-	16,300,671
Installment receivables	34,598,848	-	-	-	-	-	34,598,848
Finance lease receivable	18,202,785	-	-	-	-	-	18,202,785
	1,083,484,345	103,420,055	53,256,843	117,565,113	737,279,779	(63,445,608)	2,031,560,527

\*Exclusive of cash on hand amounting to P3,832,499 as of December 31, 2021

### Impairment assessment

The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group assesses impairment on an individual account basis for all stage 3 assets, regardless of the class of financial assets. Stage 1 and stage 2 assets are assessed on a collective basis.

Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention even at interim.

### Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group using internal credit ratings. The Group considers its cash and cash equivalents (including restricted cash investment) as high grade since these are placed in financial institutions of high credit standing. Accordingly, ECLs relating to cash and cash equivalents rounds to zero. The Group considers its dividend receivables as high grade as these are due from an associate who has strong capacity to pay; thus, LGD is considered low and no ECL is recognized. The Group considers its advances to officers and employees as standard grade as collectability is assured through

salary deduction. Accordingly, the LGD is considered low; thus, no ECLs are recognized on the advances to employees.

#### *Interest rate risk*

The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's notes payable with floating interest rates. The Group has a practice of keeping its interest-bearing liabilities to third parties within a threshold that can be serviced through operating cash flows.

Management closely monitors the behavior of interest rates to ensure that cash flow interest rate risk is kept within management's tolerable level. Finally, interest-bearing liabilities are ordinarily incurred on a short-term basis only.

The following table sets forth the estimated change in the Group's income before income tax (through the impact on the variable rate borrowings) due to parallel challenges in the interest rate curve in terms of basis points (bp) as of March 31, 2022, with all other variables held constant. There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

	Increase (decrease) in income before income tax	
	March 31, 2022	December 31, 2021
		(in millions)
100 bp rise	<b>(P14.38)</b>	(P15.92)
100 bp fall	<b>14.38</b>	15.92
50 bp rise	<b>(7.19)</b>	(7.96)
50 bp fall	<b>7.19</b>	7.96

#### *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its obligations when they fall due under normal and stress circumstances. To limit this risk, management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows which could be used to secure additional funding if required.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of operating cash flows and short-term bank loans.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual and undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. The table also analyses the maturity profile of the Group's financial assets held for managing liquidity in order to provide complete view of the Group's contractual commitments and liquidity.

As of March 31, 2022	< 1 year	>1-2 years	>2-3 years	>5 years	Total
<b>Loans and receivables:</b>					
Cash and cash equivalents	413,944,329	-	-	-	413,944,329
<b>Receivables:</b>					
Trade	1,172,926,555	-	-	-	1,172,926,555
Dividends receivable	-	-	-	-	-
Interest receivable	4,349,417	-	-	-	4,349,417
Installment receivable	14,898,121	2,035,579	3,062,903	12,000,124	31,996,727
Finance lease receivable	327,097	1,231,783	2,023,349	13,834,297	17,416,527
Deposits	-	-	-	40,290,343	40,290,343
	1,606,445,519	3,267,362	5,086,252	66,124,765	1,680,923,898
<b>Other financial liabilities:</b>					
<b>Accounts payable and</b>					
accrued liabilities	1,551,535,964	-	-	-	1,551,535,964
Notes Payable	223,235,920	234,292,831	246,965,741	361,354,811	1,065,849,304
Long-term debts	420,000,000	-	-	-	420,000,000
Dividends payable	31,968,020	-	-	-	31,968,020
Deposit	-	-	-	39,331,562	39,331,562
	2,226,739,904	234,292,831	246,965,741	400,686,374	3,108,684,850
Liquidity position	(620,294,384)	(231,025,469)	(241,879,489)	(334,561,609)	(1,427,760,951)

As of Dec. 31, 2021	< 1 year	>1-2 years	>2-3 years	>5 years	Total
<b>Loans and receivables:</b>					
Cash and cash equivalents	503,647,838	-	-	-	503,647,838
<b>Receivables:</b>					
Trade	1,277,145,744	-	-	-	1,277,145,744
Interest receivable	3,251,087	-	-	-	3,251,087
Installment receivable*	14,898,121	5,237,173	7,880,291	15,976,008	43,991,593
Finance lease receivable**	341,864	1,287,391	2,114,692	14,458,838	18,202,785
Deposits***	-	-	-	40,315,667	40,315,667
	1,799,284,654	6,524,564	9,994,983	70,750,513	1,886,554,714
<b>Other financial liabilities:</b>					
<b>Accounts payable and accrued</b>					
liabilities****	1,361,989,983	-	-	-	1,361,989,983
Notes payable*****	420,000,000	-	-	-	420,000,000
Long-term debts	231,183,432	237,473,848	246,965,741	424,628,615	1,140,251,636
Dividends payable	31,968,020	-	-	-	31,968,020
Deposit*****	-	-	-	25,306,517	25,306,517
	2,045,141,435	237,473,848	246,965,741	449,935,132	2,979,516,156
Liquidity position	(245,856,781)	(230,949,284)	(236,970,758)	(379,184,619)	(1,092,961,442)

\*Gross of unearned interest income of P 700,340. The current portion amounting to P15,933,542 is presented under trade.

\*\* Gross of unearned interest income of P 5,046,743 exclusive of P528,672 included under trade.

\*\*\* Gross of unearned interest income of P19,514,515. Presented as part of "Other noncurrent assets".

\*\*\*\*Exclusive of nonfinancial liabilities of P 130,528,226.

\*\*\*\*\* Inclusive of accretion of interest of P9,933,244. Presented as part of "Other noncurrent assets".

## 9. Fair Value of Financial Instruments

The following is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are reflected in the consolidated financial statements as of March 31, 2022 and December 31, 2021:

		Date of valuation	Carrying value	Fair value measurements using		
				Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>As at 31 March 2022</b>						
<b>Assets measures at fair value:</b>						
Equity instruments designated at FVTOCI	March 31, 2022	83,155,800	-	83,155,800	-	
<b>Assets for which fair value is disclosed:</b>						
Installment receivables		31,996,727	-	-	31,996,727	
Finance lease receivable	March 31, 2022	17,416,527	-	-	17,416,527	
Investment property		143,852,303	-	-	432,952,000	
Deposits		40,290,343	-	-	40,290,343	
<b>Liabilities for which fair value is disclosed</b>						
Long term debts	March 31, 2022	1,073,897,410	-	1,073,897,410	-	
Deposits		39,331,562	-	-	39,331,562	
<b>As at 31 December 2021</b>						
<b>Assets measures at fair value:</b>						
Equity instruments designated at FVTOCI	December 31, 2021	83,155,800	-	83,155,800	-	
<b>Assets for which fair value is disclosed:</b>						
Installment receivables		34,598,848	-	-	34,598,848	
Finance lease receivable	December 31, 2021	18,202,785	-	-	18,202,785	
Investment property		143,852,303	-	-	432,952,000	
Deposits		40,315,667	-	-	40,315,667	
<b>Liabilities for which fair value is disclosed</b>						
Deposits	December 31, 2021	25,306,517	-	-	25,306,517	
Long term debts		1,140,251,636	-	1,140,251,636	-	

The Group determined that its investment in golf club shares is categorized at Level 2 in the fair value hierarchy. The Group assessed that, while there is a market for these securities, transactions are infrequent.

There have been no transfers between Level 1 and 2 in 2022 and 2021.

*Cash and cash equivalents, receivables, accounts payables, accrued liabilities and notes payable*

The carrying values of cash and cash equivalents, receivables and accounts payable, accrued liabilities, dividend payables and notes payable approximate their fair value due to their short-term nature.

*Installment receivables and deposits*

The carrying values of installment receivables and deposits are determined based on the present value of expected cash flows discounted at the Group's borrowing rate.

*Dividends payable*

The carrying value of dividends payable approximates its fair value since they are expected to be settled within a short period of time after its declaration.

*Long-term debts*

The carrying value of long-term debts approximate its fair value due to the re-pricing feature of the interest it carries.

*Equity instruments designated at FVTOCI*

The Group's investments in golf club share and other proprietary shares are carried at fair value based on published club share quotes that are publicly available from the local dailies and from the website of club share brokers.

*Investment property*

The Philippine SEC-accredited and independent appraiser used the "Market Data Approach" in valuing the property. The Group has determined that the highest and best use of the property is its current use (i.e., industrial purpose).