



MACROASIA FIRST-HALF 2017 NET INCOME SURGES BY 186%

MacroAsia Corporation (“MAC”) increased its net income for the first half of 2017 to ₱673 million, a hike of 186% or ₱437 million, compared to the ₱236 million net income in the first half of 2016. MacroAsia reported its full-year audited 2016 consolidated net income at ₱440M, but this is already surpassed in MAC’s half-year performance this 2017.

The first half 2017 net income results comprise of ₱301 million net income in the first quarter (Q1) and ₱372 million in the second quarter (Q2). The 2017 second quarter net income reflects a 24% growth in profitability compared to Q1 2017 and is an increase of 194% over the 2016 Q2 net income of ₱126 million. Earlier this year, MAC reported its 2017 first quarter results as higher by 174% compared to the 2016 Q1 net income of ₱109 million.

Key drivers to net income growth are the continuing revenue and profitability increases in the aircraft maintenance, repair and overhaul business (MRO), food services, ground handling and water concession businesses.

MacroAsia’s biggest investment, Lufthansa Technik Philippines (LTP, 49% owned by MAC) has seen robust revenue growth from foreign airline clients in heavy base maintenance for wide-body aircraft like Airbus A380s being repaired in the LTP facility in Pasay City. The line maintenance activities for Philippine Airlines and other foreign airlines has also increased in NAIA, Cebu, Clark and Davao. Previously, LTP has secured contracts for heavy base repair of aircrafts of PAL, Qantas, and British Airways, Korean Air, Lufthansa, among other clients. LTP has an existing 10-year contract to repair the entire A380 fleet of Qantas and has a 5-year contract for the maintenance of British Airways’ A380 fleet. LTP has also done modification work for Lufthansa A380s. The LTP workload for its facility in NAIA is thus assured in the medium-term. In the recent MAC annual shareholders’ meeting, LTP’s President and CEO, Elmar Lutter, indicated that they are already studying the expansion of LTP in Cebu or Clark for heavy base maintenance of narrow-body aircraft. LTP already has a hangar in Cebu, and is working with MacroAsia to secure a PEZA-zone for MRO support to the airport. Mr. Lutter is concurrently the head of Lufthansa’s Aircraft Overhaul Division in Asia Pacific and he has made LTP Manila as his base for Asia Pacific. Thus, while sustainability of the heavy base maintenance business of LTP is foreseen, expansion is also being driven by the line maintenance business as base clients like PAL and PALEx have seen substantial growth of flights in NAIA, Clark, Cebu and other airports.

Ground handling revenues through MASCORP, the 100%-owned ground-handling subsidiary of MAC, are forecasted to increase by more than 1/3 this year, as MASCORP has seen its

geographical presence expand from 7 airport locations in December 2016 to 23 airport locations as of today.

MACS, the food services arm that is 67%-owned by MAC, has continued to be the preferred airline caterer for foreign airlines in NAIA. MACS' airline catering business rests principally with foreign airline clients. It is not the inflight catering provider for Philippine Airlines, although MACS provides the food for PAL's Mabuhay Lounges in NAIA Terminal 2. MACS has successfully renewed its multi-year contract as the food services manager for the Asian Development Bank Complex and also recently gained the Bank of the Philippine Islands as an institutional catering account. MACS is currently building a new food commissary in Muntinlupa to service its growing institutional catering portfolio and this facility is targeted for opening in the first quarter of 2018.

MacroAsia has also seen revenue increases in its water utility/concession businesses. MacroAsia Properties Devt Corporation (MAPDC), a 100%-MAC subsidiary is the sole owner of SNV Resource Devt Corp., the company that operates the complete waterworks system in Solano, Nueva Vizcaya using the Magat River as water source. In December 2016, MAPDC acquired 67% of Boracay Tubi Systems, Inc., one of two water providers in Boracay Island. This month, MAPDC also acquired 100% of NAWASCOR, the sole water concession provider in Naic, Cavite. MAPDC, through its local company in Maragondon, Cavite, is currently developing the Maragondon Bulk Water Supply Project to benefit several towns in Cavite.

Considering the prevailing operating indicators, MacroAsia believes that the performance displayed in the first two quarters of this year can be sustained as major client contracts remain continuing and secured. LTP's base maintenance activities are substantially contracted out beyond 2017, while MASCORP is targeting to expand in 7 more airport terminals towards the end of 2017. MACS on the other hand, continues to build its capability to scale-up its business for non-airline accounts and is studying more synergies in servicing local base airline clients. Thus, revenue and profitability growth will be targeted at double-digit levels, driven by the expansion of MacroAsia in other airports and business segments, as projects and other business developments initiatives are in full swing.

MacroAsia's balance sheet remains fundamentally strong, backed by a strong cash/cash equivalent position that grew from PHP560M as of year-end 2016 to PHP927M as of the 1st half of 2017. It is not significantly leveraged, as it has been funding its expansion and acquisition activities using internally-sourced cash. Its unappropriated retained earnings grew from PHP1.02 billion to PHP1.66 billion as of the 1st half of 2017.

MacroAsia has embarked on a share-buyback program, allocating PHP210M for this program that commenced on July 20, 2017. As of August 9, ₱44.06 million has been spent so far to acquire 4.36 million shares. It now has 20.96 million shares in treasury. Its share float level remains above 23%.