

MACROASIA CORPORATION AND SUBSIDIARIES

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

**For the Third Quarter and
Period Ended September 30, 2016**

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 third quarter ended September 30, 2016 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).

ITEM 2. MANAGEMENT’S 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 factors underlying 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/affiliates.

Additional information about the Group which includes annual and quarterly reports can be found in our corporate website, www.macroasiacorp.com.

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.

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, repairs 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 NAIA, Manila Domestic Airport (MDA), Mactan-Cebu International Airport (MCIA), Davao International Airport, General Santos International Airport and Kalibo International Airport (KIA) and other General Aviation Areas, generating both local and export revenues. A subsidiary of MAC also provides exploratory drilling services for 3rd party clients. Another subsidiary is also pursuing revenue-generating activities from water treatment, bulk water supply using surface water sources and water distribution in service concession areas outside of Metro Manila.

MAC continues to operate mainly through its five (5) subsidiaries and two (2) affiliates, 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 at the NAIA's T1, T2, T3 and T4. 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 13% of its stakeholdings 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' operations is under 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. Its distinction lies in being the only in-flight airline caterer in the Philippines that holds an ISO certification (certified by Certification International of UK) on top of its HACCP and HALAL certificates conferred by independent and professional certifying organizations. To ensure that high standards are maintained at all times, MACS maintains an in-house laboratory manned by microbiologists and equipped with basic to advanced microbiological testing.

Capturing more than 61% of the in-flight catering market, MACS is the catering service provider to 13 full-service foreign carriers, freighters, VIP flights and General Aviation clients and 4 major airport lounges operating at the NAIA. MACS also has contracts with two airlines to provide top-up meals and ground feeding in case of flight delays.

MACS is also providing food services management and meals to a number of 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 on July 14, 2015 as a 100%-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 kitchen inside NAIA as well. The property for this commissary is leased from MacroAsia Properties which owns several lots and a 3-storey building in the aforementioned area.

MACS has been the recipient of several awards and commendations for outstanding service, besting other service providers from all over the world. Last May 2016, Singapore Airlines awarded MACS the SQ Merit Award for catering excellence for fiscal year 2014-2015, a consistent feat for several years now. In 2015, MACS received the Gold Award given by Cathay Pacific on its recently concluded Caterers' Performance Recognition Program (CPRP) for 2014. This is the 3rd award received for 3 consecutive years. In 2013 MACS was given the Gold Award surpassing 46 caterers among the Cathay Pacific network, worldwide and in 2012, MACS bagged the Diamond Award, the highest recognition in Cathay Pacific's CPRP, indicating that MACS is the best among 40 catering stations in the Cathay Pacific network, worldwide. MACS also was recognized by All Nippon Airways (ANA), as the "Gold Award winner for The Best Short Haul Caterer 2013", besting 13 other caterers in ANA's short-haul network two years in a row.

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, MAC acquired the 30% share of Menzies, making MASCORP a wholly owned subsidiary of MAC.

On July 2, 1999, Airport Specialists' Services Corporation (ASSC), 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 Parent Company effectively acquired the 30% minority interest of Menzies Aviation Group in ASSC. Consequently, ASSC became a direct subsidiary of MAC.

Through its aggressive marketing efforts, capability to offer a total aviation product (in synergy with the catering and MRO business of MAC), and competitiveness, MASCORP is currently increasing its market share at NAIA, with services rendered for key local clients based in Terminal 2 and Terminal 3. MASCORP is present in three terminals (Terminal 1, 2, and 3) in NAIA. Aside from NAIA, MASCORP is also operating in Mactan Cebu International Airport and Kalibo International Airport. Last December 1, 2015, it started operations in Davao International Airport and General Santos International Airport. Also, it started operating the satellite cargo facility of PALEX near NAIA Terminal 3 last November 16, 2015. Another key business MASCORP entered into is the Ramp Cleaning of PAL's Terminal 2 Aircraft Ramp Parking which started last November 1, 2015. In addition, MASCORP expanded its Ground Support Maintenance Services offering to Lufthansa Technik in its Main Hangar in NAIA, Cebu and Davao last October 1, 2015.

MASCORP's operations is dependent upon its concession agreements with Manila International Airport Authority (MIAA) for Manila stations (Terminal 1, 2 & 3), GMR Megawide Cebu Airport Corporation (GMCAC) for Cebu station, and Civil Aviation Authority of the Philippines (CAAP) for Kalibo, Davao, and General Santos stations. Except for the operations in Kalibo and General Santos, MASCORP secures such right by regularly paying the correct monthly Concession Privilege Fee (CPF) which is computed as 7% of monthly gross revenues on both domestic and international services.

MacroAsia Properties Development Corporation

MacroAsia Properties Development Corporation (MAPDC), another wholly-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.

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 ongoing projects in provinces outside of Metro Manila. One project entails the treatment of surface water from 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 has formed a 100%-owned subsidiary, SNV Resources Development Corp. 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 when the water treatment plant has been completed and the pipelines were ready for use. By 2017, MAPDC is targeting to break ground for the construction of water treatment plants in Mabini, Pangasinan and Maragondon, Cavite, as it has signed agreements with counterparties for water supply projects in these areas.

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. MAPDC is pursuing that 5 hectares of these leased areas be declared as a special ecozone for aviation-related services, an extension of the MacroAsia Special Ecozone.

Early in 2014, MAPDC acquired a 3-storey building near the East Service Road close to the Sucat Toll area in Muntinlupa City, which will be developed and leased out as the commissary for food services to non-airline clients.

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 acquired its Airline Operator Certificate (AOC) from the Civil Aviation Authority of the Philippines (CAAP) and Commercial Permit from the Civil Aeronautics Board (CAB) and has periodically re-validated both permits as required by law. This allows MAATS to continuously provide nonscheduled air charter services to both local and foreign customers anywhere in the Philippines (passengers and cargo). MAATS started commercial operations in October 1996 utilizing the reliable and efficient Ecureuil AS350-B2, a 5-passenger rotary

aircraft for its flight operations. It is powered by a Turbomeca Arriel engine that has a float kit reserved for emergency water landing requirements. Revenues derived from chartering operations are generally domestic/local. Since January 2013, MAATS has added to its service portfolio the provision of services for Fixed-Based Operations (FBO), mainly to support the MRO (maintenance, repair, overhaul) 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 in marketing LTP-Manila as an attractive and better MRO station.

MAATS, as a CAAP-AOC holder, strictly adheres to the rules, standards and procedures as prescribed in the ICAO-recognized Philippine Civil Air Rules. This includes compliance to the strict periodic audits conducted by the CAAP inspectors during the course of its operations. Failure to comply would mean the cancellation of the commercial permit. Compliance includes the periodic re-training and review of the technical crew, pilot and mechanics. MAATS' technical crew is sent to the Airbus training facility every two years for refresher courses and to keep them abreast of the latest developments in the field of helicopters.

MAATS air operations is best described as a multi-role utility air charter service catering to the diverse needs of its various clients which includes the following; private corporations, persons of importance, media (aerial film/photography), geo-physical survey companies (mining surveys), financial firms and banks for high value cargo, medical evacuations (transporting patients), scenic and tourism packages, mining firms, humanitarian and relief work and cargo companies. On August 22, 2016, MAATS charter operations came to a halt due to a fortuitous event involving the chopper and its two crew. MAATS' revenue sources is now coming from FBO services.

MacroAsia Mining Corporation

MacroAsia Mining Corporation (MMC), another wholly owned subsidiary, 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 is at the moment geared towards the provision of consultancy and mining exploration services, focusing on nickel areas.

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, MCIA 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 01, 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 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 last December 29, 2015 and LTP had the first heavy check in its second A380 hangar in January 2016.

LTP continues to have Philippine Airlines (PAL) as its main client for aircraft maintenance, repair and overhaul services in LTP's facility in NAIA. Other global clients include among others – Air China, Air Niugini, China Airlines, Japan Airlines and Korean Air. Other international airlines, including those with non-scheduled flights to Manila also avail of LTP's MRO expertise such as Lufthansa Airlines, Virgin Atlantic Airways, Jetstar Japan, Air Mauritius and Starflyer to name a few.

In a showcase of continuing trust in 2016, seven airlines renewed their alliances with LTP. For line maintenance, these were Asiana Airlines, Air Busan, China Southern Airlines, Eva Air, Jetstar Japan, Jin Air and Royal Brunei. For its Base Maintenance, it won contracts with AirAsia X, Jetstar Japan, Starflyer and Thai AirAsia X. These are in addition to several long term contracts won in previous year.

Aviation authorities/agencies from the respective countries of origin of these airline clients issue licenses/certificates to LTP for its accreditation to provide MRO services to the aforementioned associated airlines. It is certified by 33 airworthiness organizations worldwide as a qualified provider of aircraft MRO services including the Civil Aviation Authority of the Philippines (CAAP), the United States' Federal Aviation Industry (FAA) and European Aviation Safety Agency (EASA).

It also holds an EASA 21 Design organization extension from Lufthansa Technik AG, enabling them to create in-house change/repair designs. The extent of LTP's work/services largely depends on these certifications, which describe/specify that LTP's services must be carried out in accordance with the respective countries' aviation regulations. These certifications are renewed either annually or every two 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 is capable of producing up to 3,000 meals a day in accordance with stringent international hygiene standards. 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.

CPCS is presently serving an average of 2,000 meals a day, using mostly local raw materials for its menus. 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.

As the only full-service airline catering company in Cebu, CPCS expects to provide most if not all of the catering services for future ex-Cebu flights to other regional destinations.

KEY PERFORMANCE INDICATORS
(in thousands except for ratios)
September 30, 2016 and 2015

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.

		2016	2015
Return on Net Sales	= $\frac{\text{NI attributable to Equity Holder of Parent}}{\text{Total Net Revenues}}$	= $\frac{\text{₱ } 326,221}{1,746,053}$	= $\frac{\text{₱ } 330,478}{1,381,884}$
		= <u>18.68%</u>	= <u>23.92%</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 and CPCS. The lower consolidated RNS in 2016 is caused by the decline in the net income of LTP in the first three quarters of 2016. LTP's profitability in 2016 is impacted by higher cost of materials for base maintenance, while LTP's 2015 profitability was boosted by one-time revenues from base-maintenance works for an MRO client, and such MRO activities did not recur in 2016. The net income of LTP in 2016 reflects a 10% decline from 2015, but the impact of this net income drop is minimized in the consolidated financial statements of MAC Group by the 129% average increases in the net income of our catering and ground handling subsidiaries as of September 2016.

Return on Investment (ROI)

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

		2016	2015
Return on Investment	= $\frac{\text{NI attributable to Equity holder of Parent}}{\text{Total Interest-bearing Liabilities + Equity attributable to Equity holder of Parent}}$	= $\frac{\text{₱ } 326,221}{3,414,424}$	= $\frac{\text{₱ } 330,478}{3,299,486}$
		= <u>9.55%</u>	= <u>10.02%</u>

The ROI decreased primarily because of the decline in the income contribution of our MRO associate, LTP. There are no additional interest-bearing liabilities availed by the Group this 2016.

Return on Equity (ROE)

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

		2016	2015
Return on Equity	$= \frac{\text{Net income after tax}}{\text{Total equity excluding item arising from other comprehensive income}}$	$= \frac{\text{₱ 360,416}}{3,518,533}$	$= \frac{\text{₱ 340,918}}{3,322,571}$
		<u>10.24%</u>	<u>10.26%</u>

The slight decrease in ROE is an offshoot of the lower net income in 2016, aside from a larger equity base.

Direct Cost and Operating Expense Ratio

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

		2016	2015
Direct Cost Ratio	$= \frac{\text{Total Direct Cost}}{\text{Total Net Revenues}}$	$= \frac{\text{₱ 1,263,580}}{1,746,053}$	$= \frac{\text{₱ 1,018,597}}{1,381,884}$
		<u>72.37%</u>	<u>73.71%</u>

		2016	2015
Operating Expense Ratio	$= \frac{\text{Total Operating Expenses}}{\text{Total Net Revenues}}$	$= \frac{\text{₱ 335,356}}{1,746,053}$	$= \frac{\text{₱ 304,143}}{1,381,884}$
		<u>19.21%</u>	<u>22.01%</u>

The Group's lower direct cost ratio reflects the operating subsidiaries' efforts to control direct expenses even while revenue-generating activities increase. Most of the cost increases came from more manpower used in line with the revenue growth and rental expenses for new leased areas.

The increase in total operating expenses of the group as compared to the previous year is likewise related to the increase in business activities in MACS and MASCORP in 2016. The rise in operating expenses is driven by higher personnel costs due to more business volume arising from the expanding clientele of the two aforementioned companies. The increase also includes the performance-based incentive pay provided to employees of the Group, as well as the start-up costs of our pre-operating companies. However, the operating expense ratio is lower than the prior year which is an indicator that the operating subsidiaries of the Group maximizes the expenses while expanding their business and increasing revenues.

Current Ratio

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

		2016	2015
Current Ratio	$= \frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$	$= \frac{\text{₱ 1,385,664}}{469,223}$	$= \frac{\text{₱ 1,377,294}}{343,843}$
		$= \underline{\underline{2.95 : 1}}$	$= \underline{\underline{4.01 : 1}}$

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 a large portion of current assets held as cash.

Debt-to-Equity Ratio

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

		2016	2015
Debt-to-Equity Ratio	$= \frac{\text{Total Interest-bearing Debts}}{\text{Total Equity}}$	$= \frac{\text{₱ 43,341}}{3,538,927}$	$= \frac{\text{₱ 68,153}}{3,315,334}$
		$= \underline{\underline{0.012 : 1}}$	$= \underline{\underline{0.021 : 1}}$

Interest bearing debts were availed by MASCORP in 2013 and on the first quarter of 2014 for general corporate purposes, arising from its re-fleeting of its ground support equipment. These loans are still outstanding in smaller amounts, since most of the principal obligations have been amortized through the past years. Generally, there is no new bank debt that is drawn by the subsidiaries in 2016, and most of the fund requirements for the growth of the businesses are sourced from internal funds. The lower debt to equity ratio in 2016 is influenced by the reduction in MASCORP's loans through periodic repayments, aside from the growth in the Group's equity position due to increasing profitability.

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.

		2016	2015
Interest Coverage Ratio	$= \frac{\text{Total Earnings before Interest and Taxes}}{\text{Interest Expense}}$	$= \frac{\text{₱ 432,163}}{1,867}$	$= \frac{\text{₱ 375,089}}{2,626}$
		$= \underline{\underline{231.47 : 1}}$	$= \underline{\underline{142.84 : 1}}$

The high ratios show that the Group's operating results, measured through EBIT, is more than sufficient to cover interest payments arising from its debts. The movement in interest expense is parallel to the decrease in the outstanding balance of the loan of MASCORP.

Asset-to-Equity Ratio

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

		2016	2015
Asset-to-Equity Ratio	= $\frac{\text{Total Assets}}{\text{Total Equity}}$ =	₱ 4,193,164 3,538,927	₱ 3,863,184 3,315,334
		= <u>1.18 : 1</u>	<u>1.17 : 1</u>

The ratios indicate almost parity between total assets and total equity, showing that the Group finances the purchase of assets mostly through equity or internally-generated funds. Minimal debt is drawn to fund growth in the businesses, as most liabilities pertain to current trade-related activities.

RESULTS OF OPERATION (Year-to-Date September)

The Group's revenues from operations this 2016 reporting period amounts to ₱1.7 billion, which is 26% or ₱364.2 million more than the revenues of ₱1.4 billion for same period in 2015. Sixty-two percent (62%) of our total consolidated operating revenues consists of MACS' in-flight and institutional catering revenues of ₱1,082.8 million. The ₱253.39 million increase in MACS' revenues is attributable to the higher revenues derived from institutional accounts which increased by 39% as compared to prior year and increases in revenues from foreign airline clients as well as new institutional clients this 2016. Ground handling and aviation revenues of ₱499.5 million grew by ₱127.4 million or 34% from last year's ₱372.0 million due to increased routine flights, cargo revenues that were started during the last quarter of 2015 and provision of outsourced maintenance for the ground equipment of LTP. MASCORP's non-routine ground handling revenue also continues to exhibit a period to period growth. One new revenue stream of the Group for 2016 pertains to the water project in Solano, Nueva Vizcaya, contributing ₱6.5 million in gross revenues as the operating company has started deriving revenues from the treatment of river water and supplying the potable water through a piped network to households and commercial establishments in the town.

Rental and administrative revenues did not vary significantly with last year because lease rental is being accounted for on a straight-line basis over the lease term, in compliance with Philippine Accounting Standards (PAS) 17. Revenue derived from chartered flights and FBO of ₱14.3 million increased compared to last year's income due to higher flying hours and more FBO clients served. However, as of August 22, 2016, the chartered flights stopped operating due to a fortuitous event while the fixed-base operations revenue stream for the Air Taxi subsidiary continues.

Total direct costs for the 3-quarter period ending September 30, 2016 amounted to ₱1,263.6 million, posting an increase of ₱245.0 million or 24% from the same period in 2015. The increase is proportional to the higher recorded revenues this period. The increase in the current period is due to the higher labor costs of our ground-handling and catering subsidiaries, driven largely by increases in manpower count due to the growth in business volume. Wage increases also affected the increase in labor costs. Direct costs for

MAPDC also increased due to new rental payments made which started in the last quarter of 2015. Consolidated operating expenses increased by ₱31.2 million from last year's ₱304.1 million due to one-time productivity-based incentives for employees of the Group and start-up costs of the water related subsidiaries.

Interest income of ₱4.3 million slightly decreased with the same period last year. The interest income is mainly attributable to the short-term placements and the available for sale investments of the Parent Company.

Share in net income/loss of associates amounting to ₱269.8 million represents MAC's share in the net operating result of its associated companies. Changes in equity shares from period to period are dependent upon the results of operations of the two associated companies. As of the 3rd quarter of 2016, our MRO business registered total profits of ₱496.0 million in which we share 49% or ₱243.0 million. For 2015, our share in LTP's income is ₱270.8 million, out of ₱552.7 million total income. CPCS - our catering associate in Cebu, reflected an increase in its net earnings, as MAC booked its 40% net income share at ₱26.7 million, compared to last year's ₱22.1 million contribution in the same period.

Today, the Philippine airline industry continues to be dynamic, with significant factors within and outside the Philippines that are impacting on the Philippine aviation outlook. As a Group, we have not been immune to the challenges of our airline clients, especially for some base clients and those from foreign countries that are coping with difficulties arising from economic and security issues within their geographical regions.

With the results being reported as of the 3rd quarter of 2016, we look at the rest of the year with optimism, while we remain steadfast and resilient in our core businesses and continue to keep our eyes open for new business opportunities, even outside the traditional markets where we operate.

FINANCIAL POSITION (Year-to-Date September)

At the consolidated level as of September 30, 2016, our total assets stood at ₱4.2 billion, posting a ₱154.5 million increase from last year-end's level of ₱4.0 billion. Cash and cash equivalents of ₱673.0 million decreased by ₱20.3 million or 3%, which is primarily caused by the payment of dividends last January 2016 as declared in December 2015, the capital expenditures of both our Catering and Ground handling subsidiaries and our pre-operational subsidiaries. The Group sees no liquidity issues in 2016, as the cash balances of the operating subsidiaries continue to increase from robust operating cash inflows. The completion of the investments in the Solano Water Project that were funded fully through internal cash sources and the startup of revenue generation from water operations will also help the cash inflows for 2016.

Receivables amounting to ₱584.6 million grew by ₱30.0 million or 5% due to trade and non-trade related additions in our current operations. These are expected to be collected within the year. Inventories of ₱48.9 million were maintained in line with forecasted inventory level requirements. Input taxes amounting to ₱161.0 million increased by ₱15.9 million due to the increase in local purchases and TCCs amounting to ₱29.8 million decreased significantly due to conversion and utilization. Other current assets of ₱33.4 million

represent unconsumed supplies and unamortized prepayments for insurance covers, rent, utilities; creditable withholding taxes and prepaid taxes as of September 30, 2016.

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 due to foreign exchange fluctuations, share in re-measurement gains and losses on defined benefit plans due to the revised PAS19, share in cash dividends declared during the current period, and the incremental equity share in net earnings/loss of the associated companies. The Group recorded an increase of 10% or ₱102.7 million in this investment account, from ₱982.9 million in 2015 year-end to ₱1.09 billion as of September 30, 2016.

The group's property and equipment of ₱477.2 million increased by ₱53.2 million from last year's ₱424.0 million due to new acquisitions, net of disposals made, by our Catering, Ground handling and pre-operating companies. Deferred mine exploration costs of ₱233.3 million remained the same as exploration activities were done in 2010. Investment property of ₱143.9 million pertains to land held for future development by MAPDC.

Accrued rental receivable and payable are recorded in the books of the Group in compliance with PAS 17 which requires the straight-line recognition of operating lease income and expense over the term of the lease. Deferred rent expense and unearned rent income are equal in amount as of 2015 year-end. These four accounts will be nil after the termination of the lease and sub-lease arrangement of MAPDC with MIAA and LTP.

Available-for-sale debt and equity investments amounting to ₱105.8 million represents the remaining investment in government treasury bonds and golf club shares held by the Parent Company.

The carrying amount of deferred income tax assets of ₱37.8 million as of September 30, 2016 increased by 10% or ₱3.3 million. The DTA mostly came from the allowances on probable losses and doubtful accounts. Deposits and other noncurrent assets amounting to ₱122.6 million increased by ₱2.8 million compared to prior-year end's ₱119.8 million. Other noncurrent assets account consists of deferred project costs, rental and refundable deposits, advances to contractors, goodwill of ₱17.5 million from the Parent Company's acquisition of the 13% minority interest of Compass (formerly Eurest International B. V.) in MACS, restricted investment of ₱11.6 million, prepaid rental and retirement plan assets. Service concession right amounting to ₱323.1 million pertains to incurred construction costs in relation to the construction of water treatment plant and pipe laying activities of SNVRDC. 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 ₱38.9 million or 10% as of September 30, 2016. The increase pertains to expanding operations of our catering and ground-handling subsidiaries and accruals as of the 3rd quarter of 2016 which were not included in the accrued expenses at year-end 2015. Notes payable of ₱43.3 million refers to the loan availed from a local bank last 2013 that was used by our ground handling subsidiary to finance its asset acquisition and for general corporate purposes. Accrued

retirement benefits payable of ₱7.6 million and other long term employee benefits amounting to ₱3.7 million is accounted for based on the latest actuarial valuation of the Group. Deferred tax liabilities of ₱1.4 million remained at the same level as prior year's ending balance. Dividends payable of ₱8.6 million shows the remaining outstanding checks payable for past dividends declared to the Parent Company's stockholders as of record date. The decrease from prior year-end's ₱92.5 million pertains to the payment made last January 2016 for the dividends declared last December 14, 2015.

The Group's other reserves pertain to the gain on sale of shares of stock of 13% of MACS to SATS and the sale of 49% of WBSI shares to MetroPac Water Investments Corporation (MWIC), 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 pertains to one, Available For Sale (AFS) investments reserve amounting to ₱11.2 million, two, the Parent Company's share in foreign currency translation adjustments of LTP in the amount of ₱247.0 million which moves in accordance with US\$ exchange rate fluctuations during the period covered, three, MAC's share in re-measurements of defined benefit plan of associates and re-measurements of defined benefit plans of subsidiaries.

Movement in the "non-controlling interests" depends on the results of operations of MACS and WBSI, a subsidiary of MAPDC. This account reflects the 33% equity share of SATS (JV Partner of MAC) in the catering JV, 49% share of MWIC in WBSI and 10% share in PWBRI. As of September 30, 2016, non-controlling interests amounted to ₱167.8 million.

MacroAsia Corporation's Mining Project

Macroasia Corporation holds two Mineral Production Sharing Agreements (MPSA), 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 within the MPSA is around 536 hectares with the deposits comprised 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 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. A mining plan has also been drafted.

The operation of the Mining Project has already been endorsed by the three impact barangays, including the indigenous people in the area. In 2010, the Parent Company has received the Environmental Compliance Certificate (ECC) for operations. The Parent Company is still completing the acquisition of other permits needed to operate. Simultaneously, it has ongoing discussions with potential partners for the development of the project for the best interest of various stakeholders.

Pending the completion of the permitting process that will enable the project to progress into mine operation, maintenance works in the mineral property is being undertaken. An application for the third extension of the exploration permit of MPSA 220-2005- IVB was filed on 20 March 2015. The extended exploration period will allow MacroAsia Corporation to gather more exploration data to fine-tune the feasibility study for operations and do metallurgical testing of the nickel laterite ore.

Bulawan Mining Corporation (BUMICO), a subsidiary of the Philippine National Bank (PNB), transferred its right for their Exploration Permit Application (EXPA 103-VII) over a 403 hectare area in Basay, Negros to MAC through the signing of a Deed of Assignment (DOA) on August 15, 2012. The DOA has been approved by Mines and Geosciences Bureau (MGB) Region VII Office on January 28, 2013. The area has a high potential for copper-gold mineralization. The exploration permit application is now under MAC's name. This tenement can be subject to a JV for exploration with other interested entities.

BUMICO also transferred its interests in the Bulawan Mining Project with an Operating Agreement with Philex Mining Corporation (PMC) to MAC through a Deed of Assignment (DOA) signed on September 6, 2012. The DOA was finalized after securing the written consent of Philex. In relation to the operating agreement between Philex and BUMICO, Philex committed to submit quarterly reports to MAC which will be subjected to regular validation by MAC's technical team.

The majority of the mining claims held by BUMICO in Sipalay, Negros Occidental (with the exception of the 6 mining claims covered by a mining lease contract) is covered by an Exploration Permit (EP). Such Exploration Permit was renewed by the Mines and Geosciences Bureau on December 10, 2012. On the other hand, the mining claims under PNB-Madecor are all subject to an Exploration Permit Application (EXPA).

NUMBER OF STOCKHOLDERS

There are 860 stockholders as of September 30, 2016 and December 31, 2015, 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 and ground handling. The Group constantly monitors these two factors that directly impact on revenues and costs.
2. Management is not aware of any known trends or any known demands, commitments, events or uncertainties that may or will have a material negative impact on the Group's liquidity.
3. The Group is not aware of any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
4. Management does not anticipate having within the next twelve (12) months cash flow or liquidity problems. The Group generally sources its liquidity requirements

through its operating revenues and collections. Excess cash are invested in placements with better yields.

5. 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.
6. Other than those approved for the completion of a new non-airline catering facility near the East Service Road, Muntinlupa City, a municipal water project in Pangasinan, and a bulk water project in Cavite, there are no material commitments for capital expenditures created during the reporting period.
7. 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.
8. 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.
9. The Group is not aware of any seasonal aspects that have material effect during the reporting period.
10. The Group has not issued, repurchased or repaid any debt or equity securities during the current interim reporting period.
11. 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 November 09, 2016, and is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on 09 NOV 2016.

MACROASIA CORPORATION

Registrant

By:


JOSEPH T. CHUA
President


AMADOR T. SENDIN
Chief Financial Officer

MACROASIA CORPORATION AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements

September 30, 2016 and 2015 (Unaudited)

and

December 31, 2015 (Audited)

GENERAL INFORMATION

Directors (as of September 30, 2016)

Lucio C. Tan	(Chairman and CEO)
Washington Z. SyCip	(Co-Chairman)
Carmen K. Tan	
Lucio K. Tan, Jr.	
Michael G. Tan	
Joseph T. Chua	(President and COO)
Jaime J. Bautista	(Treasurer)
Stewart C. Lim	
Johnip G. Cua	(Independent Director)
Ben C. Tiu	(Independent Director)
Marixi R. Prieto	(Independent Director)

Chief Financial Officer and VP-Administration and Business Development

Amador T. Sendin

VP-Legal, Human Resources and External Relations, Compliance Officer and CIO

Atty. Marivic T. Moya

Corporate Secretary

Atty. Florentino M. Herrera III

Stock and Transfer Agent

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

Banks

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

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

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

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

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

		SEPTEMBER 2016 (UNAUDITED)		DECEMBER 2015 (AUDITED)
ASSETS				
Current Assets				
Cash and cash equivalents	P	673,042,277	P	693,325,827
Receivables - net		584,578,733		554,588,330
Inventories - at cost		48,925,625		42,689,532
Input taxes		15,960,518		48,662,515
Tax credit certificates		29,805,098		65,589,144
Other current assets		33,351,631		58,223,768
Total Current Assets		1,385,663,883		1,463,079,116
Noncurrent Assets				
Available-for-sale (AFS) investments		105,768,900		105,768,900
Investments in associates		1,085,577,339		982,869,990
Property and equipment - net		477,208,074		423,994,864
Investment property - net		143,852,303		143,852,303
Service concession right - net		323,073,700		301,857,381
Accrued rental receivable		118,405,542		118,405,542
Input taxes - net		145,037,057		96,448,605
Deferred rent expense		14,850,012		14,850,012
Deferred mine exploration costs		233,308,688		233,308,688
Deferred income tax assets - net		37,808,842		34,463,739
Deposits and other noncurrent assets - net		122,609,454		119,792,251
Total Noncurrent Assets		2,807,499,909		2,575,612,275
TOTAL ASSETS	P	4,193,163,792	P	4,038,691,391
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	P	426,889,603	P	387,932,585
Income tax payable		14,459,998		22,285,451
Dividends payable		8,620,761		101,126,061
Notes payable - current portion		19,253,000		25,717,880
Total Current Liabilities		469,223,362		537,061,977
Noncurrent Liabilities				
Notes payable - net of current portion		24,087,583		36,222,073
Accrued rental payables		129,756,192		129,756,192
Accrued retirement benefits payable		7,550,135		11,007,058
Other employee benefits		3,688,853		10,873,697
Unearned rent income		9,337,115		9,337,115
Rental deposit and other noncurrent liabilities		9,178,379		6,342,339
Deferred income tax liabilities		1,415,000		1,415,000
Total Noncurrent Liabilities		185,013,258		204,953,474
Total Liabilities		654,236,619		742,015,451

Equity

Capital stock - P 1 par value

Authorized - 2,000,000,000 shares

 Issued and fully paid - 1,250,000,000 shares **1,250,000,000** 1,250,000,000

 Additional paid-in capital **281,437,118** 281,437,118

 Other Reserves **143,299,677** 143,299,677

 Other components of equity **(290,749,490)** (172,585,192)

Retained earnings

 Appropriated **873,100,000** 873,100,000

 Unappropriated **1,163,414,615** 837,193,529

 Treasury shares **(49,418,660)** (49,418,660)

 Total equity attributable to equity holders of the parent company **3,371,083,260** 3,163,026,472

 Non-controlling interests **167,843,913** 133,649,468

 Total Equity **3,538,927,173** 3,296,675,940

TOTAL LIABILITIES AND EQUITY P 4,193,163,792 P 4,038,691,391
Book Value per Share 2.73 2.56

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

For the period ended September 30

	JULY - SEPTEMBER		JANUARY - SEPTEMBER	
	2016 (UNAUDITED)	2015 (UNAUDITED)	2016 (UNAUDITED)	2015 (UNAUDITED)
REVENUES				
In-flight catering and other catering	P 342,394,302	P 280,146,534	P 1,082,785,880	P 829,395,696
Groundhandling and aviation	166,538,384	126,332,780	499,485,663	372,035,755
Rental and administrative	46,646,706	46,313,725	139,940,118	138,941,175
Exploratory drilling fees	-	17,503,139	2,991,504	31,140,968
Water-related revenues	2,900,149	-	6,539,892	-
Charter flights and FBO Revenue	3,241,989	3,535,203	14,309,621	10,370,390
	561,721,530	473,831,381	1,746,052,679	1,381,883,985
DIRECT COSTS				
In-flight catering and other catering	226,739,538	191,125,040	702,584,848	558,044,162
Groundhandling and aviation	131,464,604	104,700,997	376,009,272	301,350,122
Rental and administrative	62,903,596	44,211,711	150,117,103	132,437,375
Exploratory drilling fees	4,011,908	7,547,754	15,190,936	20,435,376
Water-related	5,264,985	-	11,596,170	-
Charter flights	2,188,788	2,097,444	8,081,368	6,330,305
	432,573,420	349,682,947	1,263,579,697	1,018,597,341
GROSS PROFIT	P 129,148,110	P 124,148,434	P 482,472,982	P 363,286,644
SHARE IN NET INCOME OF ASSOCIATES	102,186,329	66,513,410	269,773,732	292,901,741
OPERATING EXPENSES	(93,242,583)	(104,486,756)	(335,356,275)	(304,142,883)
INTEREST INCOME	1,329,763	1,631,040	4,313,491	5,452,852
FINANCING CHARGES	(548,042)	(832,363)	(1,867,152)	(2,833,439)
OTHER INCOME (EXPENSE) - NET	4,357,595	11,937,753	10,958,707	17,798,058
INCOME BEFORE INCOME TAX	P 143,231,172	P 98,911,519	P 430,295,485	P 372,462,973
PROVISION FOR INCOME TAX	(18,486,259)	(9,769,365)	(69,879,953)	(31,544,926)
Attributable to:				
Equity holders of the parent	115,557,586	84,801,796	326,221,086	330,478,116
Non-controlling interests	9,187,326	4,340,358	34,194,445	10,439,931
	P 124,744,912	P 89,142,154	P 360,415,531	P 340,918,046
Basic Earnings Per Share	0.094	0.069	0.264	0.268

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	JULY - SEPTEMBER		JANUARY - SEPTEMBER	
	2016	2015	2016	2015
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
NET INCOME (LOSS)	₱ 124,744,912	₱ 89,142,154	₱ 360,415,531	₱ 340,918,046
OTHER COMPREHENSIVE INCOME (LOSS) - Net				
Net foreign currency translation adjustments	(74,616,086)	11,080,000	(118,164,298)	10,105,000
Remeasurements on defined benefit plan	-	1,482,631	-	-
	(74,616,086)	12,562,631	(118,164,298)	10,105,000
Total Comprehensive Income (Loss)	50,128,827	101,704,785	242,251,232	351,023,046
Attributable to:				
Equity holders of the parent	₱ 40,941,501	₱ 97,364,427	₱ 208,056,787	₱ 340,583,116
Non-controlling interests	9,187,326	4,340,358	34,194,445	10,439,931
	₱ 50,128,827	₱ 101,704,785	₱ 242,251,232	₱ 351,023,046

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the period ended September 30

	2016	2015
	(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P 430,295,485	P 372,462,973
Adjustments for:		
Equity in net (income) loss of associates	(269,773,732)	(292,901,741)
Depreciation and amortization	69,901,990	54,075,153
Interest income	(4,313,491)	(5,452,852)
Unrealized foreign exchange (gain) loss - net	(4,726,204)	7,712,138
Provision for losses	8,622,245	34,853,330
Movements in accrued retirement benefits payable	5,474,001	(6,478,556)
Financing charges	1,867,152	2,833,439
Loss (gain) on sale of asset	161,813	(503,182)
Operating income before working capital changes	237,509,257	166,600,702
Decrease (increase) in:		
Receivables	(28,460,365)	(87,997,938)
Inventories	(6,236,094)	3,443,667
Other current and non-current assets	6,839,505	(66,174,022)
Increase (decrease) in accounts payable and accrued liabilities	38,957,018	(67,484,074)
Cash generated from (used in) operations	248,609,322	(51,611,665)
Interest received	4,313,491	5,232,585
Financing charges paid	(1,867,152)	(2,626,305)
Contributions to retirement fund	(6,666,120)	-
Income taxes paid, including creditable withholding taxes	(65,972,680)	(32,518,468)
Net cash from (used in) operating activities	P 178,416,861	P (81,523,853)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	88	542,000
Acquisitions of property and equipment	(142,407,949)	(63,708,572)
Investment in stocks	(10,000,000)	(10,000,600)
Proceeds from sale of investment in stocks		155,272,827
Dividends received	59,148,600	12,000,000
Increase in refundable deposits and other noncurrent assets	6,713,480	29,709,435
Net cash from (used in) investing activities	P (86,545,780)	P 123,815,090
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(92,505,300)	-
Payments of notes payable	(19,274,880)	(18,970,373)
Net cash from (used in) financing activities	P (111,780,180)	P (18,970,373)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(374,451)	725,272
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	P (20,283,550)	P 24,046,136
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	693,325,827	681,237,533
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P 673,042,277	P 705,283,669

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

	Attributable to the Equity Holders of the Parent								Retained Earnings			Non-controlling Interest	Total
	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	AFS Investments Reserve	Treasury Shares	Appropriated	Unappropriated	Subtotal		
BALANCES AT													
DECEMBER 31, 2014	1,250,000	281,437	(172,111)	14,403	(70,630)	9,083	(49,419)	823,100	654,797	2,740,660	69,716	2,810,375	
Total comprehensive income (loss)			10,105						330,478	340,583	10,440	351,023	
Equity adjustments on sale of shares of stock				(964)		118,877			32,177	150,091	3,845	153,935	
BALANCES AT													
SEPTEMBER 30, 2015	P 1,250,000	281,437	(162,006)	13,439	(70,630)	118,877	9,083	(49,419)	823,100	1,017,452	3,231,334	84,000 P 3,315,334	
BALANCES AT													
DECEMBER 31, 2015	1,250,000	281,437	(128,844)	24,938	(79,896)	143,300	11,216	(49,419)	873,100	837,194	3,163,026	133,649 3,296,676	
Total comprehensive income (loss)			(118,164)						326,221	208,057	34,194	242,251	
BALANCES AT													
SEPTEMBER 30, 2016	P 1,250,000	281,437	(247,008)	24,938	(79,896)	143,300	11,216	(49,419)	873,100	1,163,415	3,371,083	167,844 P 3,538,927	

(UNAUDITED)

3rd Quarter Report

September 30, 2016

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**SUMMARIZED INCOME STATEMENT INFORMATION FOR
UNCONSOLIDATED SUBSIDIARY**

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

	January to September	
	<u>(UNAUDITED)</u>	
	2016	2015
REVENUE	P 6,590,939,478	P 5,944,710,227
LESS: COST OF SALES	2,853,004,416	2,415,742,575
GROSS PROFIT	3,737,935,062	3,528,967,652
LESS: OPERATING EXPENSES	2,780,928,405	2,803,339,196
INCOME FROM OPERATIONS	957,006,657	725,628,456
LESS/ (ADD): OTHER CHARGES/(INCOME)	414,333,578	100,931,926
INCOME BEFORE INCOME TAX	542,673,079	624,696,530
LESS: PROVISION FOR INCOME TAX	46,689,942	71,959,056
NET INCOME	P 495,983,138	P 552,737,474
EQUITY SHARE IN NET INCOME (49%)	P 243,031,737	P 270,841,362

**SUMMARIZED INCOME STATEMENT INFORMATION FOR
UNCONSOLIDATED SUBSIDIARY**

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

		January to September	
		<u>UNAUDITED</u>	<u>UNAUDITED</u>
		2016	2015
REVENUE	P	179,414,597	P 139,459,079
LESS: COST OF SALES		100,133,070	74,102,529
GROSS PROFIT		79,281,527	65,356,549
LESS: OPERATING EXPENSES		8,902,474	7,160,679
INCOME FROM OPERATIONS		70,379,052	58,195,871
LESS/ (ADD): OTHER CHARGES/(INCOME)		(563,998)	(320,033)
INCOME BEFORE INCOME TAX		70,943,051	58,515,903
LESS: PROVISION FOR INCOME TAX		4,088,065	3,364,957
NET INCOME	P	66,854,986	P 55,150,947
EQUITY SHARE IN NET INCOME (40%)	P	26,741,994	P 22,060,379

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Business Operations

Corporate Information

MacroAsia Corporation (the Parent 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 change its corporate name to Cobertson Holdings Corporation. On November 6, 1995, the Parent Company's Articles of Incorporation was again amended to change its corporate name to its present name. 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 the Ninoy Aquino International Airport (NAIA), Manila Domestic Airport (MDA), Mactan-Cebu International Airport (MCIA), Kalibo International Airport (KIA), Davao International Airport, General Santos International Airport and the General Aviation Area. 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.

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 available-for-sale (AFS) investments, 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 September 30, 2016 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, 2015.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the previous years, except for the adoption of the following amendments to existing standards effective beginning January 1, 2016. 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.

- **Amendments to Philippine Accounting Standards (PAS) 19, *Defined Benefit Plans: Employee Contributions***
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are not relevant to the Group since the Group's defined benefit plans are noncontributory.
- **Annual Improvements to PFRS (2010-2012 cycle)**
The adoption of the amendments below did not have a significant impact on the consolidated financial statements of the Group.
 - **PFRS 2, *Share-based Payment - Definition of Vesting Condition***
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
 - a. a performance condition must contain a service condition;

- b. a performance target must be met while the counterparty is rendering service;
 - c. a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
 - d. a performance condition may be a market or non-market condition; and
 - e. if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- *PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination*

The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*. The Group shall consider this amendment in future business combinations.

- *PFRS 8, Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

The amendments are applied retrospectively and clarify that:

 - a. An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

 - b. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- *PAS 16, Property, Plant and Equipment: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and PAS 38, Intangible Assets: Revaluation Method - Proportionate Restatement of Accumulated Amortization*

The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset after taking into account the accumulated impairment losses.

- *PAS 24, Related Party Disclosures - Key Management Personnel*

The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The Group does not employ the services of a management entity.

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- *Annual Improvements to PFRS (2011-2013 cycle)*
The adoption of the amendments below did not have a significant impact on the consolidated financial statements of the Group.

 - *PFRS 3, Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
 - a. Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
 - b. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

 - *PFRS 13, Fair Value Measurement - Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

 - *PAS 40, Investment Property - Interrelationship between PFRS 3 and PAS 40*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

New Accounting Standards, Amendments to
Existing Standards and Interpretations Effective Subsequent to December 31, 2015

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2015 are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Effective in 2016

- *Amendments to PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are not applicable to the Group since the Group does not have investment entity associates or joint venture.

- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The Parent Company shall consider these amendments for future preparation of its separate financial statements.

- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- Amendments to PAS 1, *Presentation of Financial Statements - Disclosure Initiative*

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions;
- That specific line items in the statement of income and other comprehensive income (OCI) and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Group is currently assessing the impact of these amendments on its consolidated financial statements.

- **PFRS 14, *Regulatory Deferral Accounts***
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Since the Group is an existing PFRS preparer, this standard would not apply.
- **Amendments to PAS 16, *Property, Plant and Equipment* and PAS 41, *Agriculture - Bearer Plants***
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.
- **Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization***
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments are not expected to have any impact to the Group given that the Group is not using a revenue-based method to depreciate its noncurrent assets.
- ***Annual Improvements to PFRS (2012-2014 cycle)***
The Annual Improvements to PFRS (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016. Except as otherwise stated, the Group does not expect these amendments to have a significant impact on the interim consolidated financial statements.
 - **PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal***
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The Group shall consider this amendment in future transactions.
 - **PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts***
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment

clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- *PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- *PAS 19, Employee Benefits - Regional Market Issue Regarding Discount Rate*

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- *PAS 34, Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective in 2018

- *PFRS 9, Financial Instruments*

In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The Group is currently assessing the impact of adopting this standard.

- *International Financial Reporting Standards (IFRS) 15, Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is

recognized at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group is currently assessing the impact of the new revenue standard and plans to adopt on the required effectivity date once adopted locally.

Effective in 2019

- **IFRS 16, *Leases***

IFRS 16 was issued on January 13, 2016, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statements of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effectivity date once adopted locally.

Deferred

- **Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC) 15, *Agreements for the Construction of Real Estate***

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Securities and Exchange Commission (SEC) and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is

completed. The Group does not expect that this interpretation will have material financial impact in the interim consolidated financial statements.

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

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the IASB has completed 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. The Group shall consider these amendments in future transactions.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company, its direct subsidiaries, the subsidiaries of MAPDC and MACS and the subsidiary of Watergy Business Solutions, Inc. (WBSI) as of September 30, 2016 (unaudited) and December 31, 2015 (audited), which were all incorporated in the Philippines and are registered with the Philippine SEC.

	Nature of business	Percentage of Direct ownership by MAPDC/MACS/WBSI		Percentage of Ownership by MAC			
		2016	2015	2016		2015	
				Direct	Indirect ⁽²⁾	Direct	Indirect ⁽²⁾
MAPDC	Economic Zone (Ecozone) developer/operator and water supply	–	–	100	–	100	–
MacroAsia Airport Services Corporation (MASCORP)	Groundhandling aviation services	–	–	100	–	100	–
MacroAsia Air Taxi Services, Inc. (MAATS)	Helicopter chartering services	–	–	100	–	100	–
Airport Specialists' Services Corporation (ASSC) ⁽¹⁾	Manpower services	–	–	100	–	100	–
MMC	Mine exploration, development and operation	–	–	100	–	100	–
MACS	In-flight and other catering services	–	–	67 ⁽³⁾	–	67 ⁽³⁾	–
MacroAsia SATS Food Industries (MSFI)	Meal production and food processing	67	67	–	67 ^(a)	–	67 ^(a)
SNV Resources Development Corporation (SNVRDC)	Water projects	100	100	–	100 ^(b)	–	100
Mabini Pangasinan Resources Development Corporation (MPRDC) ⁽⁵⁾	Water projects	100	100	–	100 ^(b)	–	100
Panay Water Business Resources, Inc. (PWBRI)	Water projects	90	90	–	90 ^(b)	–	90
WBSI	Water projects	51 ⁽⁴⁾	51	–	51 ^{(4), (b)}	–	51
Cavite Business Resources Inc. (CBRI)	Water projects	51 ⁽⁴⁾	51	–	51 ^{(4), (c)}	–	51

⁽¹⁾ Ceased commercial operations effective May 1, 2001.

⁽²⁾ Effective ownership interest through MACS^(a), MAPDC^(b) and WBSI^(c).

⁽³⁾ Effective ownership starting September 14, 2015.

⁽⁴⁾ Effective ownership starting December 16, 2015.

⁽⁵⁾ Formerly Dragon Resources Development Corporation.

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
- 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 statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period using accounting policies that are consistent with those of the Parent 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 Parent 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.

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 the consolidated equity of the Group in transactions where the non-controlling interests are acquired or sold without loss of control. This is recognized in the Group's consolidated retained earnings. 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; (h) earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Parent Company 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.

Prior to January 1, 2010, acquisition of non-controlling interest was accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized as goodwill. After the initial recognition, goodwill is measured at cost less accumulated impairment loss.

During 2015, ownership of controlling interests over a subsidiary has been changed without losing its control. Portion of goodwill was re-attributed to the non-controlling interests.

The goodwill recognized by the Group amounting to ₱17.5 million as of September 30, 2016 and December 31, 2015 resulted from the Parent Company's acquisition of non-controlling interest (13%) from a previous stockholder of MACS in 2006. The carrying amount of goodwill is allocated to MACS, the cash-generating unit.

3. Significant Judgments and Accounting Estimates

The preparation of the consolidated financial statements in accordance with PFRS 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 estimates 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 interim condensed consolidated financial statements.

Determination of the Parent Company'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. Additional factors are considered in determining the functional currency of a foreign operation, including whether its activities are carried as an extension of that of the Group rather than being carried out with significant autonomy.

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 currency of LTP, one of the Group's associated companies has been determined to be US\$.

Impairment of AFS investments

For AFS debt investments, the Group assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Group assesses whether the market prices of these bonds indicate objective evidence of impairment. Based on management's assessment there is no objective evidence of impairment on its investment in bonds, especially as the counterparties are able to pay the contractual payments. The carrying value of AFS debt investments amounted to ₱65.6 million as of September 30, 2016 and December 31, 2015, respectively.

For AFS equity investments, management exercised judgment in assessing whether the quoted market price of the AFS equity investments at reporting date indicated an impairment vis-à-vis the cost. Management assesses that impairment is sustained once the decline in value reaches 20% of cost or that the decline in value persisted for more than 12 months. No impairment loss was recognized for the current year. The Corporation believes that its outstanding investments in golf club and other proprietary and equity shares are not impaired. The carrying value of AFS equity investment amounted to ₱40.1 million as of September 30, 2016 and December 31, 2015, respectively.

Accounting for acquisition of Watergy Business Solutions, Inc. (WBSI) shares and water project

As discussed in Note 15 to the annual consolidated financial statements, on July 11, 2011, MAPDC acquired the 70% of the shares of stock of WBSI pursuant to a share purchase agreement between MAPDC and the former stockholders of WBSI. On the same date, MAPDC entered into a sale and purchase agreement for the Maragondon Bulk Water Supply Project (the Water Project) from Islington Capital Holdings, Inc. (ICH). On September 15, 2011, MAPDC signed an amended sale purchase agreement with stockholders of WBSI and ICH, related to the acquisition of additional 12.6% shares over WBS and rights to the Water Project, respectively.

Prior to MAPDC's acquisition of WBSI shares, WBSI assigned and transferred its rights over the Water Project to ICH on September 15, 2010. Having regard to the substance of the agreements, the acquisition of WBSI shares is deemed to be linked to the acquisition of the Water Project from ICH and as such, the acquisition is treated as one transaction for accounting purposes. As of December 31, 2013, the sale and purchase agreement has not

been consummated in view of certain water permits inherent in the Water Project that are yet to be secured.

In 2014, MAPDC entered into compromise agreement with the former stockholders of WBSI where a final consideration for the acquisition of the Water Project was agreed. This event confirmed the control of the MAPDC over WBSI. Accordingly, WBSI, as well as CBRI, which is WBSI's wholly owned subsidiary, was consolidated with the Group.

On December 16, 2015, MAPDC sold 49% equity of WBSI to MetroPac Water Investments Corporation (MPIC). The Group retained majority control at 51% of WBSI. For a more detailed discussion, please see Note 15 of the consolidated annual financial statements.

Assessment whether SNVRDC is an operator under Philippine Interpretation IFRIC 12

Management has assessed that MAPDC's memorandum of agreement with the Municipality of Solano, Nueva Vizcaya (Solano) to provide water distribution facilities is covered by the Philippine Interpretation IFRIC 12. MAPDC has assigned to SNVRDC the rights and obligations under the memorandum of agreement. The memorandum of agreement qualifies under the intangible asset model with respect to the operation of the waterwork facilities as SNVRDC has the right (license) to charge users of public service (see Note 14 of the consolidated annual financial statements).

Classification of lease arrangements – the Group as Lessee and Lessor

The Group has property leases where it has determined that the risks and rewards related to such property are retained with the lessor (e.g., no transfer of ownership of leased assets by the end of the lease term). Both the lease and sub-lease agreements are accounted for as operating leases. Operating lease income and expenses are recognized on a straight line basis over the lease term unless another systematic basis is representative of the time pattern of the Group's benefit.

Determination of indicators of impairment of nonfinancial assets

The Group assesses at each reporting date whether there is any indication that its investments in associates, property and equipment and investment property 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.

In 2014, 2015 and 2016, LTP reported positive results from its operations. Management believes that LTP will continue to report positive results of operations in the next years based on the associate's operating budget.

Management believes that there are no impairment indicators on its investment in associates, property and equipment, investment property, deferred project costs, service concessions and deferred mine exploration cost as of September 30, 2016 and December 31, 2015.

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 financial statements. Accordingly, no provision has been recognized for these contingencies.

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 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 is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where 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 factors could affect the reported fair value of financial instruments.

Determination of fair value of investment property

The Group's fair value of 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 September 30, 2016 and December 31, 2015, the fair value of the investment property is based on valuation performed by an accredited independent value.

Estimation of allowance for doubtful accounts

Allowance for doubtful accounts is provided for accounts that are specifically identified to be doubtful of collection. The level of allowance is evaluated by management on the basis of factors that affect the collectability of the accounts, such as historical performance of counterparties, among others.

In addition to specific allowance against individually significant receivables primarily from airline customers, the Group also assesses, at least on an annual basis, a collective

impairment allowance against credit exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when the receivables were originally granted to customers. This collective allowance is based on various factors such as historical performance of the counterparties within the collective group, deterioration in the markets in which the customers operate, various country or area risks, overall performance of the airline industry, and technological obsolescence which affects the confidence of the air transport market, as well as identified structural weaknesses or deterioration in the cash flows of counterparties.

The carrying value of the Group's receivables amounted to ₱584.6 million and ₱554.6 million as of September 30, 2016 and December 31, 2015, respectively. Allowance for doubtful accounts amounted to ₱20.8 million and ₱13.2 million as of September 30, 2016 and December 31, 2015.

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 and status of the inventories and the Group's experience on write-off and expirations.

The carrying value of inventories amounted to ₱48.9 million and ₱42.7 million, net of allowance for probable losses of ₱1.0 million as of September 30, 2016 and December 31, 2015, respectively.

Estimation of useful life of service concession right

At the start of operation of the water work facilities, the service concession assets are to be amortized over the concession period until February 11, 2038 as provided in the Agreement. The amortization period are 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.

Estimating allowances for probable losses on input taxes and tax credit certificates (TCC)

The Group estimates the level of provision for probable losses on input taxes and TCC based on the experience of the Group and assessment of counsels assisting the Group in processing the claims and negotiating the realization of TCC. As of September 30, 2016 and December 31, 2015, the carrying value of input taxes and TCC amounted to ₱190.8 million and ₱210.7 million, respectively. Allowance for probable losses amounted to ₱101.5 million and ₱127.8 million, respectively.

Estimation of useful lives of property and equipment and number of flying hours of helicopter unit.

The Group estimates the useful lives of property and equipment and number of flying hours of helicopter unit based on the internal technical evaluation and experience with similar assets. Estimated useful lives and number of flying hours 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 and equipment as of September 30, 2016 and December 31, 2015. As of August 22, 2016, the helicopter unit of the company was derecognized and no new unit is recognized as of September 30, 2016.

The carrying value of property and equipment as of September 30, 2016 and December 31, 2015 amounted to ₱477.2 million and ₱424.0 million, respectively.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires the estimation of value-in-use of the cash generating unit to which goodwill relates. Estimating the value-in-use requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. For the purpose of impairment testing, goodwill has been allocated to MACS, the cash generating unit. The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets as approved by management covering a three-year projection. The projected cash flows was 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 three-year period are extrapolated into perpetuity assuming a zero growth rate, for impairment test purposes. The discount rate was 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 rate used in 2016 and 2015 is 14% and 9% in 2014 and 2013.

Management believes that no reasonably possible change in any of the above assumptions would cause the carrying value of the goodwill to exceed its recoverable amount. Based on management's assessment, the recoverable amount of the goodwill is higher than the carrying value, thus no impairment loss was noted on the goodwill with carrying amount of ₱17.5 million as of September 30, 2016 and December 31, 2015.

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.

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 benefits payable amounted to ₱7.6 million and ₱11.0 million as of September 30, 2016 and December 31, 2015, respectively. Pension asset amounted to ₱5.1 million and ₱4.9 million as of September 30, 2016 and December 31, 2015, respectively, and is included under "Deposits and other noncurrent assets - net" account. Accumulated

leave credits amounted to ₱3.7 million as of September 30, 2016 and ₱10.9 million as of December 31, 2015.

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.

Gross deferred income tax assets recognized, which relate primarily to operating subsidiaries, amounted to ₱37.8 million and ₱34.5 million as of September 30, 2016 and December 31, 2015, respectively. The Group also has unrecognized deferred income taxes primarily on the non-operating subsidiaries' temporary differences, NOLCO and MCIT.

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 Group's legal counsel and is based upon an analysis of potential results. The Group recognized provision for contingencies in the normal course of business amounting to ₱11.8 million as of September 30, 2016 and ₱8.2 million as of December 31, 2015. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the Group's negotiation with the third party.

4. Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the aviation-support services provided by the four subsidiaries, mining-related activities and water-related projects, which is the basis on which the Group reports its primary segment information. The Group also monitors its share in the results of operations of its associates (LTP and CPCS) that are accounted for using the equity method.

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 NAIA, MCI, KIA, General Santos International Airport and Davao International Airport.
- 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 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-related projects, which pertain to development (e.g., studies, surveys) and construction of water-treatment facilities activities, which are undertaken by MAPDC through its subsidiaries (SNVRDC, MPRDC, PWBRI and WBSI and its subsidiary, CBRI).
- 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 September 30, 2016. 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 and equipment, net of allowances, depreciation and any impairment in value. Segment liabilities include all operating liabilities for and consist principally of notes payable, accounts payable and accrued liabilities. Segment results pertain to net income after tax.

Financial information on the Group's business segments as of and for the period ended September 30, 2016 and 2015 are as follows:

(In Thousand Pesos)

REVENUE – External	2016	2015	2016	2015
In-flight and other catering services	342,394	280,147	1,082,786	829,396
Ground handling and aviation	166,538	126,333	499,486	372,036
Rental and administrative services	46,647	46,314	139,940	138,941
Charter flights and FBO Revenue	3,242	3,535	14,310	10,370
Water-related projects	2,900	-	6,540	-
Mining	-	17,503	2,992	31,141
Total segment and consolidated revenue	561,722	473,831	1,746,053	1,381,884
RESULT – Segment result				
In-flight and other catering services	30,529	18,486	109,217	49,633
Ground handling and aviation	7,290	4,011	36,249	16,657
Rental and administrative services	(9,592)	777	(16,690)	180
Charter flights and FBO	(1,516)	445	692	660
Water-related projects	(6,297)	(3,901)	(17,050)	(8,311)
Mining	(5,078)	5,600	(15,291)	294
Share in net income (loss) of associates	102,186	66,513	269,774	292,902
Total segment results	117,521	91,932	366,901	352,015
Unallocated corporate income (expenses) and eliminations	(1,963)	(7,130)	(40,680)	(21,537)
Net income attributable to Non-controlling interests	9,187	4,340	34,194	10,440
Consolidated net income (loss)	124,745	89,142	360,416	340,918

OTHER INFORMATION	Sep-16	Dec-15		
Segment assets				
In-flight and other catering services	941,782	829,039		
Ground handling and aviation	395,946	328,823		
Rental and administrative services	934,738	904,626		
Charter flights and FBO	62,692	35,467		
Investment in associates	1,085,577	982,870		
Water-related projects	485,026	436,367		
Mining	41,856	44,797		
Total segment assets	3,947,617	3,561,991		
Unallocated corporate assets	245,547	476,701		
Consolidated total assets	4,193,164	4,038,691		
Segment liabilities				
In-flight and other catering services	415,349	411,824		
Ground handling and aviation	184,207	153,333		
Rental and administrative services	460,687	413,886		
Charter flights and FBO	43,350	16,817		
Water-related projects	348,552	282,843		
Mining	71,246	58,896		
Total segment liabilities	1,523,390	1,337,599		
Unallocated corporate liabilities and eliminations	(869,154)	(595,583)		
Consolidated total liabilities	654,237	742,015		
Additions to PPE - net of disposals				
	July - September	January to September		
	2016	2015	2016	
			2015	
In-flight catering services	31,219	5,417	85,114	32,858
Ground handling and aviation	3,328	3,166	21,924	5,462
Rental and administrative services	1,222	68	1,222	1,508
Charter flights and FBO	(38,464)	179	(9,422)	431
Water-related projects	1,127	3,552	23,448	5,622
Mining	-	9,699	-	9,699
Total	(1,568)	22,081	122,285	55,581
Depreciation & amortization				
In-flight catering services	7,062	5,833	20,351	15,872
Ground handling and aviation	11,157	8,035	31,640	24,339
Rental and administrative services	366	419	1,047	1,350
Charter flights and FBO	554	327	1,801	939
Water-related projects	4,032	613	8,663	1,482
Mining	1,444	2,523	4,433	4,039
Unallocated corporate depreciation and amortization	861	2,130	1,966	6,054
Total	36,570	26,325	69,902	54,075
Non cash expenses other than depreciation & amortization				
In-flight catering services	(10,940)	25,101	2,243	28,842
Ground handling and aviation services	2,788	(1,001)	12,291	6,907
	(8,152)	24,100	14,534	35,749

5. Basic/Diluted Earnings per Share

Basic/diluted earnings per share are computed as follows:

<i>(In thousand pesos except earnings per share)</i>	Sep-16	Dec-15	Sep-15
Net income attributable to equity holders of the parent	326,221	327,751	330,478
Divided by weighted average number of common shares	1,233,404	1,233,404	1,233,404
	0.2645	0.2657	0.2679

6. Equity

a. Restriction on retained earnings of the Group

The retained earnings as of September 30, 2016 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 ₱763.7 million and ₱404.4 million as of September 30, 2016 and December 31, 2015, respectively.
- Cost of treasury shares amounting to ₱49.4 million as of September 30, 2016 and December 31, 2015.
- Deferred income tax assets amounting to ₱37.8 as of September 30, 2016 and ₱34.5 million as of December 31, 2015.

b. Appropriation of retained earnings

On December 12, 2015, MACS' BOD approved the appropriation of ₱50.0 million of retained earnings for the purchase of additional catering delivery trucks in 2016 and the business expansion program in the next two years.

On December 12, 2014, the MACS' BOD approved the appropriation of its retained earnings amounting to ₱50.0 million for plant expansion in Sucat. MACS' BOD allocated this appropriation for the company's plans to operate an offsite commissary within the next two years.

On September 26, 2012, MACS' BOD approved the appropriation of MACS' retained earnings amounting to ₱50.0 million for various investments to expand business and renovation of facilities of MACS. On December 31, 2013, MACS' BOD has allotted this appropriation for the operation of an offsite commissary within the next two years.

On June 21, 2012, MASCORP's BOD approved to appropriate ₱30 million of its retained earnings for business expansion. The expansion program is expected to run for another 2 years.

On December 12, 2011 and July 15, 2011, the Parent Company's BOD approved the appropriation of the Parent Company's retained earnings amounting to ₱393.1 million and ₱300.0 million, respectively, for the mining development projects and water project, respectively. The Parent Company intends to start development activities and mining operations on 2016, after the period allotted for the extension of the exploration period, if on-going studies indicate favorable economics.

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
December 14, 2015	₱0.075	January 4, 2016	January 28, 2016
March 25, 2013	₱0.065	April 24, 2013	May 19, 2013

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.

There was no reacquisition of shares as of September 30, 2016 and December 31, 2015. In 2012, the Parent Company reacquired 6,125,000 shares for ₱17.5 million.

e. Movement in the Parent Company's outstanding shares follows:

Outstanding shares as of December 31, 2011	1,239,529,000
Acquisition of treasury shares in 2012	6,125,000
<hr/>	
Outstanding shares as of December 31, 2013, 2014, 2015 and September 30, 2016	1,233,404,000

f. 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 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 860 holders of its common equity as of September 30, 2016 and December 31, 2015.

g. Cash dividends received by non-controlling interest

On December 10, 2013, MACS' BOD approved the declaration of cash dividends amounting to ₱20.0 million or ₱16 per share payable on or before April 15, 2014.

On March 27, 2013, MACS' BOD approved the declaration of cash dividends amounting ₱20.0 million or ₱16 per share payable on or before May 15, 2013 and another ₱20.0 million or ₱16 per share payable on or December 31, 2013. These were fully paid in 2013.

Dividends attributed to non-controlling interest amounted to ₱12.0 million. Outstanding payable as of December 31, 2013 amounted to ₱4.0 million, which was paid in 2014.

h. Acquisition of non-controlling interest

- 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.

Proportionate share of equity allocated to non-controlling interests and gain on sale, net of transaction costs of ₱2.7 million, amounted to ₱10.7 million and ₱24.3 million, respectively, and are presented as part of "Other reserves" in equity account in the 2016 and 2015 consolidated balance sheet.

- 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.

Proportionate share of equity allocated to non-controlling interests and gain on sale of investment, net of transaction costs of ₱13.2 million, amounted to ₱36.4 million and ₱119.0 million, respectively, and are presented as part of "Other reserves" in equity account in the 2016 and 2015 consolidated balance sheet. Total amount of goodwill re-attributed to the non-controlling interests amounted to ₱2.8 million.

- In 2014, MAPDC paid a total of ₱10.6 million for the remaining 12.6% non-controlling interest to the previous stockholders of WBSI.

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 September 30, 2016 and December 31, 2015. Further, no changes were made in the objectives, policies or processes for the period ended December 31, 2015 and for the nine-month period ended September 30, 2016.

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:

	30-Sep-16	31-Dec-15	30-Sep-15
Capital stock	1,250,000,000	1,250,000,000	1,250,000,000
Additional paid in capital	281,437,118	281,437,118	281,437,118
Treasury shares	(49,418,660)	(49,418,660)	(49,418,660)
Retained earnings	2,036,514,615	1,710,293,529	1,840,552,174
	3,518,533,073	3,192,311,987	3,322,570,632
Net income after tax	360,415,531	341,358,497	340,918,046
Return on equity	10.24%	10.69%	10.26%

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 is 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 87% of MACS' and 61% of MASCORP's revenue for the past three years are denominated in US\$. 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\$
2016	Increase of 5%	14.2
	Decrease of 5%	(14.2)
2015	Increase of 5%	9.9
	Decrease of 5%	(9.9)
2014	Increase of 5%	9.2
	Decrease of 5%	(9.2)

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. 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 with the result that the Group's exposure to bad debts is not significant. The Group has major concentration of credit risk given that the Group's cash and cash equivalents are deposited in the local affiliated bank. Further, MASCORP's major customers include PAL and Air Phil. However, since these companies are related parties and the local affiliated bank is one of

the country's reputable banks, management believes that the Group is not exposed to any significant risk.

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 Parent Company and those of its subsidiaries. The Group does not require any collateral and other credit enhancements.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group using internal credit ratings.

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.

September 30, 2016	Neither past due nor impaired			Past due or individually impaired	Total
	High Grade	Standard Grade	Sub-standard Grade		
<i>Loans and receivable:</i>					
Cash in bank and cash equivalents*	671,341,860				671,341,860
<i>Receivables:</i>					
Trade	150,512,031	15,751,259	8,750,700	277,536,270	452,550,260
Due from officers and employees	9,510,942				9,510,942
Interest receivable	2,261,078				2,261,078
Other receivables	79,430,621				79,430,621
Non-Trade	31,225,486	3,267,783	1,815,435	4,517,128	40,825,833
Deposits	24,084,945				24,084,945
<i>AFS investments</i>					
Retail treasury and corporate bonds	65,630,600				65,630,600
	1,033,997,562	19,019,043	10,566,135	282,053,398	1,345,636,137

*Exclusive of cash on hand amounting to P1,700,417 as of September 30, 2016

December 31, 2015	Neither past due nor impaired			Past due or individually impaired	Total
	High Grade	Standard Grade	Sub-standard Grade		
<i>Loans and receivable:</i>					
Cash in bank and cash equivalents*	692,300,961	-	-	-	692,300,961
<i>Receivables:</i>					
Trade	274,656,311	28,026,879	14,385,636	201,669,825	518,738,651
Due from officers and employees	15,476,326	-	-	-	15,476,326
Interest receivable	3,028,390	-	-	-	3,028,390
Other receivables	17,244,019	-	-	5,645,280	22,889,299
Deposits	24,214,691	-	-	-	24,214,691
<i>AFS investments</i>					
Retail treasury and corporate bonds	65,630,600	-	-	-	65,630,600
	1,092,551,298	28,026,879	14,385,636.00	207,315,105	1,342,278,918

Exclusive of cash on hand amounting to 1,024,866 as of December 31, 2015

The Group's financial assets are categorized based on the Group's collection experience with affiliates and third parties.

- High Grade – settlements are obtained from counterparty following the terms of the counterparty.
- Standard Grade – some reminder follow-ups are performed to obtain settlement from the counterparty.
- Sub-standard Grade – constant reminder follow-ups are performed to collect accounts from counterparty.
- Impaired – difficult to collect with some uncertainty as to collectability of the accounts.

Overall, the Group considers its high grade and standard grade accounts of good quality and it expects to collect all receivables except for impaired accounts where credit losses may be incurred.

The aging analysis of financial assets as of September 30, 2016:

	Past Due but not Impaired					Total
	Less than 30 days	30 to 60 days	More than 60 days	Impaired		
30-Sep-16	2,624,345	62,414,496	204,473,755	12,540,802	282,053,398	
31-Dec-15	46,265,023	66,030,662	81,778,773	13,240,647	207,315,105	

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.

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.

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 September 30, 2016, 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) on Income before Income Tax September 30, 2016	Increase (decrease) on Income before Income Tax December 31, 2015
100 bp rise	₱ (0.62 million)	₱ (0.84 million)
100 bp fall	0.62 million	0.84 million
50 bp rise	(0.31 million)	(0.42 million)
50 bp fall	0.31 million	0.42 million

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, advances from related parties and short-term bank loans.

In addition, MASCORP has obtained an omnibus line of credit for ₱100.0 million (or USD equivalent) and bills purchase line for ₱20.0 million. The omnibus line of credit is available by way of short-term promissory notes with interest, while the bills purchase line is available for settlement of the Company's obligation through the bank. This line of credit is available until January 31, 2016. This was subsequently renewed on January 28, 2016 and is available until January 31, 2017. MASCORP has not drawn any amount from the line of credit.

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 September 30, 2016	< 1 year	>1-2 years	>2-3 years	>5 years	Total
Loans and receivables:					
Cash and cash equivalents	673,042,277	-	-	-	673,042,277
Receivables:					
Trade	452,550,260	-	-	-	452,550,260
Due from officers and employees	9,510,942	-	-	-	9,510,942
Interest receivable	2,261,078	-	-	-	2,261,078
Non trade	40,825,833	-	-	-	40,825,833
Other receivables	79,430,621	-	-	-	79,430,621
Deposits	-	-	-	24,084,945	24,084,945
Project advances and investment	-	-	-	-	-
AFS - debt	-	65,630,600	-	-	65,630,600
	1,257,621,010	65,630,600	-	24,084,945	1,347,336,554
Other financial liabilities:					
Accounts payable and accrued liabilities					
Accounts payable and accrued liabilities	426,889,603	-	-	-	426,889,603
Notes Payable	19,253,000	21,253,750	2,833,833	-	43,340,583
Dividends payable	8,620,761	-	-	-	8,620,761
Deposit	-	-	-	9,055,839	9,055,839
	454,763,364	21,253,750	2,833,833	9,055,839	487,906,786
Liquidity position	802,857,646	44,376,850	(2,833,833)	15,029,105	859,429,769

As of Dec. 31, 2015	< 1 year	>1-2 years	>2-3 years	>5 years	Total
Loans and receivables:					
Cash and cash equivalents	693,325,827	-	-	-	693,325,827
Receivables:					
Trade	518,738,651	-	-	-	518,738,651
Due from officers and employees	15,476,326	-	-	-	15,476,326
Interest receivable	3,028,390	-	-	-	3,028,390
Other receivables	22,889,299	-	-	-	22,889,299
Deposits*	-	-	-	48,212,858	48,212,858
Available for sale - debt	-	65,630,600	-	-	65,630,600
	1,253,458,493	65,630,600	-	48,212,858	1,367,301,951
Other financial liabilities:					
Accounts payable and accrued liabilities**	352,907,747	-	-	-	352,907,747
Notes payable***	27,998,996	18,004,998	20,050,892	-	66,054,886
Dividends payable	101,126,061	-	-	-	101,126,061
Deposit****	-	-	-	39,596,190	39,596,190
	482,032,804	18,004,998	20,050,892	39,596,190	559,684,884
Liquidity position	771,425,689	47,625,602	(20,050,892)	8,616,668	807,617,067

* Inclusive of accretion of interest of 19,859,781.

**Exclusive of nonfinancial liabilities of 35,069,039.

*** Inclusive of interest to maturity of 2,321,459.

****Inclusive of accretion of interest of 19,260,232.

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 September 30, 2016 and December 31, 2015:

As at 30 September 2016	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)
Assets measures at fair value:					
Available for sale financial investments					
Government Securities	September 30, 2016	65,630,600	65,630,600		
Golf club shares	2016	40,138,300	40,138,300		
Assets for which fair value is disclosed:					
Investment property	September 30, 2016	143,852,303			143,852,303
Deposits	2016	24,084,945			24,084,945
Liabilities for which fair value is disclosed					
Deposits	September 30, 2016	9,055,839			9,055,839

As at 31 December 2015			Fair value measurements using		
	Date of valuation	Carrying value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measures at fair value:					
Available for sale financial investments					
Government Securities	December 31, 2015	65,630,600	65,630,600		
Golf club shares		40,138,300	40,138,300		
Assets for which fair value is disclosed:					
Investment property	December 31, 2015	143,852,303			257,959,500
Deposits	December 31, 2015	16,208,078			16,208,078
Liabilities for which fair value is disclosed					
Deposits	December 31, 2015	6,342,339			6,342,339

There have been no transfers between Level 1 and 2 in 2016 and 2015.

Cash and cash equivalents, receivables, accounts payables and accrued liabilities

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

Notes payable

The carrying value of notes payable approximates its fair value due to the re-pricing feature of the interest it carries.

AFS investments

Fair value of the quoted notes and bonds is based on exit price at the reporting date.

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).