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SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Industry Classification	
Company Type	Stock Corporation

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MACROASIA CORPORATION

AND SUBSIDIARIES

(Company's Full Name)

12F PNB Allied Bank Center,

6754 Ayala Avenue, Makati City

(Business Address: No. Street City/Town/Province)

Amador T. Sendin

(Contact Person)

840-2001

(Company Telephone Number)

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Amended Articles Number/Section

Total Amount of Borrowings

838

Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

MACROASIA CORPORATION
September 30, 2018

SEC Form 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE
SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **September 30, 2018**

2. Commission Identification Number **40524** 3. BIR tax Identification No. **004-666-098-000**

4. Exact name of issuer as specified in its charter **MACROASIA CORPORATION**

5. **Philippines** 6. **(SEC Use Only)**
Province, Country or other jurisdiction of incorporation or organization Industry Classification Code

7. **12th Floor PNB Allied Bank Center, 6754 Ayala Avenue, Makati City** **1226**
Address of Issuer's Principal office Postal Code

8. **(632) 840-2001**
Issuer's telephone number including area code

9. **N/A**
Former name, former address, and former fiscal year, if changed since last report

a) Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, ₱1 par value	**1,594,565,693 Outstanding shares**

b) Are any or all of the securities listed on a Stock Exchange?

Yes [**X**] No [ ]

Name of Stock Exchange	Class
Philippine Stock Exchange	**Common Stock**

12. Indicate by check mark whether the registrant:
(a) has filed all reports required to be filed by Section 17 of the Code and RSA Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports);

Yes [✓] No [ ]

b) has been subject to such filing requirements for the past 90 days.

Yes [✓] No [ ]

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, 2018

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, 2018 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/associates.

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 twenty-seven (27) locations all over the country including NAIA, and Manila Domestic Airport (MDA) generating both local and export revenues. An integrated aviation career and resource development company is also established. A subsidiary of MAC also provides exploratory drilling services for third party clients. Another subsidiary has revenue-generating activities from water treatment for underground water sources, surface/river water, sea water and gray water, 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) associates, as fully discussed below.

MacroAsia Catering Services, Inc.

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

Capturing 63% of the in-flight catering market based on flight movement, MACS is the catering service provider to 17 full-service foreign carriers, freighters, VIP flights and General Aviation clients and 4 major airport lounges operating at the NAIA. MACS also has a contract with an airline to provide top-up meals and ground feeding in case of flight delays.

MACS is also providing food services management and meals to 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 Development Corporation.

MACS has been the recipient of several awards and commendations for outstanding service, besting other service providers from all over the world. In 2017 MACS was recognized by Qantas (QF) for its "On-time Performance, Safety and Service Delivery" and also by Japan Airlines for being part of the "2016 Best Airport Performance Award" received by the Manila Station. In March 2017, Singapore Airlines awarded MACS the SQ Merit Award for catering excellence for fiscal year 2015-2016, 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.

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

In 2018, 2017, and 2016, this subsidiary's sales contributions to MAC's consolidated gross operating revenues were 49%, 54% and 62%, respectively. MACS' airline clients include Air Niugini (PX), All Nippon Airways (NH), Cathay Pacific (CX), China Airlines (CI), China Southern (CZ), China Eastern (MU), Emirates (EK), Etihad Airways (EY), Eva Air (BR), Japan Airlines (JL), Korean Air (KE), Qantas Airways (QF), Qatar Airways (QR), Royal Brunei (BI), Saudia Airlines (SV), Singapore Airlines (SQ) and Xiamen Airlines (MF), among others. MACS is also the preferred caterer for VIP flights from NAIA. MACS delivers 5.3 million meals per annum, at an average production of about 15,000 meals a day. It services an average of 42 international flights a day, serving more than half of the foreign airlines that fly out of Manila.

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

MacroAsia Airport Services Corporation

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

On June 15, 1999 the company originally signed a joint venture agreement with Ogden Aviation Philippines B.V. to expand its international resource. Ogden Aviation Philippines B.V. was subsequently acquired by Menzies Aviation Group in 2001. By April 12, 2007, 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 Company effectively acquired the 30% minority interest of Menzies Aviation Group in ASSC. Consequently, ASSC became a direct subsidiary of MAC.

Through its marketing efforts, coupled with the capability to offer a total aviation services product (in synergy with the catering and MRO business of MAC), and price competitiveness, MASCORP entered into new ventures in 2015. It started providing cargo

services for PAL Express in Manila, apron cleaning of Lufthansa Technik Philippines' (LTP) and Philippine Airlines' (PAL) Terminal 2 ramp parking areas and ground support maintenance services for LTP in Manila, Cebu and Davao.

Aside from its current ground handling services to local and foreign clients in Manila for NAIA Terminals 1, 2, & 3, MASCORP is also operating in Cebu, Kalibo, Davao, General Santos, Clark and Tuguegarao. Last March 2017, it started its ground handling in Laoag, Basco, Puerto Prinsesa, Busuanga, Legazpi, Naga, Iloilo, Roxas, Bacolod, Tacloban, Dipolog, Cagayan De Oro, Zamboanga, Cotabato, Butuan and Surigao. MASCORP also started handling Masbate, Camiguin, Siargao and Virac last December 2017 to handle Philippine Airlines (PAL) and PAL Express (PALex) flights in the said stations.

In March 2018, MASCORP took over the ground handling services for its new Manila-based foreign clients such as, Jeju Air, Jetstar Japan and Kuwait Airways. In 11 April 2018, MASCORP provided ground handling services to Turkish Airlines.

In May 2018, MASCORP also serviced new foreign clients in other stations. In Cebu, MASCORP started servicing Jeju Air on 1 May 2018, Jin Air on 21 May 2018, Vanilla Air on 22 May 2018 and Silk Air on 25 May 2018 simultaneously in Davao Station.

MASCORP's operations is dependent upon its concession agreements with Manila International Airport Authority (MIAA) for Manila station (Terminal 1, 2 & 3), GMR Megawide Cebu Airport Corporation (GMCAC) for Cebu station, Civil Aviation Authority of the Philippines (CAAP) for Kalibo, Davao, General Santos, and Clark International Airport Corporation (CIAC) for Clark Station. Its concessions agreement with the new stations are currently being processed with CAAP.

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

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

MacroAsia Properties Development Corporation

MacroAsia Properties Development Corporation (MAPDC), another 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.

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

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

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

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

MacroAsia Air Taxi Services, Inc.

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

MAATS started commercial operations in October 1996 utilizing its Ecureuil AS350-B2, a 5-passenger rotary aircraft for its flight operations. In August 22, 2016, MAATS suffered the fortuitous unfortunate incident of losing its helicopter and crew in one flight mission hampered by unforeseen weather conditions. This tragic event halted MAATS' charter operations temporarily, and kept the revenue source as solely coming from FBO ground handling services.

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, facilitation of Customs, Immigration and Quarantine at plane side and securing all the necessary permits for a smooth and trouble-free entry and exit of MRO flights from Manila and Clark International Airport. The airport solutions provided by MAATS enhances the marketing of LTP-Manila as an attractive MRO station for foreign airlines.

MAATS income came from FBO (fixed-based operations). Today, MAATS has continued to focus on FBO services, rather than helicopter chartering.

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

MacroAsia Mining Corporation

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

MMC is now focused on providing consultancy and mining exploration services, particularly on nickel areas and projects. In 2017, MMC had an exploration and drilling contract for a project in the Dinagat Islands. The contract was intended for three months and was extended for another five months which ended in October 2017.

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

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

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 in December 2015 and LTP had the first heavy check in its second A380 hangar in January 2016. In 2016, LTP welcomed its first Asian A380 customer, the South Korean carrier flew to Manila in April and May for C1-checks on two A380s.

Furthermore, the B777 base maintenance capability build-up was completed in the latter part of 2016, and having Philippine Airlines' B777 as its first customer in the 1st quarter of 2017.

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 Busan, All Nippon Airways, Gulf Air, 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 for the current year as of September 2017, five Line Maintenance customers renewed their alliances with LTP, namely Asiana Airlines, Japan Airlines, Jin Air, Oman Air, and Royal Brunei. Moreover, Etihad Airways, KLM Royal Dutch Airlines, Ok Air, Vanilla Air and Xiamen Airlines were added to the client roster of line

maintenance. For Base Maintenance, it won contracts with AirAsia X, Asiana Airlines, Jetstar Japan, Thai AirAsia X, VietJet and British Airways. These are in addition to several long term contracts won in the 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 these client airlines. LTP 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 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 2,500 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 flights from MCIA to other regional destinations.

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

KEY PERFORMANCE INDICATORS
(in thousands except for ratios)

September 30, 2018 and 2017

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.

			2018	2017
Return on Net Sales	= Total Net Income / Total Net Revenues	=	₱ 804,293 / 2,554,638	₱ 935,908 / 2,175,924
		=	31.48%	43.01%

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 decrease in consolidated RNS is a result of lower profits in MACS and MASCORP which were both impacted by higher direct costs this year, partly due to the spiraling costs of commodities due to record inflation and supply disruptions, and to the increase in manpower and non-recurring business startup costs arising from new clients and new stations. While the revenues of both entities grew substantially by 3QYTD, the costs that were recorded in Q1 and Q2 this year were significant and could not be offset solely by 3Q results. There were also marked shortages on agricultural commodities in 3Q due to adverse weather conditions that disrupted the supply chain in Manila, resulting into higher costs of catering due to supply scarcity of a number of vegetables and fruits. On the other hand, higher labor cost has been incurred by MASCORP due to the growth in the business volume and preparation of the ground handling for the opening of the Terminal 2 in Cebu which started to generate revenue billings only by October, thus starting the phase of recovering the preparatory costs that were incurred during first three quarters.

Return on Investment (ROI)

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

			2018	2017
Return on Investment	= NI attributable to Equity holder of Parent / Total Interest-bearing Liabilities + Equity attributable to Equity holder of Parent	=	₱ 773,206 / 6,112,652	₱ 893,443 / 5,156,812
		=	12.65%	17.33%

The decrease in ROI is caused by the increase in operating expenses mainly on personnel expenses and taxes and licenses. The Group also entered into a number of loan contracts for a facility construction and equipment acquisition purposes.

Return on Equity (ROE)

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

			2018	2017
Return on Equity	=	Total Net Income / Total equity holder of parent	= ₱ 804,293 / 5,518,931	₱ 935,908 / 4,776,119
			= 14.57%	19.60%

The decrease in ROE is the effect of the lower net income amounting to ₱804.29 million and ₱935.91 million in 2018 and 2017, respectively.

Direct Cost and Operating Expense Ratio

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

			2018	2017
Direct Cost Ratio	=	Total Direct Cost / Total Net Revenues	= ₱ 1,956,230 / 2,554,638	₱ 1,557,856 / 2,175,924
			= 76.58%	71.60%

			2018	2017
Operating Expense Ratio	=	Total Operating Expenses / Total Net Revenues	= ₱ 520,829 / 2,554,638	₱ 405,748 / 2,175,924
			= 20.39%	18.65%

The Group's direct cost ratio increased due to the increase in manpower and preparatory costs used to cope with the volume growth in in-flight and other catering, and ground handling and aviation services.

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 2018. The rise in operating expenses is driven by higher personnel costs due to more business volume arising from the expanding clientele of MacroAsia Airport Services and MacroAsia Catering. 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.

Current Ratio

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

		2018	2017
Current Ratio	= Total Current Assets / Total Current Liabilities =	₱ 2,134,082 / 1,195,367	₱ 1,951,900 / 758,554
	=	1.79 : 1	2.57 : 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 (46%) of current assets being held as cash.

Debt-to-Equity Ratio

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

		2018	2017
Debt-to-Equity Ratio	= Total Interest-bearing Debts / Total Equity =	₱ 944,433 / 5,518,931	₱ 679,391 / 4,776,119
	=	0.171 : 1	0.142 : 1

The upward movement in debt-to-equity ratio is due to the new loans obtained by the Group. In May 2018, BTSI entered into long-term loans amounting to ₱100 million and short-term loan amounting to ₱25 million. In June 2018, MASCORP availed a total of ₱61.02 million short-term loans. Additional short-term loans are availed by MASCORP and BTSI with an aggregate amount of ₱91.03 million and ₱75.0 million, respectively in the 3rd quarter.

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.

		2018	2017
Interest Coverage Ratio	= Total Earnings before Interest and Taxes / Interest Expense =	₱ 898,238 / 15,976	₱ 1,023,480 / 5,312
	=	56.23 : 1	192.67 : 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 increase in the outstanding balances of the loans.

Asset-to-Equity Ratio

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

			2018	2017
Asset-to-Equity Ratio	=	Total Assets / Total Equity	= ₱ 7,406,537 / 5,518,931	₱ 6,141,006 / 4,776,119
			= 1.34 : 1	1.29 : 1

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.

MACROASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
In Pesos

	For the quarter January - March		For the quarter April - June		For the quarter July - September		For the period ended September 30		For the year ended December 31, 2017
	2018	2017	2018	2017	2018	2017	2018	2017	
NET SERVICE REVENUE									
In-flight and other catering	**408,955,462**	407,734,691	**428,886,718**	393,295,828	**425,094,432**	369,206,332	**1,262,936,612**	1,170,236,851	1,541,000,353
Ground handling and aviation	**289,756,833**	201,153,549	**352,669,403**	259,103,140	**396,246,379**	275,211,785	**1,038,672,615**	735,468,474	1,031,617,643
Rental and administrative	**49,309,646**	49,309,646	**49,309,646**	49,309,646	**49,451,766**	49,309,646	**148,071,058**	147,928,938	196,403,505
Charter flights	**-**	-	**-**	-	**-**	-	**-**	-	-
Water	**45,549,292**	29,149,438	**33,412,198**	28,219,687	**25,996,315**	40,554,906	**104,957,806**	97,924,031	142,646,814
Exploratory drilling fees	**-**	4,879,130	**-**	10,214,095	**-**	9,272,935	**-**	24,366,160	27,259,722
	793,571,234	692,226,454	**864,277,965**	740,142,396	**896,788,892**	743,555,604	**2,554,638,091**	2,175,924,455	2,938,928,037
DIRECT COSTS									
In-flight and other catering	**271,176,805**	259,676,867	**278,995,968**	252,836,493	**284,012,300**	240,616,035	**834,185,073**	753,129,394	1,006,099,235
Ground handling and aviation	**234,766,558**	147,650,726	**309,893,492**	185,888,690	**333,124,852**	234,585,485	**877,784,902**	568,124,900	807,537,737
Rental and administrative	**47,070,044**	45,503,728	**48,967,913**	45,947,056	**48,457,824**	47,243,968	**144,495,781**	138,694,752	187,622,410
Charter flights	**-**	-	**-**	-	**-**	-	**-**	-	-
Water related expenses	**30,085,050**	22,395,484	**28,182,541**	24,380,617	**30,846,644**	31,840,255	**89,114,236**	78,616,356	121,520,658
Exploratory drilling expense	**4,670,910**	5,209,920	**2,575,873**	7,234,054	**3,403,710**	6,846,141	**10,650,494**	19,290,115	27,433,991
	587,769,367	480,436,725	**668,615,787**	516,286,910	**699,845,331**	561,131,883	**1,956,230,485**	1,557,855,518	2,150,214,031
GROSS PROFIT	**205,801,866**	211,789,729	**195,662,178**	223,855,486	**196,943,561**	182,423,721	**598,407,606**	618,068,937	788,714,006
SHARE IN NET EARNINGS OF ASSOCIATES	**256,700,667**	264,283,587	**308,370,893**	312,036,671	**226,587,910**	224,290,958	**791,659,469**	800,611,216	967,943,515
	462,502,533	476,073,317	**504,033,071**	535,892,157	**423,531,471**	406,714,679	**1,390,067,075**	1,418,680,153	1,756,657,521
OPERATING EXPENSES	**(214,066,055)**	(160,078,825)	**(163,637,175)**	(123,581,916)	**(143,125,669)**	(122,087,332)	**(520,828,899)**	(405,748,073)	(595,361,997)
INTEREST INCOME	**994,919**	799,461	**1,428,868**	680,056	**2,261,832**	2,423,169	**4,685,618**	3,902,686	8,482,346
FINANCING CHARGES	**(3,476,684)**	(1,664,555)	**(4,816,957)**	(1,669,132)	**(7,681,882)**	(1,978,367)	**(15,975,523)**	(5,312,055)	(9,387,889)
OTHER INCOME - net	**15,177,843**	11,554,020	**4,805,245**	56,753	**9,016,934**	(1,062,585)	**29,000,023**	10,548,189	25,137,683
INCOME BEFORE INCOME TAX	**261,132,556**	326,683,418	**341,813,051**	411,377,917	**284,002,686**	284,009,564	**886,948,293**	1,022,070,899	1,185,527,664
PROVISION FOR INCOME TAX	**27,831,757**	26,075,404	**23,800,571**	39,139,516	**31,023,306**	20,947,623	**82,655,634**	86,162,543	120,009,605
NET INCOME	**233,300,799**	300,608,015	**318,012,480**	372,238,401	**252,979,380**	263,061,940	**804,292,659**	935,908,356	1,065,518,059
Attributable to:									
Equity holders of the Company	**220,657,794**	278,215,556	**304,391,166**	363,138,494	**248,156,558**	252,089,328	**773,205,519**	893,443,378	1,021,736,758
Non-controlling interests	**12,643,005**	22,392,459	**13,621,314**	9,099,907	**4,822,821**	10,972,612	**31,087,140**	42,464,978	43,781,301
	233,300,800	300,608,015	**318,012,480**	372,238,401	**252,979,379**	263,061,940	**804,292,659**	935,908,356	1,065,518,059
Basic/Diluted Earnings Per Share	**0.18**	0.23	**0.25**	0.29	**0.16**	0.21	**0.48**	0.73	**0.83**

RESULTS OF OPERATION

The Group recorded consolidated revenues of ₱896.8 million for the third quarter of 2018, a 21% increase over the ₱743.6 million consolidated revenues for the third quarter of 2017. While the third quarter is traditionally a lean period for aviation services, the third quarter revenue performance in 2018 is 4% better than the second quarter revenue performance of ₱864.3 million, reflecting the effect of business volume expansion in catering and ground handling arising from new clients and the continuing improvement of passenger traffic in the country. This positive trend of increasing revenues per quarter will likely continue towards the fourth quarter.

Notwithstanding the substantial revenue growth of 21% in the third quarter of 2018, the consolidated income after tax of ₱253.0 million for this quarter is 4% lower, compared to the ₱263.1 million consolidated net income after tax for the third quarter of 2017. The direct costs for catering and ground handling has grown faster this year, due to various cost pressures that are deemed temporary, non-recurring or one-time in nature as part of client servicing startup. Direct costs were recorded at ₱699.9 million this third quarter, compared to ₱561.1 million in the third quarter of 2017, an increase of 25%. MASC has been preparing for the ground handling services in Cebu Terminal 2, where revenues were started to be booked only in October 2018. Catering on the other hand was hit by food supply and price issues that were peculiar to the nation in the last few months, peaking in September and October this year. Operating expenses in the third quarter this year is at ₱143.1 million, compared to ₱122.1 million last year. Share in the net income of associates is at ₱226.6 million, slightly better than last year's ₱224.2 million.

The Q3 2018 net income shows a decrease of ₱10.08 million (-4%) compared to Q3 2017 net income of ₱263.06 million. The key drivers for the decrease was due to the increased costs in relation to the higher raw material costs for catering and the startup costs connected to the ground handling unit's expansion. Additionally, the group's tax rate increased due to the bigger contribution of catering and ground handling units.

Among the subsidiaries, MAPDC remains burdened still with its absorption of rental expenses for the Cebu properties that were leased from MCIAA for development as new aviation services area. Currently, there are no matching revenues to offset these expenses. As of the moment, two hectares of these leased areas are being planned for aircraft parking to supplement the area being used for MRO purposes. Five hectares of the leased area were also granted ecozone status by the Office of the President at the close of the third quarter this year. This ecozone grant in Mactan, Cebu is a major development that will operationally benefit LTP and MASC as they have earmarked facilities for business expansion in the area.

The YTD net income reached ₱804.3 million, 14% down compared to the same period last year. Of this, ₱233.3 million was recorded in the first quarter (Q1), ₱318.01 million in the second quarter (Q2) and ₱252.98 million in the third quarter (Q3). Q1 and Q2 revenues were lower than last year due to the higher costs this year, aside from the fact that last year's net income included reversal of accounting provisions in an affiliate that benefited the bottom-line results.

Revenues from in-flight catering contributed about 49% of the Group's total revenue. The said business segment's revenues for the first nine months of 2018 increased to ₱1,262.94 million, an increase of ₱92.70million (+8%) from last year's ₱1,170.24 million. This is mainly brought about by the increased volume of meals sold. Inflight meals for the first three quarters of the year increased by 11% to 4.40 million meals served from just 3.95 million meals served last year. Meanwhile, ground handling and aviation services' revenues contributed 41% to the Group's total revenue. The unit's topline grew by 41%, breaching the one billion peso mark and ending at ₱1,038.67 million from ₱735.47 million during the same period last year. The growth is due to increasing passenger and ramp services for the domestic and international flights from PAL and PAL Express. Combined, both carriers' flights grew by a total of 10,002 flights (+15%), to 78,683 from 68,681 last year. Revenues from water operations contributed 4% of the total revenues and increased by ₱7.03 million (+7%) for the first nine months, to ₱104.96 million from ₱97.92 million during the same period last year. The growth is brought about by the acquisition of NAWASCOR, an operating water utility company in Naic, Cavite last August 2017 which contributed ₱18.96 million, as well as the customer growth in Solano Water. The growth in water revenues for the Group was tempered however, by the decline in revenue contribution from BTSI as a result of the temporary closure of Boracay. Nevertheless, BTSI is expected to recover next quarter following the opening of Boracay during the early part of the fourth quarter.

Rental and administrative revenues remained flat as lease rental is being accounted for on a straight-line basis over the lease term, in compliance with Philippine Accounting Standards (PAS) 17. No revenues were derived from chartered flights in 2018 and 2017 since the operations of the helicopter was halted in August 2016. Currently, MAATS is generating income only from fixed-based operations (FBO) services.

Total direct costs for the nine month period amounted to ₱1.96 billion, posting an increase of ₱398.37 million or 26% from the same period in 2017. The increase in the current period is due to the higher labor costs of our ground-handling and catering subsidiary, driven largely by increases in manpower count due to the growth in business volume and preparation of the ground handling company for the opening of the Terminal 2 in Cebu and taking over of some clients of a ground handling company which closed last April. Wage increases also impacted on the labor costs. Consolidated operating expenses increased by ₱115.08 million from last year's ₱405.75 million due to higher admin costs, productivity-based incentives for employees of the Group, start-up costs of the water related subsidiaries, and higher taxes caused by the new tax reform law.

The interest income of ₱4.69 million pertains to income earned from short-term investments. Financing charges increased from ₱5.31 million in 2017 to ₱15.98 million, aligned with the increase in notes payable of the Group.

Share in net income/loss of associates amounting to ₱791.66 million, which declined by 1% or ₱8.95 million, represents MAC's share in the net operating result of its associated companies (LTP and CPCS). Changes in equity shares from period to period are dependent upon the results of operations of the two associated companies. For the period ended September 30, 2018, our MRO business registered profits of ₱1.53 billion from which the Group's share is 49% or ₱752.14 million. In 2017, MAC's share in LTP's income is ₱768.19 million, out of ₱1.57 billion. CPCS – the Group's catering associate in Cebu, reflected a 22%

increase in its net earnings. MAC booked its 40% net income share in CPCS at ₱39.52 million, compared to last year's ₱32.42 million in the same period.

Other income and charges increased by ₱18.45 million (+175%) against the ₱10.55 million in 2017 mainly due to foreign exchange gains. The Group also posted provisions for income tax in the amount of ₱82.66 million in 2018, 4% lower as compared to 2017's ₱86.16 million.

Management remains confident about the Group's future and its ability to grow profits. LTP stands to benefit from a robust growth in its line maintenance business, as the planes for servicing from its core client which stood at 61 aircrafts at the end of last year, has currently grown to 79 aircrafts as of the quarter ended. LTP has started to provide line maintenance for PALex starting July 2018. Continuous growth shall also be driven by new business opportunities in the catering and ground handling business units that will include passenger lounge servicing and expansion in other secondary airports outside our current locations. MacroAsia Airport Services stands to benefit from its being one of 3 ground handlers that were given concessions to operate in the new Terminal 2 in Mactan, Cebu, which became operational. The new commissary of MSFI, a subsidiary of MACS is set to start commercial operations by end of 4th quarter 2018.

FINANCIAL POSITION (Year-to-Date September)

At the consolidated level as of September 30, 2018, our total assets stood at ₱7.41 billion, posting a ₱926.20 million increase (+14%) from last year-end's level of ₱6.48 billion. Cash and cash equivalents of ₱961.21 million increased by ₱48.02 million or 5%, which is caused by the dividends received from LTP. The Group sees no liquidity issues in 2018, as the cash balances of the operating subsidiaries continue to increase from robust operating cash inflows. The operations of the investments in SNV, BTSI and NAWASCOR will also help the cash inflows for 2018.

Receivables grew by ₱219.25 million or 31% due to trade and non-trade related additions in our current operations. These are expected to be collected within the year. Inventories of ₱57.51 million were maintained, in line with forecasted inventory level requirements. Other current assets of ₱198.28 million represents input taxes, creditable withholding and prepaid taxes and unamortized prepayments for insurance covers, rent, utilities and unconsumed supplies as of September 30, 2018.

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 3% or ₱60.09 million in this investment account, from ₱2.06 billion in 2017 year-end to ₱2.13 billion as of September 30, 2018.

The group's property and equipment of ₱1.67 billion increased by ₱527.47 million from last year's ₱1.15 billion due to new acquisitions made by our catering, ground handling and pre-operating companies. A new catering commissary under MSFI, a subsidiary of MACS, is

currently under completion, targeted for commercial opening by 4Q 2018. Deferred mine exploration costs of ₱20.42 million remained the same. Investment property of ₱149.97 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 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 investments amounting to ₱45.16 million represents investment in golf club shares held by the Parent Company. In the second quarter of 2018, the Parent Company sold its government bonds with carrying value of ₱65.25 million.

The carrying amount of deferred income tax assets is ₱23.01 million as of September 30, 2018. The DTA mostly came from the allowances on probable losses and doubtful accounts. Deposits and other noncurrent assets pertains to the down payment made to suppliers for contracted project which are pending completion and other ordered goods did not change significantly. Other non-current assets account also include deferred project costs, rental and refundable deposits, advances to contractors, restricted investment, prepaid rental and retirement assets. The goodwill recognized by the Group amounting to ₱153.20 million resulted from the Company's acquisition of a non-controlling interest (13%) from a previous stockholder of MACS in 2006 and the purchase by MAPDC of 67% of BTSI in 2016 and MAPDC's acquisition of 100% of NAWASCOR in 2017. Service concession right amounting to ₱304.62 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 ₱13.09 million or (+2%) as of September 30, 2018. Notes payable of ₱944.43 million refers to the loan availed from a local banks by several companies under the Group. MASCORP our ground-handling subsidiary, has an outstanding loan of ₱94 million used to finance its various asset acquisitions. Loan obtained by the Parent Company in December 2016 with outstanding amount of ₱100 million related to the acquisition of BTSI, additional loans drawn by MSFI amounting to ₱125 million in April and ₱275 million in July. In May 2018, BTSI entered into long-term loans amounting to ₱100 million and short-term loan amounting to ₱25 million. In June 2018, MASCORP availed a total of ₱61.02 million short-term loans. Additional short-term loans are availed by MASCORP and BTSI with an aggregate amount of ₱91.03 million and ₱75.0 million, respectively in the 3rd quarter.

Accrued retirement benefits payable has a positive balance ₱1.17 million due to funding made by MACS for its retirement obligation and the other long term employee benefits amounting to ₱3.39 million is accounted for based on the latest actuarial valuation of the Group. Deferred tax liabilities of ₱106.17 million remained at the same level as prior year's ending balance. Dividends payable of ₱8.86 million shows the remaining outstanding checks payable by the Parent Company for the cash dividends declared to MAC shareholders.

The Group's other reserves pertain to MAC's gain on the sale of 13% of MACS shares of stock to SATS and the sale of 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 pertain to Available For Sale (AFS) investments reserve amounting to ₱19.12 million, the Parent Company's share in foreign currency translation adjustments of LTP in the amount of ₱36.23 million which changes in accordance with US$ exchange rate fluctuations during the period covered, 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 BTSI and WBSI, subsidiaries of MAPDC with JV partners. This account reflects the 33% equity share of SATS (JV Partner of MAC) in the catering JV, 33% share of minority shareholders in BTSI and 49% share of MWIC in WBSI. It also includes the 49% share of PTC Holdings Corporation in FAA. As of September 30, 2018, non-controlling interests amounted to ₱350.71 million.

On July 20, 2018, the Group declared 30% stock dividends to shareholders as of record date of August 17, 2018, and such was paid on September 12, 2018. Thus, 368,146,293 shares were listed and issued to shareholders during the third quarter.

MacroAsia Corporation's Mining Project

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

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

The operation of the Mining Project has been endorsed by three beneficiary barangays, including the indigenous people in the area. In 2010, the Parent company has received the Environmental Compliance Certificate (ECC) for operations and is now presently in the process of renewing the ECC under a revised Environmental Impact Assessment (EIA) Report, as this ECC lapsed in 2015. The Certificate of Pre-condition (CP) is yet to be released by the National Commission of the Indigenous People (NCIP) due to ongoing legal issues. The permit under the Special Environmental Plan (SEP) of the Palawan Council for Sustainable Development (PCSD) is adjunct to the CP under NCIP and that of the ECC under the Special Environmental Bureau (EMB).

To date several companies have signed non-disclosure agreements (NDA) with MAC to evaluate the resource of Infanta Nickel Project and submit their proposal for the operation of the mining property. Pending the completion of the permitting process that will enable the project to progress into mine operation, maintenance works in the mineral property are being undertaken since 2012. The second extension of the exploration period of the MPSA 220-2005-IVB was approved by the Mines and Geosciences Bureau (MGB) of the Department of Environment and Natural Resources (DENR) on December 5, 2012. The extended exploration period allowed MacroAsia Corporation to gather more exploration data to fine-tune the feasibility study for operations and eventual metallurgical testing of the nickel laterite ore. Additional exploration drilling was conducted in the priority mining area on the 3rd quarter of 2013 in accordance to the approved Exploration Work Program but the work program was disrupted by the local NGO and LGU of Brooke's Point, Palawan and is currently under legal dispute. After consultation with the MGB, an application for the third extension of the exploration permit of MPSA 220-2005- IVB was filed on 20 March 2015. On December 15, 2016, MGB Region 4B approved the Order of Survey of MPSA 220-2005-IVB of the Infanta Nickel Project. The document serves as an assurance of the tenements being excised from the area limits of Mount Mantalingahan Protected Landscape (MMPL).

On February 13, 2017, MGB issued a certification confirming the validity of the MPSAs of the Company. However, on February 14, 2017, the Secretary of the Department of Environment and Natural Resources (DENR) announced the cancellation of 75 MPSAs (including MAC's) allegedly located at/in watersheds all over the country. On February 17, 2017, the Company received a "show cause" notice from the DENR requesting the Company to provide reasons why the MPSAs should not be cancelled. On February 21, 2017, the Company responded to DENR stating that MAC's MPSAs are not located on declared watersheds. As of date, the Company has not received any notice from the DENR or MGB for the cancellation of the MPSAs.

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 506-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 molybdenum–silver mineralization. Several copper and gold mining companies have shown interest in the area.

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 Northern Leyte, two exploration permit applications are being maintained by MacroAsia Mining Corporation and both are adjacent to the geothermal reservation of Tongonan: the Carigara property denominated as EXPA 0091-VIII-2007 covers 7,771.8 hectares which is situated immediately north of the Tongonan Geothermal Field and the Baybay property is at

the southern extreme of the geothermal reservation denominated as EXPA 0092-VIII-2007 and covers an area of 7,488.5 hectares.

NUMBER OF STOCKHOLDERS

The number of stockholders as of September 30, 2018 and December 31, 2017 are 838 and 840, 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. Other than the proposed TRAIN Package 2 bill, 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. Management is closely monitoring the proposed TRAIN Package 2 bill that is still pending in Congress, as its passage may impact on the tax benefits accorded to PEZA locators like LTP. The other companies will also benefit from lower corporate taxes under the proposed bill.

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, water projects in Cavite, and water project expansion in Boracay Island, 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 other than the share buyback transactions which occurred on the later part of the month of September 2018.

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 8, 2018, and is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on November 12, 2018.

MACROASIA CORPORATION
Registrant

By:

JOSEPH T. CHUA
President

AMADOR T. SENDIN
Chief Financial Officer

Annex 1

MACROASIA CORPORATION AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements

September 30, 2018 and 2017 (Unaudited)

and

December 31, 2017 (Audited)

GENERAL INFORMATION

Directors (as of September 30, 2018)

Lucio C. Tan	(Chairman and CEO)
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)
Samuel C. Uy	(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

	Unaudited September 30, 2018	Audited December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	**961,208,775**	913,191,924
Receivables	**917,077,287**	697,822,309
Inventories	**57,513,428**	79,120,917
Input taxes and other current assets	**198,282,645**	136,891,276
Total Current Assets	**2,134,082,136**	1,827,026,426
Noncurrent Assets		
Available-for-sale (AFS) investments	**45,155,800**	110,401,798
Investments in associates	**2,125,275,557**	2,065,182,361
Property, plant and equipment	**1,672,574,735**	1,145,108,621
Investment property	**149,972,488**	143,852,303
Service concession right	**304,623,083**	331,588,190
Accrued rental receivable	**111,567,793**	111,567,793
Deferred income tax assets	**23,014,910**	18,868,548
Goodwill and intangible assets	**301,385,054**	292,229,219
Other noncurrent assets	**538,885,364**	434,508,045
Total Noncurrent Assets	**5,272,454,785**	4,653,306,878
TOTAL ASSETS	**7,406,536,920**	6,480,333,304
LIABILITIES AND EQUITY		
Current Liabilities		
Current loans payable	**513,650,976**	642,335,068
Accounts payable and accrued liabilities	**656,835,371**	643,748,921
Income tax payable	**16,022,005**	8,172,218
Dividends payable	**8,859,024**	180,660,640
Total Current Liabilities	**1,195,367,376**	1,474,916,847
Noncurrent Liabilities		
Loans payable- net of current portion	**430,782,441**	77,975,743
Accrued rental payables	**130,293,678**	131,600,956
Accrued retirement and other employee benefits payable	**2,225,531**	28,974,452
Deferred income tax liabilities	**106,174,191**	103,518,910
Other noncurrent liabilities	**22,762,278**	30,569,946
Total Noncurrent Liabilities	**692,238,119**	372,640,007
Total Liabilities	**1,887,605,495**	1,847,556,854

	Unaudited September 30, 2018	Audited December 31, 2017
Equity attributable to equity holders of the Company		
Capital stock - 1 par value:	**1,618,146,293**	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	**(4,778,447)**	(98,421,397)
Retained earnings:	**-**	
Appropriated	**1,088,100,000**	1,038,100,000
Unappropriated	**2,167,470,406**	1,812,411,180
Treasury shares at cost:		
23,580,600 shares	**(125,456,934)**	-
22,845,600 shares	**-**	(113,676,300)
	5,168,218,113	4,313,150,278
Non-controlling interests	**350,713,312**	319,626,172
Total Equity	**5,518,931,425**	4,632,776,450
TOTAL LIABILITIES AND EQUITY	**7,406,536,920**	6,480,333,304

MACROASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
For the period ended September 30

	JULY - SEPTEMBER		JANUARY - SEPTEMBER	
	2018 Unaudited	2017 Unaudited	2018 Unaudited	2017 Unaudited
NET SERVICE REVENUE				
In-flight and other catering	**425,094,432**	369,206,332	**1,262,936,612**	1,170,236,851
Ground handling and aviation	**396,246,379**	275,211,785	**1,038,672,615**	735,468,474
Rental and administrative	**49,451,766**	49,309,646	**148,071,058**	147,928,938
Charter flights	**-**	-	**-**	-
Water	**25,996,315**	40,554,906	**104,957,806**	97,924,031
Exploratory drilling fees	**-**	9,272,935	**-**	24,366,160
	896,788,892	743,555,604	**2,554,638,091**	2,175,924,455
DIRECT COSTS				
In-flight and other catering	**284,012,300**	240,616,035	**834,185,073**	753,129,394
Ground handling and aviation	**333,124,852**	234,585,485	**877,784,902**	568,124,900
Rental and administrative	**48,457,824**	47,243,968	**144,495,781**	138,694,752
Charter flights	**-**	-	**-**	-
Water related expenses	**30,846,644**	31,840,255	**89,114,236**	78,616,356
Exploratory drilling expense	**3,403,710**	6,846,141	**10,650,494**	19,290,115
	699,845,331	561,131,883	**1,956,230,485**	1,557,855,518
GROSS PROFIT	**196,943,561**	182,423,721	**598,407,606**	618,068,937
SHARE IN NET EARNINGS OF ASSOCIATES	**226,587,910**	224,290,958	**791,659,469**	800,611,216
	423,531,471	406,714,679	**1,390,067,075**	1,418,680,153
OPERATING EXPENSES	**(143,125,669)**	(122,087,332)	**(520,828,899)**	(405,748,073)
INTEREST INCOME	**2,261,832**	2,423,169	**4,685,618**	3,902,686
FINANCING CHARGES	**(7,681,882)**	(1,978,367)	**(15,975,523)**	(5,312,055)
OTHER INCOME - net	**9,016,934**	(1,062,585)	**29,000,023**	10,548,189
INCOME BEFORE INCOME TAX	**284,002,686**	284,009,564	**886,948,293**	1,022,070,899
PROVISION FOR INCOME TAX	**31,021,508**	20,947,623	**82,655,634**	86,162,543
NET INCOME	**252,981,178**	263,061,940	**804,292,659**	935,908,356
Attributable to:				
Equity holders of the Company	**248,156,558**	252,089,328	**773,205,519**	893,443,378
Non-controlling interests	**4,822,821**	10,972,612	**31,087,140**	42,464,978
	252,979,379	263,061,940	**804,292,659**	935,908,356
Basic/Diluted Earnings Per Share	**0.16**	0.21	**0.48**	0.73

MACROASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the period ended September 30, 2018

	JULY - SEPTEMBER		JANUARY - SEPTEMBER	
	2018 Unaudited	2017 Unaudited	2018 Unaudited	2017 Unaudited
NET INCOME (LOSS)	₱ **252,979,379**	₱ 263,061,940	₱ **804,292,659**	₱ 935,908,356
OTHER COMPREHENSIVE INCOME (LOSS) - Net				
AFS Investment Reserve - reclassified to profit or loss	**-**	-	**4,754,002**	-
Net foreign currency translation adjustments	**28,513,363**	28,708,350	**88,888,948**	83,092,372
Total Comprehensive Income (Loss)	**281,492,742**	291,770,290	**897,935,609**	1,019,000,728
Attributable to:				
Equity holders of the parent	₱ **276,669,921**	₱ 280,797,678	₱ **866,848,469**	₱ 976,535,750
Non-controlling interests	**4,822,821**	10,972,612	**31,087,140**	42,464,978
	₱ **281,492,742**	₱ 291,770,290	₱ **897,935,609**	₱ 1,019,000,728

MACROASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the period ended September 30	
	2018 Unaudited	2017 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	886,948,293	1,022,070,899
Adjustments for:		
Equity in net income of associates	(791,659,469)	(800,611,216)
Depreciation and amortization	122,581,485	102,002,720
Interest income	(4,685,618)	(3,902,686)
Realized loss on disposal of AFS	6,846,940	-
Unrealized foreign exchange (gain) loss - net	(10,282,435)	(3,004,280)
Provision for losses	-	-
Movements in accrued retirement benefits payable	1,567,258	6,900,726
Financing charges	15,975,523	5,312,055
Operating income before working capital changes	227,291,978	328,768,218
Decrease (increase) in:		
Receivables	(130,366,030)	(165,833,698)
Inventories	21,607,489	(5,801,510)
Other current and non-current assets	(61,391,369)	(32,414,194)
Increase (decrease) in:		
Notes payable-current	-	103,015,305
Accounts payable and accrued liabilities	13,086,450	64,091,722
Accrued rental payables	(1,307,278)	-
Other noncurrent liabilities	(7,807,668)	-
Cash generated from operations	61,113,571	291,825,843
Interest received	4,685,618	2,141,685
Financing charges paid	(15,975,523)	(1,664,555)
Contributions to retirement fund	(28,316,179)	(6,900,726)
Income taxes paid , including creditable witholding taxes	(76,296,928)	(94,838,024)
Net cash from (used in) operating activities	(54,789,442)	190,564,224
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	-	-
Acquisitions of property and equipment	(623,082,492)	(154,669,851)
Acquisitions of intangible assets	(9,155,835)	-
Acquisitions of investment property	(6,120,185)	(6,120,185)
Investment in subsidiary	-	(130,766,600)
Proceeds from sale of investment in stocks	-	-
Dividends received	765,282,000	368,676,000
Proceeds from disposal of AFS debt securities	63,153,060	-
Increase in refundable deposits and other noncurrent assets	(104,377,319)	(167,778,145)
Net cash from (used in) investing activities	85,699,229	(90,658,780)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(171,801,616)	(98,672,320)
Proceeds from availment of notes payable	246,020,000	502,957,500
Payments of notes payable	(21,897,394)	(12,785,277)
Acquisition of treasury shares	(11,780,634)	(63,126,847)
Net cash from financing activities	40,540,356	328,373,056
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(23,433,292)	19,658,176
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	48,016,851	447,936,675
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	913,191,924	559,691,049
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	961,208,775	1,007,627,724

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

		Attributable to the Equity Holders of the Parent													
										Retained Earnings					
		Capital Stock	Additional Paid-in Capital	Share in Foreign Currency Translation Adjusment 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	Non-controlling Interest		Total
BALANCES AT DECEMBER 31, 2016	₱	**1,250,000**	**281,437**	**(52,042)**	**28,932**	**(50,827)**	**143,300**	**12,054**	**(49,419)**	**983,100**	**1,017,476**	**3,564,012**	**256,233**	₱	**3,820,245**
Total comprehensive income (loss)		-	-	83,092	-	-	-	-	(63,127)	-	893,443	913,409	42,465		955,874
BALANCES AT SEPTEMBER 30, 2017	₱	**1,250,000**	**281,437**	**31,050**	**28,932**	**(50,827)**	**143,300**	**12,054**	**(112,546)**	**983,100**	**1,910,919**	**4,477,421**	**298,698**	₱	**4,776,119**
BALANCES AT DECEMBER 31, 2017	₱	**1,250,000**	**281,437**	**(52,663)**	**30,968**	**(91,092)**	**143,300**	**14,366**	**(113,676)**	**1,038,100**	**1,812,411**	**4,313,150**	**319,626**	₱	**4,632,776**
Additional appropriation of retained earnings		-	-	-	-	-	-	-	-	50,000	(50,000)	-	-		-
Declaration of stock dividends		368,146	-	-	-	-	-	-	-	-	-	368,146	-		368,146
Total comprehensive income (loss)		-	-	88,889	-	-	-	4,754	-	-	405,059	498,702	31,087		529,789
Acquisition of treasury shares		-	-	-	-	-	-		(11,781)	-	-	(11,781)	-		(11,781)
BALANCES AT SEPTEMBER 30, 2018	₱	**1,618,146**	**281,437**	**36,226**	**30,968**	**(91,092)**	**143,300**	**19,120**	**(125,457)**	**1,088,100**	**2,167,470**	**4,811,852**	**350,713**	₱	**5,518,931**

SUMMARIZED INCOME STATEMENT INFORMATION FOR UNCONSOLIDATED SUBSIDIARY

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

	January to September	
	2018 Unaudited	2017 Unaudited
REVENUE	₱ 10,480,515,500	₱ 10,268,042,323
LESS: COST OF SALES	4,827,210,597	4,537,340,672
GROSS PROFIT	5,653,304,903	5,730,701,651
LESS: OPERATING EXPENSES	3,852,005,349	4,304,726,222
INCOME FROM OPERATIONS	1,801,299,554	1,425,975,429
LESS/ (ADD): OTHER CHARGES/(INCOME)	149,961,731	(250,624,988)
INCOME BEFORE INCOME TAX	1,651,337,823	1,676,600,417
LESS: PROVISION FOR INCOME TAX	116,364,525	108,853,329
NET INCOME	₱ 1,534,973,298	₱ 1,567,747,088
EQUITY SHARE IN NET INCOME (49%)	₱ 752,136,916	₱ 768,196,073

SUMMARIZED INCOME STATEMENT INFORMATION FOR UNCONSOLIDATED SUBSIDIARY

CEBU PACIFIC CATERING SERVICES
SUMMARIZED STATEMENTS OF INCOME
in PHP

		January to September		
		2018 Unaudited		2017 Unaudited
REVENUE	₱	**267,495,348**	₱	236,405,876
LESS: COST OF SALES		**152,571,355**		140,134,375
GROSS PROFIT		**114,923,993**		96,271,501
LESS: OPERATING EXPENSES		**11,939,007**		10,926,544
INCOME FROM OPERATIONS		**102,984,987**		85,344,957
LESS/ (ADD): OTHER CHARGES/(INCOME)		**(1,743,596)**		(652,103)
INCOME BEFORE INCOME TAX		**104,728,583**		85,997,060
LESS: PROVISION FOR INCOME TAX		**5,922,200**		4,959,204
NET INCOME	₱	**98,806,383**	₱	81,037,856
EQUITY SHARE IN NET INCOME (40%)	₱	**39,522,553**	₱	32,415,142

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 27 airport locations in the Philippines. It provides in-flight catering services, ground handling services for passenger and cargo aircraft, and helicopter charter flight services. It also operates/develops the sole economic zone within the NAIA.

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

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

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 31, 2018 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, 2017.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years, except for the adoption of the following amendments to existing standards effective beginning January 1, 2018. 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 PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*.The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4.* The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated

on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 9, *Financial Instruments.* PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  Based on assessment, the requirements of PFRS 15 have no material impact on the Group's financial position, performance and disclosures. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information becoming available to the Group when it has finalized its best estimate of expected credit loss.

- PFRS 15, *Revenue from Contracts with Customers.* PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 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 PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group has adopted the new standard on the required effective date using the modified retrospective method.

  Based on assessment, the requirements of PFRS 15 have no material impact on the Group's financial position, performance and disclosures.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle). The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that

investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property.* The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration.* The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

New Accounting Standards, Amendments to
Existing Standards and Interpretations Effective Subsequent to December 31, 2018

The standards, amendments and interpretation which have been issued but not yet effective as at December 31, 2018 are disclosed below. The Group intends to adopt these standards, amendments and interpretation, if applicable, when they become effective. Unless otherwise stated, adoption of these standards, amendments and interpretation are not expected to have any impact on the consolidated financial statements.

Effective in 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation.* The amendments allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The Group is currently assessing the impact of adopting these amendments.

- PFRS 16, *Leases.* PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures.* The amendments clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An

entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- Philippine Interpretation IFRIC-23*, Uncertainty over Income Tax Treatments.* The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

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

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company, its direct subsidiaries, the subsidiaries of MAPDC, MACS and Boracay Tubi Systems Inc. (BTSI) and the subsidiary of Watergy Business Solutions, Inc. (WBSI), which were all incorporated in the Philippines and are registered with the Philippine Securities and Exchange Commission (SEC) as of September 30, 2018 (unaudited) and December 31, 2017 (audited).

		Percentage of Ownership by MAC				Percentage of Direct Ownership by MAPDC/MACS/ WBSI/BTSI	
		2018		2017			
	Nature of business	**Direct**	**Indirect[2]**	Direct	Indirect[2]	**2018**	2017
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**	**–**	67	–	**–**	–
MacroAsia SATS Food Industries (MSFI)	Meal production and food processing	**–**	**67[a]**	–	67[a]	**67**	67
MacroAsia SATS Inflight Services Corporation (MSISC) [3]	Meal production and food processing	**–**	**67[a]**	–	67[a]	**67**	67
BTSI	Water treatment and distribution	–	**67[4], [b]**	–	67[4], [b]	**67[4]**	67[4]
MONAD Water and Sewerage Systems, Inc. (MONAD)	Water sewerage treatment	–	**53.6[4], [c]**	–	53.6[4], [c]	**80[4]**	80[4]
New Earth Water System, Inc. (NEWS)	Water projects	–	**100[4], [c]**	–	100[4], [c]	**100[4]**	100[4]
SNV Resources Development Corporation (SNVRDC)	Water treatment and distribution	**–**	**100[b]**	–	100[b]	**100**	100
Naic Water Supply Corporation (NAWASCOR)	Water distribution	–	**100[5], [b]**	–	100[5], [b]	**100**	100
Mabini Pangasinan Resources Development Corporation (MPRDC)[3]	Water projects	**–**	**100[b]**	–	100[b]	**100**	100
Panay Water Business Resources, Inc. (PWBRI)	Water projects	**–**	**90[b]**	–	90[b]	**90**	90
WBSI	Water projects	**–**	**51[b]**	–	51 [b]	**51**	51
Cavite Business Resources Inc. (CBRI)	Water projects	**–**	**51[d]**	–	51 [d]	**51**	51
First Aviation Academy, Inc. [6]	Aviation school	**51**	**–**	51	–	**–**	–

[1] *Ceased commercial operations effective May 1, 2001*
[2] *Effective ownership interest through MACS[a], MAPDC[b], BTSI[c] and WBSI[d]*
[3] *No commercial operations as of December 31, 2017*
[4] *Effective ownership starting December 2, 2016*
[5] *Effective ownership starting August 1, 2017*
[6] *Incorporated on December 5, 2017 and has no commercial operations as of December 31, 2017*

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 financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

Non-controlling Interests

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognized in equity of the Company in transactions where the non-controlling interests are acquired or sold without loss of

control. This is recognized in the Company's "other reserves". If the Group loses control over a subsidiary, it: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any non-controlling interests; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of the consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; (g) reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The 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.

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 consolidated financial statements.

Determination of the Group's functional currency

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

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

Assessment of control or significant influence over the investee

The Group makes an assessment whether or not it controls an investee by considering all relevant facts and circumstances that indicate that the Group is exposed, or has rights, to variable returns from their involvement with the investee and has the ability to affect those

returns through its power over the investee. A reassessment is made if circumstances indicate that there are changes in these control elements.

The Group has significant influence over an investee if it only has the power to participate in the financial and operating policy decisions, but not control or jointly control over the investee. As of September 30, 2018 and December 31, 2017, the Group still determined that it controls its subsidiaries and has significant influence over its associates.

Impairment of provisional goodwill
Goodwill acquired from the acquisition of NAWASCOR is based on provisional values and therefore the amount of goodwill has yet to be allocated to the cash-generating unit. Impairment testing will commence on the period the initial accounting will be finalized which should not be more than 12 months from date of acquisition. The provisional values were based on the carrying values of the current assets and liabilities and appraised values of waterworks system and property and equipment as of August 1, 2017, which is five month to the reporting date. Also, management did not note any indicators that would change the values during the intervening period. As allowed by PAS 36, Impairment of Assets, management no longer tested the impairment of provisional goodwill amounting to ₱89.6 million as of September 30, 2018 and December 31, 2017, respectively.

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 nil and ₱65.25 million as of September 30, 2018 and December 31, 2017, 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 generally 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. The Company believes that its outstanding investments in golf club and other proprietary and equity shares are not impaired. The carrying value of AFS equity investments amounted to ₱45.16 million as of September 30, 2018 and December 31, 2017.

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

Classification of 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.
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, investment property, deferred project costs, service concession right and input and other taxes 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.

Management believes that there are no impairment indicators on its investments in associates, property and equipment, investment property, deferred project costs and service concession right as of September 30, 2018 and December 31, 2017. On the other hand, management determined certain facts which indicate impairment of the deferred mine exploration costs, which resulted in recognition of impairment in 2016.

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. LTP, the most significant associate of the Group also assesses the need to recognize the provisions based on the status of the claims.

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

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

Determination of fair values in business combination and goodwill
The Group accounts for the acquired businesses using the acquisition method, which requires the identification of the assets and liabilities of the acquired entities and the

determination of their fair values on acquisition date. Management exercises significant judgment and estimation to allocate the purchase price to the fair values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill or gain on bargain purchase in profit or loss. In 2017, management finalized the purchase price allocation of its acquisition in 2016 of BTSI and its subsidiaries – MONAD and NEWS (collectively BTSI group), which resulted in intangible assets measured at fair value using valuation methodologies. With respect to NAWASCOR's property and equipment, the valuation considered the sales listing and other market data of comparable properties. Other assets and liabilities are recognized at carrying value as management determined that these are primarily short-term in nature.

The acquisition of BTSI group in 2016 resulted in recognition of goodwill amounting to ₱46.1 million, while acquisition of NAWASCOR in 2017 resulted in recognition of provisional goodwill amounting to ₱89.6 million.

Determination of fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair values 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 assumptions could affect the reported fair value of financial instruments.

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 ₱917.08 million and ₱697.82 million as of September 30, 2018 and December 31, 2017, respectively. Allowance for doubtful accounts amounted to ₱10.61 million and ₱8.22 million as of September 30, 2018 and December 31, 2017, respectively.

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

The Group did not identify any factors which indicate inventory obsolescence based on the above discussions. Accordingly, no provision was recognized in 2018, 2017 and 2016.

The Group's inventories carried at cost as of June 30, 2018 and December 31, 2017 amounted to ₱57.51 million and ₱79.12 million, respectively.

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, 2018 and December 31, 2017, the carrying value of input taxes and TCCs amounted to ₱321.80 million and ₱217.64 million, respectively. Allowance for probable losses amounted to ₱89.60 million as of September 30, 2018 and December 31, 2017.

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, 2018 and December 31, 2017, the fair value of the investment property is based on valuation performed by an accredited independent valuer.

The carrying value of the investment property amounted to ₱149.97 million and ₱143.85 million as of September 30, 2018 and December 31, 2017, respectively.

Estimation of useful lives of property and equipment
The Group estimates the useful lives of property and equipment based on the internal technical evaluation and experience with similar assets. In cases where the use of property and equipment is dependent on the grant of certain permits for an entity to conduct its business, management considers the probability of renewal of such permits based on past experience. In this situation, useful lives of property and equipment are based on the economic useful lives rather than the currently effective period of the permits. Estimated useful lives are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. There is no change in the estimated useful lives of property and equipment as of September 30, 2018 and December 31, 2017.

The carrying value of property and equipment subject to depreciation as of September 30, 2018 and December 31, 2017 amounted to ₱1,288.41 million and ₱1,145.11 million, respectively.

Estimation of useful life of service concession right
At the start of operation of the water work facilities, the service concession right is to be amortized over the concession period as provided in the agreements with relevant government units. The amortization period is reviewed when there are changes in the expected term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset. The carrying value of the service concession right amounts to ₱304.62 million and ₱331.59 million as of June 30, 2018 and December 31, 2017, respectively.

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

The carrying value of the customer contract and relationships amounted to ₱68.4 million as of September 30, 2018 and December 31, 2017. The carrying value of the right to use asset amounted to ₱70.6 million as of September 30, 2018 and December 31, 2017.

Impairment of goodwill and right to use asset
The Group determines whether goodwill and right to use asset are impaired at least on an annual basis or more frequently, if events or changes in circumstances indicate that it may be impaired. This requires the estimation of value-in-use of the cash generating unit to which goodwill relates or the right to use asset. Estimating the value-in-use requires management to make an estimate of the expected future cash flows from the CGU and the right to use 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 BTSI group and MACS in 2017 and MACS in 2016 as the cash generating units. 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 three to five years of projections. The projected cash flows are based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth based on management's future plans. Cash flows beyond the forecast period are extrapolated into perpetuity assuming four percent growth rate for impairment test purposes. The discount rate is a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The discount rate used is 12% in 2018 and 2017.

For the purpose of impairment test of right to use asset, the recoverable amount is determined based on fair value less cost to sell calculations determined by discounting notional royalty savings after tax. These calculations use net sales projections and the related royalty savings based on five-year projections. Net sales beyond the forecast period are extrapolated into perpetuity assuming four percent growth rate for impairment test purposes. Management considered the impact of cost to sell in the calculations of fair value less cost to sell as negligible. The royalty rate is the average of royalty rates for water distribution entities, while the discount rate was a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The royalty rate applied is 1.6% while discount rates used range from 13% - 14%.

Management believes that no reasonably possible change in any of the above assumptions would cause the carrying value of the goodwill and right to use asset 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. The carrying value of the goodwill subjected to impairment testing amounted to ₱153.2 million and ₱63.59 million as of September 30, 2018 and December 31, 2017 while the right to use asset subjected to impairment testing amounted to ₱70.6 million.

Impairment of deferred mine exploration costs
For deferred mine exploration costs, the Company considers its ability to secure the necessary permits to continue its exploration activities within the mining tenements and the probability of subsequent operations of mining tenements. The recovery of deferred mine exploration costs depends upon the success of exploration activities, the discovery of recoverable reserves in quantities that can be commercially produced and future development of the mining properties, including grants of necessary permits.

While the Company finds its MPSAs valid and subsisting as affirmed by the MGB through the DENR, the Company assessed the prevailing mining prospects in the coming years and saw valid reasons to fully provide with allowance for probable losses on its deferred mine exploration costs relating to Infanta Nickel Project. In 2016, the Company recognized provision for probable losses amounting to ₱212.9 million in view of its long outstanding applications to renew the exploration permits of its MPSAs in Palawan.

Estimation of retirement benefits costs and obligation and accumulating leave credits
The cost of defined benefit pension plans, as well as the present value of the pension obligation is, determined using actuarial valuations. The actuarial valuation involves making various assumptions.

These include the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All significant assumptions are reviewed at each reporting date. The calculation of accumulating leave credits follows the same assumptions as the defined benefit costs.

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

Accrued retirement benefits payable amounted to (₱1.17) million and ₱17.5 million as of September 30, 2018 and December 31, 2017, respectively. Pension asset amounted to ₱ 13.94 million and ₱19.5 million as of September 30, 2018 and December 31, 2017, respectively, and is included under "Deposits and other noncurrent assets" account.

Estimation of provisions for probable loss
The Group is a party to certain claims arising from the normal course of business. The estimate of probable costs of possible claims has been developed in consultation with the Company's legal counsel and is based upon an analysis of potential results. In 2016 and 2015, the Group recognized provision for claims amounting to ₱4.8 million and ₱8.2 million, respectively. Outstanding amounts of provision which are included as part of "Accounts payable and accrued liabilities" amounted to ₱4.8 million as of September 30, 2018 and December 31, 2017. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the Company's negotiation with the third party.

LTP, on the other hand, has recognized provisions as of September 30, 2018 and December 31, 2017, which relate to certain claims by third parties. LTP's management exercised significant judgment in assessing the probability of the claims based on historical experience.

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

Deferred income tax assets recognized, which relate primarily to operating subsidiaries, amounted to ₱23.01 million and ₱18.87 million as of September 30, 2018 and December 31, 2017, respectively. The Group also has unrecognized deferred income taxes primarily on the non-operating subsidiaries' temporary differences, NOLCO and MCIT.

4. Segment Information

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

these subsidiaries, as well as the Group's associates. The Group's geographic segment is the Philippines only. The Group operates and derives all its revenue from domestic operation.

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

- In-flight and other catering segment, which is operated by MACS and its subsidiary, MSFI, refers to servicing of meal requirements of certain foreign and domestic passenger airlines at the NAIA and the MDA and of certain non-airline institutional accounts.

- Ground handling and aviation segment, which is operated by MASCORP, refers to both ramp and passenger handling and aviation services to foreign airlines and domestic carriers at 27 airport locations.

- Charter flights segment, which is handled by MAATS, provided international and domestic chartered flights from its base at the General Aviation Area, MDA to any point within the Philippines, through alliances with other helicopter owners. Beginning August 22, 2016, MAATS ceased operating its helicopter charter and is now focused on its Fixed Base Operations (FBO) revenue generating activities.

- Rental and administrative segment, which is primarily operated through MAPDC, pertains to the sub-lease of the MacroAsia Ecozone at NAIA, which MAPDC leases from Manila International Airport Authority (MIAA) with LTP as the anchor locator.

- Mining segment, which pertains to mining-related activities of the Group, refers to expenditures for exploration activities and rendering of exploration-related services.

- Water segment pertains to development (e.g., studies, surveys) and construction of water-treatment facilities activities, which are undertaken by MAPDC through its subsidiaries (NAWASCOR, SNVRDC, MPRDC, PWBRI, WBSI and its subsidiary, CBRI and BTSI and its subsidiaries, MONAD and NEWS).

- 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, 2018. 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, 2018 and 2017 are as follows:

(In Thousand Pesos)

	July - September		January to September	
REVENUE – External	**2018**	2017	**2018**	2017
In-flight and other catering services	**425,094**	369,206	**1,262,937**	1,170,237
Ground handling and aviation	**396,246**	275,212	**1,038,673**	735,468
Rental and administrative	**49,452**	49,310	**148,071**	147,929
Charter flights	**-**			
Water	**25,996**	40,555	**104,958**	97,924
Mining	**-**	9,273		24,366
Total segment and consolidated revenue	**896,789**	743,556	**2,554,638**	2,175,924
RESULT – Segment result				
In-flight and other catering services	**81,854**	48,169	**251,039**	145,383
Ground handling and aviation	**39,979**	16,548	**86,756**	86,067
Rental and administrative services	**(2,258)**	(10,524)	**(31,235)**	(32,640)
Charter flights	**768**	(78)	**2,316**	351
Water	**(19,575)**	(3,675)	**(25,800)**	(9,637)
Mining	**(4,659)**	371	**(15,177)**	239
Share in net income (loss) of associates	**226,588**	224,291	**791,659**	800,611
Total segment results	**322,698**	275,102	**1,059,560**	990,374
Unallocated corporate income (expenses) and eliminations	**(38,695)**	(23,013)	**(172,611)**	(96,930)
Provision for income tax	**(31,023)**	10,973	**(82,656)**	42,465
Consolidated net income (loss)	**252,979**	263,062	**804,293**	935,908

OTHER INFORMATION	Sep-18	Dec-17
Segment assets		
In-flight and other catering services	**1,571,337**	1,438,882
Ground handling and aviation	**918,112**	681,384
Rental and administrative services	**509,456**	1,426,334
Charter flights	**38,082**	36,938
Investment in associates	**2,125,276**	2,065,182
Water	**1,067,042**	988,829
Mining	**21,400**	42,277
Total segment assets	**6,250,706**	6,679,827
Investment property	**149,972**	143,852
Deferred tax asset	**23,015**	18,869
Unallocated corporate assets and eliminations	**982,844**	(362,215)
Consolidated total assets	**7,406,537**	6,480,333
Segment liabilities		
In-flight and other catering services	**702,757**	817,878
Ground handling and aviation	**413,298**	402,143
Rental and administrative services	**177,571**	1,006,574
Charter flights	**8,258**	14,929
Water	**359,532**	507,340
Mining	**4,269**	84,523
Total segment liabilities	**1,665,684**	2,833,387
Deferred tax liabilities	**105,404**	103,519
Unallocated corporate liabilities and eliminations	**116,518**	(1,089,349)
Consolidated total liabilities	**1,887,605**	1,847,557

Additions (Disposals) - net	July - September		January to September	
	2018	2017	**2018**	2017
In-flight catering services	**122,455**	23,264	**267,687**	56,741
Ground handling and aviation	**15,788**	1,651	**34,512**	14,267
Rental and administrative services	**746**	1,585	**1,630**	3,290
Charter flights	**28**		**61**	62
Water	**110,008**	40,646	**240,478**	61,973
Mining	**-**	507	**-**	7,740
Unallocated corporate capital expenditures	**2,914**		**6,370**	10,597
Total	**251,939**	67,653	**550,739**	154,670
Depreciation & amortization				
In-flight catering services	**11,701**	9,413	**35,503**	26,531
Ground handling and aviation	**13,406**	12,644	**38,020**	36,691
Rental and administrative services	**1,239**	384	**3,577**	1,092
Charter flights			**-**	
Water	**11,714**	9,858	**35,340**	29,296
Mining	**1,805**	2,164	**5,431**	5,836
Unallocated corporate depreciation and amortization	**2,230**	809	**4,710**	2,395
Total	**42,095**	35,272	**122,581**	101,841
Non cash expenses other than depreciation & amortization				
In-flight catering services	**3,474**	2,251	**13,187**	3,664
Ground handling and aviation services	**(87)**	14	**-4,822**	(660)
	3,387	2,266	**8,365**	3,004

5. *Basic/Diluted Earnings per Share*

Basic/diluted earnings per share are computed as follows:

(In thousand pesos except earnings per share)	**Sep-18**	**Dec-17**	**Sep-17**
Net income attributable to equity holders of the parent	**773,206**	1,021,737	893,443
Divided by number of common shares outstanding	**1,594,565**	1,227,154	1,227,154
	0.4849	0.8326	0.7281

Earnings per share of equity holders was significantly lower than last year on the same period due to an increase of 30% in common shares outstanding as a result of stock dividends declaration and issuance during the third quarter, an additional 368,146,293 shares where net income is to be allocated.

6. Equity

a. Restriction on retained earnings of the Group

The retained earnings as of September 30, 2018 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 ₱1,319.9 million and ₱1,350.2 million as of September 30, 2018 and December 31, 2017, respectively.

- Cost of treasury shares amounting to ₱125.46 million and ₱113.68 million as of September 30, 2018 and December 31, 2017, respectively.

- Deferred income tax assets amounting to ₱23.01 million and ₱18.87 million as of September 30, 2018 and as December 31, 2017, respectively.

b. Appropriation of retained earnings

On November 28, 2017, the MACS' BOD approved the additional appropriation of ₱55.0 million for the construction of the offsite commissary and equipment upgrade of the Company.

On December 8, 2016, the MACS' BOD released from appropriation the ₱50.0 million appropriated in 2015 for the purchase of catering delivery trucks and ₱100.0 million appropriated in 2014 and 2012 for the plant expansion. These amounts were approved to be re- allocated for the production facility expansion in NAIA and offsite commissary construction project. On the same date, the BOD approved the appropriation of additional ₱110.0 million for the same purpose of production facility expansion in the next two years, such that the total appropriation amounts to ₱260.0 million.

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

On December 12, 2011 and July 15, 2011, the Company's BOD approved the appropriation of the Company's retained earnings which amounted to ₱393.1 million and ₱300.0 million, respectively, for the mining development projects and water projects, respectively. As to the mining project, the Company intends to start development activities and mining operations after the grant of operating permits.

On June 21, 2012, MASCORP's BOD approved the appropriation of its retained earnings which amounted to ₱30.0 million for business expansion.

On March 20, 2018, the Company's BOD approved to appropriate another ₱50,000,000 of the unappropriated retained earnings for business expansion program.

c. Dividends declared by the Parent Company from the unappropriated retained earnings are as follows:

Cash Dividends:

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

Stock Dividends:

Date Approved	Div. Rate	Stockholder of Record Date	Date of Payment
July 20, 2018	30%	August 17, 2018	September 12, 2018

d. Treasury stock

On July 16, 2010, the BOD approved the Share Buyback Program (the Program) involving a total cash outlay of ₱50.0 million for the repurchase of the outstanding common shares of the Parent Company from the market, using the trading facilities of the Philippine Stock Exchange (PSE). The Program will not involve any active or widespread solicitation for stockholders to sell. Repurchase of shares of stock will be done during the period of the Program at such prices perceived by the Parent Company to be lower than the inherent value of the share. The Program will run until the ₱50.0 million authorized cash outlay is fully utilized or until such time that the BOD may direct, subject to appropriate disclosures to the PSE and the SEC.

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

From June 20, 2017 to September 30, 2017, 6,249,600 shares amounting to ₱64.26 million were reacquired. In 2012, the Parent Company reacquired 6,125,000 shares for ₱17.5 million.

From September 26, 2018 to September 30, 2018, 735,000 shares amounting to ₱11,780,634 were reacquired.

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
Acquisition of treasury shares in 2017	6,249,600
Stock dividends declared during the year	368,146,293
Acquisition Stock dividends of treasury shares during the year	735,000
Outstanding shares as of September 30, 2018	1,594,565,393

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

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

i. 250,000,000 shares to cover the 1:4 stock rights offering to stockholders of record as of April 12, 2000 at an offer price of ₱2.00 per share;

ii. 500,000,000 warrants to cover the 2:1 warrants offering attached to and detachable from the rights shares at a subscription price of ₱0.10 per warrant; and

iii. 500,000,000 shares to cover the underlying shares of warrants at an exercise price of ₱6.00 per share. Actual listing of the underlying common shares of the warrants shall take effect upon the exercise of the warrants.

iv. All warrants expired in 2005.

MAC's shares are listed and traded at the Philippine Stock Exchange, Inc. and it has approximately 838 and 840 holders of its common equity as of September 30, 2018 and December 31, 2017, respectively.

g. Cash dividends received by non-controlling interest

On November 28, 2017, MACS declared the distribution of ₱70.0 million or ₱56.0 per share dividend to be paid December 19, 2017. Dividends attributed and paid to non-controlling interest amounted to ₱23.1 million.

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. The excess of consideration received over the Company amount of the non-controlling interests amounted to ₱24.3 million, which is presented as part of "Other reserves" in the equity section of the balance sheets.

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 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. The excess of consideration received over the carrying amount of the non-controlling interests amounted to ₱119.0 million, which is presented as part of "Other reserves" in the equity section of the balance sheets.

7. Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders and repurchase or issue new shares. The Group is not subject to externally imposed capital requirements as of September 30, 2018 and December 31, 2017. Further, no changes were made in the objectives, policies or processes for the period ended December 31, 2017 and for the six-month period ended September 30, 2018.

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-18	31-Dec-17	30-Sep-17
Capital stock	**1,618,146,293**	1,250,000,000	1,250,000,000
Additional paid in capital	**281,437,118**	281,437,118	281,437,118
Treasury shares	**(125,456,934)**	(113,676,300)	(112,545,507)
Retained earnings	**3,255,570,406**	2,850,511,180	2,894,019,411
	5,029,696,883	4,268,271,998	4,312,911,022
Net income after tax	**804,292,659**	1,065,518,059	935,908,356
Return on equity	**15.99%**	24.96%	21.70%

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. Currently, approximately 74% of MACS' and 21% of MASCORP's revenue 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

(in millions)	Movement in US$	Increase (decrease) on Income/Loss before Income Tax US$
2018	Increase of 5%	57.9
	Decrease of 5%	(57.9)
2017	Increase of 5%	24.1
	Decrease of 5%	(24.1)
2016	Increase of 5%	20.9
	Decrease of 5%	(20.9)

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.

MMC also has a single customer. 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, 2018	Neither past due nor impaired			Past due or individually impaired	Total
	High Grade	Standard Grade	Sub-standard Grade		
Loans and receivable:					
Cash in bank and cash equivalents*	958,426,448	-	-	-	958,426,448
Receivables:					
Trade	240,996,975	179,000,333	93,164,805	223,637,748	736,799,861
Due from officers and employees	32,814,291	-	-	-	32,814,291
Interest receivable	2,262,502	-	-	-	2,262,502
Other receivables	107,259,017	-	-	-	107,259,017
Non-Trade	32,629,790	5,311,826	-	-	37,941,616
Deposits	36,251,647	-	-	-	36,251,647
AFS investments					
Retail treasury and corporate bonds	-	-	-	-	-
	1,410,640,670	184,312,160	93,164,805	223,637,748	1,911,755,382

**Exclusive of cash on hand amounting to P2,782,387 as of September 30, 2018.*

December 31, 2017	Neither past due nor impaired			Past due or individually impaired	Total
	High Grade	Standard Grade	Sub-standard Grade		
Loans and receivable:					
Cash in bank and cash equivalents*	909,940,094	-	-	-	909,940,094
Receivables:					
Trade	203,844,106	151,405,066	78,802,219	189,161,033	623,212,424
Dividends receivable	34,000,000	-	-	-	34,000,000
Due from officers and employees	-	17,634,082	-	-	17,634,082
Interest receivable	3,823,987	-	-	-	3,823,987
Other receivables	-	23,376,644.00	-	-	23,376,644
Deposits	29,637,539	-	-	-	29,637,539
AFS investments					
Retail treasury and corporate bonds	65,245,998	-	-	-	65,245,998
	1,246,491,724	192,415,792	78,802,219.00	189,161,033	1,706,870,768

Exclusive of cash on hand amounting to Php3,251,830 as of December 31, 2017.

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

a. High Grade – settlements are obtained from counterparty following the terms of the counterparty.
b. Standard Grade – some reminder follow-ups are performed to obtain settlement from the counterparty.
c. Sub-standard Grade – constant reminder follow-ups are performed to collect accounts from counterparty.
d. 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, 2018:

	Past Due but not Impaired				
	Less than 30 days	30 to 60 days	More than 60 days	Impaired	Total
30-Sep-18	**103,190,129**	**54,563,315**	**57,659,475**	**8,224,828**	**223,637,747**
31-Dec-17	86,014,041	46,151,659	48,770,505	8,224,828	189,161,033

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, 2018, with all other variables held constant. There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

	Increase (decrease) in income before income tax September 30, 2018	Increase (decrease) in income before income tax December 31, 2017
	(in millions)	
100 bp rise	(₱5.28)	(₱7.20)
100 bp fall	5.28	7.20
50 bp rise	(2.64)	(3.60)
50 bp fall	2.64	3.60

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 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 was renewed with validity until January 31, 2018. This was renewed on April 19, 2018 with validity until January 31, 2019.

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, 2018	< 1 year	>1-2 years	>2-3 years	>5 years	Total
Loans and receivables:					
Cash and cash equivalents	961,208,775	-	-	-	961,208,775
Receivables:					
Trade	736,799,861	-	-	-	736,799,861
Dividends receivable	-	-	-	-	-
Due from officers and employees	32,814,291	-	-	-	32,814,291
Interest receivable	2,262,502	-	-	-	2,262,502
Non trade	37,941,616				37,941,616
Other receivables	107,259,017	-	-	-	107,259,017
Deposits	-	-	-	36,251,647	36,251,647
AFS - debt	-	-	-	-	-
	1,878,286,063	-	-	36,251,647	1,914,537,709
Other financial liabilities:					
Accounts payable and accrued liabilities	656,835,371	-	-	-	656,835,371
Notes Payable	513,650,976	87,148,256	87,148,256	256,485,930	944,433,417
Dividends payable	8,859,024	-	-	-	8,859,024
Deposit	-	-	-	15,331,898	15,331,898
	1,179,345,370	87,148,256	87,148,256	271,817,827	1,625,459,709
Liquidity position	698,940,692	(87,148,256)	(87,148,256)	(235,566,180)	289,078,000

As of Dec. 31, 2017	< 1 year	>1-2 years	>2-3 years	>5 years	Total
Loans and receivables:					
Cash and cash equivalents	913,191,924	-	-	-	913,191,924
Receivables:					
Trade	614,987,596	-	-	-	614,987,596
Dividends receivable	34,000,000	-	-	-	34,000,000
Interest receivable	3,823,987	-	-	-	3,823,987
Other receivables	27,376,644	-	-	-	27,376,644
Deposits*	-	-	-	51,340,941	51,340,941
Available for sale - debt	-	-	65,245,998	-	65,245,998
	1,593,380,151	-	65,245,998	51,340,941	1,709,967,090
Other financial liabilities:					
Accounts payable and accrued liabilities**	577,560,347	-	-	-	577,560,347
Notes payable***	638,140,066	177,920,020	311,752,191	104,132,965	1,231,945,242
Dividends payable	180,660,640	-	-	-	180,660,640
Deposit****	-	-	-	24,588,995	24,588,995
	1,396,361,053	177,920,020	311,752,191	128,721,960	2,014,755,224
Liquidity position	197,019,098	(177,920,020)	(246,506,193)	(77,381,019)	(304,788,134)

** Inclusive of accretion of interest of 21,703,402.*

***Exclusive of nonfinancial liabilities of 60,520,835.*

**** Inclusive of interest to maturity of 102,312,127.*

******Inclusive of accretion of interest of 16,423,911.*

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, 2018 and December 31, 2017:

As at 30 September 2018			**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	September 30, 2018	-	-	-	-
Golf club shares		**45,155,800**	-	**45,155,800**	-
Assets for which fair value is disclosed:					
Investment property	September 30, 2018	**149,972,488**	-	-	**261,096,000**
Deposits		**36,251,647**	-	-	**36,251,647**
Liabilities for which fair value is disclosed					-
Deposits	September 30, 2018	**15,331,898**	-	-	**15,331,898**

As at 31 December 2017			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, 2017	65,245,998	-	65,245,998	-
Golf club shares		45,155,800		45,155,800	-
Assets for which fair value is disclosed:					
Investment property	December 31, 2017	143,852,303	-	-	261,096,000
Deposits	December 31, 2017	29,637,539	-	-	29,637,539
Liabilities for which fair value is disclosed					
Deposits	December 31, 2017	8,165,084	-	-	8,165,084

There have been no transfers between Level 1 and 2 in 2018 and 2017.

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).