

LRWC 2017 AFS PRESS STATEMENT

Leisure and Resorts World Corporation

As a challenging year ended, LRWC announces Earnings of **Php443M** for 2017

Leisure & Resorts World Corporation (LRWC) has announced its Full Year 2017 Financial Performance. LRWC is reporting a **2017** Consolidated Net Income (NI) of **Php430M**. Gross revenues for 2017 totaled P14.939B versus Php17.383B in 2016. After deducting direct costs of Php11.278B, LRWC had gross profit of Php3.661B in 2017. Operating expenses of Php3.474B and revaluation and other income of Php890M produced an operating income of Php686M. The Company took non-cash write-offs and non-recurring one-time expenses that amounted to Php391M. Other comprehensive income amounted to Php13M and income tax of Php256M brought the total consolidated comprehensive income to **Php443M**. A detailed discussion of these numbers is presented below.

LRWC's four main business divisions reported the following results:

1. CASINO DIVISION. **Php170M** net income contribution.

The CASINO division's 2017 contribution was **Php170M**. The contribution of the slot arcade business of Blue Chip was **Php99M**. PIKI's 2017 NI contribution was **Php10M**. HEPI brought in **Php61M** for 2017. Blue Chip's number continue to do well. GGR in 2016 was Php1.090B and increased to Php1.276B in 2017. Although the win-rate dropped slightly from 6.5% in 2016 to 6.2% in 2017, the turnover improved from Php16.879B to Php20.468B in 2017 representing an increase of 21.3%.

2. ONLINE DIVISION. 2017 net income of **Php87M**. This includes:

First Cagayan's net income for 2017 came in at **Php18M**. First Cagayan Converge/LR Data contributed **Php69M** to LRWC's total net income. As previously disclosed, First Cagayan's revenues declined because of Philippine Amusement and Gaming Corporation (PAGCOR) adoption of the Rules and Regulations for Philippine Offshore Gaming Operations (POGO) last 01 September 2016. In previous years, First Cagayan contributed 40% of LRWC's total business divisions' net income.

3. RETAIL DIVISION.

RETAIL division reported a net loss of **Php28M** for 2017. ABLE's bingo operations was affected by regulatory issues that brought in losses for 2017. TGXI's eCasino outlets lost **Php39M** for 2017 (inclusive of after tax impairment of assets in closed sites). As mentioned, ABLE and TGXI's performance was affected by regulations put forth by the PAGCOR. One regulation from PAGCOR was a dress code requirement to enter gaming sites. Another was limiting the hours of operation to 15 hours per day. In August 2017, E.O. 26 or the smoking ban on all public places was implemented nationwide. The Company had taken steps to mitigate the effects of these regulations and is confident that 2018 will be a banner year for this division. Year-on-year, ABLE's EBG GGR for 2017 was at Php5.559B, a slight decrease from 2016 Php5.785B. TGXI's GGR was Php689M for 2017. Turnover in 2017 was at Php17.178B representing a 4.0% win-rate. Aside from the regulatory issues, the net loss includes the impact of noncash write-offs and one-time expenses totaling to P189M.

4. PROPERTY & INVESTMENTS DIVISION. **Php784M** net income contribution.

- a. AB Leisure Global Inc. – 100% owned. ABLGI had a 30% economic benefit in the City of Dreams, Manila (COD). ABLGI's 2017 net income amounted to **Php153M**. This amount includes LRWC'S 30% final share of the net lease payments to Belle Corporation from COD as well as a share in the gaming revenues remittance from COD to Premium Leisure and Amusement, Inc. (PLAI). The last payment from the COD project was received by LRWC in March 2017.
- b. On 04 November 2016, ABLGI, LRWC, Belle, PLAI and Belle Grande signed a Termination Agreement whereby the parties, for a total consideration to be paid to ABLGI in the amount of Php5.090B, agreed to terminate their respective obligations under the said agreements. Pursuant to the said Termination Agreement, ABLGI/LRWC received a total of Php5.090B, with Php1.018B paid on 03 November 2016 and the balance last 31 March 2017. ABLGI continued to share in the net lease income and gaming revenue of Belle Group from November 2016 to March 2017. Effective 31 March 2017, ABLGI shall be deemed to have divested its economic interest in the City of Dreams-Manila project Integrated Resort and Casino.
- c. Last October 2017, LRWC signed an Omnibus Loan and Security Agreement with (OLSA) with for Two Billion Five Hundred Million Pesos (Php2,500,000,000.00) BDO Unibank, Inc. – Trust and Investment Group as Security Trustee and the Company, LRWC as Surety. As disclosed, this OLSA was executed to fund the acquisition of parcels of land for the planned resort development in Boracay.
- d. LR Land Developers, Inc. (LRLDI) - 100% owned. Leases a Cyberpark building to online gaming operators in Sta. Ana, Cagayan and has an interest in the Lallo Airport. LRLDI brought in **Php186M** for 2017 versus a loss of Php38M in 2016. This includes revaluation income from its land properties in Cagayan amounting to **Php175M** (net of tax).
- e. LRLDI has a 50% equity in TechZone Philippines, Inc., (TPI), the joint venture company with Total Consolidated Asset and Management, Inc. LRLDI's equity share contribution in TPI was **Php445M** (includes share in revaluation income of **Php430M**) for 2017. TPI has built a world class-32-storey BPO building along Buendia (Gil Puyat Ave) in Makati. TPI tenants are in various stages of moving into these offices. TPI will have recurring rental income in the next few years. TPI has a GFA of approximately 43,000 sqm.

The various divisions contributed a total **Php1.013B**. After deducting LRWC's expenses, the total comprehensive income totals **Php443M** for 2017. LRWC's 2017 Consolidated Revenues totaled P14.939B vs Php17.383B for the same period last year. In spite of all the challenges brought about by the change in the regulatory environment in the gaming sector, LRWC's has identified key initiatives to bring up income results to at least Php550M for 2018 and more robust growth in the succeeding years.

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About LRWC:

Leisure and Resorts World Corporation was incorporated in 10 October 1957. As part of the corporate restructuring of the Company in 1996, the Company's primary purpose was amended in October 1999 to engage in realty development focusing on leisure business. The Company approved Agreements with the shareholders of AB Leisure Exponents (ABLE) to acquire the entire outstanding capital stock and ABLE became a wholly-owned subsidiary of the Company. LRWC functions as a holding company and the Group's primary purpose is to engage in the leisure business which includes general amusement and recreation, bingo parlors, hotel and gaming facilities.

Today the Company is involved in managing bingo parlors as well as an operator of eGames outlets, slot arcades, junket operations, hotel, real estate and other gaming facilities. Its First Cagayan subsidiary works with the Cagayan Economic Zone Authority to provide a jurisdiction for online gaming.