

14 November 2019

**Philippine Dealing & Exchange Corp.**  
37<sup>th</sup> Floor, Tower 1, The Enterprise Center  
6766 Ayala Avenue corner Paseo de Roxas  
Makati City

Attention: **Atty. Joseph B. Evangelista**  
*Head - Issuer Compliance and Disclosure Department*

Re: South Luzon Tollway Corporation Php 7.3 Billion Fixed Rate Bonds  
SEC Form 17 - Q Quarterly Financial Report

Gentlemen:

We refer to the *Issuer Disclosures Operating Guidelines* which requires the South Luzon Tollway Corporation (the "Company"), as issuer of the above-captioned fixed rate bonds listed with PDEX, to submit, among others, a disclosure on the quarterly financial reports.

In this regard, enclosed is the SEC Form 17-Q, prepared by SLTC and will also be filed with the Securities and Exchange Commission.

Thank you.

Very truly yours,

  
**Raoul Eduardo C. Romulo**  
*Corporate Information Officer*



111132019002061



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

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SEC Registration No. A200010622  
Company Name SOUTH LUZON TOLLWAY CORP.  
Industry Classification  
Company Type Stock Corporation

Document Information

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Remarks

# COVER SHEET

SEC Registration Number

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**COMPANY NAME**

S	O	U	T	H		L	U	Z	O	N		T	O	L	L	W	A	Y		C	O	R	P	O	R	A	T	I	O	N		(	A		S	u	b	s
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**PRINCIPAL OFFICE** (No./Street/Barangay/City/Town) Province)

S	i	t	i	o		L	a	t	i	a	n	,		B	a	r	a	n	g	a	y		M	a	p	a	g	o	n	g	,		C	a	l	a	m	b		
a		C	i	t	y	,		L	a	g	u	n	a																											

Form Type

1	7	-	Q
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Department requiring the report

M	S	R	D
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Secondary License Type, If Applicable

N	/	A
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**COMPANY INFORMATION**

Company's Email Address

-
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Company's Telephone Number/s

(02) 584-4688
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Mobile Number

-
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No. of Stockholders

13
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Annual Meeting (Month / Day)

2 <sup>nd</sup> Thursday of May
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Fiscal Year (Month / Day)

December 31
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**CONTACT PERSON INFORMATION**

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Mr. Virgilio S. De Guzman
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Email Address

vdeguzman@smg.sanmiguel.com.ph
--------------------------------

Telephone Number/s

(02) 584-4688
---------------

Mobile Number

0917-536-2537
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**CONTACT PERSON'S ADDRESS**

55 T. Benitez, West Triangle, Quezon City
-------------------------------------------

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.

**SECURITIES AND EXCHANGE COMMISSION**

**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, 2019
2. Commission identification number A2000 10622 3. BIR Tax Identification No. 207-247-094-000

**SOUTH LUZON TOLLWAY CORPORATION**

4. Exact name of issuer as specified in its charter

**METRO MANILA, PHILIPPINES**

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code:  (SEC Use Only)

**SITIO LATIAN, BARANGAY MAPAGONG, CALAMBA LAGUNA**

7. Address of issuer's principal office

**4027**

Postal Code

**(02)584 - 4688**

8. Issuer's telephone number, including area code

**NOT APPLICABLE**

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class			Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
	<u>Amount</u>	<u>Interest Rate</u>	
Series A	<u>₱2.4 Billion</u>	<u>4.9925%</u>	_____
Series B	<u>₱2.4 Billion</u>	<u>5.5796%</u>	_____
Series C	<u>₱2.5 Billion</u>	<u>6.4872%</u>	_____
Total	<u>₱7.3 Billion</u>		_____

11. Are any or all of the securities listed on a Stock Exchange?

Yes [ ] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**Not Applicable**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC 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 ninety (90) days.

Yes [] No []

## PART I--FINANCIAL INFORMATION

### Item 1. Financial Statements.

The unaudited financial statements of South Luzon Tollway Corporation ("SLTC" or the "Company") and selected notes as at and for the period ended September 30, 2019 (with comparative figures as at December 31, 2018 and for the period ended September 30, 2018) are attached herewith as "Annex A".

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information required by Part III, Paragraph (A)(2)(b) of "Annex C" is attached herewith as "Annex B" with a Supplemental Schedule of Financial Soundness Indicators attached as "Annex B-1".

## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **South Luzon Tollway Corporation**

Signature and Title:   
**Raoul Eduardo C. Romulo**  
Treasurer

Signature and Title:   
**Virgilio S. De Guzman**  
Deputy CFO

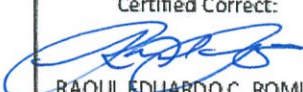
Date: **November 13, 2019**

Annex A

**SOUTH LUZON TOLLWAY CORPORATION**  
(A Subsidiary of MTD Manila Expressways, Inc.)  
**STATEMENTS OF FINANCIAL POSITION**

	Note	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	P4,197,140,416	P4,511,141,850
Trade and other receivables	5	73,913,871	8,652,398
Other current assets	6	507,310,678	60,403,430
Total Current Assets		4,778,364,965	4,580,197,678
<b>Noncurrent Assets</b>			
Service concession rights	8	9,535,599,791	9,909,869,821
Property and equipment	7	293,436,751	301,094,890
Computer software	7	3,102,060	3,817,920
Net deferred tax assets		58,687,264	74,210,719
Right-of-use asset	9	27,955,128	-
Other noncurrent assets	9	8,581,258	45,569,877
Total Noncurrent Assets		9,927,362,252	10,334,563,227
		<b>P14,705,727,217</b>	<b>P14,914,760,905</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities	10	P342,541,357	P372,190,177
Current portion of:			
Long-term debt	10	2,387,460,438	-
Provision for resurfacing and maintenance obligation	12	42,060,157	169,005,526
Income tax payable		203,105,105	210,380,915
Total Current Liabilities		2,975,167,057	751,576,618
<b>Noncurrent Liabilities</b>			
Noncurrent portion of:			
Long-term debt	11	4,874,438,511	7,241,514,795
Provision for resurfacing and maintenance obligation	12	316,016,087	242,874,419
Retirement liability		5,765,032	5,402,976
Total Noncurrent Liabilities		5,196,219,630	7,489,792,190
Total Liabilities		8,171,386,687	8,241,368,808
<b>Equity</b>			
Capital stock		3,625,000,000	3,625,000,000
Retained earnings	15	2,908,340,981	3,047,392,548
Other comprehensive income		999,549	999,549
Total Equity		6,534,340,530	6,673,392,097
		<b>P14,705,727,217</b>	<b>P14,914,760,905</b>

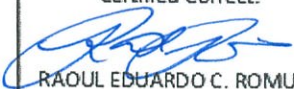
*See accompanying Management's Discussion and Analysis and Selected Notes to Financial Statements*

<p>Certified Correct:</p>  <p>RAOUL EDUARDO C. ROMULO Treasurer</p>
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**SOUTH LUZON TOLLWAY CORPORATION**  
(A Subsidiary of MTD Manila Expressways, Inc.)  
**STATEMENTS OF COMPREHENSIVE INCOME**

	Note	For the quarter ended		For the period ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>REVENUE FROM TOLL OPERATIONS</b>		<b>₱1,545,455,174</b>	<b>₱1,487,600,223</b>	<b>₱4,689,018,027</b>	<b>₱4,514,443,900</b>
<b>COST OF SERVICE</b>	14	<b>(402,441,545)</b>	<b>(388,884,659)</b>	<b>(1,169,841,870)</b>	<b>(1,164,163,814)</b>
<b>GROSS PROFIT</b>		<b>1,143,013,629</b>	<b>1,098,715,564</b>	<b>3,519,176,157</b>	<b>3,350,280,086</b>
<b>OPERATING EXPENSES</b>	14	<b>(80,517,352)</b>	<b>(52,847,310)</b>	<b>(271,770,836)</b>	<b>(209,599,408)</b>
<b>OPERATING INCOME</b>		<b>1,062,496,277</b>	<b>1,045,868,254</b>	<b>3,247,405,321</b>	<b>3,140,680,678</b>
<b>OTHER INCOME (CHARGES)</b>					
Interest expense and other financing charges	11	(125,472,289)	(110,607,740)	(356,992,430)	(331,882,752)
Construction revenue		13,561,867	27,254,318	45,186,536	34,796,825
Construction costs		(13,561,867)	(27,254,318)	(45,186,536)	(34,796,825)
Interest income		40,417,517	21,517,840	129,709,676	48,381,672
Foreign exchange gain (loss) - net		22,399	12,402	(48,791)	104,777
Other income		10,954,703	6,992,235	60,919,539	23,697,270
<b>INCOME BEFORE INCOME TAX</b>		<b>988,418,608</b>	<b>963,782,991</b>	<b>3,080,993,315</b>	<b>2,880,981,645</b>
<b>INCOME TAX EXPENSE</b>		<b>208,610,548</b>	<b>200,366,169</b>	<b>646,294,882</b>	<b>605,217,278</b>
<b>NET INCOME</b>		<b>779,808,060</b>	<b>763,416,822</b>	<b>2,434,698,433</b>	<b>2,275,764,367</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱779,808,060</b>	<b>₱763,416,822</b>	<b>₱2,434,698,433</b>	<b>₱2,275,764,367</b>
<b>BASIC/DILUTED EARNINGS PER SHARE</b>	18	<b>₱0.22</b>	<b>₱0.21</b>	<b>₱0.67</b>	<b>₱0.63</b>

See accompanying Management's Discussion and Analysis and Selected Notes to Financial Statements

<p>Certified Correct:</p>  <p><b>RAOUL EDUARDO C. ROMULO</b> Treasurer</p>
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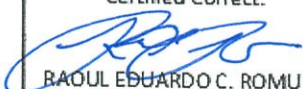
**SOUTH LUZON TOLLWAY CORPORATION**  
**(A Subsidiary of MTD Manila Expressways, Inc.)**

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**STATEMENTS OF CHANGES IN EQUITY**

	Note	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
<b>CAPITAL STOCK-P1.00 par value</b>			
Authorized - 4,000,000,000 shares			
Issued and outstanding - 3,625,000,000 shares		<b>₱3,625,000,000</b>	₱3,625,000,000
<b>RETAINED EARNINGS</b>			
Balance at beginning of period		<b>3,047,392,548</b>	1,894,899,163
Net income		<b>2,434,698,433</b>	3,073,743,385
Dividend declaration	15	<b>(2,573,750,000)</b>	(1,921,250,000)
Balance at end of period		<b>2,908,340,981</b>	3,047,392,548
<b>OTHER COMPREHENSIVE INCOME</b>			
Accumulated actuarial gain			
Balance at beginning of period		<b>999,549</b>	1,204,839
Remeasurement gain (loss) on retirement liability		-	(205,290)
Balance at end of period		<b>999,549</b>	999,549
		<b>₱6,534,340,530</b>	₱6,673,392,097

*See accompanying Management's Discussion and Analysis and Selected Notes to Financial Statements*

Certified Correct:

<b>RAOUL EDUARDO C. ROMULO</b> Treasurer

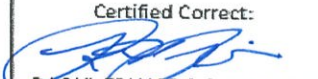


**SOUTH LUZON TOLLWAY CORPORATION**  
(A Subsidiary of MTD Manila Expressways, Inc.)

**STATEMENTS OF CASH FLOWS**

		For the period ended	
	Note	September 30, 2019	September 30, 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		P3,080,993,316	P2,880,981,645
Adjustment for:			
Depreciation and amortization	7	76,926,296	50,841,000
Amortization for concession right	8	419,456,566	414,512,036
Provision for resurfacing and maintenance obligation	12	87,574,383	94,088,331
Interest expense and other financing charges	11	356,992,430	331,882,752
Interest income		(129,709,676)	(48,381,672)
Unrealized foreign exchange loss (gain) - net		(216,167)	(104,777)
Operating Income before working capital changes		3,892,017,148	3,723,819,315
Decrease (increase) in:			
Trade and other receivables		(65,261,474)	(38,183,410)
Other current assets		(446,907,248)	(928,066)
Other noncurrent assets		9,033,491	1,283,653
Increase (decrease) in:			
Accounts payable and other current liabilities		(29,648,820)	(13,354,445)
Retirement liability		362,056	945,537
Net cash generated from operations		3,359,595,152	3,673,582,584
Interest expense paid		(315,359,195)	(313,121,527)
Income tax paid		(637,048,686)	(431,995,529)
Actual resurfacing and maintenance paid	12	(162,627,165)	(116,801,602)
Interest received		129,709,676	48,381,672
Net cash provided by operating activities		2,374,269,783	2,860,045,598
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Property and equipment	7	(69,550,848)	(65,999,150)
Service concession rights	8	(45,186,536)	(27,254,317)
Decrease (increase) in computer software		0	(416,267)
Net cash used in investing activities		(114,737,384)	(93,669,734)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	15	(2,573,750,000)	(1,921,250,000)
Net cash used in financing activities		(2,573,750,000)	(1,921,250,000)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		216,167	104,777
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		(314,001,434)	845,230,641
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		4,511,141,850	2,665,484,092
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		P4,197,140,416	P3,510,714,733

See accompanying Management's Discussion and Analysis and Selected Notes to Financial Statements

<p>Certified Correct:</p>  <p>RAOUL EDUARDO C. ROMULO Treasurer</p>
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**SOUTH LUZON TOLLWAY CORPORATION**  
(A Subsidiary of MTD Manila Expressways, Inc.)

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**SELECTED NOTES TO FINANCIAL STATEMENTS**

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**1. Corporate Information**

South Luzon Tollway Corporation (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 26, 2000, by virtue of a joint venture agreement between MTD Manila Expressways, Inc. (MTDME) and the Philippine National Construction Corporation (PNCC), primarily to engage in the rehabilitation, construction and expansion of the South Luzon Expressway (SLEX) from Alabang viaduct to Lucena, Quezon ("SLEX Project") and other allied businesses necessary or otherwise engaging in any work upon the toll roads.

The Company is a subsidiary of MTDME (the Parent Company), a domestic corporation engaged in general construction, project management and administration. The ultimate parent of the Company is Top Frontier Investment Holdings, Inc., a holding company incorporated in the Philippines.

The registered office address of the Company is Sitio Latian, Barangay Mapagong, Calamba City, Laguna.

**Retail Bond Issue**

On March 5, 2015, the Company's Board of Directors (BOD) authorized the Company to issue, offer and sell to the public, bonds in the aggregate principal amount of up to ₱7,300.0 million.

On May 7, 2015, the SEC issued a Permit to Sell for the general public offering of the retail bonds (Bonds) of the Company and the offer was made to institutional and retail investors from May 8, 2015 to May 14, 2015. The Bonds were listed at the Philippine Dealing System Holdings Corp. & Subsidiaries (PDS) on May 22, 2015. The net proceeds were used to prepay its outstanding Corporate Notes (see Note 11).

**Supplemental Toll Operation Agreement ("STOA")**

On February 1, 2006, the Company executed the STOA with Manila Toll Expressway Systems, Inc. (MATES), PNCC and the Republic of the Philippines (ROP or the Grantor) through the Toll Regulatory Board (TRB). The STOA authorizes the Company by virtue of a joint venture to carry out the rehabilitation, construction and expansion of the SLEX Project, comprising of Toll Road (TR)1 (Alabang viaduct), TR2 (Filinvest to Calamba, Laguna), TR3 (Calamba, Laguna to Sto. Tomas, Batangas) and TR4 (Sto. Tomas, Batangas to Lucena City). The concession granted shall expire 30 years from February 1, 2006.

On December 14, 2010, the TRB issued the Toll Operations Certificate for Phase 1 of the SLEX i.e. TR1, TR2 and TR3, and approved the implementation of the initial toll rate starting January 1, 2011.

**Assignment of PNCC Shares**

In 2012, the Company received a letter from the Department of Finance informing the Company of the conveyance by PNCC to the ROP of its shares of stock in the Company, by way of a deed of assignment. Moreover, the Company also received the Declarations of Trust signed by the individual nominees of PNCC, in favor of the ROP, in which each nominee affirmed their holding of single, qualifying share in the Company in favor of the ROP.

### **Memorandum of Agreement on the Inter-Operability of the SLEX and the Muntinlupa - Cavite Expressway**

The Company entered into a Memorandum of Agreement (MOA) on the Inter-operability of the Muntinlupa-Cavite Expressway (MCX) (formerly known as the Daang Hari-SLEX Connector Road) and the SLEX (MOA on Inter-operability) and an accompanying Addendum to the MOA on Inter-operability, both on July 21, 2015, with Ayala Corporation (AC). AC is the concession holder of MCX while MCX Tollway, Inc. is the facility operator of MCX.

The MOA on Inter-operability and the addendum provide the framework that will govern the interface and integration of the technical operations and toll operation systems between the MCX and the SLEX, to ensure seamless travel access into MCX and SLEX for road users. MCX opened and operated as a toll expressway beginning July 24, 2015.

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## **2. Basis of Preparation and Statement of Compliance**

### **Statement of Compliance**

The financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

The accounting policies and methods of computation used in the preparation of unaudited interim financial statements as at and for the nine months ended September 30, 2019 are consistent with the most recent annual financial statements.

The unaudited interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at December 31, 2018.

### **Bases of Preparation**

The financial statements are presented in Philippine Peso (Peso), which is the functional currency of the Company. All values are in absolute amounts unless otherwise indicated.

The financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of consideration received in exchange of incurring a liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

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### 3. Summary of Changes in PFRS

#### Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous reporting year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning January 1, 2019:

#### Adoption of New and Amended PFRS

- PFRS 16, *Leases* – This standard replaced PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto the lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.
- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, *Financial Instruments* for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).
- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments - Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes*, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company.

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### 4. Cash and Cash Equivalents

This account consists of:

	September 30, 2019	December 31, 2018
Cash on hand and in banks	₱1,189,461,252	₱1,041,954,246
Cash equivalents	3,007,679,164	3,469,187,604
	<u>₱4,197,140,416</u>	<u>₱4,511,141,850</u>

Cash in banks earn interest at bank deposit rates. Cash equivalents are short-term investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at short-term investments rates.

## 5. Trade and other receivables

This account consists of:

	Note	September 30, 2019	December 31, 2018
Trade Receivables:			
Related parties	13	₱18,680,576	₱873,889
Third parties		17,244,774	5,902,234
Refundable deposits		1,444,275	1,344,275
Advances to officers and employees		14,000	32,000
Receivable from Department of Public Works and Highways		28,406,800	3,188,620
Others		8,123,446	500,000
		73,913,871	11,841,018
Less allowance for ECL		-	(3,188,620)
		₱73,913,871	₱8,652,398

Trade receivables are noninterest-bearing and are normally collected within 30 days.

Other receivables are usually settled within one year.

Receivable from DPWH amounting to ₱3.2 million as of 2018 was written off in 2019. Receivable from DPWH in 2019 amounting to ₱28.4 million pertain to right-of-way payment.

## 6. Other current assets

This account consists of:

	Note	September 30, 2019	December 31, 2018
Deferred input VAT		₱26,983,646	₱24,372,855
Advances to suppliers		452,208,207	19,045,129
Prepayments	13	28,075,868	16,910,446
Others		42,957	75,000
		₱507,310,678	₱60,403,430

Advances to suppliers mainly pertain to advance payments made to the suppliers of the Company in relation to the TR4 Project. This will be applied to the subsequent supplier billings.

Others pertain to prepayment for server maintenance requirements and bond-related expenses.

## 7. Property and Equipment

This account consists of:

Cost	September 30, 2019				
	Toll Machinery and Equipment	Vehicles	Office Equipment, Furniture and Fixtures	Leasehold Improvements	Total
Balance at beginning of year	₱491,618,928	₱31,735,207	₱11,513,989	₱ -	₱534,868,124
Additions	69,339,418	-	211,430	-	69,550,848
Disposal	(4,281,346)	-	-	-	(4,281,346)
Reclassification	(75,134)	-	75,134	-	-
Balance at end of period	556,601,866	31,735,207	11,800,553	-	600,137,626
<b>Accumulated Depreciation and Amortization</b>					
Balance at beginning of year	205,567,621	19,341,263	8,864,350	-	233,773,234
Depreciation and amortization	73,458,000	855,268	613,514	-	74,926,782
Disposal	(4,281,346)	-	-	-	(4,281,346)
Reclassification	-	1,853,838	428,367	-	2,282,205
Balance at end of period	274,744,275	22,050,369	9,906,231	-	306,700,875
Net Book Value	₱281,857,591	₱9,684,838	₱1,894,322	₱ -	₱293,436,751

Cost	December 31, 2018				
	Toll Machinery and Equipment	Vehicles	Office Equipment, Furniture and Fixtures	Leasehold Improvements	Total
Balance at beginning of year	₱374,228,615	₱29,076,278	₱10,030,218	₱1,929,943	₱415,265,054
Additions	117,390,313	2,658,929	1,483,771	-	121,533,013
Disposal	-	-	-	(1,929,943)	(1,929,943)
Balance at end of year	491,618,928	31,735,207	11,513,989	-	534,868,124
<b>Accumulated Depreciation and Amortization</b>					
Balance at beginning of year	133,206,411	15,817,752	7,581,658	1,929,943	158,535,764
Depreciation and amortization	72,381,210	3,523,511	1,282,692	-	77,167,413
Disposal	-	-	-	(1,929,943)	(1,929,943)
Balance at end of year	205,567,621	19,341,263	8,864,350	-	233,773,234
Net Book Value	₱286,051,307	₱12,393,944	₱2,649,639	₱ -	₱301,094,890

Depreciation for vehicles and office equipment for the period ended September 30, 2019 amounting to ₱2.3 million was capitalized as part of project development costs for TR4.

### Computer Software

Computer software pertains to the computer software license and related consultancy service obtained by the Company pursuant to the End User License and Service Agreement with SMITS, Inc.

Computer software amounted to ₱3.1 million and ₱3.8 million as of September 30, 2019 and December 31, 2018, respectively. Amortization recognized to operating expenses amounted to ₱0.7 million in September 30, 2019.

## 8. Service Concession Rights

This account consists of:

	September 30, 2019		
	TR1, TR2 and TR3	TR4	Total
<b>Cost</b>			
Balance at beginning of year	₱14,178,446,775	₱335,654,536	₱14,514,101,311
Additions	11,647,893	33,538,643	45,186,536
Balance at end of period	14,190,094,668	369,193,179	14,559,287,847
<b>Accumulated Amortization</b>			
Balance at beginning of year	4,604,231,490	-	4,604,231,490
Amortization	419,456,566	-	419,456,566
Balance at end of period	5,023,688,056	-	5,023,688,056
<b>Carrying Amount</b>	<b>₱9,166,406,612</b>	<b>₱369,193,179</b>	<b>₱9,535,599,791</b>

	December 31, 2018		
	TR1, TR2 and TR3	TR4	Total
<b>Cost</b>			
Balance at beginning of year	₱14,149,782,954	₱293,082,932	₱14,442,865,886
Additions	28,663,821	42,571,604	71,235,425
Balance at end of year	14,178,446,775	335,654,536	14,514,101,311
<b>Accumulated Amortization</b>			
Balance at beginning of year	4,049,915,451	-	4,049,915,451
Amortization	554,316,039	-	554,316,039
Balance at end of year	4,604,231,490	-	4,604,231,490
<b>Carrying Amount</b>	<b>₱9,574,215,284</b>	<b>₱335,654,536</b>	<b>₱9,909,869,821</b>

## Construction Revenue and Costs

The Company recognized construction revenue and costs amounting to ₱45.2 million and ₱34.8 million for the period ended September 30, 2019 and September 30, 2018, respectively, for the costs incurred in the planning and development of TR4 project.

As at September 30, 2019, construction has already commenced on the TR4 project.

## 9. Other Noncurrent Assets

This account consists of:

	Note	September 30, 2019	December 31, 2018
Prepaid land lease - net of current portion	13	-	₱27,527,243
Retirement benefit asset - non current		₱550,805	-
Deferred input VAT		4,419,308	14,431,489
Deposits		3,611,145	3,611,145
		<b>₱8,581,258</b>	<b>₱45,569,877</b>

### Right-of Use Asset

The Company leases with AMTEX a parcel of land located at Calamba, Laguna, where its office building for the toll operation center and appurtenant facilities are located. The contract of lease commenced in 2010 after the completion of the toll operation center and shall be coterminous with the concession period, unless sooner terminated in accordance with the applicable provisions of the contract of lease (see Note 13).

As a result of the Company's adoption of PFRS 16, except for short-term leases, right-of-use asset and a corresponding lease liability were recognized for all operating leases as at January 1, 2019. Since lease payments were already advanced by the Company at lease commencement date, no lease liability was recognized from the lease of the land from AMTEX. Consequently, right-of-use asset amounted to ₱28.0 million as at September 30, 2019.

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### 10. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2019	December 31, 2018
Trade:		
Related parties	₱74,391,775	₱99,609,626
Third parties	113,372,544	63,286,668
Accrued expenses:		
Interest	38,533,307	38,512,701
Others	4,821,961	25,560,542
Statutory payables	54,344,599	59,098,118
Retention payable	39,085,562	38,351,667
Payable to PNCC	15,223,769	16,912,500
Rental deposit	519,375	1,101,075
Other Current Liabilities	2,248,465	29,757,280
	<b>₱342,541,357</b>	<b>₱372,190,177</b>

These liabilities are noninterest-bearing and are normally settled within one year.

Accrued expenses – others mainly pertain to commitment fee payable and accruals for utilities and outside services.

Statutory payables pertain to net output VAT, withholding taxes payables and contributions payable to various government agencies.

Payable to PNCC pertains to consideration for the assignment by PNCC of its usufructuary rights, interests and privileges under its franchise equivalent to 1.75% of the gross toll revenue for the first 5 years, and 3% of the gross toll revenue for the sixth year and onwards, counted from the date of the issuance to MATES of the Toll Operation Permit for the SLEX Project (PNCC share). PNCC share amounted to ₱140.7 million and ₱135.4 million for the period ended September 30, 2019 and September 30, 2018, respectively (see Note 14). The outstanding balance was settled by the Company in the subsequent period.



The Company recognized contingencies arising from certain claims in the normal course of business. The outstanding balance is included under "Accounts Payable and Other Current Liabilities - Others". As allowed under PAS 37, further information is not disclosed as it may prejudice the Company's negotiation with the third party.

## 11. Long-Term Debt

Details of the long-term debt are shown below:

	September 30, 2019	December 31, 2018
<b>Principal</b>	<b>₱7,300,000,000</b>	<b>₱7,300,000,000</b>
<b>Unamortized debt issue cost</b>		
Balance at beginning of year	58,485,205	67,849,221
Less amortization of debt issue cost	20,384,154	9,364,016
Balance at end of period	38,101,051	58,485,205
	7,261,898,949	7,241,514,795
Less long-term debt-current portion	2,387,460,438	-
<b>Long-term debt-noncurrent portion</b>	<b>₱4,874,438,511</b>	<b>₱7,241,514,795</b>

### Retail Bond Issue

On March 5, 2015, the Company's BOD authorized the Company to issue, offer and sell to the public, bonds in the aggregate principal amount of up to ₱7,300.0 million to be issued in three (3) tranches.

On May 7, 2015, the SEC issued a Permit to Sell for the general public offering of the Company's Bonds and the offer was made to institutional and retail investors from May 8, 2015 to May 14, 2015. The fund-raising exercise generated gross proceeds amounting to an aggregate principal of ₱7,300.0 million with net proceeds of ₱7,212.2 million, after deducting fees, taxes, commissions and related expenses. The net proceeds were used to prepay its outstanding Peso-denominated Corporate Notes.

The Bonds were issued in three (3) series as follows:

	Principal	Interest Rate	Term
Series A Bonds	₱ 2,400,000,000	4.9925% p.a.	Five years and three months
Series B Bonds	2,400,000,000	5.5796% p.a.	Seven years
Series C Bonds	2,500,000,000	6.4872% p.a.	Ten years

Interest on the Bonds shall be payable quarterly in arrears starting on August 22, 2015 for the first interest payment date, and every quarter thereafter as long as the Bonds remain outstanding.

The Company may (but shall not be obliged to) redeem all (and not a part only) of any series of the outstanding Bonds on the following relevant dates (each an "Early Redemption Option Date"). The

amount payable to the Bondholders in respect of such redemptions shall be calculated based on the principal amount of the Bonds being redeemed, as the sum of:

- a. accrued interest on the Bonds computed from the last Interest Payment Date up to the relevant Early Redemption Option Date; and
- b. the product of the principal amount and the applicable Early Redemption Price in accordance with the following schedule:

<u>Years from Issue Date</u>	<u>Series A Bonds</u>	<u>Series B Bonds</u>	<u>Series C Bonds</u>
Three (3) Years	101.0%	–	–
Four (4) Years	100.5%	–	–
Five (5) Years and Three (3) Months	–	101.0%	–
Six (6) Years	–	100.5%	–
Seven (7) Years	–	–	102.0%
Eight (8) Years	–	–	101.0%
Nine (9) Years	–	–	100.5%

Unless previously redeemed, purchased and cancelled, the Series A Bonds, Series B Bonds and Series C Bonds will be redeemed at par or 100.00% of their face value on their respective maturity dates.

Unless the Majority Bondholders shall otherwise consent in writing, the Company agrees to comply with the following financial covenants:

- a. Debt-to-equity ratio (ratio of interest-bearing debt to equity, as defined in the Company's bond offering prospectus dated May 15, 2015) of not more than 2.5x; and
- b. Interest coverage ratio of not less than 3.0x so long as any of the Bonds remain outstanding.

The Company is in compliance with its financial covenants as at and for the period ended September 30, 2019.

Scheduled principal repayment of the Company's long-term debt is as follows:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Within one year	<b>₱2,400,000,000</b>	-
After one year but not more than five years	<b>2,400,000,000</b>	<b>₱4,800,000,000</b>
More than five years	<b>2,500,000,000</b>	<b>2,500,000,000</b>
	<b>₱7,300,000,000</b>	<b>₱7,300,000,000</b>

Total interest expense and other financing charges were recognized from the following:

	Note	September 30, 2019	September 30, 2018
<b>Retail bond:</b>			
Interest on long-term debt		₱311,932,802	₱311,932,799
Amortization of debt issue cost		20,384,154	6,974,180
Other financing charges		3,426,393	1,188,725
		335,743,349	320,095,704
Accretion of interest on provision for resurfacing and maintenance obligation	12	21,249,081	11,787,048
		₱356,992,430	₱331,882,752

Other financing charges consist of maintenance fees and security agency fees.

Interest payable related to the bonds amounted to ₱38.5 million as at September 30, 2019 and December 31, 2018, respectively (see Note 10).

## 12. Provision for Resurfacing and Maintenance Obligation

This account pertains to the present value of the estimated contractual obligations of the Company to undertake the financing of the periodic maintenance which include periodic repavement, renewal and restoration of the SLEX toll roads and toll road facilities, as defined in the STOA.

Movements in this account are as follows:

	Note	September 30, 2019	December 31, 2018
Balance at beginning of year		₱411,879,945	₱395,869,740
Provision	14	87,574,383	184,157,499
Accretion of interest	11	21,249,081	15,716,064
Utilization of provision		(162,627,165)	(183,863,358)
		358,076,244	411,879,945
Less current portion		42,060,157	169,005,526
		₱316,016,087	₱242,874,419

Key assumptions used to determine the provision for resurfacing and maintenance obligation are as follows:

	September 30, 2019	December 31, 2018
Replacement period	5 years	5 years
Discount rate range	6.79% to 7.02%	6.79% to 7.02%
Price increase	4.0%	4.0%

Discount rates represent the interest rates of government bonds that are denominated in Philippine currency in which the obligation will be paid, with extrapolated maturities corresponding to the expected payment of resurfacing obligation. Calculations are reviewed and revised only at year-end.

Price increase is based on the published general inflation rate for the Philippines.

### 13. Related Party Transactions

The Company's transactions and balances with related parties are summarized as follows:

Related Parties	Transaction Amounts		Outstanding Balance		Terms and Conditions
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018	
<b>Trade and other receivables</b>					
Under common control	₱936,851,918	₱5,478,630	₱18,680,576	₱873,889	On demand non-interest bearing, unsecured
<b>Prepaid Land Lease</b>					
Under common control	-	₱1,711,539	-	₱29,238,782	Applied to monthly rental due
<b>Accounts payable and other current liabilities</b>					
Under common control	₱603,657,193	₱2,106,573,772	₱74,391,775	₱99,411,163	On demand non-interest bearing, unsecured
Intermediate Parent	-	198,463	-	198,463	On demand non-interest bearing, unsecured
Parent	2,059,000,000	1,537,000,000	-	-	On demand non-interest bearing, unsecured
			₱74,391,775	₱99,609,626	

#### Receivables from Related Parties

- The Company entered into a service facility agreement with Petron Corporation for providing an access to gasoline stations along the SLEX. The Company charges service facility fee for certain percentage of revenue of the gasoline stations.
- The Company entered into lease agreements with Star Infrastructure Development Corporation (SIDC) and Intelligent E-Processes Technologies Corp. (IETC) for the sublease of office space located at Calamba, Laguna.
- On May 28, 2010, the Company, with MATES, Citra Metro Manila Tollways Corporation (CMMTC) and Skyway O & M Corporation entered into a MOA on Inter-operability of Toll Collection System to ensure the inter-operability of their respective toll collection system and traffic operations in accordance with the TRB guidelines for seamless traffic system and improved quality of service to the motorists throughout the SLEX and the SMMS.

The Company has toll receivable as at September 30, 2019 and a toll payable as at December 31, 2018 to CMMTC resulting from the offsetting of the collections (i.e., cash and RFID transactions) made by the Company in behalf of CMMTC and those collected by CMMTC for the account of the Company.

**Accounts Payable to Related Parties**

- a. MATES is engaged in the operation and maintenance of the rehabilitated and expanded SLEX Project pursuant to the STOA. On May 14, 2008, the Company and MATES entered into an Operation and Maintenance (O&M) Agreement to set out the parameters and scope of the operation and maintenance of the SLEX Project, commencing upon the actual or constructive issuance by the TRB of a Toll Operation Permit. On December 14, 2010, TRB confirmed its approval of the issuance of the TOC for the entire Phase 1 of the SLEX Project. In 2017, the O&M Agreement was amended to increase the O&M fee effective January 2017.
- b. In 2016 and 2018, the Company and Intelligent E-Processes Technologies Corp. (IETC) entered into various service agreements for the administration and maintenance of the toll collection system.
- d. In the normal course of business, the Company purchases goods and services from its related parties.

**14. Cost of Service and Operating Expenses**

This account consists of:

	Note	September 30, 2019	September 30, 2018
<b>Cost of service:</b>			
Operations and maintenance fee	13	₱510,000,000	₱510,000,000
Amortization of service concession rights	8	419,456,566	414,512,036
PNCC share		140,670,541	135,433,317
Provision for resurfacing and maintenance obligation	12	87,574,383	94,088,331
Insurance		12,140,380	10,130,130
		<b>₱1,169,841,870</b>	<b>₱1,164,163,814</b>
<b>Operating Expenses:</b>			
Repairs and maintenance		₱108,756,776	₱87,561,156
Depreciation and amortization	7	76,926,296	50,841,000
Taxes and licenses		35,478,080	23,025,116
Advertising		28,914,308	26,148,627
Salaries and other employee benefits		9,673,273	9,141,111
Communication, light and water		3,286,974	3,544,750
Outside services		6,180,457	5,352,939
Rent	13	318,384	1,299,883
Office supplies		321,775	505,367
Transportation and travel		367,999	355,487
Retirement benefits cost		590,254	640,385
Entertainment, amusement and recreation		223,816	149,524
Others		732,444	1,034,063
		<b>₱271,770,836</b>	<b>₱209,599,408</b>

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## 15. Retained Earnings

Cash dividends declared by the Company are as follows:

Date Approved	Per Share	Total Amount	Payment Date
August 28, 2019	₱0.38	₱1,377,500,000	September 12, 2019
March 7, 2019	0.33	1,196,250,000	March 13, 2019
September 13, 2018	0.35	1,268,750,000	September 14, 2018
March 7, 2018	0.18	652,500,000	March 13, 2018

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## 16. Financial Risk Management Objectives and Policies

The principal financial instruments of the Company are cash in banks and cash equivalents, trade and other receivables, accounts payable and other current liabilities (excluding statutory payables) and long-term debt.

The main purpose of the financial instruments is to fund the operations of the Company and to acquire and improve toll roads and property and equipment.

The BOD has overall responsibility for the establishment and oversight of the risk management framework of the Company. The risk management policies of the Company are established to identify and manage the exposure of the Company to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the activities of the Company.

The main risks arising from the financial instruments of the Company are liquidity risk and credit risk. The BOD and management of the Company review and approve policies for managing each of these risks as summarized below.

### Credit Risk

Credit risk refers to the potential loss arising from any failure by counter parties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counter parties to fulfill their obligations on maturity dates or due to adverse market conditions.

Generally, the credit risk of the Company is attributable to financial assets at amortized cost. The Company enters into contracts only with counterparties who have low credit risks, maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. In addition, for a significant proportion of sales, advance payment, one-time charge and deposit are received to mitigate credit risk.

The credit quality of financial assets is being managed by the Company using internal credit ratings. The table below shows the credit quality by class of financial asset based on the rating system of the Company as at September 30, 2019 and December 31, 2018:

September 30, 2019				
	Neither Past Due nor Impaired			Total
	High Grade	Standard Grade	Impaired	
Cash and cash equivalents*	₱4,194,043,416	-	-	₱4,194,043,416
Receivables	-	₱73,913,871	-	73,913,871
	₱4,194,043,416	₱73,913,871	-	₱4,267,957,287

\* Excluding cash on hand amounting to ₱3.1 million

December 31, 2018				
	Neither Past Due nor Impaired			Total
	High Grade	Standard Grade	Impaired	
Cash and cash equivalents*	₱4,508,141,850	-	-	₱4,508,141,850
Receivables	-	₱27,697,527	₱3,188,620	30,886,147
	₱4,508,141,850	₱27,697,527	₱3,188,620	₱4,539,027,997

\* Excluding cash on hand amounting to ₱3.0 million

### Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing for long-term financial liabilities as well as cash outflows due in the day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection. The Company regularly evaluates its projected and actual cash flows.

### Capital Management

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

The Company manages its capital structure and makes adjustments to it based on changes in economic conditions and the risk characteristics of its activities. No changes were made in the objectives, policies or processes from the previous years.

The capital considered by the Company is the equity as disclosed in the statements of financial position. The Company monitors its capital using debt to equity ratio, which is total debt divided by the total equity. The Company includes all interest-bearing loans and borrowings in total debt and excludes other comprehensive income from total equity.

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## 17. Operating Segment Information

The Company is engaged in rehabilitation, construction and expansion of SLEX Project and considers such as its primary activity and only operating segment.

The Company has only one geographical segment as all of its assets are located in the Philippines. It operates and derives principally all of its revenue from domestic operations. Thus, geographical business operation is not required.

Segment assets, liabilities and revenue and expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and expenses are consistent with the statements of comprehensive income. The presentation and classification of segment assets and liabilities are consistent with the statements of financial position.

As at September 30, 2019 and December 31, 2018, the Company does not have a customer from which 10% or more of the revenue was derived from.

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#### 18. Earnings Per Share

Basic and diluted earnings per share were computed as follows:

	September 30, 2019	September 30, 2018
Net income for the period	<b>₱2,434,698,433</b>	<b>₱2,275,764,367</b>
Divided by the outstanding shares	<b>3,625,000,000</b>	<b>3,625,000,000</b>
Earnings per share - basic and diluted	<b>₱0.67</b>	<b>₱0.63</b>



ANNEX B



MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

INTRODUCTION

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the attached unaudited financial statements of South Luzon Tollway Corporation ("SLTC" or the "Company") and the related notes as at and for the period ended September 30, 2019 (with comparative figures as at December 31, 2018 and for the period ended September 30, 2018). All necessary adjustments to present fairly the financial position, financial performance and cash flows as at September 30, 2019, and for all other periods presented, have been made. Certain information and footnote disclosures normally included in the audited financial statements prepared in accordance with the Philippine Financial Reporting Standards have been omitted.

SUMMARY OF FINANCIAL INFORMATION

**Statements of Comprehensive Income**

	For the Quarter Ended		For the period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenue from Toll Operations	₱1,545,455,174	₱1,487,600,223	₱4,689,018,027	₱4,514,443,900
Costs and Expenses	(482,958,897)	(441,731,969)	(1,441,612,706)	(1,373,763,222)
	1,062,496,277	1,045,868,254	3,247,405,321	3,140,680,678
Other Income (Charges)	(74,077,669)	(82,085,263)	(166,412,006)	(259,699,033)
Income before income tax	988,418,608	963,782,991	3,080,993,315	2,880,981,645
Provision for Income Tax	208,610,548	200,366,169	646,294,882	605,217,278
Net Income	779,808,060	763,416,822	2,434,698,433	2,275,764,367
Other comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>₱779,808,060</b>	<b>₱763,416,822</b>	<b>₱2,434,698,433</b>	<b>₱2,275,764,367</b>

### Statements of Financial Position

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
<b>Current Assets</b>	<b>₱4,778,364,965</b>	<b>₱4,580,197,678</b>
<b>Noncurrent Assets</b>	<b>9,927,362,252</b>	<b>10,334,563,227</b>
<b>Total Assets</b>	<b>₱14,705,727,217</b>	<b>₱14,914,760,905</b>
<b>Current Liabilities</b>	<b>₱2,975,167,057</b>	<b>₱751,576,618</b>
<b>Noncurrent Liabilities</b>	<b>5,196,219,630</b>	<b>7,489,792,190</b>
	<b>8,171,386,687</b>	<b>8,241,368,808</b>
<b>Equity</b>	<b>6,534,340,530</b>	<b>6,673,392,097</b>
<b>Total Liabilities and Equity</b>	<b>₱14,705,727,217</b>	<b>₱14,914,760,905</b>

## I. FINANCIAL PERFORMANCE

### September 30, 2019 and September 30, 2018

Traffic volume in Southern Luzon continues to be enhanced by the rapid expansion of residential and industrial areas, spurred by the government's decentralization drive to stimulate business activities outside Metro Manila. Calamba and Sto. Tomas, Batangas have been categorized as the 10th richest city and 4th richest municipality in 2018, respectively, while the province of Batangas was the 3rd richest province for the years 2017 and 2018. These areas are all located in booming Calabarzon. The provinces of Cavite and Laguna are top choices for people looking for spacious housing facilities as a practical option to tiny condominium units offered at steep prices in Metro Manila. Batangas has the second largest international seaport in Luzon that serves as a main entry point for goods from the South and from international ports. In addition, the growing logistics sector has brought about the construction of several warehouses along and nearby the South Luzon Expressway.

With the upsurge in traffic volume, toll revenue posted an increase of 4% from ₱1,487.6 million to ₱ 1,545.5 million during the quarter. Year-to-date revenue also improved by 4% from ₱4,514.4 million to ₱4,689.0 million.

A review of the Operator's fee is regularly conducted in accordance with the Amended Operation and Maintenance Agreement to ensure quality service to motorists. Operations and maintenance cover the toll roads, toll road facilities, interchanges and related facilities, including the operation and management of toll collection systems, traffic control and other systems located within the toll roads. An assessment in 2016 revealed the necessity to amend the Operation and Maintenance Fees. The amended fee was approved by the Board of Directors in 2016 and became effective in 2017.

SLTC complies with the terms of its concession agreement by providing sufficient funding for maintenance obligations under the STOA. Provision for resurfacing and maintenance to date amounted to ₱358.1 million while toll cost of road resurfacing and maintenance works during the period amounted ₱162.6 million.

Amortization of concession rights increased slightly due to ongoing expansion activities to further improve throughput. Amortization expense is recognized for the cost of concession right amortized on a straight-line basis over 26 years from start of commercial operations in 2010. Concession right consists of construction costs, including borrowing costs during the construction period, of the SLEX Project. The Company has also initiated the replacement of various toll collection hardware to ensure that the system continues to efficiently serve the motorists. These resulted to an increase in depreciation expense.

EBITDA increased by 1% from ₱1,212.7 million to ₱1,236.9 million during the quarter and on a year-to-date basis, posted an increase of 5%, from ₱3,629.7 million to ₱3,804.7 million.

Net income during the quarter grew by 2% from ₱763.4 million to ₱779.8 million due to higher toll revenue and higher interest income. Net income to date amounted to ₱2,434.7 million, an increase of 2% from the same period last year.

## **II. FINANCIAL POSITION**

### **September 30, 2019 and December 31, 2018**

Net cash and cash equivalents amounted to ₱4,197.1 million, after payment for capital expenditures, toll road repair and maintenance, dividend and interest payment on long-term debt during the period.

Trade and other receivables went up by ₱65.3 million, consisting of receivables from DPWH of ₱28.4 million for right of way payment, inter-concession receivables from CMMTC of ₱17.9 million and trade and other receivables of ₱19.0 million. The inter-concession receivables were settled within thirty (30) days after the end of the month. Other current assets increased by ₱446.9 million mainly on the advance payment to contractors for the TR4 Project.

Service concession rights increased by ₱45.2 million for various enhancement and expansion activities, including project development costs for TR4, and decreased for amortization amounting to ₱419.5 million.

Income tax payable pertains to income tax for the third quarter and the decrease of ₱7.3 million is due to lower taxable income. Accounts payable and other current liabilities also decreased by ₱29.6 million due to lower accruals and payment of retention payable.

Provision for resurfacing and maintenance obligation increased by periodic provision of ₱87.6 million and decreased for resurfacing and maintenance works of ₱162.6 million.

Retained earnings posted an increase of ₱2,434.7 million for net income during the period and a decrease of ₱2,573.8 million for dividend declaration.

### III. CASH FLOW ANALYSIS

	For the period ended	
	September 30, 2019	September 30, 2018
Net cash provided by operating activities	2,374,269,783	2,860,045,598
Net cash used in investing activities	(114,737,384)	(93,669,734)
Net cash used in financing activities	(2,573,750,000)	(1,921,250,000)
Effect of exchange rate changes on cash and cash equivalents	216,167	104,777
Net increase in cash and cash equivalents	(314,001,434)	845,230,641
Cash and cash equivalents at beginning of year	4,511,141,850	2,665,484,092
Cash and cash equivalents at end of period	4,197,140,416	3,510,714,733

#### 2019

Net cash provided by operations amounted to ₱2,374.3 million, after adjustments were made from the net income before tax of ₱3,081.0 million, for non-operating income and charges amounting to ₱811.0 million and net increase in working capital amounting to ₱532.4 million.

Cash further increased for interest received amounting to ₱129.7 million and decreased due to payment of ₱315.4 million for interest and other financing charges on the long-term debt, income tax of ₱637.0 million and actual resurfacing and maintenance during the period for ₱162.6 million.

Cash used in investing activities consist of cost of toll collection hardware and other equipment of ₱69.6 million, various expansion cost of ₱11.6 million and TR4 project development cost amounting to ₱33.6 million.

Cash used for financing activities pertain to dividend payment.

#### 2018

Net cash provided by operating activities resulted from net income before tax of ₱2,881.0 million, adjusted for non-operating income net of charges of ₱ 842.8 million and deductions for working capital of ₱50.2 million, interest expense of ₱313.1 million, payment for repair and maintenance of ₱116.8 million, income tax of ₱432.0 million and interest received amounting to ₱48.4 million.

Cash used in investing activities consist of procurement of equipment and vehicles amounting to ₱66.0 million, enhancement and expansion costs, including TR4 project development costs of ₱27.3 million and additional software of ₱0.4 million.

Cash used for financing activities consist of dividend payment amounting to ₱1,921.3 million.

### **Key Performance Indicators**

For the measurement of the Company's financial soundness, see Schedule of Financial Soundness Indicators attached as "Annex B-1".

### **Off-Balance Sheet Arrangements**

SLTC does not have material off-balance sheet arrangements with other entities.

### **Other Matters**

- There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.
- There were no material changes in estimates of amounts reported in prior financial years.
- There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the liquidity of SLTC.
- There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.
- There were no known events that will trigger direct or contingent financial obligation that is material to SLTC, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual reporting date.
- There was no material off statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship

of SLTC with unconsolidated entities or other persons created during the reporting period.


- The effects of seasonality or cyclicity on the operations of the business of the Company are not material.

ANNEX B-1

**SOUTH LUZON TOLLWAY CORPORATION**  
 (A Subsidiary of MTD Manila Expressways, Inc.)  
**SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**

	September 30, 2019	December 31, 2018
Current assets	4,778,364,965	4,580,197,678
Current liabilities	2,975,167,057	751,576,618
Liquidity ratio	1.61 : 1.0	6.09 : 1.0
Total long term debt	4,874,438,511	7,241,514,795
Total equity (excluding actuarial gain)	6,533,340,981	6,672,392,548
Debt-to-equity ratio	0.75 : 1.0	1.09 : 1.0
Cash, beginning	4,511,141,850	2,665,484,092
EBITDA*	3,804,707,721	4,807,285,751
Dividends paid	2,573,750,000	1,921,250,000
Interest expense over the next 12 months	403,262,733	415,910,400
Interest cover ratio	14.24 : 1.0	13.35 : 1.0
Total assets	14,705,727,217	14,914,760,905
Total equity	6,534,340,530	6,673,392,097
Asset-to-equity ratio	2.25 : 1.0	2.23 : 1.0

\*As defined in the debt covenant

Certified Correct:  
  
 RAOUL EDUARDO C. ROMULO  
 Treasurer