



11/F San Miguel Properties Centre,  
7 St. Francis St., Mandaluyong City 1550  
Metro Manila, Philippines

14 November 2023

**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. Marie Rose M. Magallen-Lirio**  
*Head - Issuer Compliance and Disclosure Department*

Re: SMC SLEX Inc. Php7.3 Billion Fixed Rate Bonds  
SEC Form 17-Q Quarterly Report

Gentlemen:

In compliance with the Philippine Dealing & Exchange Corp. ("PDEX") guidelines, please find enclosed copy of our disclosure to Securities and Exchange Commission, in the form of SEC 17-Q.

As agreed with you, we shall inform PDEx in case of any changes.

Very truly yours,

A handwritten signature in black ink, appearing to read "Virgilio S. de Guzman".

**VIRGILIO S. DE GUZMAN**  
*Deputy Corporate Information Officer*

Tuesday, November 14, 2023 at 15:54:22 Philippine Standard Time

**Subject:** Re: SMC SLEX Inc. - SEC Form 17-Q 14\_November 2023

**Date:** Tuesday, November 14, 2023 at 3:54:12 PM Philippine Standard Time

**From:** ICTD Submission

**To:** corsec.sbr

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Your submission is subject for Verification and Review of the Quality of the Attached Document only for Secondary Reports. The Official Copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order through the SEC Express at <https://secexpress.ph/>. For further clarifications, please call (02) 8737-8888.

----- NOTICE TO  
COMPANIES -----

Please be informed of the reports that shall be filed only through [ictdsubmission@sec.gov.ph](mailto:ictdsubmission@sec.gov.ph).

Pursuant to SEC MC Circular No. 3 s 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (pdf) through email at [ictdsubmission@sec.gov.ph](mailto:ictdsubmission@sec.gov.ph) such as the following SECONDARY REPORTS:

1. 17-A 6. ICA-QR 11. IHAR 16. 39-AR 21. Monthly Reports
2. 17-C 7. 23-A 12. AMLA-CF 17. 36-AR 22. Quarterly Reports
3. 17-L 8. 23-B 13. NPM 18. PNFS 23. Letters
4. 17-Q 9. GIS-G 14. NPAM 19. MCG 24. OPC (Alternate Nominee)
5. ICASR 10. 52-AR 15. BP-FCLC 20. S10/SEC-NTCE-EXEMPT

Further, effective 01 July 2023, the following reports shall be submitted through <https://efast.sec.gov.ph/user/login>.

1. FORM MC 18 7. Completion Report
2. FORM 1 - MC 19 8. Certificate-SEC Form MCG- 2009
3. FORM 2- MC 19 9. Certificate-SEC Form MCG- 2002, 2020 ETC.
4. ACGR 10. Certification of Attendance in Corporate Governance
5. I-ACGR 11. Secretary's Certificate Meeting of Board Directors (Appointment)
6. MRPT

Please be informed that the submission of the abovementioned eleven (11) reports through the [ictdsubmission@sec.gov.ph](mailto:ictdsubmission@sec.gov.ph) shall no longer be

accepted. For further information, please access this link Notice for guidance on the filing of reports:

Likewise, the following reports shall be filed through the Electronic Filing and Submission Tool (eFAST) at

<https://efast.sec.gov.ph/user/login> :

1. AFS 7. IHFS 13. SSF
2. GIS 8. LCFS 14. AFS with Affidavit of No Operation
3. BDFS 9. LCIF 15. AFS with NSPO Form 1,2, and 3
4. FCFS 10. OPC\_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6
5. FCIF 11. PHFS 17. FS - Parent
6. GFFS 12. SFFS 18. FS – Consolidated

For the submission and processing of compliance in the filing of Memorandum Circular No. 28 Series of 2020, please visit this link – <https://apps010.sec.gov.ph/>

For your information and guidance.

Thank you.

# COVER SHEET

SEC Registration Number

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Company Name

[illegible]

Principal Office (No./Street/Barangay/City/Town/Province)

[illegible]

Form Type

1	7	..	Q	
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Department requiring the report

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Secondary License Type, If Applicable

N	/	A	
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## COMPANY INFORMATION

Company's Email Address

corsec.sbr@smhc.sanmiguel.com.ph

Company's Telephone Number/s

(02) 8584-4688

Mobile Number

	N/A
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No. of Stockholders

13

Annual Meeting  
Month/Day2<sup>nd</sup> Thursday of May

Calendar Year  
Month/Day

December 31

### CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Virgilio S. De Guzman

Email Address

vdeguzman@smhc.sanmiguel.com.ph

Telephone Number/s

(02) 8584-4688

Mobile Number

	N/A
--	-----

**Contact Person's Address**

11/F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City

**Note:** 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.

### Certification

I, **Virgilio S. de Guzman, Deputy-CFO of SMC SLEX INC. (formerly South Luzon Tollway Corporation)** with SEC registration number **A200010622** with principal office at **11F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City, Metro Manila**, on oath state:

- 1) That on behalf of **SMC SLEX INC. (formerly South Luzon Tollway Corporation)**, I have caused this **SEC Form 17-Q** to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That the company **SMC SLEX INC. (formerly South Luzon Tollway Corporation)** will comply with the requirements set forth in SEC Memorandum Circular No. 3, series of 2021 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this 14<sup>th</sup> day of November 2023.



**Virgilio S. de Guzman**  
Deputy-CFO

SUBSCRIBED AND SWORN to before me this 14<sup>th</sup> day of November 2023.



REPUBLIC OF THE PHILIPPINES )  
Mandaluyong City ) S.S

**SUBSCRIBED AND SWORN** to before me this 14<sup>th</sup> day of November 2023, affiant exhibited to me his government issued identification card as herein below listed, as competent evidence of his identity:

NAME	Government Issued Identification / Issue Date / Expiry Date / Place Issued
Virgilio S. De Guzman	Passport No. P6778594B / 07 May 2021 / 06 May 2031/ DFA NCR East

Doc. No. 277 ;  
Page No. 57 ;  
Book No. IV ;  
Series of 2023.



  
**CARLO MAGNO C. CABALLA**  
Commission No. 0576-22  
Notary Public of Mandaluyong City  
Until December 31, 2023  
19th Floor San Miguel Properties Centre  
No. 7 Saint Francis St. Ortigas Center, Mandaluyong City  
Roll No. 73331  
PTR No. 3126527; 01/11/2023; Mandaluyong City  
IBP No.293619; 01/10/2023; Rizal Chapter  
MCLE Compliance No. VII-0015366;04/12/2022

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, 2023
2. Commission Identification number A2000 10622
3. BIR Tax Identification No. 207-247-094-000
4. Exact name of issuer as specified in its charter  
SMC SLEX INC.
5. Province, country or other jurisdiction of incorporation or organization  
METRO MANILA, PHILIPPINES
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office Postal Code  
11/F San Miguel Properties Centre, 7 St. Francis Street, 1550  
Mandaluyong City
8. Issuer's telephone number, including area code  
(02)8584 – 4688
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
- | Amount of Debt Outstanding |                     |                      |
|----------------------------|---------------------|----------------------|
|                            | <u>Amount</u>       | <u>Interest Rate</u> |
| <u>Series C</u>            | <u>P2.5 Billion</u> | <u>6.4872%</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:
- N/A

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 1 – FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

The unaudited financial statements of SMC SLEX Inc. formerly South Luzon Tollway Corporation (the "Company") and selected notes as at and for the period ended September 30, 2023 (with comparative figures as of December 31, 2022 and for the period ended September 30, 2022) and Selected Notes to the Financial Statements are attached herewith as "Annex A".

### **ITEM 2. Management's Discussion and Analysis of Financial Position and Financial Performance**

#### **INTRODUCTION**

The following discussion and analysis of the financial position and financial performance should be read in conjunction with the attached unaudited financial statements of the Company and the related notes as at and for the period ended September 30, 2023 (with comparative figures as at December 31, 2022 and for the period ended September 30, 2022). All necessary adjustments to present fairly the financial position, financial performance and cash flows as of September 30, 2023, 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.

The report is presented in Philippine Peso (Peso), which is the functional currency of the Company. All values in the charts are rounded off to the nearest thousand (P000) unless otherwise indicated.

#### **SUMMARY OF FINANCIAL INFORMATION**

#### **2023 SIGNIFICANT TRANSACTIONS**

##### **Retained Earnings**

On March 16, 2023, the Board of Directors approved the following:

1. The appropriation of retained earnings amounting to ₱7,350.0 million to fund the capital expenditures of the Company for 2023.
2. The reversal of prior year appropriation amounting to ₱1,923.6 million.

# I. Financial Performance

## 2023 and 2022

	September		Horizontal Analysis		Vertical Analysis	
	2023	2022	Amount	%	2023	2022
REVENUE FROM TOLL OPERATIONS	₱5,159,147	₱4,734,054	₱425,093	9%	100%	100%
COST OF SERVICES	(1,342,369)	(1,315,666)	26,703	2%	(26%)	(28%)
GROSS PROFIT	3,816,778	3,418,388	398,390	12%	74%	72%
OPERATING EXPENSES	(267,770)	(276,906)	(9,136)	(3%)	(5%)	(6%)
OPERATING INCOME	3,549,008	3,141,482	407,526	13%	69%	66%
CONSTRUCTION REVENUE AND COSTS						
Construction revenue	1,866,952	1,227,501	639,451	52%	36%	26%
Construction costs	(1,866,952)	(1,227,501)	(639,451)	52%	(36%)	(26%)
	-	-	-	-	-	-
OTHER INCOME (CHARGES)						
Interest and other financing charges	(136,280)	(185,942)	(49,662)	(27%)	(3%)	(4%)
Interest income	165,482	54,762	110,720	202%	3%	1%
Others	53,385	14,349	39,036	272%	1%	0%
	82,587	(116,831)	199,418	171%	2%	(2%)
INCOME BEFORE INCOME TAX	3,631,595	3,024,651	606,944	20%	70%	64%
PROVISION FOR INCOME TAX	612,244	530,193	82,051	15%	12%	11%
NET INCOME	₱3,019,351	₱2,494,458	₱524,893	21%	59%	53%

For the quarter ended September 30, 2023, SLEX achieved an Average Daily Traffic (ADT) of 351,274, lower by 6% from 2022 ADT of 372,471, reflecting the impact of the Seamless project which removed the TR3 toll plaza which had an open system with a separate traffic count. Vehicles are now counted at their respective exits at the toll plazas in Calamba and Batangas, thus reducing the total ADT count.

The reduction in traffic count under the Seamless Project has no impact on the toll revenue. For the nine months period, toll revenue amounted to ₱5,159.1 million, an increase of 9% from ₱4,734.1 million in 2022. Average transaction mix for the period was 78% for RFID and 22% for cash.

Cost of service posted an increase of ₱26.7 million mainly due to higher operations and maintenance, higher amortization of service concession rights, higher PNCC share due to increase in toll revenue and higher concession insurance premiums offset by lower provision for resurfacing and maintenance obligations. In 2022, the Board of Directors approved the increase in the 2023 Operation and Maintenance Fee in accordance with the parameters set forth by the 2016 Amended Operation and Maintenance Agreement between the Company and MATES, the Operator of the SLEX Project.

Operating expenses decreased by 3% from ₱276.9 million to ₱267.8 million due to lower taxes and licenses by ₱16.3 million, and lower depreciation and amortization by ₱7.4 million, offset by higher outside services by ₱6.6 million, higher advertising by ₱0.7 million, higher repair and maintenance for transportation, office equipment, and furniture's and fixtures by ₱0.8 million, higher salaries and other employee benefits by ₱3.1 million and higher operating expenses by ₱3.4 million.

Operating income increased by 13% to ₱3,549.0 million from ₱3,141.5 million mainly driven by higher toll revenue.

For other income and charges, the Company recorded lower interest and other financing charges by 27% from ₱185.9 million to ₱136.3 million. This is due to lower outstanding balance of the retail bonds after payment of its Series B bonds in May 2022. Interest income increased by 202% to ₱165.5 million from ₱54.8 million due to higher average placements and rates. Other income also posted an increase of ₱39.0 million.

Provision for Income tax was higher by 15% due to higher taxable income.

As a result of the foregoing, net income increased by 21% to ₱3,019.3 million from ₱2,494.5 million.

#### **2022 and 2021**

	September		Horizontal Analysis		Vertical Analysis	
	2022	2021	Amount	%	2022	2021
REVENUE FROM TOLL OPERATIONS	₱4,734,054	₱3,988,887	₱745,167	19%	100%	100%
COST OF SERVICES	(1,315,666)	(1,352,266)	(36,600)	(3%)	(28%)	(34%)
GROSS PROFIT	3,418,388	2,636,621	781,767	30%	72%	66%
OPERATING EXPENSES	(276,906)	(322,822)	(45,916)	(14%)	(6%)	(8%)
OPERATING INCOME	3,141,482	2,313,799	827,683	36%	66%	58%
CONSTRUCTION REVENUE AND COSTS						
Construction revenue	1,227,501	496,136	731,365	147%	26%	12%
Construction costs	(1,227,501)	(496,136)	(731,365)	147%	(26%)	(12%)
	-	-	-	-	-	-
OTHER INCOME (CHARGES)						
Interest and other financing charges	(185,942)	(239,995)	(54,053)	(23%)	(4%)	(6%)
Interest income	54,762	48,811	5,951	12%	1%	1%
Others	14,349	25,643	(11,294)	(44%)	0%	1%
	(116,831)	(165,541)	(48,710)	(29%)	(2%)	(4%)
INCOME BEFORE INCOME TAX	3,024,651	2,148,258	876,393	41%	64%	54%
PROVISION FOR INCOME TAX	530,193	379,113	151,080	40%	11%	10%
NET INCOME	₱2,494,458	₱1,769,145	₱725,313	41%	53%	44%

For the nine months of 2022, SLEX achieved an Annual Average Daily Traffic (AADT) of 372,471, higher by 16% from 2021 AADT of 321,323 and moving closer to the pre-pandemic figures of 368,119, with the continuing implementation of lowest mobility restriction of Alert Level 1 beginning March 1, 2022. Volume increased across all classes with highest increase in class 1 and 2 by 17% and 11%, respectively. Average transaction mode for the period was 80% for RFID and 20% for cash.

Toll revenue amounted to ₱4,734.1 million, an increase of 19% from ₱3,988.9 million in 2021. The amount is only 1% above the pre-pandemic figures of ₱4,689.0 million.

Cost of service posted net decrease to ₱36.6 million as a result of lower provision for resurfacing and maintenance obligation, and lower insurance premiums for concession assets offset by higher PNCC share due to increase in toll revenue.

Operating expenses decreased by 14% from ₱322.8 million to ₱276.9 million mainly due to lower depreciation and amortization by ₱26.0 million and lower outside services by ₱71.3 million due to previous year's recognition of additional shared services offset by higher taxes and licenses by ₱38.4 million and higher other operating expenses by ₱13.0 million.

As a result, operating income increased by 36% to ₱3,141.5 million from ₱2,313.8 million mainly due to higher toll revenue.

For other income and charges, the Company recorded lower interest and other financing charges by 23% to ₱185.9 million from ₱240.0 million. This is due to lower outstanding balance of the retail bonds after payment of its Series B bonds in May 2022. Interest income increased by 12% due to higher average placements while Service Facility Income posted an increase of 46% to ₱34.1million from ₱23.4 million.

Provision for income tax was higher by 40% due to higher taxable income. With the implementation of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, income tax expense for the period ended September 30, 2021 decreased by ₱41.8 million due to adjustment for changes in the corporate income tax rates beginning July 1, 2020.

As a result of the foregoing, net income increased by 41% to ₱2,494.5 million from ₱1,769.1 million.

## II. Financial Position

### 2023 and 2022

	September 2023	December 2022	Horizontal Analysis Increase/(Decrease)		Vertical Analysis	
			Amount	%	2023	2022
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	₱5,607,872	₱4,558,356	1,049,516	23%	26%	24%
Trade and other receivables	1,883,702	1,582,403	301,299	19%	9%	8%
Other current assets	102,384	116,535	(14,151)	(12%)	0%	1%
Total Current Assets	7,593,958	6,257,294	1,336,664	21%	35%	33%
<b>Noncurrent Assets</b>						
Service concession rights	12,414,998	11,007,392	1,407,606	13%	57%	59%
Property and equipment	1,079,852	716,613	363,239	51%	5%	4%
Advances to contractors	760,341	645,928	114,413	18%	3%	3%
Net deferred tax assets	74,441	65,567	8,874	14%	1%	0%
Other noncurrent assets	30,449	31,748	(1,299)	(4%)	0%	0%
Total Noncurrent Assets	14,360,081	12,467,248	1,892,833	15%	65%	67%
<b>TOTAL ASSETS</b>	<b>₱21,954,039</b>	<b>₱18,724,542</b>	<b>3,229,497</b>	<b>17%</b>	<b>100%</b>	<b>100%</b>

Total assets as of September 30, 2023 amounted to ₱21,954.0 million, higher by 17% from December 31, 2022 balance of ₱18,724.5 million.

Cash and cash equivalents amounted to ₱5,607.9 million, 23% higher from ₱4,558.4 million in 2022 due to higher cash generated from operations and after payment for capital expenditures and interest expense.

Trade and other receivables increased due to higher Department of Public Work and Highways (DPWH) advances due to TR4 ROW advances offset by decrease in trade and other receivables mainly due to timely collection of inter-concession receivables.

Decrease in other current assets due to lower prepaid input VAT by ₱24.2 million and lower advances to contractors-current by ₱1.2 million, offset by higher prepaid insurance by ₱6.8 million, higher local business tax by ₱2.4 million and higher miscellaneous prepaid expenses by ₱2.1 million.

Service concession rights posted a net increase which pertain to SLEX widening project and TR4 project cost of ₱1,825.8 million and capitalizable depreciation of ₱41.0 million, offset by amortization of ₱459.2 million.

Increase in property and equipment due to new machinery and transportation equipment of ₱446.2 million offset by depreciation of ₱41.9 million and capitalized depreciation amounting to ₱41.0 million.

Advances to contractors went up due to downpayment to SLEX widening contractors while net deferred tax asset increased by ₱8.8 million, other noncurrent assets decreased by ₱1.3 million due to amortization of right-of-use (ROU) asset.

	September 2023	December 2022	Horizontal Analysis Increase/(Decrease)		Vertical Analysis	
			Amount	%	2023	2022
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Accounts payable and other current liabilities	₱1,017,808	₱926,530	91,278	10%	5%	5%
Current portion of provision for resurfacing and maintenance obligation	174,875	160,804	14,071	9%	1%	1%
Income tax payable	194,270	188,131	6,139	3%	1%	1%
Total Current Liabilities	1,386,953	1,275,465	111,488	9%	6%	7%
<b>Noncurrent Liabilities</b>						
Noncurrent portion of:						
Long-term debt	2,493,438	2,490,673	2,765	0%	11%	13%
Provision for resurfacing and maintenance obligation	320,877	276,222	44,655	16%	1%	2%
Retention payable	208,815	157,095	51,720	33%	1%	1%
Net retirement liability	2,301	2,783	(482)	(17%)	0%	0%
Total Noncurrent Liabilities	3,025,431	2,926,773	98,658	3%	14%	16%
Total Liabilities	4,412,384	4,202,238	210,146	5%	20%	23%
<b>Equity</b>						
Capital stock	3,625,000	3,625,000	-	0%	17%	19%
Retained earnings	13,915,609	10,896,258	3,019,351	28%	63%	58%
Remeasurement gain on net retirement liability	1,046	1,046	-	0%	0%	0%
Total Equity	17,541,655	14,522,304	3,019,351	21%	80%	77%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱21,954,039</b>	<b>₱18,724,542</b>	<b>3,229,497</b>	<b>17%</b>	<b>100%</b>	<b>100%</b>

Total liabilities as of September 30, 2023 amounted to ₱4,412.4 million. Accounts payable and other current liabilities increased mainly due to higher payable to contractors and statutory payable. Income tax payable pertains to tax due as of September 30, 2023.

Noncurrent portion of the long-term debt pertains to bonds due in 2025, net of debt issuance cost. Provision for resurfacing and maintenance obligation-current increased by ₱14.1 million while non-current increased by ₱44.7 million based on adjusted maintenance forecast. Retention payable-noncurrent increased due to additional retention for TR4.

Issued and outstanding capital stock remains at ₱3,625 million. Movement in retained earnings pertain to reversal of the prior year appropriation amounting to ₱1,923.6 million, new appropriation of ₱7,350.0 million for the 2023 approved capital expenditures and net income during the period of ₱3,019.4 million.

## 2022 and 2021

	September	December	Horizontal Analysis		Vertical Analysis	
	2022	2021	Amount	%	2022	2021
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	₱4,658,081	₱5,342,696	(684,615)	-13%	27%	31%
Trade and other receivables	1,313,729	1,144,344	169,385	15%	8%	7%
Other current assets	84,889	82,893	1,996	2%	1%	0%
Total Current Assets	6,056,699	6,569,933	(513,234)	-8%	35%	38%
<b>Noncurrent Assets</b>						
Service concession rights	10,340,492	9,532,979	807,513	8%	59%	55%
Property and equipment	431,311	361,503	69,808	19%	2%	2%
Computer software	239	953	(714)	-75%	0%	0%
Advances to contractors	574,943	624,321	(49,378)	-8%	3%	4%
Net deferred tax assets	72,577	62,976	9,601	15%	0%	0%
Other noncurrent assets	32,928	37,101	(4,173)	-11%	0%	0%
Total Noncurrent Assets	11,452,490	10,619,833	832,657	8%	65%	62%
<b>TOTAL ASSETS</b>	<b>₱17,509,189</b>	<b>₱17,189,766</b>	<b>319,423</b>	<b>2%</b>	<b>100%</b>	<b>100%</b>

Total assets as at September 30, 2022 amounted to ₱17,509.2 million, higher by 2% from December 31, 2021 balance of ₱17,189.8 million.

Cash and cash equivalents amounted to ₱4,658.1 million, 13% lower from ₱5,342.7 million in 2021 after payment for capital expenditures, Series B peso retail bonds, interest expense, right of way for the TR4 project, income tax and toll road repairs and maintenance during the period.

Trade and other receivables increased by 15% to ₱1,313.7 million from ₱1,144.3 million mainly from receivables from the DPWH for right of way transactions amounting to ₱1,293.8 million after adjustment for cancellation of 2021 transactions of ₱71.0 million. The trade receivables are net of allowance for ECL amounting to ₱12.2 million which pertains to income from lease of advertising space that are not yet collected.

Other current assets increased to ₱84.9 million from ₱82.9 million due to higher deferred input VAT and higher prepayments offset by lower current portion of advances to contractors.

Service concession rights posted a net increase of ₱807.5 million to ₱10,340.5 million from ₱9,533.0 million. Additions include various enhancement and expansion activities and project development costs for SLEX TR4 totaling ₱1,209.4 million and capitalized depreciation of ₱17.5 million, offset by amortization of ₱420.0 million.

Net increase in property and equipment pertain to new vehicle and equipment amounting to ₱134.3 million offset by depreciation of ₱47.0 million and capitalized depreciation of ₱17.5 million.

Net decrease in other noncurrent assets pertains to amortization of ROU asset by ₱1.3 million, lower deferred input VAT by ₱2.8 million and deposits of ₱0.1 million.

	September	December	Horizontal Analysis		Vertical Analysis	
	2022	2021	Increase/(Decrease)		2022	2021
			Amount	%		
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Accounts payable and other current liabilities	<b>₱825,385</b>	<b>₱621,331</b>	204,054	33%	5%	3%
Current portion of:						
Long-term debt	-	2,397,997	(2,397,997)	100%	0%	14%
Provision for resurfacing and maintenance obligation	<b>138,231</b>	128,352	9,879	8%	1%	1%
Income tax payable	<b>180,396</b>	166,076	14,320	9%	1%	1%
<b>Total Current Liabilities</b>	<b>1,144,012</b>	<b>3,313,756</b>	<b>(2,169,744)</b>	<b>-65%</b>	<b>7%</b>	<b>19%</b>
<b>Noncurrent Liabilities</b>						
Noncurrent portion of:						
Long-term debt	<b>2,489,780</b>	2,487,193	2,588	0%	14%	14%
Provision for resurfacing and maintenance obligation	<b>345,453</b>	291,108	54,344	19%	2%	2%
Retention payable	-	61,757	(61,757)	-100%	0%	0%
Net retirement liability	<b>2,289</b>	2,755	(465)	-17%	0%	0%
<b>Total Noncurrent Liabilities</b>	<b>2,837,522</b>	<b>2,842,813</b>	<b>(5,290)</b>	<b>0%</b>	<b>16%</b>	<b>17%</b>
<b>Total Liabilities</b>	<b>3,981,534</b>	<b>6,156,569</b>	<b>(2,175,035)</b>	<b>-35%</b>	<b>23%</b>	<b>36%</b>
<b>Equity</b>						
Capital stock	<b>3,625,000</b>	3,625,000	-	0%	21%	21%
Retained earnings	<b>9,901,226</b>	7,406,768	2,494,458	34%	57%	43%
Remeasurement gain on net retirement liability	<b>1,429</b>	1,429	-	0%	0%	0%
<b>Total Equity</b>	<b>13,527,655</b>	<b>11,033,197</b>	<b>2,494,458</b>	<b>23%</b>	<b>77%</b>	<b>64%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱17,509,189</b>	<b>₱17,189,766</b>	<b>319,423</b>	<b>2%</b>	<b>100%</b>	<b>100%</b>

Total liabilities as at September 30, 2022 amounted to ₱3,981.5 million, 35% lower from December 31, 2021 balance of ₱6,156.6 million primarily due to settlement of Series B peso retail bonds in May 2022. Accounts payable and other current liabilities increased mainly due to third party and related party payables. Income tax payable amounted to ₱180.4 million pertaining to tax due for the period ended September 30, 2022.

Total Equity as at September 30, 2022 amounted to ₱13,527.7 million, higher by 23% from December 31, 2021 balance of ₱11,033.2 million, due to net income during the period of ₱2,494.5 million.

On March 9, 2021, the Board of Directors approved the appropriation of P1,923.6 million to fund the cost of capital expenditures and other improvement projects. The appropriation was carried over to 2022 to fund these ongoing projects. As at September 30, 2022, the management is currently evaluating the level of additional appropriation for capital expenditures (CAPEX) and other improvement projects in 2022.

Management intends to declare dividends in 2022 to address the excess retained earnings, in accordance with the Company's dividend policy approved by the BOD on August 12, 2021. The amount and payout date of such declarations will be determined in accordance with the conditions required by the dividend policy.



### III. Cash Flow

2023, 2022 and 2021

A summary of cash flow movement is as follows:

	September 30		
	2023	2022	2021
Net cash provided by operating activities	3,557,668	3,184,893	1,952,893
Net cash used in investing activities	(2,385,100)	(1,292,207)	(562,203)
Net cash used in financing activities	(125,051)	(2,577,649)	(227,838)
Effect of exchange rate changes on cash and cash equivalents	1,999	348	71
Net increase (decrease) in cash and cash equivalents	1,049,516	(684,615)	1,162,923
Cash and cash equivalents at beginning of year	4,558,356	5,342,696	3,998,698
Cash and cash equivalents at end of period	5,607,872	4,658,081	5,161,621

Net cash provided by operating activities consist of net cash generated from operations of ₱4,008.9 million and adjustments for income tax paid of ₱581.9 million, contributions to the retirement plan of ₱0.7 million, actual resurfacing payment of ₱0.2 million and interest received amounting to ₱131.6 million.

Net cashflows used for investing activities consist of the following:

	September 30		
	2023	2022	2021
Additions to:			
Service concession rights	(₱1,825,834)	(₱1,209,739)	(₱490,418)
Property and equipment	(446,152)	(134,735)	(98,770)
Decrease (increase) in:			
Advances to contractors	(114,413)	49,378	-
Other noncurrent assets	1,299	2,889	26,985

Net cashflows used for financing activities consist of the following:

	September 30		
	2023	2022	2021
Settlement of Series B retail bonds	-	(₱2,400,000)	-
Interest and other financing charges	(₱125,051)	(₱177,649)	(₱227,838)

### ITEM 3. KEY PERFORMANCE INDICATORS

Ratio	Formula	September 30, 2023	December 31, 2022
Current ratio	Total Current Assets	7,593,958	6,257,294
	Divided by: Total Current Liabilities	1,386,953	1,275,465
	Current ratio	5.48:1.0	4.91:1.0
Debt-to-equity ratio	Total long-term debt	2,493,438	2,490,673
	Total equity (excluding OCI )	17,540,609	14,521,258
	Debt-to-equity ratio	0.14:1.0	0.17:1.0
Asset-to-equity ratio	Total assets	21,954,039	18,724,542
	Total equity	17,541,655	14,522,304
	Asset-to-equity ratio	1.25:1.0	1.29:1.0
Interest rate coverage ratio	Cash, beginning	4,658,081	5,342,696
	EBIT DA*	5,857,368	5,031,073
		10,515,449	10,373,769
	Interest expense over the next 12 months	165,898	167,663
	Interest cover ratio **	63.39:1.0	61.87:1.0

\*As defined in the debt covenant

Ratio	Formula	September 30, 2023	December 31, 2022
Solvency ratio	Net income before depreciation and amortization	3,520,493	4,155,504
	Total liabilities	4,412,384	4,202,238
	Solvency ratio	0.80:1.0	0.99:1.0
Return on equity	Net income	3,019,351	3,489,490
	Total equity	17,541,655	14,522,304
	Return on equity	0.17:1.0	0.24:1.0
Return on assets	Net income	3,019,351	3,489,490
	Total assets	21,954,039	18,724,542
	Return on assets	0.14:1.0	0.19:1.0
Net profit margin	Net income	3,019,351	3,489,490
	Total revenue	5,159,147	6,439,849
	Net profit margin	0.59:1.0	0.54:1.0

The Company is in compliance with its financial covenants as at and for the period ended September 30, 2023.

#### **ITEM 4. OFF-BALANCE SHEET ARRANGEMENTS**

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

#### **ITEM 5. OTHER MATTERS**

- a. 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.
- b. There were no material changes in estimates of amounts reported in prior financial years.
- c. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the liquidity of the Company.
- d. 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.
- e. There were no known events that will trigger direct or contingent financial obligation that is material to the Company, 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.
- f. There was no material off statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.
- g. The effects of seasonality or cyclicity on the operations of the business of the Company are not material.
- h. The Company's material commitments for capital expenditure projects have been approved for the current year and are still ongoing as of September 30, 2023. These consist of construction of the SLEX widening project and TR4 project. It also includes preventive replacement of equipment to ensure that the toll collection system, traffic and control surveillance system and other critical systems of tollway operations are in good working condition. These projects will continue to be funded either by internally generated funds, shareholder advances or long-term loans.
- i. Effect of Ukraine-Russian War

The ongoing conflict between Russia and Ukraine has no direct effect to the Company.

Although SLEX traffic volume and toll revenue for the period ended September 30, 2023 have exceeded the pre-pandemic levels, the extent to which the war's further impact on the Company's financials will depend on future developments and cannot be quantified yet as of September 30, 2023.

#### **PART II – OTHER INFORMATION**

The Company has no other information not previously reported in a report on SEC Form 17-C.

## SIGNATURE

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: **SMC SLEX INC. (formerly South Luzon Tollway Corporation)**



Signature and Title: **Virgilio S. De Guzman**  
**Deputy Chief Finance Officer**

Date: **November 14, 2023**

# ANNEX A

**SMC SLEX INC.**  
(A Subsidiary of SMC SLEX HOLDINGS COMPANY INC.)

**STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Thousands)

		September 30, 2023	December 31, 2022
	Note	(Unaudited)	(Audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	P5,607,872	P4,558,356
Trade and other receivables	5	1,883,702	1,582,403
Other current assets	6	102,384	116,535
Total Current Assets		7,593,958	6,257,294
<b>Noncurrent Assets</b>			
Service concession rights	8	12,414,998	11,007,392
Property and equipment	7	1,079,852	716,613
Advances to contractors	9	760,341	645,928
Net deferred tax assets		74,441	65,567
Other noncurrent assets	9	30,449	31,748
Total Noncurrent Assets		14,360,081	12,467,248
<b>TOTAL ASSETS</b>		<b>P21,954,039</b>	<b>P18,724,542</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities	10	P1,017,808	P926,530
Current portion of provision for resurfacing and maintenance obligation	12	174,875	160,804
Income tax payable		194,270	188,131
Total Current Liabilities		1,386,953	1,275,465
<b>Noncurrent Liabilities</b>			
Noncurrent portion of:			
Long-term debt	11	2,493,438	2,490,673
Provision for resurfacing and maintenance obligation	12	320,877	276,222
Retention payable	10	208,815	157,095
Net retirement liability		2,301	2,783
Total Noncurrent Liabilities		3,025,431	2,926,773
Total Liabilities		4,412,384	4,202,238
<b>Equity</b>			
Capital stock		3,625,000	3,625,000
Retained earnings	15	13,915,609	10,896,258
Remeasurement gain on net retirement liability		1,046	1,046
Total Equity		17,541,655	14,522,304
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P21,954,039</b>	<b>P18,724,542</b>

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

Certified Correct:



**VIRGILIO S. DE GUZMAN**  
Deputy CFO


**SMC SLEX INC.**  
(A Subsidiary of SMC SLEX HOLDINGS COMPANY INC.)

**STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in Thousands Except Earnings Per Share)

	Note	For the quarter ended			For the period ended		
		September 30, 2023	September 30, 2022	September 30, 2021	September 30, 2023	September 30, 2022	September 30, 2021
REVENUE FROM TOLL OPERATIONS		₱1,744,851	₱1,618,604	₱1,318,982	₱5,159,147	₱4,734,054	₱3,988,887
COST OF SERVICES	14	(464,652)	(416,876)	(452,410)	(1,342,369)	(1,315,666)	(1,352,266)
GROSS PROFIT		1,280,199	1,201,728	866,572	3,816,778	3,418,388	2,636,621
OPERATING EXPENSES	14	(99,997)	(97,891)	(218,297)	(267,770)	(276,906)	(322,822)
OPERATING INCOME		1,180,202	1,103,837	648,275	3,549,008	3,141,482	2,313,799
<b>CONSTRUCTION REVENUE AND COSTS</b>							
Construction revenue	8	821,789	543,227	132,219	1,866,952	1,227,501	496,136
Construction costs	8	(821,789)	(543,227)	(132,219)	(1,866,952)	(1,227,501)	(496,136)
<b>OTHER INCOME (CHARGES)</b>							
Interest and other financing charges	11	(42,873)	(41,744)	(79,579)	(136,280)	(185,942)	(239,995)
Interest income	4	62,968	22,190	15,794	165,482	54,762	48,811
Others		17,928	12,899	7,127	53,385	14,349	25,643
		38,023	(6,655)	(56,658)	82,587	(116,831)	(165,541)
INCOME BEFORE INCOME TAX		1,218,225	1,097,182	591,617	3,631,595	3,024,651	2,148,258
PROVISION FOR INCOME TAX	16	207,326	186,585	133,925	612,244	530,193	379,113
NET INCOME		₱1,010,899	₱910,597	₱457,692	₱3,019,351	₱2,494,458	₱1,769,145
<b>OTHER COMPREHENSIVE INCOME</b>							
TOTAL COMPREHENSIVE INCOME		₱1,010,899	₱910,597	₱457,692	₱3,019,351	₱2,494,458	₱1,769,145
EBITDA		₱2,326,153	₱2,187,531	₱1,673,649	₱4,316,680	₱3,777,876	₱3,027,526
BASIC/DILUTED EARNINGS PER SHARE	19	₱0.28	₱0.25	₱0.13	₱0.83	₱0.69	₱0.49

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

Certified Correct:



**VIRGILIO S. DE GUZMAN**  
Deputy CFO

**SMC SLEX INC.**  
**(A Subsidiary of SMC SLEX HOLDINGS COMPANY INC.)**

**STATEMENTS OF CHANGES IN EQUITY**  
**(Amounts in Thousands Except Par Value Per Share and Number of Shares)**

(in Php millions)	Note	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>CAPITAL STOCK-P1.00 par value</b>			
Authorized - 4,000,000,000 shares			
Issued and outstanding - 3,625,000,000 shares		P3,625,000	P3,625,000
<b>RETAINED EARNINGS</b>			
	15		
Appropriated:			
Balance at beginning of year		1,923,627	1,923,627
Reversal of appropriation		(1,923,627)	-
Appropriation		7,349,958	-
Balance at end of period		7,349,958	1,923,627
Unappropriated:			
Balance at beginning of year		8,972,631	5,483,141
Reversal of appropriation		1,923,627	-
Appropriation		(7,349,958)	-
Net income		3,019,351	3,489,490
Balance at end of period		6,565,651	8,972,631
		13,915,609	10,896,258
<b>REMEASUREMENT GAIN ON NET RETIREMENT LIABILITY</b>			
Balance at beginning of year		1,046	1,429
Remeasurement gain (loss) on retirement liability		-	(383)
Balance at end of period		1,046	1,046
		P17,541,655	P14,522,304

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

Certified Correct:



**VIRGILIO S. DE GUZMAN**  
Deputy CFO



**SMC SLEX INC.**  
(A Subsidiary of SMC SLEX HOLDINGS COMPANY INC.)

**STATEMENTS OF CASH FLOWS**  
(Amounts in Thousands)

(in million Php)	For the period ended		
	September 30, 2023	September 30, 2022	September 30, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱3,631,595	₱3,024,651	₱2,148,258
Adjustment for:			
Amortization for concession right	459,345	419,989	419,991
Interest expense and other financing charges	136,280	185,942	239,995
Provision for resurfacing and maintenance obligation	50,449	98,399	144,154
Depreciation and amortization	41,797	49,164	75,183
Unrealized foreign exchange loss (gain) - net	(1,999)	(348)	(72)
Retirement expenses	245	-	-
Interest income	(165,482)	(54,762)	(48,811)
Operating income before working capital changes	4,152,230	3,723,035	2,978,699
Decrease (increase) in:			
Trade and other receivables	(300,548)	(166,873)	(734,929)
Other current assets	14,152	(2,000)	(20,804)
Accounts payable and other current liabilities	142,996	141,832	114,953
Net cash generated from operations	4,008,830	3,695,994	2,337,919
Income tax paid	(581,883)	(514,520)	(383,403)
Interest received	131,634	41,294	48,083
Contributions to the retirement plan	(727)	-	-
Resurfacing and maintenance paid	(186)	(37,875)	(49,706)
Net cash provided by operating activities	3,557,668	3,184,893	1,952,893
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Service concession rights	(1,825,834)	(1,209,739)	(490,418)
Property and equipment	(446,152)	(134,735)	(98,770)
Decrease (increase) in:			
Advances to contractors	(114,413)	49,378	-
Other noncurrent assets	1,299	2,889	26,985
Net cash used in investing activities	(2,385,100)	(1,292,206)	(562,203)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of:			
Long-term debt	-	(2,400,000)	-
Interest and other financing charges	(125,051)	(177,649)	(227,838)
Net cash used in financing activities	(125,051)	(2,577,649)	(227,838)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
	1,999	348	71
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,049,516</b>	<b>(684,615)</b>	<b>1,162,922</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>4,558,356</b>	<b>5,342,696</b>	<b>3,998,698</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>₱5,607,872</b>	<b>₱4,658,081</b>	<b>₱5,161,621</b>

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

Certified Correct:



**VIRGILIO S. DE GUZMAN**  
Deputy CFO

**SMC SLEX INC.**  
**(A Subsidiary of SMC SLEX HOLDINGS COMPANY INC.)**

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**SELECTED NOTES TO FINANCIAL STATEMENTS**

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**1. Reporting Entity**

**General Information**

SMC SLEX INC. (formerly 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 SMC SLEX Holdings Company Inc. (formerly MTD Manila Expressways, Inc.) 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 has a corporate life of 50 years pursuant to its articles of incorporation. However, under the Revised Corporation Code of the Philippines which took effect on February 23, 2019, the Company shall have a perpetual corporate life.

The Company is 80% owned by SMC SLEX Holdings Company Inc. (the Parent Company). The ultimate parent of the Company is Top Frontier Investment Holdings, Inc., a holding company incorporated in the Philippines.

The Company's office is located at 11/F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City.

**Retail Bond Issue**

The Company has issued public bonds (the Bonds) with aggregate principal of ₱7,300.0 million with outstanding balance of ₱2,500.0 million as at September 30, 2023 and December 31, 2022. The Bonds were listed at the Philippine Dealing System Holdings Corp. (PDS) on May 22, 2015 (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, Quezon). The concession granted shall expire 30 years from February 1, 2006.

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

In 2019, the Company commenced construction of the TR4 which is still ongoing as at September 30, 2023.

### **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 a 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**

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

The MOA on inter-operability provides 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 on July 24, 2015 and is operating as a toll expressway.

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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 and Sustainability 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 period ended September 30, 2023 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, 2022.

### **Basis of Measurement**

The financial statements are presented in Philippine Peso (Peso), which is the functional currency of the Company. All values are rounded off to the nearest thousand (P000) unless otherwise indicated.

The financial statements have been prepared on a historical cost basis except for provision for resurfacing and maintenance obligation and retirement liability which are measured at the present value of the estimated amount of costs that are expected to be incurred and related plan assets measured at fair value. 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.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

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### 3. Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS effective for annual periods beginning or after January 1, 2023:

- Disclosure of Accounting Policies (Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 include guidance and additional examples on the application of materiality to accounting policy disclosures.
- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments require an entity to recognize deferred tax on transactions, such as leases for the lessee and decommissioning obligations, that give rise to equal amounts of taxable and deductible temporary differences on initial recognition.

Under prevailing circumstances, the adoption of the foregoing amended PFRS did not have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

#### **New and Amendments to Standards Not Yet Adopted**

A number of new and amended standards are effective for annual periods beginning after January 1, 2023 and have not been applied in preparing the interim financial statements. None of these are expected to have a significant effect on the interim financial statements.

The Company will adopt the following new and amended standards on the respective effective dates:

- *International Tax Reform - Pillar Two Model Rules* (Amendments to PAS 12). The amendments include a temporary, mandatory exemption from accounting for deferred taxes resulting from the introduction of the global minimum taxation and targeted disclosures in the notes for affected entities to enable users of financial statements to understand the extent to which an entity will be affected by the minimum tax, particularly before the legislation comes into force.
- The accounting exemption is to be applied immediately after publication of the amendment. The amendments relating to the notes are applicable for annual reporting periods beginning on or after January 1, 2023. Disclosures in the notes for interim reporting periods ending on or before December 31, 2023 are not required.
- *Lease Liability in a Sale and Leaseback* (Amendments to PFRS 16, *Leases*). The amendments confirm the following:
  - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale and leaseback transaction.
  - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right-of-use asset it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Under PAS 8, the amendments apply retrospectively to sale and leaseback transactions entered into or after the date of initial adoption of PFRS 16.

- *Supplier Finance Arrangements* (Amendments to PAS 7, *Statement of Cash Flows*, and PFRS 7, *Financial Instruments: Disclosures*). The amendments introduce new disclosure objectives to provide information about the supplier finance arrangements of an entity that would enable users to assess the effects of these arrangements on the liabilities and cash flows, and the exposure to liquidity risk.

Under the amendments, entities also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in PFRS 7 on factors an entity might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;
  - clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
  - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and
  - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with early application permitted.

- PFRS 17, Insurance Contracts, replaces the interim standard, PFRS 4, Insurance Contracts, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard reflects the view that an insurance contract combines features of both a financial instrument and a service contract, and considers the fact that many insurance contracts generate cash flows with substantial variability over a long period. PFRS 17 introduces a new approach that: (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract; (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

Under PFRS 17, groups of insurance contracts are measured based on fulfillment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policyholders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfillment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance

Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the International Accounting Standards Board (IASB). Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9, Financial Instruments, will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 on or before the date of initial application of PFRS 17.

#### 4. Cash and Cash Equivalents

This account consists of:

	September 30, 2023	December 31, 2022
Cash on hand and in banks	<b>₱1,675,491</b>	<b>₱1,255,035</b>
Cash equivalents	<b>3,932,381</b>	<b>3,303,321</b>
	<b>₱5,607,872</b>	<b>₱4,558,356</b>

Cash in banks earn interest at prevailing bank deposit rates and are immediately available for use in the current operations.

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.

Total interest income from cash and cash equivalents recognized in profit and loss amounted to ₱165.5 million, ₱54.8 million and ₱48.8 million for the period ended September 30, 2023, September 30, 2022 and September 30, 2021 respectively. Interest receivable from short term investments amounted to ₱7.0 million and ₱6.3 million as at September 30, 2023 and December 31, 2022, respectively (see Note 5).

#### 5. Trade and Other Receivables

This account consists of:

	Note	September 30, 2023	December 31, 2022
Receivable from Department of Public Works and Highways (DPWH)		<b>₱1,836,910</b>	<b>₱1,496,912</b>
Trade receivables:			
Third parties		11,346	9,081
Related parties	13	27,605	69,330
Interest receivable	4	7,020	6,269
Refundable deposits		821	811
		<b>1,883,702</b>	<b>1,582,403</b>
Allowance for ECL		-	-
		<b>₱1,883,702</b>	<b>₱1,582,403</b>



Receivables from DPWH pertain to advances made by the Company for right-of-way acquisition of real property for the construction of the TR4 project.

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

Interest receivable pertains to accruals for interest earned from cash equivalents.

Refundable deposits pertain to deposits made to utility service providers during the construction of toll plazas. These are noninterest-bearing and are collectible upon completion of the construction.

Movement in the allowance for ECL is as follows:

	September 30, 2023	December 31, 2022
Balance at beginning of the year	P-	P12,178
Write-off	-	(12,178)
Balance at end of period	P-	P-

In 2022, the management has written off receivables amounting to P12.2 million.

#### 6. Other Current Assets

This account consists of:

	September 30, 2023	December 31, 2022
Deferred input VAT	P68,620	P69,834
Input VAT	-	23,006
Prepayments for:		
Real Property Tax	12,804	10,414
Insurance	16,325	9,494
Others	3,885	1,787
Advances to suppliers	750	2,000
	<b>P102,384</b>	<b>P116,535</b>

Deferred input VAT pertains to unamortized amount of input VAT on capital goods and input VAT on the unpaid portion of availed services.

Prepayments mainly consist of real property tax, concession insurance, advertising and local business tax

Advances to suppliers pertain to the current portion of the advance payments made in connection with the construction of toll roads and enhancement of the toll collection system.

## 7. Property and Equipment

Property and equipment consist of:

	September 30, 2023			
	Toll Machinery and Equipment	Vehicles	Office Equipment, Furniture and Fixtures	Total
<b>Cost</b>				
Balance at beginning of year	₱1,246,675	₱76,233	₱18,931	₱1,341,839
Additions	411,332	34,395	426	446,153
Retirement	-	(3,195)	-	(3,195)
Balance at end of period	1,658,007	107,433	19,357	1,784,797
<b>Accumulated Depreciation</b>				
Balance at beginning of year	566,778	43,785	14,663	625,226
Depreciation	71,519	9,675	1,720	82,914
Retirement	-	(3,195)	-	(3,195)
Balance at end of period	638,297	50,265	16,383	704,945
<b>Carrying Amount</b>	<b>₱1,019,710</b>	<b>₱57,168</b>	<b>₱2,974</b>	<b>₱1,079,852</b>

	December 31, 2022			
	Toll Machinery and Equipment	Vehicles	Office Equipment, Furniture and Fixtures	Total
<b>Cost</b>				
Balance at beginning of year	₱827,025	₱55,917	₱16,437	₱899,379
Additions	419,650	20,316	2,494	442,460
Balance at end of year	1,246,675	76,233	18,931	1,341,839
<b>Accumulated Depreciation</b>				
Balance at beginning of year	489,497	35,560	12,819	537,876
Depreciation	77,281	8,225	1,844	87,350
Balance at end of year	566,778	43,785	14,663	625,226
<b>Carrying Amount</b>	<b>₱679,897</b>	<b>₱32,448</b>	<b>₱4,268</b>	<b>₱716,613</b>

Depreciation amounting to ₱41.0 million and ₱16.0 million for the period ended September 30, 2023 and September 30, 2022, respectively, was capitalized as part of additions to service concession rights.

## Computer Software

Movements in the computer software are as follows:

	September 30, 2023	December 31, 2022
<b>Cost</b>		
Balance at beginning of year	<b>P4,699</b>	<b>P4,699</b>
<b>Accumulated Amortization</b>		
Balance at beginning of year	4,699	3,746
Amortization	-	953
Balance at end of period	<b>4,699</b>	<b>4,699</b>
<b>Carrying Amount</b>	<b>P-</b>	<b>P-</b>

## 8. Service Concession Rights

This account consists of:

	September 30, 2023		
	TR1, TR2 and TR3	TR4	Total
<b>Cost</b>			
Balance at beginning of year	<b>P15,181,345</b>	<b>P2,710,588</b>	<b>P17,891,933</b>
Additions	639,547	1,227,404	1,866,951
Balance at end of period	<b>15,820,892</b>	<b>3,937,992</b>	<b>19,758,884</b>
<b>Accumulated Amortization</b>			
Balance at beginning of year	6,884,541	-	6,884,541
Amortization	459,345	-	459,345
Balance at end of period	<b>7,343,886</b>	<b>-</b>	<b>7,343,886</b>
<b>Carrying Amount</b>	<b>P8,477,006</b>	<b>P3,937,992</b>	<b>P12,414,998</b>

	December 31, 2022		
	TR1, TR2 and TR3	TR4	Total
<b>Cost</b>			
Balance at beginning of year	₱14,462,629	₱1,353,860	₱15,816,489
Additions	718,716	1,356,728	2,075,444
Balance at end of year	15,181,345	2,710,588	17,891,933
<b>Accumulated Amortization</b>			
Balance at beginning of year	6,283,510	-	6,283,510
Amortization	601,031	-	601,031
Balance at end of year	6,884,541	-	6,884,541
<b>Carrying Amount</b>	<b>₱8,296,804</b>	<b>₱2,710,588</b>	<b>₱11,007,392</b>

### **Construction Revenue and Costs**

The Company recognized construction revenue and costs amounting to ₱1,887.0 million, ₱1,227.5 million and ₱496.1 million for the period ended September 30, 2023, September 30, 2022 and September 30, 2021 respectively, in reference to the design and construction of additional toll plazas and lanes to the road widening in TR1, TR2 and TR3, and to the planning, development and construction of TR4 project.

### **9. Advances to Contractors and Other Noncurrent Assets**

#### **Advances to Contractors**

Advances to contractors pertain to advance payments made to contractors in relation to the construction of road widening and TR4. This will be applied to subsequent billings. Advances to contractors amounted to ₱760.3 million and ₱645.9 million as at September 30, 2023 and December 31, 2022, respectively.

#### **Other Noncurrent Assets**

This account consists of:

	Note	September 30, 2023	December 31, 2022
ROU asset	13	₱21,109	₱22,391
Deferred input VAT		5,819	5,819
Deposits		3,521	3,538
		<b>₱30,449</b>	<b>₱31,748</b>

## 10. Accounts Payable and Other Current Liabilities

This account consists of:

	Note	September 30, 2023	December 31, 2022
Trade:			
Third parties		<b>P635,056</b>	<b>P609,065</b>
Related parties	13	228,605	218,244
Statutory payables		81,061	20,351
Retention payable		9,586	15,032
Accrued expenses:			
Interest	11	15,677	15,677
Others		30,242	29,757
Payable to PNCC		17,059	17,898
Rental deposit	13	522	506
		<b>P1,017,808</b>	<b>P926,530</b>

### Trade Payables

Trade payables are noninterest-bearing and are normally settled within one year.

### Retention Payables

Retention payable pertains to amounts withheld by the Company from payments made to contractors. These are deducted as a percentage of the amount certified as due to the contractor and will be released upon completion of the construction. This is classified in the statements of financial position as follows:

	September 30, 2023	December 31, 2022
Current	<b>P9,586</b>	<b>P15,032</b>
Noncurrent	208,815	157,095
	<b>P218,401</b>	<b>P172,127</b>

### Statutory Payables

Statutory payables pertain to net VAT payable, withholding taxes payable and contributions payable to various government agencies and are normally settled in the following month.

### Payable to PNCC

Payable to PNCC pertains to the outstanding 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 P154.8 million and P142.0 million and P119.7 million for the period ended September 30, 2023, September 30, 2022 and September 30, 2021, respectively (see Note 14). The outstanding balance was settled by the Company in the subsequent period.

### Other Accrued Expenses

The Company provided contingencies for potential claims in the normal course of business. The outstanding balance is included under "Accrued expenses – others". As allowed under PAS 37- Provisions, Contingent Liabilities and Contingent Assets, further information is not disclosed as it may prejudice the Company's negotiation with the third party.

## 11. Long-Term Debt

Movement in long-term debt are as follows:

	September 30, 2023	December 31, 2022
<b>Principal</b>		
Balance at beginning of year	<b>₱2,500,000</b>	<b>₱4,900,000</b>
Payments	-	(2,400,000)
Balance at end of period	<b>2,500,000</b>	<b>2,500,000</b>
<b>Unamortized debt issue cost</b>		
Balance at beginning of year	<b>9,327</b>	<b>14,810</b>
Amortization of debt issue cost	<b>(2,765)</b>	<b>(5,483)</b>
Balance at end of period	<b>6,562</b>	<b>9,327</b>
	<b>2,493,438</b>	<b>2,490,673</b>
Less: Current portion	-	-
<b>Noncurrent portion</b>	<b>₱2,493,438</b>	<b>₱2,490,673</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 Bonds were issued in three (3) series as follows:

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

Series A and Series B bonds were redeemed on August 22, 2020 and May 22, 2022, respectively.

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:

Years from Issue Date	Series A Bonds	Series B Bonds	Series C Bonds
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, 2023 and December 31, 2022.

#### **Maturity Schedule**

The annual maturities of long-term debt and amortization of debt issue costs are as follows:

Year	Gross Amount of Repayment	Amortization of Debt Issue Costs	Net
2023	₱–	₱3,718	(₱3,718)
2024	–	3,972	(3,972)
2025	2,500,000	1,637	2,498,363
Total	₱2,500,000	₱9,327	₱2,490,673



**Interest and Other Financing Charges**

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

	Note	September 30, 2023	September 30, 2022	September 30, 2021
<b>Retail bond:</b>				
Interest on long-term debt		₱121,635	₱174,455	₱222,068
Amortization of debt issue cost		2,765	4,592	6,060
Other financing charges		3,416	3,194	5,770
		127,816	182,240	233,898
Accretion of interest on provision for resurfacing and maintenance obligation	12	8,464	3,701	6,097
		₱136,280	₱185,942	₱239,995

Other financing charges consist of structuring fee, debt issuance and maintenance fees and debt security agency fees.

Accrued interest payable related to the bonds amounted to ₱15.7 million as at September 30, 2023 and December 31, 2022 (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 includes 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, 2023	December 31, 2022
Balance at beginning of year		₱437,026	₱419,460
Provision	14	50,449	57,176
Accretion of interest	11	8,464	7,131
Actual resurfacing and maintenance incurred		(187)	(46,741)
		495,752	437,026
Less current portion		174,875	160,804
Noncurrent portion		₱320,877	₱276,222

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

	September 30, 2023	December 31, 2022
Replacement period	5 years	5 years
Discount rate range	5.21% to 6.47%	5.21% to 6.38%
Price increase	3.3%	3.0%

Discount rates represent the interest rates of government bonds that are denominated in Philippine Peso, the currency in which the obligation will be paid, with extrapolated maturities corresponding to the expected payment of resurfacing obligation.

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

### 13. Related Party Transactions

The Company and related parties purchase products and services from one another in the normal course of business. The Company requires approval of the BOD for certain limits on the amount and extent of transactions with related parties.

Amount owed by/to related parties are collectible/payable in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

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

Related Parties	Note	Nature of Transaction	Transaction Amounts		Outstanding Balance	
			September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Trade and Other Receivables						
Under common control	5	Interconcession	p4,174,557	p6,387,968	p24,677	p66,605
		Service facility fee	6,465	7,395	2,733	2,650
		Lease of office space	1,565	-	195	-
		Teller overages and other income	577	2,648	.	75
					p27,605	p69,330
ROU Asset						
Under common control	9	Lease of land	p1,284	p1,712	p21,109	p22,391

Related Parties	Note	Nature of Transaction	Transaction Amounts		Outstanding Balance	
			September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
<b>Accounts Payable and Other Current Liabilities</b>	<b>10</b>					
Under common control		Interconcession	<b>₱725,836</b>	<b>₱901,946</b>	<b>₱18,856</b>	<b>₱15,584</b>
		Operations and maintenance	<b>665,767</b>	<b>870,615</b>	<b>104,864</b>	<b>112,610</b>
		Purchase of fuel	<b>151,205</b>	<b>121,628</b>	<b>29,012</b>	<b>10,909</b>
		Construction management	<b>119,942</b>	<b>131,586</b>	<b>45,518</b>	<b>16,237</b>
		Management services -Administrative service:	<b>97,799</b>	<b>123,848</b>	<b>-</b>	<b>-</b>
		Management service fees -ROW acquisition	<b>88,363</b>	<b>82,344</b>	<b>8,739</b>	<b>8,741</b>
		Share in expenses and lease	<b>38,550</b>	<b>52,094</b>	<b>-</b>	<b>-</b>
		Purchase of other goods and services	<b>20,395</b>	<b>18,663</b>	<b>21,093</b>	<b>1,295</b>
		Purchase of network devices	<b>4,221</b>	<b>88,956</b>	<b>-</b>	<b>35,797</b>
		Reimbursement of expenses	<b>-</b>	<b>15,519</b>	<b>-</b>	<b>17,071</b>
					<b>₱228,083</b>	<b>₱218,244</b>
Under common control		Rental deposit	<b>₱15</b>	<b>₱-</b>	<b>522</b>	<b>506</b>
					<b>₱228,605</b>	<b>₱218,750</b>
<b>Fair Value of Plan Assets</b>						
Under common control		Retirement plan contributions	<b>₱-</b>	<b>₱797</b>	<b>₱1,086</b>	<b>₱1,715</b>

### **Receivables from Related Parties**

- a. In 2010, the Company, with MATES, SMC Skyway Corporation 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.

In 2021, the Company with SMC Skyway, SMC NAIAX Corp. and SMC Skyway Stage 3 Corp. also entered into a MOA on Inter-operability of Toll Collection System to ensure the inter-operability of toll collection system and traffic operations in accordance with the TRB guidelines for seamless traffic system.

In 2023, the Company with STAR INFRASTRUCTURE DEVELOPMENT Corp., STAR TOLLWAY Corp., SMC TPLEX Corp. and TPLEX O & M Corporation also entered into a MOA on Inter-operability of Toll Collection System to ensure the inter-operability of toll collection system and traffic operations in accordance with the TRB guidelines for seamless traffic system.

The Company has toll receivable amounting to ₱24.7 million and ₱66.6 million as at September 30, 2023 and December 31, 2022 respectively. The outstanding balances are normally settled in the subsequent period.

- b. The Company entered into a service facility agreement with Petron Corporation for providing access to gasoline stations along the SLEX. The Company charges service facility fee for certain percentage of revenue of the gasoline stations.
- c. The Company entered into lease agreement Intelligent E-Processes Technologies Corp. (IETC) for the sublease of office space located at Calamba, Laguna.

#### **Right-of Use Asset**

The Company leases from Alloy Manila Toll Expressways, Inc. 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. The Company paid the total lease consideration at the inception of the lease.

Right-of-use asset amounted to ₱21.1 million and ₱22.4 million as at September 30 2023 and December 31, 2022, respectively.

#### **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. Total fees charged by MATES amounted to ₱551.3 million in September 30, 2023 and ₱525.0 million in September 30, 2022 and September 30, 2021, and are presented as part of "Operations and maintenance". In 2023, MATES amended the agreement by increasing the annual operations and maintenance fee to ₱735.0 million.
- b. In 2016, the Company and IETC entered into service agreements for the non-exclusive and nontransferable license to use the toll collection system, preventive and corrective maintenance of Intelligent Transportation System, RFID management and customer services. IETC charges a monthly fixed fee for the said services. The agreement is valid until December 31, 2022 and renewed effective January 1, 2023 until December 31, 2023. Total fees charged by IETC amounted to ₱ 114.5 million, ₱124.9 million, ₱129.9 million in September 30, 2023, September 30, 2022 and September 30, 2021, respectively is presented as part of "Operations and maintenance".
- c. The Company renewed for a period of one year its lease agreement from January 1, 2022 to December 31, 2022 with MATES for the lease of machineries and equipment used for the construction of additional lanes along SLEX. Rent expense capitalized to SCR by the Company amounted to ₱11.5 million, ₱19.4 million and ₱6.3 million in September 30, 2023, September 30, 2022 and September 30, 2021, respectively.
- d. In the normal course of business, the Company purchases goods and services from its related parties.

#### 14. Cost of Services and Operating Expenses

This account consists of:

	Note	September 30, 2023	September 30, 2022	September 30, 2021
<b>Cost of Services:</b>				
Operations and maintenance	13	<b>₱665,767</b>	<b>₱650,257</b>	<b>₱655,564</b>
Amortization of service concession rights	8	<b>459,345</b>	<b>419,989</b>	<b>419,991</b>
PNCC share	10	<b>154,782</b>	<b>142,022</b>	<b>119,666</b>
Provision for resurfacing and maintenance obligation	12	<b>50,449</b>	<b>98,399</b>	<b>144,154</b>
Insurance		<b>12,026</b>	<b>5,001</b>	<b>12,892</b>
		<b>₱1,342,369</b>	<b>₱1,315,666</b>	<b>₱1,352,266</b>

	Note	September 30, 2023	September 30, 2022	September 30, 2021
<b>Operating Expenses:</b>				
Outside services		<b>₱112,753</b>	<b>₱106,178</b>	<b>₱113,912</b>
Taxes, licenses and other government dues		<b>51,697</b>	<b>67,994</b>	<b>29,619</b>
Depreciation and amortization	7	<b>41,797</b>	<b>49,164</b>	<b>75,183</b>
Advertising		<b>26,048</b>	<b>25,278</b>	<b>16,250</b>
Salaries and other employee benefits		<b>12,793</b>	<b>9,725</b>	<b>8,013</b>
Repairs and maintenance		<b>12,346</b>	<b>11,501</b>	<b>3,020</b>
Transportation and travel		<b>3,859</b>	<b>903</b>	<b>442</b>
Communication, light and water		<b>3,357</b>	<b>3,931</b>	<b>3,200</b>
Others		<b>1,704</b>	<b>1,009</b>	<b>64,180</b>
Office supplies		<b>883</b>	<b>784</b>	<b>407</b>
Entertainment, amusement and recreation		<b>289</b>	<b>107</b>	<b>142</b>
Retirement benefits cost		<b>245</b>	<b>331</b>	<b>328</b>
		<b>267,770</b>	<b>276,906</b>	<b>314,697</b>
		<b>₱1,610,139</b>	<b>₱1,592,572</b>	<b>₱1,666,963</b>

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## 15. Retained Earnings

On March 9, 2021, the Board of Directors approved the appropriation of retained earnings amounting to ₱ 1,923.6 million to fund the cost of capital expenditures and other improvement projects expected to be completed in 2022.

On March 16, 2023, the Board of Directors approved the appropriation of retained earnings amounting to ₱7,350.0 million to fund the construction of TR4 expected to be completed in 2025, and the reversal of appropriation amounting to ₱ 1,923.6 million.

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## 16. Income Taxes

The taxable income of the Company is subject to the regular corporate income tax rate of 25% in 2023, 2022 and 2021. The Company opted to use the Optional Standard Deduction (OSD) resulting in an effective tax rate of 15% of 2023, 2022 and 2021 gross profit.

The details of the provision for (benefit from) income tax are as follows:

	September 30, 2023	September 30, 2022	September 30, 2021
Current	₱588,022	₱528,841	₱371,740
Final	33,096	10,952	9,762
Deferred	(8,874)	(9,600)	(2,389)
	<b>₱612,244</b>	<b>₱530,193</b>	<b>₱379,113</b>

### Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Law)

On March 16, 2021, the Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE Act") was approved and signed into law by President Rodrigo Duterte. Under the CREATE Act, the Regular Corporate Income Tax (RCIT) of domestic corporations was revised from 30% to 25% and 20% depending on the amount of total assets or total amount of taxable income. In addition, the Minimum Corporate Income Tax (MCIT) was reduced from 2% to 1% of gross income effective July 1, 2020 to September 30, 2023.

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## 17. Financial Risk and Capital Management Objectives and Policies

The principal financial instruments of the Company are cash and cash equivalents, trade and other receivables, deposits (included under "Other noncurrent assets" account), accounts payable and other current liabilities (excluding statutory payables) and long-term debt.

The main purpose of these financial instruments is to fund the operations of the Company and to finance the construction and improvement of toll roads and property and equipment.

The BOD has the 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 the 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 credit risk and liquidity 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 counterparties 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 risk, 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.

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, 2023 and December 31, 2022.

	September 30, 2023			
	Neither Past Due nor Impaired		Impaired	Total
	High Grade	Standard Grade		
Cash and cash equivalents*	<b>P5,604,507</b>	-	<b>P-</b>	<b>P5,604,507</b>
Trade and other receivables	1,836,910	<b>P46,792</b>	-	1,883,702
Deposits	3,521	-	-	3,521
	<b>P7,444,938</b>	<b>P46,972</b>	<b>P-</b>	<b>P7,491,730</b>

\* Excluding cash on hand amounting to P3.4 million

	December 31, 2022			
	Neither Past Due nor Impaired		Impaired	Total
	High Grade	Standard Grade		
Cash and cash equivalents*	<b>P4,555,329</b>	<b>P-</b>	<b>P-</b>	<b>P4,555,329</b>
Trade and other receivables	1,475,872	106,531	-	1,582,403
Deposits	3,538	-	-	3,538
	<b>P6,034,741</b>	<b>P106,531</b>	<b>P-</b>	<b>P6,141,270</b>

\* Excluding cash on hand amounting to P3.0 million

The Company evaluates credit quality on the basis of the credit strength of the security and/or counterparty/issuer. High grade financial assets are those which collectability is assured based on past experience. Standard grade financial assets are considered moderately realizable and some accounts which would require some reminder follow-ups to obtain settlement from the counterparty. The Company determines if credit risk have increased significantly when financial assets are more than 30 days past due.

Generally, trade and other receivables are written off if collection cannot be made despite exhausting all extra-judicial and legal means of collection. The maximum exposure to credit risk at reporting date is the carrying value of the financial assets. The Company does not hold collateral as security.

### **Liquidity Risk**

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments. It may result from either the inability to sell assets quickly at fair values or failure to collect from a counterparty.

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 stable 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 and process 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 from total equity.

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## **18. Operating Segment Information**

The Company is engaged in rehabilitation, construction and expansion of SLEX Project and considers its toll operations, comprising of both cash and RFID transactions, as its one and only operating segment.

The Company has only one geographical segment as all of its assets are located in the Philippines. The Company 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, 2023 and December 31, 2022 the Company does not have a customer from which 10% or more of the revenue was derived from.

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## **19. Earnings Per Share**

Basic and diluted earnings per share were computed as follows:

	September 30, 2023	September 30, 2022	September 30, 2021
Net income for the period	<b>₱3,019,351</b>	<b>₱2,494,458</b>	<b>₱1,769,145</b>
Divided by the outstanding shares	<b>3,625,000</b>	<b>3,625,000</b>	<b>3,625,000</b>
Earnings per share - basic and diluted	<b>₱0.83</b>	<b>₱0.69</b>	<b>₱0.49</b>



REPUBLIC OF THE PHILIPPINES)  
MANDALUYONG CITY ) S.S.

**SECRETARY'S CERTIFICATE**

I, **SHAINA ANELLA B. RAMIREZ**, of legal age, Filipino, with office address at the 19<sup>th</sup> Floor San Miguel Properties Centre, 7 St. Francis Street, Ortigas Center, Mandaluyong City, do hereby depose and state that:

1. I am the duly and elected Assistant Corporate Secretary of **SMC SLEX INC. (Formerly: South Luzon Tollway Corporation)** (the "Corporation"), a corporation organized and existing under the laws of the Philippines, with principal office at 11/F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City.

2. As Assistant Corporate Secretary of the Corporation, I have under my supervision and control the Minutes Book wherein are recorded all the minutes of the meetings of the Board of Directors of the Corporation.

3. During the **Organizational Meeting of the Board of Directors** of the Corporation held on **11 May 2023**, at which meeting a quorum was present and acting throughout, I hereby certify that the following actions were approved:

- a. **Mr. Virgilio S. De Guzman** was unanimously elected the Deputy Chief Finance Officer and Deputy Corporate Information Officer of the Corporation;
- b. Mr. De Guzman was also appointed and designated as a Group B signatory of the Corporation, who is authorized and empowered to sign all reportorial requirements of the Securities and Exchange Commission, to wit:

"xxx

**XXII. AUTHORITY TO SIGN ALL  
REPORTORIAL REQUIREMENTS**

"**RESOLVED**, that any one Group A, B, C, D, E or F signatory be, as each one of them is hereby, authorized and empowered to sign all reportorial requirements of the Securities and Exchange Commission and Philippine Stock Exchange under the Securities Regulation Code and any amendments thereto;

xxx

**XXIII. DESIGNATION OF OFFICERS AND  
PERSONS WITH SIGNING AUTHORITIES**

"**RESOLVED**, that for purposes of the implementation of the foregoing resolutions, the following officers and persons are hereby appointed as signatories under the Group appearing before their names:

GROUP

NAME

xxx  
B

xxx  
Virgilio S. De Guzman

xxx

xxx

RESOLVED FINALLY, that the foregoing resolutions cancel and supersede, as they hereby cancel and supersede, all previous resolutions on the same or similar subject matter."

4. I hereby certify that the foregoing confirms the dual authority of Mr. De Guzman as Deputy Chief Finance Officer and authorized signatory of the Corporation for purposes of signing the quarterly report of Corporation.


**IN WITNESS WHEREOF**, I have signed this Secretary's Certificate this 14<sup>th</sup> day of November 2023 at Mandaluyong City.

  
**SHAINA ANELLA B. RAMIREZ**  
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this 14<sup>th</sup> day of November 2023 at Mandaluyong City, affiant exhibiting to me her Philippine Passport No. P5770796A issued on 26 January 2018 at DFA NCR Northeast, as competent evidence of her identity.

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Page No. 57;  
Book No. IV;  
Series of 2023.



  
**CARLO MAGNO C. CABALLA**  
Commission No. 0576-22  
Notary Public of Mandaluyong City  
Until December 31, 2023  
19th Floor San Miguel Properties Centre  
No. 7 Saint Francis St. Ortigas Center, Mandaluyong City  
Roll No. 73331  
PTR No. 3126527; 01/11/2023; Mandaluyong City  
IBP No. 293619; 01/10/2023; Rizal Chapter  
MCLE Compliance No. VII-0015366; 04/12/2022