

09 November 2018

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

Attention: **Ms. Paula Beatrice A. Bueno**  
*OIC - Issuer Compliance and Disclosure Department*

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

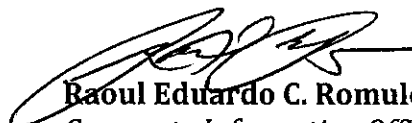
Gentlemen:

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

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

Thank you.

Very truly yours,

  
**Baoul Eduardo C. Romulo**  
*Corporate Information Office*



111092018001015



# SECURITIES AND EXCHANGE COMMISSION

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

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## Company Information

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Company Name SOUTH LUZON TOLLWAY CORP.  
Industry Classification  
Company Type Stock Corporation

## Document Information

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**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, 2018
2. Commission identification number A2000 10622 3. BIR Tax Identification No. 207-247-094-000

**SOUTH LUZON TOLLWAY CORPORATION**

4. Exact name of issuer as specified in its charter

**METRO MANILA, PHILIPPINES**

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

6. Industry Classification Code:  (SEC Use Only)

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

7. Address of issuer's principal office

4027

Postal Code

(02)584 - 4688

8. Issuer's telephone number, including area code

**NOT APPLICABLE**

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

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

Title of Each Class			Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
	<u>Amount</u>	<u>Interest Rate</u>	
Series A	P2.4 Billion	4.9925%	_____
Series B	P2.4 Billion	5.5796%	_____
Series C	P2.5 Billion	6.4872%	_____
Total	P7.3 Billion		_____

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

Yes [ ] No [✓]

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

**Not Applicable**

12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []

## PART I--FINANCIAL INFORMATION

### Item 1. Financial Statements.

The unaudited financial statements of South Luzon Tollway Corporation ("SLTC" or the "Company") and selected notes as at and for the period ended September 30, 2018 (with comparative figures as at December 31, 2017 and for the period ended September 30, 2017) are attached herewith as "Annex A".

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


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

## SIGNATURES

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

Issuer: **South Luzon Tollway Corporation**

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


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

Date: **November 8, 2018**

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

	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	P3,510,714,734	P2,665,484,092
Receivables	5	47,764,553	9,581,143
Prepayments and other current assets		38,396,608	52,541,812
Total Current Assets		3,596,875,895	2,727,607,047
<b>Noncurrent Assets</b>			
Service concession rights	7	10,007,907,948	10,392,950,435
Property and equipment	6	270,314,609	256,729,290
Computer software	6	4,056,540	4,282,674
Deferred tax asset		69,289,833	71,256,553
Other noncurrent assets	8	46,639,542	32,849,925
Total Noncurrent Assets		10,398,208,472	10,758,068,877
		<b>P13,995,084,367</b>	<b>P13,485,675,924</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities	9	P302,310,933	P315,665,379
Provision for resurfacing and maintenance obligation	11	58,572,004	148,533,599
Income tax payable		187,730,373	16,475,344
Total Current Liabilities		548,613,310	480,674,322
<b>Noncurrent Liabilities</b>			
Noncurrent portion of:			
Long-term debt	10	7,239,124,958	7,232,150,779
Provision for resurfacing and maintenance obligation	11	326,371,513	247,336,141
Retirement liability		5,356,217	4,410,680
Total Noncurrent Liabilities		7,570,852,688	7,483,897,600
<b>Equity</b>			
Capital stock		3,625,000,000	3,625,000,000
Retained earnings	14	2,249,413,530	1,894,899,163
Other comprehensive income		1,204,839	1,204,839
Total Equity		5,875,618,369	5,521,104,002
		<b>P13,995,084,367</b>	<b>P13,485,675,924</b>


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

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

	Note	For the quarter ended		For the period ended	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
REVENUE FROM TOLL OPERATIONS		P1,487,600,223	P1,436,384,428	P4,514,443,900	P4,303,727,011
COST OF SERVICE	13	(388,884,659)	(354,324,549)	(1,164,163,814)	(1,130,634,334)
GROSS PROFIT		1,098,715,564	1,082,059,879	3,350,280,086	3,173,092,677
OPERATING EXPENSES	13	(52,847,310)	(74,888,703)	(209,599,408)	(128,920,634)
OPERATING INCOME		1,045,868,254	1,007,171,176	3,140,680,678	3,044,172,043
<b>OTHER INCOME (CHARGES)</b>					
Interest expense and other financing charges	10	(110,607,740)	(111,186,121)	(331,882,752)	(333,723,381)
Construction revenue		27,254,318	48,207,011	34,796,825	106,645,906
Construction costs		(27,254,318)	(48,207,011)	(34,796,825)	(106,645,906)
Interest income		21,517,840	7,954,679	48,381,672	19,924,912
Foreign exchange gain (loss) - net		12,402	(158,328)	104,777	(390,070)
Other income		6,992,235	5,669,707	23,697,270	20,985,759
INCOME BEFORE INCOME TAX		963,782,991	909,451,113	2,880,981,645	2,750,969,263
INCOME TAX EXPENSE		200,366,169	189,051,282	605,217,278	567,150,842
NET INCOME		763,416,822	720,399,831	2,275,764,367	2,183,818,421
OTHER COMPREHENSIVE INCOME (LOSS)		-	-	-	-
TOTAL COMPREHENSIVE INCOME		P763,416,822	P720,399,831	P2,275,764,367	P2,183,818,421
BASIC/DILUTED EARNINGS PER SHARE	17	P0.21	P0.20	P0.63	P0.60

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


Certified Correct:  
  
RAOUL EDUARDO C. ROMULO  
Treasurer

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

**STATEMENTS OF CHANGES IN EQUITY**

	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
<b>CAPITAL STOCK-P1.00 par value</b>			
Authorized - 4,000,000,000 shares			
Issued and outstanding - 3,625,000,000 shares		P3,625,000,000	P3,625,000,000
<b>RETAINED EARNINGS</b>			
Balance at beginning of period		1,894,899,163	2,377,442,095
Net income		2,275,764,367	2,961,207,068
Dividend declaration	14	(1,921,250,000)	(3,443,750,000)
Balance at end of period		2,249,413,530	1,894,899,163
<b>OTHER COMPREHENSIVE INCOME</b>			
Accumulated actuarial gain			
Balance at beginning of period		1,204,839	277,705
Remeasurement gain (loss) on retirement liability		-	927,134
Balance at end of period		1,204,839	1,204,839
		<b>P5,875,618,369</b>	<b>P5,521,104,002</b>

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

<p>Certified Correct:</p>  <b>RAOUL EDUARDO C. ROMULO</b> Treasurer
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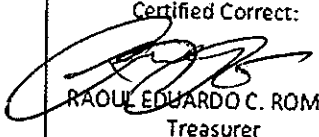
## SOUTH LUZON TOLLWAY CORPORATION

(A Subsidiary of MTD Manila Expressways, Inc.)

### STATEMENTS OF CASH FLOWS

	Note	For the period ended	
		September 30, 2018	September 30, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		P2,880,981,645	P2,750,969,263
Adjustment for:			
Depreciation and amortization	6	50,841,000	34,271,799
Amortization for service concession right	7	414,512,036	412,954,128
Retirement benefit cost		945,537	640,385
Provision for repairs and maintenance	11	94,088,331	65,630,536
Interest expense and other financing charges	10	331,882,752	333,723,381
Interest income		(48,381,672)	(19,924,912)
Unrealized foreign exchange loss (gain) - net		(104,777)	390,070
Operating income before working capital changes		3,724,764,852	3,578,654,650
Decrease (increase) in:			
Receivables		(38,183,410)	(21,935,516)
Other current assets		14,145,204	(4,314,052)
Increase in:			
Accounts payable and other current liabilities		(13,354,446)	(28,374,611)
Net cash generated from operations		3,687,372,200	3,524,030,471
Interest expense paid		(313,121,524)	(313,256,245)
Income tax paid (CWT and Prepaid Taxes)		(431,995,529)	-
Payment for repairs and maintenance		(116,801,602)	(117,277,677)
Interest received		48,381,672	19,924,912
Net cash provided by operating activities		2,873,835,217	3,113,421,461
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Property and equipment	6	(65,999,150)	(120,344,711)
Computer software		(416,267)	(1,037,100)
Service concession rights	7	(27,254,318)	(106,645,906)
Decrease (increase) in other noncurrent assets		(13,789,617)	1,283,652
Net cash used in investing activities		(107,459,352)	(226,744,065)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	14	(1,921,250,000)	(3,443,750,000)
Net cash used in financing activities		(1,921,250,000)	(3,443,750,000)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
		104,777	(390,070)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>845,230,642</b>	<b>(557,462,674)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>2,665,484,092</b>	<b>2,208,984,518</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>P3,510,714,734</b>	<b>P1,651,521,844</b>

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

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

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**SELECTED NOTES TO FINANCIAL STATEMENTS**

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**1. Corporate Information**

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

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

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

**Retail Bond Issue**

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

On May 7, 2015, the SEC issued a Permit to Sell for the general public offering of the retail bonds (Bonds) of the Company and the offer was made to institutional and retail investors from May 8, 2015 to May 14, 2015. The Bonds were listed at the Philippine Dealing System Holdings Corp. & Subsidiaries (PDS) on May 22, 2015. The net proceeds were used to prepay its outstanding Corporate Notes (see Note 10).

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

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

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

**Assignment of PNCC Shares**

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

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

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

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

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

**Basis of Preparation**

The financial statements of the Company have been prepared on a historical cost basis. The financial statements are presented in Philippine Peso, which is the Company's functional currency. All values are in absolute amounts unless otherwise indicated.

**Statement of Compliance**

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

The unaudited interim financial statements as at and for the nine months ended September 30, 2018 accounting policies and methods of computation are followed in the interim financial statements as compared 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, 2017.

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**3. Summary of Changes in PFRS**

**Adoption of New and Amended PFRS**

The accounting policies adopted are consistent with those of the previous reporting year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2018:

## Adoption of New and Amended PFRS

- PFRS 9, Financial Instruments – This standard will replace PAS 39, Financial Instruments: Recognition and Measurement (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting, recognition and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on the classification by reference to the business model within which these are held and its contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

- PFRS 15, Revenue from Contract with Customers – The new standard replaces PAS 11, Construction Contracts, PAS 18, Revenue and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).
- Amendment to PFRS 15, Revenue from Contract with Customers - Clarification to PFRS 15 – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

The adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements.

## New and Amended PFRS in Issue But Not Yet Effective

Relevant new and amended PFRS which is not yet effective for the year ended December 31, 2017 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, Leases – This standard replaces PAS 17, Leases and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.
- Philippine Interpretation IFRIC 23, Uncertainty Over Income Tax Treatments – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, Income Taxes, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

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

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## 4. Cash and Cash Equivalents

This account consists of:

	September 30, 2018	December 31, 2017
Cash on hand and in banks	₱1,116,102,756	₱803,978,920
Cash equivalents	2,394,611,978	1,861,505,172
	<b>₱3,510,714,734</b>	<b>₱2,665,484,092</b>

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

## 5. Receivables

This account consists of:

	Note	September 30, 2018	December 31, 2017
<b>Trade Receivables:</b>			
Related parties	12	₱11,774,667	₱2,457,500
Third parties		32,512,791	2,120,724
Refundable deposits		1,344,275	2,473,579
Receivable from DPWH		1,555,800	1,555,800
Others		2,132,820	2,529,340
		49,320,353	11,136,943
Less allowance for impairment loss		(1,555,800)	(1,555,800)
		<b>₱47,764,553</b>	<b>₱9,581,143</b>

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

Other receivables are usually settled within one year.

There are no movements in allowance for impairment loss for the period ended September 30, 2018 and 2017.

## 6. Property and Equipment

This account consists of:

	September 30, 2018				Total
	Toll Machinery and Equipment	Vehicles	Office Equipment Furniture and Fixtures	Leasehold Improvements	
<b>Cost</b>					
Balance at beginning of year	374,228,615	29,076,278	10,030,218	1,929,943	415,265,054
Additions	62,284,194	2,658,929	1,056,026	-	65,999,149
Balance at end of period	436,512,809	31,735,207	11,086,244	1,929,943	481,264,203
<b>Accumulated Depreciation and Amortization</b>					
Balance at beginning of year	133,206,411	15,817,752	7,581,658	1,929,943	158,535,764
Reclassification/adjustment	-	1,817,203	398,028	-	2,215,231
Depreciation and amortization	48,872,494	405,245	920,860	-	50,198,599
Balance at end of period	182,078,905	18,040,200	8,900,546	1,929,943	210,949,594
Net Book Value	254,433,904	13,695,007	2,185,698	-	270,314,609

	December 31, 2017				Total
	Toll Machinery and Equipment	Vehicles	Office Equipment Furniture and Fixtures	Leasehold Improvements	
<b>Cost</b>					
Balance at beginning of year	₱239,253,354	₱23,483,928	₱15,116,728	₱1,929,943	₱279,783,953
Additions	133,676,294	11,259,821	2,001,722	-	146,937,837
Disposal	(270,207)	(5,667,471)	(5,519,058)	-	(11,456,736)
Reclassification	1,569,174	-	(1,569,174)	-	-
Balance at end of year	374,228,615	29,076,278	10,030,218	1,929,943	415,265,054
<b>Accumulated Depreciation and Amortization</b>					
Balance at beginning of year	86,064,496	20,412,827	13,401,210	1,929,943	121,808,476
Depreciation and amortization	46,256,199	1,072,396	855,429	-	48,184,024
Disposal	(270,207)	(5,667,471)	(5,519,058)	-	(11,456,736)
Reclassification	1,155,923	-	(1,155,923)	-	-
Balance at end of year	133,206,411	15,817,752	7,581,658	1,929,943	158,535,764
<b>Net Book Value</b>	<b>₱241,022,204</b>	<b>₱13,258,526</b>	<b>₱2,448,560</b>	<b>-</b>	<b>₱256,729,290</b>

Depreciation for vehicles for the period ended September 30, 2018 amounting to ₱2.2 million was capitalized as part of project development costs for TR4.

#### Computer Software

Computer software pertains to the computer software license and related consultancy service obtained by the Company pursuant to the End User License and Service Agreement with SMITS, Inc. (see Note 12).

Computer software amounted to ₱4.1 million and ₱4.3 million as of September 30, 2018 and December 31, 2017, respectively. Amortization recognized to operating expenses amounted to ₱0.6 million in 2018.

#### **7. Service Concession Right**

This account consists of:

	September 30, 2018		
	TR1, TR2 and TR3	TR4	Total
<b>Cost</b>			
Balance at beginning of year	₱14,149,782,954	₱293,082,932	₱14,442,865,886
Additions	11,481,558	15,772,760	27,254,318
Reclassification	-	2,215,231	2,215,231
Balance at end of period	14,161,264,512	311,070,923	14,472,335,435
<b>Accumulated Amortization</b>			
Balance at beginning of year	4,049,915,451	-	4,049,915,451
Amortization	414,512,036	-	414,512,036
Balance at end of period	4,464,427,487	-	4,464,427,487
<b>Carrying Amount</b>	<b>₱9,696,837,025</b>	<b>₱311,070,923</b>	<b>₱10,007,907,948</b>

	December 31, 2017		
	TR1, TR2 and TR3	TR4	Total
<b>Cost</b>			
Balance at beginning of year	₱14,108,315,358	₱222,872,130	₱14,331,187,488
Additions	41,467,596	70,210,802	111,678,398
Balance at end of year	14,149,782,954	293,082,932	14,442,865,886
<b>Accumulated Amortization</b>			
Balance at beginning of year	3,499,723,041	-	3,499,723,041
Amortization	550,192,410	-	550,192,410
Balance at end of year	4,049,915,451	-	4,049,915,451
<b>Carrying Amount</b>	<b>₱10,099,867,503</b>	<b>₱293,082,932</b>	<b>₱10,392,950,435</b>

### Construction Revenue and Costs

The Company recognized construction revenue and costs amounting to ₱29.5 million and ₱106.6 million for the period ended September 30, 2018 and 2017, respectively, for the design and construction of additional toll plazas and lanes for TR1, TR2 and TR3 and costs incurred in the planning and development of TR4 project.

As at September 30, 2018 and 2017, no actual construction has yet commenced on TR4 project.

### 8. Other Noncurrent Assets

This account consists of:

	Note	September 30, 2018	December 31, 2017
Prepaid land lease - net of current portion	12	₱27,955,128	₱29,238,780
Deferred VAT input		15,073,269	-
Deposits		3,611,145	3,611,145
		<b>₱46,639,542</b>	<b>₱32,849,925</b>

### 9. Accounts Payable and Other Current Liabilities

This account consists of:

	Note	September 30, 2018	December 31, 2017
<b>Trade:</b>			
Related parties	12	₱82,491,281	₱93,932,775
Third parties		55,765,773	53,556,527
<b>Accrued expenses:</b>			
Interest	10	38,512,701	38,511,948
Others		26,721,875	24,300,152
Statutory payables		53,570,666	59,039,814
Payable to PNCC		15,491,357	16,566,883
Other Current Liabilities		29,757,280	29,757,280
		<b>₱302,310,933</b>	<b>₱315,665,379</b>



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

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

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

Payable to PNCC pertains to consideration for the assignment by PNCC of its usufructuary rights, interests and privileges under its franchise equivalent to 1.75% of the gross toll revenue for the first 5 years, and 3% of the gross toll revenue for the sixth year and onwards, counted from the date of the issuance to MATES of the Toll Operation Permit for the SLEX Project (PNCC share). PNCC share amounted to ₱ 135.4 million and ₱ 129.1 million for the period ended September 30, 2018 and September 30, 2017, respectively (see Note 13). The outstanding balance was settled by the Company in the subsequent period.

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

## 10. Long-Term Debt

Details of the long-term debt are shown below:

	September 30, 2018	December 31, 2017
<b>Principal</b>	<b>₱7,300,000,000</b>	<b>₱7,300,000,000</b>
<b>Unamortized debt issue cost</b>		
Balance at beginning of year	67,849,221	76,708,918
Less unamortized debt issue cost	6,974,179	8,859,697
Balance at end of period	60,875,042	67,849,221
	<b>₱7,239,124,958</b>	<b>₱7,232,150,779</b>

### Retail Bond Issue

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

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

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

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

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

The Company may (but shall not be obliged to) redeem all (and not a part only) of any series of the outstanding Bonds on the following relevant dates (each an "Early Redemption Option Date"). The amount payable to the Bondholders in respect of such redemptions shall be calculated based on the principal amount of the Bonds being redeemed, as the sum of:

- accrued interest on the Bonds computed from the last Interest Payment Date up to the relevant Early Redemption Option Date; and
- 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:

- 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
- 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, 2018.

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

	September 30, 2018	December 31, 2017
After one year but not more than five years	₱4,800,000,000	₱2,400,000,000
More than five years	2,500,000,000	4,900,000,000
	<b>₱7,300,000,000</b>	<b>₱7,300,000,000</b>

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

	Note	September 30, 2018	September 30, 2017
<b>Interest expense:</b>			
Long Term Debt - Retail Bonds		<b>₱311,932,799</b>	₱311,932,799
Accretion of interest on provision for resurfacing obligation	11	11,787,048	13,868,550
<b>Other financing charges:</b>			
Amortization of debt issue costs - Retail Bonds		6,974,180	7,729,068
Other financing charges		1,188,725	192,964
		<b>₱331,882,752</b>	<b>₱333,723,381</b>

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

Interest payable related to the bonds amounted to ₱38.5 million and ₱38.5 million as at September 30, 2018 and December 31, 2017 (see Note 9).

#### 11. Provision for Resurfacing and Maintenance Obligation

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

Movements in this account are as follows:

	Note	September 30, 2018	December 31, 2017
Balance at beginning of year		<b>₱395,869,740</b>	₱504,910,191
Provision	13	94,088,331	46,340,234
Accretion of interest	10	11,787,048	18,491,395
Utilization of provision		(116,801,602)	(173,872,080)
		<b>384,943,517</b>	395,869,740
Less current portion		58,572,004	148,533,599
		<b>₱326,371,513</b>	<b>₱247,336,141</b>

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

	September 30, 2018	December 31, 2017
Replacement period	5 years	5 years
Discount rate range	3.41% to 5.09%	3.41% to 5.09%
Price increase	3.5%	3.5%

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

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

## 12. Related Party Transactions

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

Related Parties	Transaction Amounts		Outstanding Balance		Terms and Conditions
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	
<b>Receivables</b>					
Under common control	P981,058,405	P4,918,484	P11,774,667	P2,457,500	On demand non-interest bearing, unsecured
Intermediate Parent	-	-	-	-	On demand non-interest bearing, unsecured
			<b>P11,774,667</b>	<b>P2,457,500</b>	
<b>Prepaid Land Lease</b>					
Under common control	P1,283,654	P1,711,539	P29,666,665	P30,950,319	Applied to monthly rental due
<b>Accounts payable and other current liabilities</b>					
Under common control	P597,584,936	P1,792,381,638	P82,491,281	P93,282,213	On demand non-interest bearing, unsecured
Intermediate Parent	-	908,241	-	650,562	On demand non-interest bearing, unsecured
Parent	1,537,000,000	2,755,000,000	-	-	On demand non-interest bearing, unsecured
			<b>P82,491,281</b>	<b>P93,932,775</b>	

### Receivables from Related Parties

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

### Prepaid Land Lease

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

Prepaid land lease amounted to ₱29.7 million and ₱31.0 million as at September 30, 2018 and December 31, 2017, respectively. The current portion of prepaid land lease amounted to ₱1.7 million is included under "Prepayments and Other Current Assets" account. The noncurrent portion of prepaid land lease amounting to ₱28.0 million and ₱29.2 million as at September 30, 2018 and December 31, 2017, respectively, is included under "Other Noncurrent Assets" account (see Note 8).

#### Accounts Payable to Related Parties

- a. MATES is engaged in the operation and maintenance of the rehabilitated and expanded SLEX Project pursuant to the STOA. On May 14, 2008, the Company and MATES entered into an Operation and Maintenance (O&M) Agreement to set out the parameters and scope of the operation and maintenance of the SLEX Project, commencing upon the actual or constructive issuance by the TRB of a Toll Operation Permit. On December 14, 2010, TRB confirmed its approval of the issuance of the TOC for the entire Phase 1 of the SLEX Project. In 2017, the O&M Agreement was amended to increase the O&M fee effective January 2017.
- b. In 2016 and 2018, the Company and Intelligent E-Processes Technologies Corp. (IETC) entered into various service agreements for the administration and maintenance of the toll collection system.
- c. On May 28, 2010, the Company, with MATES, Citra Metro Manila Tollways Corporation (CMMTC) and Skyway O & M Corporation entered into a MOA on Inter-operability of Toll Collection System to ensure the inter-operability of their respective toll collection system and traffic operations in accordance with the TRB guidelines for seamless traffic system and improved quality of service to the motorists throughout the SLEX and the SMMS.

The Company has toll receivable as at September 30, 2018 and a toll payable as at December 31, 2017 to CMMTC resulting from the offsetting of the collections (i.e., cash and RFID transactions) made by the Company in behalf of CMMTC and those collected by CMMTC for the account of the Company.

- d. In the normal course of business, the Company purchases goods and services from its related parties.

### **13. Costs of Service and Operating Expenses**

This account consists of:

	Note	September 30, 2018	September 30, 2017
<b>Cost of service:</b>			
Operations and maintenance fee	12	₱510,000,000	₱510,000,000
Amortization of service concession rights	7	414,512,036	412,954,128
PNCC share		135,433,317	129,111,810
Provision for resurfacing and maintenance obligation	11	94,088,331	65,630,536
Insurance		10,130,130	12,937,860
		<b>1,164,163,814</b>	<b>1,130,634,334</b>

	Note	September 30, 2018	September 30, 2017
<b>Operating Expenses:</b>			
Repairs and maintenance		87,561,156	26,554,732
Depreciation and amortization	6	50,841,000	34,271,799
Advertising		26,148,626	30,319,377
Taxes and licenses		23,025,115	14,509,612
Salaries and other employee benefits		9,584,385	8,181,704
Outside services		3,561,321	3,187,612
Communication, light and water		3,544,750	2,991,969
Rent	12	1,299,883	1,283,654
Office supplies		505,367	626,670
Transportation and travel		552,598	1,008,784
Retirement benefits cost		640,385	640,385
Entertainment, amusement and recreation		149,524	249,384
Others		2,185,298	5,094,951
		<b>209,599,408</b>	<b>128,920,634</b>
		<b>₱1,373,763,222</b>	<b>₱1,259,554,968</b>

#### 14. Retained Earnings

Cash dividends declared by the Company are as follows:

Date Approved	Per Share	Total Amount	Payment Date
September 13, 2018	₱0.35	₱1,268,750,000	September 14, 2018
March 7, 2018	0.18	652,500,000	March 13, 2018
August 23, 2017	0.50	1,812,500,000	September 13, 2017
March 14, 2017	0.45	1,631,250,000	March 15, 2017

#### 15. Financial Risk Management Objectives and Policies

The Company's principal financial instruments are cash and cash equivalents, receivables, accounts payable and other current liabilities and long-term debt.

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

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

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

#### Credit Risk

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

Generally, the Company's credit risk is attributable to loans and receivables. The Company maintains defined credit policies and continuously monitors defaults of customers and other counter parties, identified either individually or by group, and incorporate this information into its credit risk controls. In addition, for a significant proportion of sales, advance payment, one-time charge and deposit are received to mitigate credit risk.

	September 30, 2018			
	Neither Past Due nor Impaired			Total
	High Grade	Standard Grade	Impaired	
Cash and cash equivalents*	P3,508,067,734	-	-	3,508,067,734
Receivables	-	47,764,553	1,555,800	49,320,353
	3,508,067,734	47,764,553	1,555,800	3,557,388,086

\* Excluding cash on hand amounting to P2.6 million

	December 31, 2017			
	Neither Past Due nor Impaired			Total
	High Grade	Standard Grade	Impaired	
Cash and cash equivalents*	P2,662,862,092	-	-	P2,662,862,092
Receivables	-	P9,581,143	P1,555,800	11,136,943
	P2,662,862,092	P9,581,143	P1,555,800	P2,673,999,035

\* Excluding cash on hand amounting to P2.6 million

#### Liquidity Risk

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

#### Capital Management

The objective in managing capital is to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance and to sustain future development of the business.

The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the period ended September 30, 2018 and year ended December 31, 2017.

The Company monitors its capital using debt to equity ratio, which is total debt divided by the total equity. The Company includes within total debt the total liabilities, including interest bearing loans and borrowings. In determining the debt to equity ratio, the Company excluded other comprehensive income as part of equity.

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#### 16. Operating Segment Information

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

The Company has only one geographical segment as all of its assets are located in the Philippines. 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, 2018 and December 31, 2017, the Company does not have a customer for which 10% or more of the revenue were derived from.

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#### 17. Earnings Per Share

Basic and diluted earnings per share were computed as follows:

	September 30, 2018	September 30, 2017
Net income for the period	₱2,275,764,367	₱2,183,818,421
Divided by the outstanding shares	3,625,000,000	3,625,000,000
Earnings per share - basic and diluted	₱0.63	₱0.60



ANNEX B



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

INTRODUCTION

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the attached unaudited financial statements of South Luzon Tollway Corporation ("SLTC" or the "Company") and the related notes as at and for the period ended September 30, 2018 (with comparative figures as at December 31, 2017 and for the period ended September 30, 2017). All necessary adjustments to present fairly the financial position, financial performance and cash flows as at September 30, 2018, and for all other periods presented, have been made. Certain information and footnote disclosures normally included in the audited financial statements prepared in accordance with the Philippine Financial Reporting Standards have been omitted.

SUMMARY OF FINANCIAL INFORMATION

**Statements of Comprehensive Income**

	For the Quarter Ended		For the period ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
REVENUE FROM TOLL OPERATIONS	₱1,487,600,223	₱1,436,384,428	4,514,443,900	4,303,727,011
COSTS AND EXPENSES	(441,731,969)	(429,213,252)	(1,373,763,222)	(1,259,554,968)
	1,045,868,254	1,007,171,176	3,140,680,678	3,044,172,043
OTHER INCOME (CHARGES)	(82,085,263)	(97,720,063)	(259,699,033)	(293,202,780)
INCOME BEFORE INCOME TAX	963,782,991	909,451,113	2,880,981,645	2,750,969,263
PROVISION FOR INCOME TAX	200,366,169	189,051,282	605,217,278	567,150,842
NET INCOME	763,416,822	720,399,831	2,275,764,367	2,183,818,421
OTHER COMPREHENSIVE INCOME (LOSS)	-	-	-	-
TOTAL COMPREHENSIVE INCOME	₱763,416,822	₱720,399,831	2,275,764,367	2,183,818,421

### Statements of Financial Position

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Current Assets	₱3,596,875,895	₱2,727,607,047
Noncurrent Assets	10,398,208,472	10,758,068,877
<b>TOTAL ASSETS</b>	<b>₱13,995,084,367</b>	<b>₱13,485,675,924</b>
Current Liabilities	₱548,613,310	₱480,674,322
Noncurrent Liabilities	7,570,852,688	7,483,897,600
	8,119,465,998	7,964,571,922
Equity	5,875,618,369	5,521,104,002
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱13,995,084,367</b>	<b>₱13,485,675,924</b>

#### I. FINANCIAL PERFORMANCE

##### Quarters ended September 30, 2018 and September 30, 2017

Toll revenue posted a 4% increase in 2018 from ₱ ₱1,436.4 million to ₱ ₱1,487.6 million driven by higher traffic volume.

The continuous expansion of housing communities and consumer socio-economic activities in the South contributed to the increase in traffic volume. Apart from the industrial development in the area which gave rise to numerous industrial parks, Cavite and Laguna has become attractive to employees working in Metro Manila but preferred to raise their families in the South. These developments enhanced the volume for class 1 vehicles. Traffic volume for Class 3 vehicles also went up mainly due to the thriving CALABARZON, the second most densely populated region after NCR. Batangas, in particular, has the second largest international seaport in Luzon. It serves as a main entry point for goods from the South, and from international ports.

A regular review of the Operator's fee is conducted in accordance with the Amended Operation and Maintenance Agreement to ensure better quality service to motorists. Operations and maintenance cover the toll roads, toll road facilities, interchanges and related facilities, including the operation and management of toll collection systems, traffic control and other systems located within the toll roads. An assessment conducted in 2016 revealed the necessity to amend the Operation and Maintenance Fees. The amended fee was approved by the Board of Directors in November 2016 and effective January 1, 2017.

SLTC remains compliant with the terms of its concession agreement by providing sufficient funding for its maintenance obligations under the STOA. Since the Company has been in operations for 9 years, a higher maintenance budget is provided to restore and maintain the toll road and related equipment, apart from enhancement activities to bring about improved

throughput. The Company spent ₱116.8 million from its repair and maintenance budget for the pavement repair and asphalt resurfacing activities during the period.

Amortization of concession rights increased slightly for enhancement activities during the period. Amortization costs are recorded for the costs of concession rights amortized on a straight-line basis over 26 years from start of commercial operations in 2010. Concession right consists of construction costs, including borrowing costs during the construction period of the SLEX Project. The upgrading of the toll collection system is almost complete, accounting for the increase in depreciation cost. The Company also embarked on the enhancement of its network and communications to ensure data completeness and integrity. Expansion costs are also booked for new toll plazas and additional lanes to improve throughput.

EBITDA increased by 4% from ₱1,163.4 million to ₱1,212.8 million. Provision for income tax for the quarter amounted to ₱200.4 million, including deferred tax of ₱12.8 million. The Company's income tax holiday incentive expired in 2016. Net income for the period grew by 6 %, from ₱720.4 million to ₱763.4 million, mainly on higher traffic volume.

## **II. FINANCIAL POSITION**

### **Analysis of Financial Position as at September 30, 2018 and December 31, 2017**

Net cash and cash equivalents amounted to ₱3,510.7 million, after payment for capital expenditures, repair and maintenance, dividend and interest payment on long-term debt during the period.

Receivables went up by ₱38.2 million, mainly due to inter-concession receivables from Skyway, which are settled within the following month. Prepaid expenses decreased by ₱14.1 million after the proportionate amount for real property taxes were charged to operations.

Toll equipment, office furniture and vehicles amounting to ₱66.0 million were procured during the period while service concession rights increased by ₱29.5 million for various enhancement and expansion activities, including project development costs for TR4. Decrease in deferred tax asset of ₱2.0 million was booked due to net decrease in provision for repair obligations during the period.

Income tax payable increased due for the provision for the period while other current liabilities decreased due to trade payables, consisting mainly of service contractors for repair and maintenance. Decrease in accrued maintenance obligations is attributed to higher actual pavement and resurfacing works during the period.

Retained earnings posted an increase due to net income of ₱2,275.8 million and decreased due to dividends declared during the period amounting to ₱1,921.3 million.

### III. CASH FLOW ANALYSIS

	For the period ended	
	September 30, 2018	September 30, 2017
Net cash provided by operating activities	2,873,835,217	3,113,421,461
Net cash used in investing activities	(107,459,352)	(226,744,065)
Net cash used in financing activities	(1,921,250,000)	(3,443,750,000)
Effect of exchange rate changes on cash and cash equivalents	104,777	(390,070)
Net increase in cash and cash equivalents	845,230,642	(557,462,675)
Cash and cash equivalents at beginning of year	2,665,484,092	2,208,984,518
Cash and cash equivalents at end of period	3,510,714,734	1,651,521,844

#### 2018

Net cash provided by operating activities resulted from net income before tax of P2,881 million, adjusted for non-operating income net of charges of P 843.8 million and deductions for working capital of P 37.3 million, interest and other financing charges on the long-term debt of P313.1 million, payment for repair and maintenance of P116.8 million, income tax of P432.0 million and interest received amounting to P48.4 million.

Cash used in investing activities consist of procurement of equipment and vehicles amounting to P66 million, enhancement and expansion costs, including TR4 project development costs of P29.5 million, deferred VAT input and deferred tax asset of P12 million. Cash used for financing activities consist of dividend payment amounting to P1,921.3 million.

#### 2017

Cash generated from operations amounted to P4,091.0 million after adjustments of P827.5 million and working capital changes of P512.6 million were made from the net income before tax of P2,751.0 million.

Payments were also made on interest and other financing charges on the long-term debt and for repair and maintenance. Income tax due amounting to P567.2 million was settled thru offsetting from prepaid taxes.

Cash used in investing activities consist of procurement of equipment and software amounting to P121.4 million, TR4 project development cost of P45.7 million and P61.0 million for expansion and enhancement activities. Cash used for financing activities consist of dividend payment amounting to P3, 443.8 million.

### **Key Performance Indicators**

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

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

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

### **Other Matters**

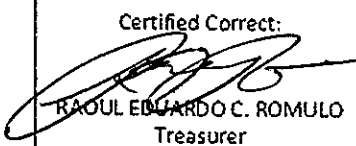
- There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.
- There were no material changes in estimates of amounts reported in prior financial years.
- There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the liquidity of SLTC.
- There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.
- There were no known events that will trigger direct or contingent financial obligation that is material to SLTC, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual reporting date.
- There was no material off statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of SLTC with unconsolidated entities or other persons created during the reporting period.
- The effects of seasonality or cyclicity on the operations of the business of the Company are not material.

**ANNEX B-1**

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

	September 30, 2018	December 31, 2017
Current assets	3,596,875,895	2,727,607,047
Current liabilities	548,613,310	480,674,322
Liquidity ratio	6.56 : 1.0	5.67 : 1.0
Total long term debt	7,239,124,958	7,232,150,779
Total equity (excluding actuarial gain)	5,874,413,530	5,519,899,163
Debt-to-equity ratio	1.23 : 1.0	1.31 : 1.0
Cash, beginning	2,665,484,092	2,208,984,518
EBITDA*	3,753,439,759	4,807,285,751
Dividends paid	1,921,250,000	3,443,750,000
Interest expense over the next 12 months	415,910,400	415,910,400
Interest cover ratio	10.81 : 1.0	8.59 : 1.0
Total assets	13,995,084,367	13,485,675,924
Total equity	5,875,618,369	5,521,104,002
Asset-to-equity ratio	2.38 : 1.0	2.44 : 1.0

\*As defined in the debt covenant, EBITDA excluding other charges amounting to Php331.8 million and Php417.4 million as at September 30, 2018 and December 31, 2017

Certified Correct:  
  
RAOUL EDUARDO C. ROMULO  
Treasurer