COVER SHEET
for
SEC FORM 17-Q

SEC Registration Number

	A	1	9	9	7	0	1	4	5	1

COMPANY NAME

NLEX CORPORATION AND A SUBSIDIARY

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

NLEX COMPOUND, BALINTAWAK, CALOOCAN CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
corpcomm@nlex.com.ph	580-8900	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
19	June 26	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Maria Theresa O. Wells	towells@nlex.com.ph	580-8900	–

CONTACT PERSON's ADDRESS

NLEX Compound, Balintawak, Caloocan City, Metro Manila

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

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

2. Commission Identification Number: **A1997-01451**

3. BIR Tax Identification No: **004-984-946-000**

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

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
   NLEX COMPOUND, BALINTAWAK, CALOOCAN CITY, METRO MANILA — **1400**

8. Issuer's telephone number, including area code
   +632-580-8900

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

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Fixed Rate Bonds Due 2021	**Php4,400,000,000.00**
Fixed Rate Bonds Due 2024	**Php2,600,000,000.00**
Series A Bonds Due 2025	**Php4,000,000,000.00**
Series B Bonds Due 2028	**Php2,000,000,000.00**

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

    Yes [ ] No [x]

    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 [x] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.
    Yes [x] No [ ]

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PART I--FINANCIAL INFORMATION

Item 1. Financial Statements

NLEX CORPORATION
(A Subsidiary of Metro Pacific Tollways North Corporation)
AND A SUBSIDIARY

Interim Condensed Consolidated Financial Statements (Unaudited)
September 30, 2018 and 2017

NLEX CORPORATION
(A Subsidiary of Metro Pacific Tollways North Corporation)
AND A SUBSIDIARY

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited September 30, 2018	Audited December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱3,779,416,324**	₱2,715,210,842
Investments in unit investment trust funds (Notes 11 and 26)	**53,608,279**	217,749,970
Receivables (Notes 5 and 15)	**561,725,630**	715,039,256
Inventories - at cost	**108,834,685**	112,594,013
Investments in bonds and treasury notes (Notes 12 and 26)	**–**	49,825,000
Other current assets (Note 10)	**691,959,662**	770,162,995
Total Current Assets	**5,195,544,580**	4,580,582,076
Noncurrent Assets		
Service concession assets (Note 6)	**35,700,778,529**	33,672,831,472
Property and equipment (Note 7)	**268,434,551**	180,556,890
Investment properties (Note 8)	**307,421,347**	129,980,520
Other intangible assets (Note 9)	**7,713,609**	10,314,314
Investment in bonds and treasury notes (Notes 12 and 26)	**1,036,153,812**	1,204,581,932
Pension asset	**4,757,444**	5,570,690
Advances to contractors and other noncurrent assets (Note 25)	**174,390,485**	195,951,209
Total Noncurrent Assets	**37,499,649,777**	35,398,787,027
	₱42,695,194,357	₱39,979,369,103
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 13 and 15)	**₱2,550,568,688**	₱3,132,209,043
Short-term notes payable (Note 16)	**1,000,000,000**	–
Current portion of long-term debt (Notes 16 and 26)	**352,126,671**	4,304,2208,838
Income tax payable	**339,402,423**	329,435,810
Provisions (Note 14)	**259,525,655**	257,133,026
Long-term incentive plan	**–**	193,442,315
Dividends payable	**–**	1,840,000,000
Total Current Liabilities	**4,501,623,437**	10,056,429,032
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 16 and 26)	**21,968,650,682**	16,136,387,307
Long-term incentive plan payable	**84,426,864**	–
Service concession fees payable (Note 16)	**2,656,073,853**	2,521,429,127
Provisions (Note 14)	**108,684,632**	103,412,942
Deferred tax liabilities - net	**536,151,975**	505,726,589
Other noncurrent liabilities	**4,673,766**	250,023
Total Noncurrent Liabilities	**25,358,661,772**	19,267,205,988
Total Liabilities	**29,860,285,209**	29,323,635,020

(Forward)

	Unaudited September 30, 2018	Audited December 31, 2017
Equity		
Capital stock (Note 18)	**₱1,776,000,000**	₱1,776,000,000
Additional paid-in capital	**3,749,711,168**	3,749,711,168
Retained earnings	**7,403,206,428**	5,154,024,882
Other comprehensive income (loss) reserve (Note 18)	**(107,042,730)**	(37,036,249)
Other reserve	**13,034,282**	13,034,282
Total Equity	**12,834,909,148**	10,655,734,083
	₱42,695,194,357	₱39,979,369,103

See accompanying notes to Unaudited Interim Condensed Consolidated Financial Statements and Management Discussion and Analysis.

NLEX CORPORATION
(A Subsidiary of Metro Pacific Tollways North Corporation)
AND A SUBSIDIARY

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Nine months ended September 30		Three months ended September 30	
	2018	2017	**2018**	2017
OPERATING REVENUES				
Toll fees - net of discount	**₱9,636,372,198**	₱8,483,282,640	**₱3,057,907,285**	₱2,761,339,814
Sales of magnetic cards	**4,866**	4,598	**2,411**	893
Toll revenues	**9,636,377,064**	8,483,287,238	**3,057,909,696**	2,761,340,707
Non-toll revenues (Note 19)	**134,213,050**	121,535,318	**33,996,925**	38,652,005
	9,770,590,114	8,604,822,556	**3,091,906,621**	2,799,992,712
COST OF SERVICES (Note 20)	**(3,428,486,763)**	(3,356,904,112)	**(1,155,995,758)**	(1,135,108,747)
GROSS PROFIT	**6,342,103,351**	5,247,918,444	**1,935,910,863**	1,664,883,965
CONSTRUCTION REVENUE (Note 6)	**2,631,908,589**	3,088,695,582	**1,015,371,169**	1,054,878,037
CONSTRUCTION COSTS (Note 6)	**(2,631,908,589)**	(3,088,695,582)	**(1,015,371,169)**	(1,054,878,037)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	**(688,273,585)**	(591,235,580)	**(194,990,078)**	(184,506,214)
INTEREST EXPENSE AND OTHER FINANCE COSTS (Note 24)	**(326,965,392)**	(366,333,438)	**(90,493,614)**	(145,112,057)
INTEREST INCOME (Note 23)	**54,600,382**	37,946,113	**23,129,250**	12,891,543
FOREIGN EXCHANGE GAIN (LOSS) - net	**428,793**	1,802,995	**580,630**	117,383
OTHER INCOME	**52,276,658**	3,743,982	**49,354,360**	427,963
INCOME (LOSS) BEFORE INCOME TAX	**5,434,170,207**	4,333,842,516	**1,723,491,411**	1,348,702,583
PROVISION FOR INCOME TAX				
Current	**1,153,261,626**	966,086,614	**336,322,765**	304,112,916
Deferred	**31,727,035**	(19,669,392)	**8,408,059**	5,450,487
	1,184,988,661	946,417,222	**344,730,824**	309,563,403
NET INCOME	**₱4,249,181,546**	₱3,387,425,294	**₱1,378,760,587**	₱1,039,139,180

See accompanying notes to Unaudited Interim Condensed Consolidated Financial Statements and Management Discussion and Analysis.

NLEX CORPORATION
(A Subsidiary of Metro Pacific Tollways North Corporation)
AND A SUBSIDIARY

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Nine months ended September 30		Three months ended September 30	
	2018	2017	**2018**	2017
NET INCOME	**₱4,249,181,546**	₱3,387,425,294	**₱1,378,760,587**	₱1,039,139,179
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:				
Gain (loss) on available-for-sale financial assets (Notes 11, 12 and 26)	**(68,928,560)**	7,605,440	**(37,324,251)**	6,776,392
Income tax effect	**587,778**	(1,460,913)	**344,980**	(1,023,613)
	(68,340,782)	6,144,527	**(36,919,271)**	5,752,779
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:				
Remeasurement gains (losses) on DBO	**(2,379,570)**	–	**–**	–
Income tax effect	**713,871**	–	**–**	–
	(1,665,699)	–	**–**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(70,006,481)**	6,144,527	**(36,919,271)**	5,752,779
TOTAL COMPREHENSIVE INCOME	**₱4,179,175,065**	₱3,393,569,821	**₱1,341,781,316**	₱1,044,891,958

See accompanying notes to Unaudited Interim Condensed Consolidated Financial Statements and Management Discussion and Analysis.

NLEX CORPORATION
(A Subsidiary of Metro Pacific Tollways North Corporation)
AND A SUBSIDIARY

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Other Comprehensive Income Reserve	Other Reserve	Total Equity
At January 1, 2018	**₱1,776,000,000**	**₱3,749,711,168**	**₱5,154,024,882**	**(₱37,036,249)**	**₱13,034,282**	**₱10,655,734,083**
Cash Dividends	**–**	**–**	**(2,000,000,000)**	**–**	**–**	**(2,000,000,000)**
Net Income	**–**	**–**	**4,249,181,546**	**–**	**–**	**4,249,181,546**
Other comprehensive income (Note 17)	**–**	**–**	**–**	**(70,006,481)**	**–**	**(70,006,481)**
Total comprehensive income for the period	**–**	**–**	**4,249,181,546**	**(70,006,481)**	**–**	**4,179,175,065**
At September 30, 2018	**₱1,776,000,000**	**₱3,749,711,168**	**₱7,403,206,428**	**(₱107,042,730)**	**₱13,034,282**	**₱12,834,909,148**
At January 1, 2017	₱1,776,000,000	₱3,749,711,168	₱4,109,784,668	(₱36,912,383)	₱13,034,282	₱9,611,617,735
Cash Dividends	–	–	(3,600,000,000)	–	–	(3,600,000,000)
Net income	–	–	4,644,240,214	–	–	4,644,240,214
Other comprehensive income (Note 17)	–	–	–	(123,866)	–	(123,866)
Total comprehensive income for the period	–	–	4,644,240,214	(123,866)	–	4,644,116,348
At December 31, 2017	₱1,776,000,000	₱3,749,711,168	₱5,154,024,882	(₱37,036,249)	₱13,034,282	₱10,655,734,083

See accompanying notes to Unaudited Interim Condensed Consolidated Financial Statements and Management Discussion and Analysis.

NLEX CORPORATION
(A Subsidiary of Metro Pacific Tollways North Corporation)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30	
	2018	2017
OPERATING ACTIVITIES		
Income before income tax	**₱5,434,170,207**	₱4,333,842,516
Adjustments to reconcile income before income tax to net cash flows:		
Amortization of service concession assets (Notes 6 and 20)	**603,961,532**	543,427,292
Interest expense and other finance costs (Note 23)	**326,965,392**	366,333,438
Long-term incentive plan expense	**48,000,000**	48,000,000
Interest income (Note 23)	**(54,600,382)**	(37,946,113)
Depreciation of property and equipment (Notes 7, 20 and 21)	**48,380,040**	37,795,072
Amortization of other intangible assets (Notes 9 and 21)	**4,307,510**	8,955,402
Deferred toll revenue realized	**–**	–
Unearned rental income realized	**9,317,461**	(2,132,223)
Amortization of deferred lease income	**2,014**	(2,452)
Movements in:		
Provisions	**(25,636,447)**	(36,497,678)
Pension asset / Accrued retirement costs	**(1,566,324)**	7,238,645
Executive stock option plan expense	**–**	–
Loss (Gain) on disposals of property and equipment (Note 7)	**115,917**	(17,754)
Unrealized foreign exchange gain – net	**(1,042,234)**	(252,648)
Unrealized gain on AFS Investment - UITF	**(390,403)**	–
Gain on sale of AFS financial assets	**8,840**	(578,407)
Working capital changes:		
Decrease (increase) in:		
Receivables	**156,927,255**	51,424,004
Inventories	**3,759,328**	(10,867,999)
Other current assets	**100,741,425**	(60,027,537)
Increase (decrease) in:	**–**	
Accounts payable and other current liabilities	**(748,848,891)**	(98,509,246)
Long-term incentive plan payable	**(157,015,451)**	
Income tax paid	**(1,143,295,013)**	(970,483,804)
Net cash flows from operating activities	**4,606,484,808**	4,179,700,508
INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets (Note 11)	**(5,926,000,000)**	(3,891,000,000)
Acquisition of investment in available for sale investments	**(143,346)**	(151,412,589)
Interest received	**50,986,753**	36,720,380
Decrease (increase) in other noncurrent assets	**21,560,724**	895,786,686
Additions to:		
Service concession assets (Note 6)	**(2,490,336,858)**	(2,940,972,362)
Property and equipment (Note 7)	**(136,693,651)**	(77,437,715)
Other intangible assets (Note 9)	**(1,706,805)**	(2,535,452)
Investment properties	**(178,440,827)**	(84,325,539)
Proceeds from:		
Sale of available-for-sale financial assets (Note 11)	**6,187,523,437**	4,181,470,405
Sale of property and equipment (Note 7)	**320,033**	1,315,357
Maturity of AFS financial assets (Note 11)	**50,000,000**	–
Net cash flows used in investing activities	**(2,415,452,967)**	(2,032,390,829)

(Forward)

	Nine Months Ended September 30	
	2018	2017
FINANCING ACTIVITIES		
Proceeds from loans	**₱7,000,000,000**	₱–
Payments of:		
Dividends	**(3,840,000,000)**	(1,760,000,000)
Interest	**(146,776,339)**	(297,901,096)
Long-term debt	**(4,067,616,998)**	(152,102,309)
Debt issue costs (Note 16)	**(73,475,256)**	–
Net cash flows used in financing activities	**(1,127,868,593)**	(2,210,003,405)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,063,163,248**	(62,693,726)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**1,042,234**	252,648
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**2,715,210,842**	389,912,852
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	**₱3,779,416,324**	₱327,471,774

See accompanying notes to Unaudited Interim Condensed Consolidated Financial Statements and Management Discussion and Analysis.

1. **Corporate Information**

General
NLEX Corporation (NLEX Corp. or the Parent Company) and its subsidiary, NLEX Ventures Corporation (NVC), (collectively referred to as "the Company") were incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on February 4, 1997 and September 23, 2015, respectively. NLEX Corp.'s primary purpose is to engage in, and carry on, a construction and contracting business, involving tollways, its facilities, interchanges and related works, including the operation and maintenance thereof, or otherwise engage in any work upon roads, bridges, buildings, and structures of all kinds.

NVC, a wholly owned subsidiary of NLEX Corp., is primarily engaged to develop, fund, construct, operate and maintain any and all facilities and to provide services relating to the safety, comfort and convenience of its customers such as road users; and to undertake traffic management services.

On October 19 and November 17, 2016, the Parent Company's Board of Directors (BOD) and stockholders, respectively, approved the change in the Parent Company's corporate name from "Manila North Tollways Corporation (MNTC)" to "NLEX Corporation". The SEC approved the change in the Parent Company's corporate name on February 13, 2017.

On October 19, 2016, the Parent Company's BOD approved the proposed merger between NLEX Corp. and Tollways Management Corporation (TMC), with NLEX Corp. as the surviving corporation ("the Merger"). On November 17, 2016, at least two-thirds of the stockholders of NLEX Corp. confirmed and ratified the merger.

On April 17, 2017, NLEX Corp. and TMC executed the Plan and Articles of Merger. The Merger shall take effect 15 days from and after the approval by the SEC of the Plan and Articles of Merger and the issuance by the SEC of the Certificate of Filing of the Articles of Merger (the "Effective Merger Date"). Upon the Effective Merger date, NLEX Corp.'s corporate existence shall continue and NLEX Corp. shall be deemed to have: (a) acquired all respective rights, businesses, assets and other properties of TMC as of the Effective Merger Date, and (b) assumed all the debts and liabilities of TMC to the extent not fully discharged as of the Effective Merger Date.

On May 18, 2018, the Republic of the Philippines (ROP), through the Department of Finance, formally conveyed its intention to withdraw the exercise of its appraisal right and request the respective consent of NLEX Corp. and TMC to the said withdrawal.

On June 7, 2018, the BOD approved and authorized the signing and delivery of the updated Plan of Merger with TMC reflecting: (i) the withdrawal by the ROP of the exercise of its appraisal right and (ii) the issuance of NLEX Corp.'s shares to the ROP in exchange for the ROP's shares in TMC based on the conversion ratio provided in the Plan of Merger.

On June 26, 2018, the BOD of TMC approved the withdrawal of the appraisal right. As at September 30, 2018, NLEX Corp. and TMC have yet to resubmit the Plan and Articles of Merger to the SEC.

Metro Pacific Tollways North Corporation (MPTNC), the parent company of NLEX Corp., is a wholly owned subsidiary of Metro Pacific Tollways Corporation (MPTC). MPTC is 99.9% owned by Metro Pacific Investments Corporation (MPIC). MPIC is a publicly listed Philippine corporation and is 42.0% owned by Metro Pacific Holdings, Inc. (MPHI). As sole holder of the voting Class A Preferred Shares, MPHI's combined voting interest as a result of all of its shareholdings is estimated at 55.0%. MPHI is a Philippine corporation whose stockholders are Enterprise Investment Holdings, Inc. (EIH) (60.0%), Intalink B.V. (26.7%) and First Pacific International Limited (FPIL) (13.3%). First Pacific Company Limited (FPC), a company incorporated in Bermuda and listed in Hong Kong, through its subsidiaries, Intalink B.V. and FPIL, holds 40.0% equity interest in EIH and an investment financing which under Hong Kong Generally Accepted Accounting Principles, require FPC to account for the results and assets and liabilities of EIH and its subsidiaries as part of FPC group of companies in Hong Kong.

The registered office address of the Parent Company is NLEX Compound, Balintawak, Caloocan City, Metro Manila.

Toll Operations

Manila-North Expressway Project (MNEP). In April 1998, NLEX Corp. (then MNTC) was granted the concession for the rehabilitation, modernization, expansion and operation of the North Luzon Expressway (NLEX) and the installation of the appropriate collection system therein referred to as the MNEP.

The MNEP consists of three phases as follows:

Phase I	Rehabilitation and expansion of approximately 84 kilometers (km) of the existing NLEX and an 8.5-km stretch of a Greenfield expressway that connects Tipo in Hermosa, Bataan to Subic (Segment 7)
Phase II	Construction of the northern parts of the 17-km circumferential road C-5 which connects the current C-5 expressway to the NLEX and the 5.85-km road from McArthur Highway to Letre
Phase III	Construction of the 57-km Subic arm of the NLEX to Subic Expressway

The construction of Phase I was substantially completed in January 2005. On January 27, 2005, the Toll Regulatory Board (TRB) issued the Toll Operation Permit (TOP) for the operation and maintenance of Phase I consisting of Segments 1, 2, 3 and including Segment 7 in favor of NLEX Corp. Thereafter, NLEX Corp. took over the NLEX from Philippine National Construction Corporation (PNCC) and commenced its tollway operations on February 10, 2005.

Segment 8.1, a portion of Phase II, which is a 2.7 km-road designed to link Mindanao Avenue to the NLEX, had officially commenced tollway operation on June 5, 2010. Segment 9, a portion of Phase II, which is a 2.4 km-road connecting NLEX to the McArthur Highway, had officially commenced tollway operation on March 19, 2015. In May 2014, Segment 10, a portion of Phase II, which is a 5.76 km four-lane, elevated expressway that will start from the terminal of Segment 9 in Valenzuela City going to Circumferential Road 3 (C-3 Road) in Caloocan City above the alignment of Philippine National Railway (PNR) tracks, had commenced construction and is expected to be substantially completed by the fourth quarter of 2018. The estimated cost of construction of Segment 10 is ₱10.5 billion. The remaining portion of Phase II is under pre-construction works while Phase III of the MNEP has not yet been started as at the date of this report.

Subic-Clark-Tarlac Expressway (SCTEX). Pursuant to the Toll Operation Certificate (TOC) received from the TRB and agreements covering the SCTEX, NLEX Corp. has commenced the management, operation and maintenance of the SCTEX on October 27, 2015. The SCTEX is a 93.77-km four-lane divided highway, traversing the provinces of Bataan, Pampanga and Tarlac.

NLEX-South Luzon Expressway (SLEX) Connector Road Project (NLEX-SLEX Connector Road).
On November 23, 2016, NLEX Corp. was awarded the concession for the design, financing, construction, operation and maintenance of the NLEX-SLEX Connector Road. The NLEX-SLEX Connector Road is an elevated four-lane toll expressway structure with a length of 8 km passing through and above the right of way of the PNR starting from NLEX Segment 10 at C-3 Road Caloocan City and seamlessly connecting to SLEX through Metro Manila Skyway Stage 3 Project in Manila. As of the date of this report, the NLEX-SLEX Connector Road is still on its pre-construction phase.

2. **Basis of Preparation and Changes to the Company's Accounting Policies**

Basis of Preparation
The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for investments in unit investment trust funds (UITFs) and investments in bonds and treasury notes which are measured at fair value. The interim condensed financial statements are presented in Philippine peso, which is the Company's functional and presentation currency.

The interim condensed 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 and for the year ended December 31, 2017.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2017, except for the following adoption of new and amended PFRS effective January 1, 2018.

The Company applied the following PFRS and amendments to existing standards effective January 1, 2018. Except for additional disclosure requirements, adoption of the following standards did not have any material impact on the Company's financial position or performance:

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes Philippine Accounting Standard (PAS) 11 *Construction Contracts*, PAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The standard requires entities to provide disclosures about the significant judgements made in determining the timing of satisfaction of performance obligations. The standard also specifies that an entity should estimate the amount of variable consideration to which it will be entitled.
  The Company adopted PFRS 15 using the modified retrospective method of adoption and applies to contracts not yet completed at the date of initial application. The effect of adopting PFRS 15 is as follows:

  a. *Toll Revenue*
     Revenue from toll fees is recognized upon the sale of toll tickets and passage on the toll roads. The Company recognizes toll revenues over time since the customer simultaneously receives and consumes the benefits, provided by NLEX Corp.'s performance of its obligation to operate and maintain toll roads, during the time of passage on the toll roads which occur on the same day. Therefore, the adoption of PFRS 15 did not have an impact on the timing of revenue recognition.

  b. *Discounts*
     The Company provides discounts to jeepney drivers in the form of rebates and Passada. Rebates refer to the discount provided at month-end under promotional scheme. Passada are the discounts given to jeepneys that pass through the 14-km open toll section. Any entry or exit after the consumable toll fee per day is considered as discount by the toll collection system.

     The Company concludes that these discounts are not material and do not involve any complexity as the discount period ends within the same period the revenue is recognized. Therefore, the adoption of PFRS 15 did not have a material impact on the recognition of discounts.

- PFRS 9, *Financial Instruments*

  PFRS 9 replaces the provisions of PAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

  The adoption of PFRS 9 from January 1, 2018 resulted in changes in accounting policies but did not have a material impact on the consolidated financial statements. In accordance with the transitional provisions of PFRS 9, comparative figures have not been restated, thereby resulting in the following impact:

  a. Comparative information for prior periods are not restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7 are retained for the comparative periods.

  b. The accounting policies for both the current period and the comparative periods, one applying PFRS 9 and one applying PAS 39 are disclosed in the notes to the consolidated financial statements.

  c. The difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application are recognized in the opening retained earnings or other component of equity, as appropriate.

  d. As comparative information is not restated, the Company is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with PAS 1, *Presentation of Financial Statements*.

  Classification and Measurement. From January 1, 2018 (date of initial application of PFRS 9), the Company classifies its financial assets in the following measurement categories: (i) those to be measured subsequently at fair value (either through OCI, or through profit or loss), and (ii) those to be measured at amortized cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

  For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

  The Company reclassifies debt investments when and only when its business model for managing those assets changes.

  At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

  Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

  - *Debt instruments.* Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments: (i) amortized cost; (ii) FVOCI; and (iii) FVTPL.

    The Company has debt investments at FVOCI and amortized cost. Assets that are held both for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included in interest income using the effective interest rate method.

Assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and which contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at amortized cost.

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss in the period in which it arises.

- *Equity instruments.* The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established. Changes in the fair value of financial assets at FVTPL are recognized in other gains (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

On January 1, 2018, the Company assessed which business model apply to the financial assets held by the group and has classified its financial assets into the appropriate categories. There was no material impact on the resulting reclassification. Presented below is the impact of the adoption of PFRS 9 as at January 1, 2018 on the Company's consolidated financial statements:

	Original Measurement Category under PAS 39	New Measurement Category under PFRS 9	Original Carrying Amount under PAS 39	New Carrying Amount under PFRS 9
Financial assets:				
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	₱2,715,210,842	₱2,715,210,842
Receivables (excluding advances to officers and employees)	Loans and receivables	Financial assets at amortized cost	704,398,236	704,398,236
Investments in UITF	AFS investments	Financial assets at FVTPL	217,749,970	217,749,970
Investments in bonds and treasury notes (current and noncurrent)	AFS investments	Financial assets at FVOCI	1,254,406,932	1,254,406,932
Refundable deposits	Loans and receivables	Financial assets at amortized cost	3,694,561	3,694,561
Restricted cash	Loans and receivables	Financial assets at amortized cost	321,000,000	321,000,000
			₱5,216,460,541	₱5,216,460,541
Financial liabilities:				
Accounts payable and other current liabilities	Financial liabilities at amortized cost	Financial liabilities at amortized cost	₱3,132,209,043	₱3,132,209,043
Long-term debt (current and noncurrent)	Financial liabilities at amortized cost	Financial liabilities at amortized cost	20,440,596,145	20,440,596,145
Service concession fees payable	Financial liabilities at amortized cost	Financial liabilities at amortized cost	2,521,429,127	2,521,429,127
Rental deposits	Financial liabilities at amortized cost	Financial liabilities at amortized cost	130,601	130,601
			₱26,094,364,916	₱26,094,364,916

- *Reclassification to FVTPL.* UITFs are ready-made investments that allow the pooling of funds from different investors with similar investment objectives. These UITFs are managed by professional fund managers and may be invested in various financial instruments such as money market securities, bonds and equities, which are normally available to large investors only. A UITF uses the mark–to–market method in valuing the fund's securities. It is a valuation method which calculates the Net Asset Value (NAV) based on the estimated fair market value of the assets of the fund based on prices supplied by independent sources. They do not meet the PFRS 9 criteria for classification at amortized cost or FVOCI, because their cash flows do not represent solely payments of principal and interest. Hence, these financial assets were reclassified from available-for-sale (AFS) financial assets under PAS 39 to financial assets at FVTPL under PFRS 9. As at January 1, 2018, the accumulated unrealized gain on AFS investments under PAS 39 that will be reclassified to beginning balance of retained earnings as at January 1, 2018 is not material to the consolidated financial statements.

- *AFS debt investments classified as FVOCI.* Quoted debt instruments were reclassified from AFS to FVOCI, as the group's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest.

The accounting for the Company's financial liabilities remains largely the same as it was under PAS 39.

Impairment. PFRS 9 requires that the Company record an allowance for expected credit losses (ECL) for all loans and other debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

From January 1, 2018, the Company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the Simplified Approach permitted by PFRS, which requires expected lifetime losses to be recognized from initial recognition of the receivables. For other receivables and debt instruments measured at FVOCI, the Company applies the General Approach where the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. As at January 1, 2018, the Company assessed that there was no significant increase in the credit risk related to its financial assets at amortized cost and financial assets at FVOCI. Accordingly, the Company applied the 12-month ECL to all its financial assets and assessed that there is no material impact in the consolidated financial statements.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. These amendments are not relevant to the Company.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing the new financial instruments standard, PFRS 9, before implementing PFRS 17, *Insurance Contracts*, which replaces PFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. These amendments are not relevant to the Company.

- *Amendments to PAS 28, Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

  The amendments are not applicable to the Company since the Company has no investments in associates or joint ventures.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

  These amendments do not have material impact on the Company's consolidated interim financial statements since there was no transfer into or out of investment property made as at September 30, 2018 and December 31, 2017.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 22, *Foreign Currency Transactions and Advance Consideration*

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

  Since the Company's current practice is in line with the clarifications issued, the adoption of this interpretation does not have any effect on its consolidated interim financial statements.

3. **Seasonality of Operations**

Based on historical traffic in the NLEX, the month of January is slightly below the normal average due to the end of the Christmas holidays. From February to May, traffic is above the normal average due to the summer holiday, which is traditionally a peak season for travel. The months of June to August remain to have the lowest seasonal factors due to the rainy season. Traffic is expected to improve from September until November, while the month of December has the highest seasonal factor due to the Christmas holidays.

4. **Cash and Cash Equivalents**

Cash and cash equivalents consist of:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Cash on hand and in banks	**₱698,224,669**	₱181,262,438
Short-term deposits	**3,081,191,655**	2,533,948,404
	₱3,779,416,324	₱2,715,210,842

For purposes of the interim statements of cash flows for the nine months ended September 30, 2018 and 2017, cash and cash equivalents as at September 30 comprise of the following:

	2018	2017
	(Unaudited)	
Cash on hand and in banks	**₱698,224,669**	₱269,253,721
Short-term deposits	**3,081,191,655**	58,218,053
	₱3,779,416,324	₱327,471,774

5. **Receivables**

This account consists of:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade receivables	**₱305,320,225**	₱473,574,377
Advances to Department of Public Works and Highways (DPWH)	**193,112,244**	179,535,742
Advances to officers and employees	**8,642,534**	10,641,020
Interest receivables	**23,616,816**	20,003,187
Due from related parties (see Note 15)	**7,656,085**	5,982,581
Other receivables	**52,746,248**	51,741,514
	591,094,152	741,478,421
Less allowance for doubtful accounts	**29,368,522**	26,439,165
	₱561,725,630	₱715,039,256

Trade receivables are noninterest-bearing and are generally on terms of 30 to 45 days.

The advances to DPWH are noninterest-bearing and are collectible within a year.

Advances to officers and employees are normally collectible or liquidated within a month.

Interest receivables are collectible within three months to six months.

Other receivables are noninterest-bearing and are collectible within a year. As at September 30, 2018 and December 31, 2017, other receivables include those receivables from motorists who caused accidental damage to NLEX property from day-to-day operations amounting to ₱45.8 million and ₱43.6 million respectively.

Movement in the allowance for individually assessed impaired receivables for the nine months ended September 30, 2018 is as follows:

	Trade Receivables	Other Receivables	Total
Balance at beginning of period	₱3,204,597	₱23,234,568	₱26,439,165
Provision for doubtful accounts (see Note 21)	524,621	2,404,736	2,929,357
Balance at end of period	₱3,729,578	₱25,639,304	₱29,368,522

6. **Service Concession Assets**

The movements in this account follow:

	MNEP	**SCTEX**	**NLEX-SLEX Connector Road**	**Total**
Cost:				
At January 1, 2017 (Audited)	₱31,736,465,603	₱3,556,060,212	₱2,507,847,423	₱37,800,373,238
Additions	2,765,345,336	783,222,842	214,910,301	3,763,478,479
At December 31, 2017 (Audited)	34,501,810,939	4,339,283,054	2,722,757,724	41,563,851,717
Additions	2,278,584,649	173,852,761	179,471,179	2,631,908,589
At September 30, 2018 (Unaudited)	**₱36,780,395,588**	**₱4,513,135,815**	**₱2,902,228,903**	**₱44,195,760,306**
Accumulated amortization:				
At January 1, 2017 (Audited)	₱7,041,964,761	₱86,260,885	₱–	₱7,128,225,646
Amortization	654,699,389	108,095,210	–	762,794,599
At December 31, 2017 (Audited)	7,696,664,150	194,356,095	–	7,891,020,245
Amortization (see Note 19)	529,097,891	74,863,641	–	603,961,532
At September 30, 2018 (Unaudited)	**₱8,225,762,041**	**₱269,219,736**	**₱–**	**₱8,494,981,777**
Net book value				
At September 30, 2018 (Unaudited)	**₱28,554,633,547**	**₱4,243,916,079**	**₱2,902,228,903**	**₱35,700,778,529**
At December 31, 2017 (Audited)	26,805,146,789	4,144,926,959	2,722,757,724	33,672,831,472

MNEP

Additions in MNEP during the period pertain mostly to lane widening project in Segment 2, portion of Phase I; civil works construction on Segment 10; additional costs capitalized for the Radio Frequency Identification System (RFID) and civil works and consultancy services for its toll expansion projects. Additions also include the pre-construction costs of Segments 8.2 and the C3-R10 of the Harbor Link project, portions of Phase II. Borrowing costs capitalized amounted to ₱565.9 million for the nine months ended September 30, 2018. The interest rate used to determine the amount of borrowing costs eligible for capitalization was 5.0% to 5.8% in 2018 and 2017, respectively.

SCTEX

NLEX Corp. took over from BCDA the management, operation and maintenance of the SCTEX on October 27, 2015. The additions for the nine months ended September 30, 2018 amounting to ₱173.9 million pertain mainly to costs of construction of the Mabiga and Sta. Ines Interchange and the construction and expansion of toll plazas in certain areas along SCTEX. While, the additions amounting to ₱783.2 million as at December 31, 2017 pertain to the cost of pavement rehabilitation in certain portion of SCTEX and other costs incurred for upgrading the toll road facilities and equipment in SCTEX.

NLEX-SLEX Connector Road

Additions in NLEX-SLEX Connector Road pertains mainly to the accretion in the present value of periodic payments to DPWH in consideration for the acquisition of the right of way (see Note 17). Other additions include detailed engineering design, legal services, professional fees and general and administrative expenses.

7. **Property and Equipment**

The movements in this account follow:

	Building, Building Improvements and Leasehold Improvements	Transportation Equipment	Office Equipment and Others	Total
Cost:				
At January 1, 2017 (Audited)	₱94,223,954	₱87,863,961	₱175,162,079	₱357,249,994
Additions	21,591,711	22,879,845	54,354,146	98,825,702
Disposals	–	(3,676,261)	(494,724)	(4,170,985)
At December 31, 2017 (Audited)	115,815,665	107,067,545	229,021,501	451,904,711
Additions	13,412,065	30,733,791	92,547,794	136,693,650
Disposals	–	(2,781,157)	(359,616)	(3,140,773)
At September 30, 2018 (Unaudited)	**₱129,227,730**	**₱135,020,179**	**₱321,209,679**	**₱585,457,588**
Accumulated depreciation:				
At January 1, 2017 (Audited)	₱40,087,596	₱49,059,865	₱133,131,173	₱222,278,634
Depreciation (see Notes 20 and 21)	4,056,291	13,528,884	34,357,393	51,942,568
Disposals	–	(2,378,657)	(494,724)	(2,873,381)
At December 31, 2017 (Audited)	44,143,887	60,210,092	166,993,842	271,347,821
Depreciation (see Notes 20 and 21)	4,858,886	13,441,216	30,079,938	48,380,040
Disposal	–	(2,345,207)	(359,616)	(2,704,823)
At September 30, 2018 (Unaudited)	**₱49,002,773**	**₱71,306,101**	**₱196,714,164**	**₱317,023,038**
Net book value:				
At September 30, 2018 (Unaudited)	**₱80,224,957**	**₱63,714,078**	**₱124,495,515**	**₱268,434,550**
At December 31, 2017 (Audited)	71,671,778	46,857,453	62,027,659	180,556,890

8. **Investment Properties**

The movements in this account follow:

	Land	Land Improvements	CIP – Drive & Dine	Total
At January 1, 2018 (Audited)	₱117,401,719	₱11,578,801	₱–	₱128,980,520
Additions	100,387	–	178,694,524	178,794,911
Adjustment	–	(354,084)	–	(354,084)
At September 30, 2018 (Unaudited)	**₱117,502,106**	**₱11,224,717**	**₱178,694,524**	**₱307,421,347**

9. **Other Intangible Assets**

Other intangible assets pertain to computer software relating to the Company's accounting, reporting and asset management systems with estimated useful life of 5 years. The movements in this account follow:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Cost:		
Balance at beginning of year	**₱109,997,788**	₱106,535,415
Additions	**1,777,804**	3,917,613
Disposals	**–**	(455,240)
Balance at end of period	**₱111,775,592**	₱109,997,788
Accumulated amortization:		
Balance at beginning of year	**₱99,683,474**	₱88,276,923
Amortization (see Note 20)	**4,378,509**	11,861,791
Disposals	**–**	(455,240)
Balance at end of period	**104,061,983**	99,683,474
Net book value	**₱7,713,609**	₱10,314,314

10. **Other Current Assets**

Details of other current assets follow:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Restricted cash (see Note 25)	**₱321,000,000**	₱321,000,000
Input VAT	**163,612,877**	178,341,092
Deferred Input VAT	**127,653,440**	154,563,199
Advances to contractors and consultants	**65,727,932**	60,582,643
Prepayments	**7,690,337**	52,286,554
Creditable Tax	**17,894,365**	18,769,968
Others	**3,761,171**	–
	707,340,123	785,543,456
Less allowance for recoverability of creditable tax	**15,380,461**	15,380,461
	₱691,959,662	₱770,162,995

11. **Investments in Unit Investment Trust Funds**

Details of this account are shown below:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Fair Value	₱53,608,279	₱217,749,970
Principal Amount	53,221,409	217,221,409

Investments in UITFs are classified as financial assets measured at FVTPL under PFRS 9 and AFS under PAS 39 as at September 30, 2018 and December 31, 2017, respectively.

The movements in this account follow:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of period	**₱217,749,970**	₱82,407,389
Additions	**5,972,000,000**	5,731,000,001
Sale of UITFs	**(6,136,000,000)**	(5,596,000,000)
Changes in fair value during the period*	**(143,346)**	342,580
Balance at end of period	**₱53,608,279**	₱217,749,970

** Includes gain on sale of investments in UITFs amounting to ₱5,009,850 and ₱8,369,189 in 2018 and 2017, respectively, that was deducted from borrowing costs capitalized to service concession assets.*

The fair value is based on the quoted market price of the financial instruments as at September 30, 2018 and December 31, 2017. The movements in the net unrealized gain for the period ended September 30, 2018 and year ended December 31, 2017 follow:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of period	**₱528,561**	₱185,981
Changes in fair value during the period (see Note 18)	**–**	9,332,603
Recycling to profit or loss (see Note 18)	**(528,561)**	(8,990,023)
Balance at end of period	**₱–**	₱528,561

12. **Investments in Bonds and Treasury Notes**

Details of this account are shown below:

		September 30, 2018		December 31, 2017	
Maturity Date	Interest Rate	**Fair Value**	**Principal Amount**	Fair Value	Principal Amount
ROP Retail Treasury Bonds					
April 11, 2020	4.25%	**₱–**	**₱–**	₱100,112,000	₱100,000,000
August 15, 2023	3.25%	**475,814,200**	**565,100,000**	520,796,160	565,100,000
		475,814,200	**565,100,000**	620,908,160	665,100,000
Fixed Rate Treasury Notes					
May 23, 2018	2.13%	**–**	**–**	49,825,000	50,000,000
July 19, 2019	4.75%	**11,184,519**	**11,230,000**	11,301,872	11,230,000
August 20, 2020	3.38%	**19,307,600**	**20,000,000**	19,495,400	20,000,000
		30,492,119	**31,230,000**	80,622,272	81,230,000
LTNCD					
PNB – June 12, 2020	4.13%	**48,947,000**	**50,000,000**	50,498,500	50,000,000
Metrobank – November 21, 2021	4.25%	**46,230,000**	**50,000,000**	48,499,000	50,000,000
		95,177,000	**100,000,000**	98,997,500	100,000,000
Corporate Bonds					
FMIC – August 10, 2019	5.75%	**49,023,213**	**50,000,000**	51,079,000	50,000,000
Meralco – December 12, 2020 (see Note 17)	4.38%	**191,162,141**	**200,000,000**	198,956,000	200,000,000
PLDT – February 6, 2021 (see Note 17)	5.23%	**194,485,139**	**200,000,000**	203,844,000	200,000,000
		434,670,493	**450,000,000**	453,879,000	450,000,000
		₱1,036,153,812	**₱1,146,330,000**	₱1,254,406,932	₱1,296,330,000

Investments in bonds and treasury notes are classified as financial assets measured at FVOCI under PFRS 9 and AFS under PAS 39 as at September 30, 2018 and December 31, 2017, respectively.

The movements in this account follow:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of period	**₱1,254,406,932**	₱1,353,667,695
Additions	**–**	151,500,286
Maturity of investments in bonds and treasury notes	**(50,000,000)**	–
Sale of investments in bonds and treasury notes	**(100,000,000)**	(250,000,000)
Changes in fair value during the period (see Note 18)	**(68,209,407)**	(803,476)
Recycling to profit or loss (see Note 18)	**(43,713)**	42,427
Balance at end of period	**₱1,036,153,812**	₱1,254,406,932
Current	**₱–**	₱49,825,000
Noncurrent	**1,036,153,812**	1,204,581,932
	₱1,036,153,812	₱1,254,406,932

The fair value is based on the quoted market price of the financial instruments as at September 30, 2018 and December 31, 2017. The movements in the net unrealized loss on fair value change in FVOCI financial assets under "Other comprehensive loss reserve" account for the period ended September 30, 2018 and year ended December 31, 2017 follow:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of period	**(₱40,141,054)**	(₱39,380,005)
Changes in fair value during the period (see Note 18)	**(68,396,467)**	(803,476)
Recycling to profit or loss (see Note 18)	**(43,713)**	42,427
Balance at end of period	**(108,581,234)**	(40,141,054)
Tax effects of items taken directly in equity (see Note 18)	**544,637**	(43,141)
	(108,036,597)	(₱40,184,195)

13. **Accounts Payable and Other Current Liabilities**

This account consists of:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade payables	**₱361,610,703**	₱940,321,431
Accrued expenses	**1,442,708,114**	1,480,488,100
Retention payable	**466,928,859**	558,602,632
Deferred Output VAT	**18,358,823**	23,380,838
Withholding taxes payable	**39,323,962**	85,633,460
Interest payable	**188,404,541**	28,314,769
Unearned toll revenue	**20,500,712**	1,883,284
Due to affiliates (see Note 15)	**833,430**	833,430
Others	**11,899,543**	12,751,099
	₱2,550,568,688	₱3,131,715,362

Trade payables and accrued expenses are noninterest-bearing and are normally settled within 30 to 45 days.

Accrued expenses consist of:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
PNCC fee	**₱482,620,456**	₱60,483,648
Construction costs	**359,723,154**	749,593,043
Operator's fee	**91,304,015**	307,065,152
Professional fees	**95,415,866**	112,852,747
Concession fees	**87,906,352**	102,864,022
Advertising and marketing expenses	**62,629,430**	36,567,994
Operating and maintenance cost	**78,488,239**	58,233,647
Outside services	**43,340,930**	13,261,969
Purchases payable	**39,821,536**	14,202,234
Taxes and licenses	**22,545,866**	5,644,448
Repairs and maintenance	**41,261,739**	8,073,559
Management fees	**14,028,599**	–
Salaries and employee benefits	**9,202,775**	1,237,466
Toll collection and medical services	**3,793,528**	8,268,476
Others	**4,336,744**	2,139,695
	₱1,442,708,114	₱1,480,488,100

Interest payable is settled within six months.

14. **Provisions**

The movements in this account follow:

	Heavy Maintenance	Others	Total
At January 1, 2017	₱280,329,835	₱105,739,274	₱386,069,109
Additions	215,471,251	85,500,489	300,971,740
Accretion	16,112,360	–	16,112,360
Payments	(291,269,257)	(51,337,984)	(342,607,241)
At December 31, 2017	220,644,189	139,901,779	360,545,968
Additions (see Notes 20 and 21)	177,054,759	56,212,447	233,267,206
Accretion (see Note 24)	10,762,674	–	10,762,674
Payments	(152,276,989)	(41,804,231)	(194,081,220)
Others	–	(42,284,341)	(42,284,341)
At September 30, 2018	**₱256,184,633**	**₱112,025,654**	**₱368,210,287**
At September 30, 2018:			
Current	**₱147,500,001**	**₱112,025,654**	**₱259,525,655**
Noncurrent	**108,684,632**	**–**	**108,684,632**
	₱256,184,633	**₱112,025,654**	**₱368,210,287**
At December 31, 2017:			
Current	₱146,800,001	₱126,061,597	₱272,861,598
Noncurrent	100,321,491	13,840,182	114,161,673
	₱247,121,492	₱139,901,779	₱387,023,271

Provision for heavy maintenance pertains to the present value of the estimated contractual obligations of the Company to restore the service concession asset to a specified level of serviceability during the service concession term and to maintain the same assets in good condition prior to turnover of the assets to the Grantor. The amount of provision is reduced by the actual obligations paid for heavy maintenance of the service concession asset.

Other provisions include estimated liabilities for certain reimbursements of corporate expenses being claimed against the Company by a related party. Other provisions also include estimated liabilities for losses on claims by a third party. The information usually required by PAS 37 is not disclosed as it may prejudice the Company's negotiation with the third party.

15. **Related Party Disclosures**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Due from Related Parties		
Tollways Management Corp.	**₱69,402**	₱501,126
Cavitex Infrastructure Corp.	**238,054**	1,288,843
Easytrip Services Corporation	**99,000**	99,000
MPTC	**1,428,232**	410,470
MPIC	**–**	271,472
MPTNC	**20,490**	–
Cebu Cordova Link Expressway Corp.	**602,525**	10,194
Metro Pacific Tollways South Management Corp.	**3,584,259**	–
Metro Pacific Tollways Management Services Inc.	**1,611,074**	1,455,819
MPCALA	**3,049**	1,945,657
	₱7,656,085	₱5,982,581

The following table provides the total amount of significant transactions with related parties for the relevant year:

Related Party	Relationship		Management Fees (see Note 21)	Professional Fee (see Note 21)	Operator's Fee (see Note 20)	Outside Services (see Note 20)	Repairs and Maintenance (see Note 20)	Communication, Light and Water (see Note 21)	Advertising and Marketing Expenses (see Note 21)	Representation and Travel Expenses	Income from Advertising (see Note 19)	Income from Utility Facilities (see Note 19)
MPTC	Intermediate Parent Company	**2018**	**₱45,890,756**	**₱–**	**₱–**	**₱–**	**₱1,392,488**	**₱–**	**₱82,058,795**	**₱–**	**₱–**	**₱–**
		2017	30,351,314	–	–	–	–	–	38,912,377	–	–	–
MPTNC	Parent Company	**2018**	**26,405,021**	–	–	–	–	–	–	–	–	–
		2017	–	–	–	–	–	–	–	–	–	–
TMC	Subsidiary of MPTNC	**2018**	–	–	**654,848,934**	–	–	–	**54,500**	–	–	–
		2017	–	–	805,068,480	2,518,278	18,244,879	175,880	–	–	–	–
Easytrip Services Corp. (ESC)	Subsidiary of MPTC	**2018**	–	–	–	**57,373,024**	–	–	**340,649.86**	**1,818**	**448,000**	–
		2017	–	–	–	35,818,851	–	–	207,495	–	100,000	373,855
Smart Communications Inc. (Smart)	Associate of FPC	**2018**	–	–	–	–	–	**1,343,886**	**15,774**	–	**1,864,000**	**390,678**
		2017	–	–	–	–	–	–	110,728	–	18,082,000	–
PLDT, Inc. (PLDT)	Associate of FPC	**2018**	–	–	–	–	–	**2,478,250**	**1,925**	–	**700,000**	**2,180,559**
		2017	–	–	–	–	343,247	–	–	–	–	1,812,946
Metro Pacific Tollways Management Services, Inc.	Subsidiary of MPTC	**2018**	**40,434,036**	–	–	–	–	–	–	–	–	–
		2017	–	–	–	–	–	–	–	–	–	–
Cavitex Infrastructure Corp. (CIC)	Subsidiary of MPTC	**2018**	–	–	–	–	–	–	**50,000**	–	–	–
		2017	–	–	–	–	–	–	–	–	–	–
MPIC	Parent Company of MPTC	**2018**	–	–	–	–	–	–	–	–	–	–
		2017	–	–	–	–	–	–	–	–	–	–
Manila Electric Company (Meralco)	Associate of MPIC	**2018**	–	–	–	–	–	**5,375,223**	–	–	–	–
		2017	–	–	–	–	–	2,839,350	–	–	–	360,000
Maynilad	Subsidiary of MPIC	**2018**	–	–	–	–	–	**249,074**	–	–	–	–
		2017	–	–	–	–	–	–	–	–	–	–
Egis Projects, Philippines, Inc.	Associate of FPC	**2018**	–	**14,732,143**	–	–	–	–	–	–	–	–
		2017	–	–	–	–	–	–	–	–	–	–
Indra Philippines	Associate of MPIC	**2018**	–	–	–	–	**8,664,247**	–	–	–	–	–
		2017	–	–	–	–	–	–	–	–	–	–
Total		**2018**	**₱112,729,813**	**₱14,732,143**	**₱654,848,934**	**₱57,373,024**	**₱10,056,735**	**₱4,071,210**	**₱82,521,643**	**₱1,818**	**₱3,012,000**	**₱2,571,237**
		2017	72,639,227	–	1,528,987,544	71,339,481	63,209,017	11,582,876	183,680,759	15,228	19,252,000	2,898,814

16. **Short-term Notes Payable and Long-term Debt**

Short-term Notes Payable
On April 18, 2018, NLEX Corp. availed 90-day short-term loans from BDO Unibank Inc. and Metropolitan Bank & Trust Co. amounting to ₱1.4 billion each with an annual interest rate of 3.50%. The proceeds were used to partially finance the payment of the ₱4.0 billion Series A Notes which matured and was settled on April 19, 2018.

On July 17, 2018, the Company availed another 90-day short term loan facility from BDO Unibank Inc. and Metropolitan Bank & Trust Co. amounting to ₱500 million each with an annual interest rate of 4.00%. The proceeds were used to partially re-finance the payment of the ₱2.7 billion short-term loan which matured and was settled on July 17, 2018. These short-term facilities will mature on October 15, 2018.

This account consists of:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Peso-denominated Notes and Loans:		
Series A Notes	**₱930,000,000**	₱4,897,616,998
Term Loan Facilities	**8,550,000,000**	8,650,000,000
Fixed-rate Bonds	**13,000,000,000**	7,000,000,000
	22,480,000,000	20,547,616,998
Less unamortized debt issue costs	**159,222,647**	107,020,853
	22,320,777,353	20,440,596,145
Less current portion of long-term debt - net of unamortized debt issue costs of ₱7,873,329 in 2018 and ₱13,408,160 in 2017	**352,126,671**	4,304,208,838
	₱21,968,650,682	₱16,136,387,307

The unamortized debt issue costs incurred in connection with the availment of long-term debt amounting to ₱159.2 million and ₱107.0 million as at September 30, 2018 and December 31, 2017, respectively, were deducted against the long-term debt. The movements in debt issue costs are as follows:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of year	**₱107,020,853**	₱127,056,818
Amortization during the year* (see Note 24)	**(21,273,462)**	(34,247,435)
Debt issue costs incurred during the year	**73,475,256**	14,211,470
Balance at end of year	**₱159,222,647**	₱107,020,853

**Includes amortization of debt issue costs capitalized to service concession assets amounting to ₱11,936,855 in 2018 and ₱12,808,080 in 2017.*

Series A Notes
On April 15, 2011, NLEX Corp. entered into a Corporate Notes Facility Agreement with various local financial institutions for fixed-rate unsecured notes amounting to ₱6.2 billion, with tenors ranging from 5 years, 7 years and 10 years ("Series A Notes"). Weighted average fixed interest rate on the Series A Notes is 7.22% per annum. Debt issue costs incurred in the availment of the Series A Notes amounted to ₱141.9 million in 2011.

As of the date of this report, both the Series A-5 and Series A-7 notes have already matured.

Term Loan Facilities

Sun Life of Canada (Philippines), Inc. (Sun Life). On October 8, 2013, NLEX Corp. entered into a Term Loan Facility Agreement with Sun Life for a fixed-rate loan amounting to ₱800.0 million payable in lump sum after 10 years. The fixed interest rate on the loan is 5.30% per annum. Debt issue costs incurred in the availment of the loan amounted to ₱6.5 million.

Insular. On November 26, 2013, NLEX Corp. entered into Term Loan Facility Agreement with Insular for a ₱200.0 million fixed-rate loan payable in lump sum after 10 years. The fixed interest rate on the loan is 5.03% per annum. Debt issue costs incurred in the availment of the loan amounted to ₱1.6 million.

Philam. On December 5, 2013, NLEX Corp. entered into a Term Loan Facility Agreement with Philam for a ₱ 1.0 billion fixed-rate loan payable in lump sum after 15 years. The fixed interest rate on the loan is 5.80% per annum. Debt issue costs incurred in the availment of the loan amounted to ₱8.2 million.

The loans availed from Sun Life, Insular and Philam in 2013 are intended to partially finance the Phase II expansion projects of NLEX Corp.

Philippine National Bank (PNB). On December 4, 2015, NLEX Corp. entered into a new ten-year term loan facility agreement with PNB for a facility amount of ₱5.0 billion to finance capital expenditures such as the NLEX Lane Widening Project, NLEX-SCTEX Integration Project and the upgrade of the SCTEX. On December 10, 2015, NLEX Corp. made its initial drawdown amounting to ₱3.0 billion. Debt issue costs incurred on the initial drawdown amounted to ₱15.0 million.

On October 24, 2017, NLEX Corp. made its second and final drawdown amounting to ₱2.0 billion. The Company paid ₱4.2 million in commitment fees for not being able to draw in accordance with the drawdown schedules. Total debt issue costs incurred on the second drawdown, including the commitment fees amounted to ₱14.2 million.

The applicable interest rate for each drawdown made until repricing date (which is December 15, 2020) shall be the higher of (i) 5-year Philippine Dealing System Treasury Reference Rate PM (PDST-R2) rate on the drawdown date plus a 1.0% per annum; and (ii) 5.0% per annum, which will be repriced after 5 years from drawdown date. On date immediately after the repricing date and until termination, the applicable interest rate shall be the higher of (i) 5-year PDST-R2 rate plus a 1.0% per annum; and (ii) weighted average of the applicable interest rate for each drawdown. The interest shall be payable semi-annually.

Unionbank of the Philippines (Unionbank). On January 29, 2016, NLEX Corp. entered into a new ten-year term loan facility agreement with Unionbank for a facility amount of ₱5.0 billion to finance capital expenditures which include Segment 10 and its exit ramps and the NLEX-SLEX Connector Road.

On February 3 and December 29, 2016, NLEX Corp. made its initial and second drawdown amounting to ₱1.0 billion each. The undrawn amount will be available for drawing in one (1) or more availments on any banking day within one (1) year from July 24, 2015 with an extension period up to July 24, 2017, or such longer period as the parties may agree upon in writing. Total debt issue costs incurred on the initial and second drawdown amounted to ₱11.0 million.

On July 24, 2017, the Company opted not to extend the availability period of the undrawn amount of the term loan facility. On August 9, 2017, Unionbank, billed NLEX Corp. for the commitment fee of ₱12.1 million, equivalent to 0.25% per annum of the undrawn amount, computed from January 29, 2016 up to July 24, 2017.

The applicable interest rate for the loan shall be 130 basis points plus the prevailing 10-year PDST-R2, provided that the applicable interest rate shall not be lower than 5% per annum. Interest payment shall be made quarterly until maturity date of February 3, 2026.

Fixed-rate Bonds
On March 31, 2014, NLEX Corp. issued ₱4.4 billion principal amount of fixed-rate bonds with terms of seven years at 5.07% per annum and ₱2.6 billion principal amount of bonds with terms of ten years at 5.50% per annum, for public distribution and sale in the Philippines. Interest payments are payable quarterly in arrears on March 31, June 30, September 30 and December 31 starting on June 30, 2014. Total debt issue costs amounted to ₱76.0 million.

The bonds will be payable with bullet payment at the end of 7-year/10-year maturity periods. The proceeds will be used by NLEX Corp. to partially fund the construction cost of Segment 10, portion of Phase II of MNEP, which will connect the MacArthur Highway in Valenzuela City to C-3 Road in Caloocan City.

On July 4, 2018, NLEX Corp issued ₱4.0 billion principal amount of Series A fixed rate bonds with terms of seven years at 6.6407% per annum and ₱2.0 billion principal amount of Series B fixed rate bonds with terms of ten years at 6.90% per annum. Interest payments are payable quarterly in arrears on July 4, October 4, January 4 and April 4 starting on October 4, 2018. This is the initial issuance from a ₱25-billion bond shelf-registration program that had been approved by the Securities and Exchange Commission (SEC).

The bonds will be payable at the end of the 7-year/10-year maturity periods. The proceeds will be used to partially fund the construction cost of Segment 10 – R10 Section Project, which will connect the NLEX Segment 10 in C3 Road in Caloocan to Radial Road 10 in Manila, and other general corporate purposes.

17. **Service Concession Fees Payable**

The movements in the service concession fees payable are as follows:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
At January 1, 2017	**₱2,521,429,127**	₱2,335,916,229
Accretion (see Note 6)	**134,644,726**	185,512,898
Balance at end of period	**₱2,656,073,853**	₱2,521,429,127

18. **Equity**

Capital Stock

Details of shares of stock of the Company as at September 30, 2018 and December 31, 2017 follow:

	Number of Shares
Authorized - ₱100 par value	40,000,000
Issued	17,760,000

Other Comprehensive Income Reserve

	FVOCI Financial Assets	**Income Tax Related to FVOCI Financial Assets**	**AFS Financial Assets**	**Income Tax Related to AFS Financial Assets**	**Re-measurement of Defined Benefit Plan**	**Income Tax Related to Defined Benefit Plan**	**Total**
Balance at January 1, 2018	**₱–**	**₱–**	**(₱39,612,493)**	**(₱43,141)**	**₱3,741,979**	**(₱1,122,594)**	**(₱37,036,249)**
Changes in fair value	**(68,356,286)**	**587,778**	**–**	**–**	**(2,379,570)**	**713,871**	**(69,434,207)**
Recycling to profit or loss (see Notes 12 and 13)	**(43,713)**	**–**	**(528,561)**	**–**	**–**	**–**	**(572,274)**
Balance at September 30, 2018	**(₱68,399,999)**	**₱587,778**	**(₱40,141,054)**	**(₱43,141)**	**₱1,362,409**	**(₱408,723)**	**(₱107,042,730)**
Balance at January 1, 2017	₱–	₱–	(₱39,194,024)	₱1,464,533	₱1,167,297	(₱350,189)	(₱36,912,383)
Change in fair value of AFS (see Note 11)	–	–	7,605,440	(1,460,913)	–	–	6,144,527
Balance at September 30, 2017	₱–	₱–	(₱31,588,584)	₱3,620	₱1,167,297	(₱350,189)	(₱30,767,856)

19. **Non-Toll Revenue**

Details of non-toll revenue follow:

	For Nine Months Ended September 30	
	2018	2017
		(Unaudited)
Income from advertising (see Note 14)	**₱83,455,544**	₱67,941,397
Income from toll service facilities (see Note 14)	**32,434,292**	31,583,889
Income from pavement marking services	**3,737,492**	15,576,613
Income from utility facilities	**5,364,194**	2,934,301
Others	**9,221,529**	3,499,118
	₱134,213,050	₱121,535,318

20. **Cost of Services**

Cost of services consists of:

	Nine Months Ended September 30	
	2018	2017
		(Unaudited)
Operator's fee (see Note 14)	**₱654,848,934**	₱1,173,363,642
Concession fees	**787,424,828**	686,592,962
Amortization of service concession assets (see Note 6)	**603,961,532**	543,427,292
PNCC fee	**474,016,659**	418,398,989

(Forward)

	Nine Months Ended September 30	
	2018	2017
	(Unaudited)	
Repairs and maintenance (see Note 14)	**₱256,897,719**	₱190,866,809
Provision for heavy maintenance (see Note 13)	**177,054,758**	99,668,574
Outside services (see Note 14)	**217,224,739**	61,401,485
Insurance	**59,321,367**	57,927,837
Salaries and employee benefits	**30,398,694**	34,345,879
Toll collection and medical services	**17,443,523**	20,447,249
Depreciation (see Note 7)	**14,901,321**	13,831,107
Others	**134,992,689**	56,632,287
	₱3,428,486,763	₱3,356,904,112

21. **General and Administrative Expenses**

This account consists of:

	Nine Months Ended September 30	
	2018	2017
	(Unaudited)	
Salaries and employee benefits	**₱171,463,948**	148,310,252
Advertising and marketing expenses (see Note 14)	**130,405,593**	110,605,143
Taxes and licenses	**80,854,395**	70,131,546
Professional fees	**25,496,793**	57,225,187
Management fees (see Note 14)	**112,729,813**	54,479,420
Provisions (see Note 13)	**56,212,448**	43,700,583
Representation and travel	**21,536,357**	29,856,714
Depreciation of property and equipment (see Note 7)	**33,478,719**	23,963,965
Outside services	**14,323,612**	10,477,094
Amortization of other intangible assets (see Note 9)	**4,307,510**	8,955,402
Repairs and maintenance	**4,257,929**	6,739,040
Communication, light and water (see Note 14)	**2,865,651**	5,536,143
Training and development costs	**6,802,531**	4,455,930
Office supplies	**8,431,176**	3,413,190
Rental	**2,300,745**	1,720,851
Provisions for doubtful accounts (see Note 5)	**2,929,357**	1,500,575
Directors' fees	**820,000**	590,000
Miscellaneous	**9,057,008**	9,574,545
	₱688,273,585	₱591,235,580

22. **Share-based Payment Plan**

Carrying value of the Executive Stock Option Plan, recognized under "Other reserve" in the unaudited interim statement of changes in equity, amounted to ₱13.0 million as at September 30, 2018 and December 31, 2017, respectively.

23. **Interest Income**

Sources of interest income follow:

	Nine Months Ended September 30	
	2018	2017
	(Unaudited)	
Cash and cash equivalents	**₱24,969,878**	₱6,430,135
Investments in bonds and treasury notes	**29,630,504**	31,605,978
	₱54,600,382	₱37,946,113

24. **Interest Expense and Other Finance Costs**

Sources of interest expense and other finance costs follow:

	Nine Months Ended September 30	
	2018	2017
	(Unaudited)	
Interest expense on:		
Long-term debt	**₱304,289,211**	₱336,298,265
Provision for heavy maintenance (see Note 13)	**10,762,674**	11,930,787
Deferred Lease Income	**2,014**	5,691
Finance costs:		
Amortization of debt issue costs (see Note 15)	**9,336,607**	15,709,187
Lenders' fees	**2,465,468**	2,162,788
Bank charges	**109,418**	226,720
	₱326,965,392	₱366,333,438

25. **Significant Contracts and Commitments**

Construction of Segment 10, part of Phase II

On April 28, 2014, NLEX Corp. signed a target cost construction contract with Leighton Contractors (Asia) Ltd. (LCAL) for the construction of NLEX Segment 10. The target cost is approximately ₱10.0 billion (inclusive of Value Added Tax or VAT), with a completion period of 24 months from start date. The contract structure is collaborative in nature and provides a pain-sharing or gain-sharing mechanism if the actual construction cost exceeds or falls below the agreed target. LCAL's performance obligation under the contract are backed up by: (i) a bank-issued irrevocable stand-by letter of credit, (ii) cash retention, and (iii) a parent company guarantee issued by Leighton Asia Limited.

On May 8, 2014, NLEX Corp. issued the notice to proceed to LCAL, signaling the start of the pre-construction activities. Pursuant to the contract, NLEX Corp. placed a reserve amount of ₱889.0 million in an escrow account on July 28, 2014, which is recognized under "Other non-current assets" account, to cover payment default leading to suspension of works.

On January 12, 2017, pursuant to the escrow agreement, NLEX Corp. exercised its option to reduce the escrow account balance to the new minimum balance of ₱669.0 million. The balance was further reduced to ₱321.0 million on May 12, 2017. The new minimum balance is the amount equal to the forecast of LCAL's maximum committed costs over any given seven (7) weeks from the relevant calculation date until the forecast completion date plus a reasonable contingency allowance as agreed upon by both parties.

As at September 30, 2018, the balance of the escrow account is presented as "Restricted cash" under current assets (see Note 10).

Construction of the 5.65 km fully-elevated segment is now underway. Project is estimated to be substantially completed by year-end 2018.

Segment 10 – R10 Section Project
On August 22, 2018, NLEX Corp. signed a construction contract with LCAL for the Segment 10 – R10 Section Project. The target cost is estimated at ₱6.0 billion, with an estimated construction period of 16 months from start date.

The Segment 10-R10 Section Project is a 2.6km fully-elevated segment that will connect NLEX Segment 10 in C-3 Road to the Radial Road 10 in Manila.

NLEX Widening Project
On February 22, 2016, NLEX Corp. signed a construction contract with First Balfour, Inc. and Haidee Construction and Development Corporation / 4B Construction Corporation for the NLEX lane widening covering the construction of an additional lane on each direction in Segment 2, portion of Phase 1 of MNEP (from Sta. Rita to San Fernando), and the expansion of the carriageway in Segment 3, portion of Phase 1 of MNEP (from Dau to Sta. Ines) from one by two to two by two lanes. It also covers the lane configuration of Candaba Viaduct from 2 to 3 lanes. The total project cost including civil works, independent design checking services, detailed engineering design and financing cost amounted to ₱2.4 billion for both Segment 2 and Segment 3. On December 2, 2016, the Segment 3 of the NLEX widening project has started commercial operations. Segment 2 of the NLEX widening project was completed and opened for public use in May 2017.

26. **Financial Assets and Financial Liabilities**

Fair values
A comparison of carrying and fair values of all of the Company's financial instruments other than those with carrying amounts that is reasonable approximate of fair values by category as at June 30, 2018 and December 31, 2017 is as follows:

	September 30, 2018		December 31, 2017	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Asset				
Financial Assets at FVTPL:				
Investments in UITFs[a]	**₱53,608,279**	**₱53,608,279**	₱217,749,970	₱217,749,970
Financial Assets at FVOCI:				
Investments in treasury bonds and notes[a]	**506,306,319**	**506,306,319**	701,530,432	701,530,432
Investments in corporate bonds [a]	**434,670,493**	**434,670,493**	453,879,000	453,879,000
Investments in LTNCD[a]	**95,177,000**	**95,177,000**	98,997,500	98,997,500
	₱1,089,762,091	**₱1,089,762,091**	₱1,472,156,902	₱1,472,156,902
Financial Liabilities				
Other financial liabilities:				
Long-term debt	**₱22,320,777,353**	**₱20,646,637,183**	₱20,440,596,145	₱20,246,309,035
Service concession fees payable	**2,656,073,853**	**1,969,452,073**	2,521,429,127	2,448,647,138
Rental deposits	**132,615**	**104,864**	124,033	120,076
	₱24,976,983,821	**₱22,616,194,120**	₱22,962,149,305	₱22,695,076,249

[a] *Classified as AFS financial assets under PAS 39 as at December 31, 2017.*

The management assessed that the fair values of cash and cash equivalents, receivables, due from related parties, short-term investments, restricted cash, accounts payable and other current liabilities, short-term notes payable and dividends payable approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Investments in UITFs
Fair value of investments in UITFs is determined based on published net asset value per share (NAVPS). NAVPS is computed as total assets of the fund less total liabilities over the total units outstanding as of the end of the reporting period. The funds are primarily invested in quoted securities in various industries and quoted government securities.

Investments in Treasury Bonds and Notes, Corporate Bonds and LTNCD
The fair value of investments in treasury bonds and notes, corporate bonds and LTNCD is based on the quoted market price of the financial instruments as at September 30, 2018 and December 31, 2017. When the market prices are not readily available, the Company uses adjusted quoted market prices of comparable investments or applied discounted cash flow methodologies.

Long-term Debt
For fixed rate peso-denominated notes and loans, except the fixed-rate bonds where the fair value is based on its quoted market price as at September 30 30, 2018 and December 31, 2017, estimated fair value is based on the discounted value of future cash flows using the prevailing peso interest rates. In 2018 and 2017, the prevailing peso interest rates ranged from 5.28% to 8.94% and 3.6% to 2.7%, respectively.

Service Concession Fee Payable
The estimated fair value of the service concession fees payable is based on the discounted value of future cash flows using the prevailing peso interest rates. In 2018 and 2017, the prevailing peso interest rates ranged from 8.5% to 9.8% and 4.5% to 7.2%, respectively.

Rental Deposits
The estimated fair value of the rental deposits is based on the discounted value of future cash flow using the prevailing peso interest rates. In 2018 and 2017, the prevailing peso interest is 8.4% and 6.7%, respectively.

Fair Value Hierarchy

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities:

	September 30, 2018	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value:				
Financial assets at FVTPL:				
Investments in UITFs[a]	**₱53,608,279**	**₱–**	**₱53,608,279**	**₱–**
Financial assets at FVOCI:				
Investments in treasury bonds and notes[a]	**506,306,319**	**19,307,600**	**486,998,719**	**–**
Investments in corporate bonds[a]	**434,670,493**	**434,670,493**	**–**	**–**
Investments in LTNCD[a]	**95,177,000**	**–**	**–**	**95,177,000**
	₱1,089,762,091	**₱453,978,093**	**₱540,606,998**	**₱95,177,000**
Liabilities for which fair values are disclosed:				
Other financial liabilities:				
Long-term debt				
Fixed-rate bonds	**₱12,192,910,455**	**₱6,635,178,940**	**₱–**	**₱ 5,557,731,515**
Peso-denominated notes and loans	**8,453,726,728**	**–**	**–**	**8,453,726,728**
Service concession fees payable	**1,969,452,073**	**–**	**–**	**1,969,452,073**
Rental deposits	**104,864**	**–**	**–**	**104,864**
	₱22,616,194,120	**₱6,635,178,940**	**₱–**	**₱15,981,015,180**

[a] *Classified as AFS financial assets under PAS 39 as at December 31, 2017.*

	December 31, 2017	Level 1	Level 2	Level 3
Assets measured at fair value:				
AFS financial assets:				
Investments in UITFs	₱217,749,970	₱–	₱217,749,970	₱–
Investments in treasury bonds and notes	701,530,432	169,432,400	532,098,032	–
Investments in corporate bonds	453,879,000	453,879,000	–	–
Investments in LTNCD	98,997,500	98,997,500	–	–
	₱1,472,156,902	₱722,308,900	₱749,848,002	₱–
Liabilities for which fair values are disclosed:				
Other financial liabilities:				
Long-term debt				
Fixed-rate bonds	₱7,008,657,340	₱7,008,657,340	₱–	₱–
Peso-denominated notes and loans	13,237,651,695	–	–	13,237,651,695
Service concession fees payable	2,448,647,138	–	–	2,448,647,138
Rental deposits	120,076	–	–	120,076
	₱22,695,076,249	₱7,008,657,340	₱–	₱15,686,418,909

27. **Contingencies and Others**

a. Value-Added Tax

NLEX Corp. received the following VAT assessments from the BIR:

- The BIR issued a Formal Letter of Demand on March 16, 2009 requesting NLEX Corp. to pay deficiency VAT plus penalties amounting to ₱1,010.5 million for taxable year 2006.

- A Final Assessment Notice was received from the BIR dated November 15, 2009 assessing NLEX Corp. deficiency VAT plus penalties amounting to ₱557.6 million for taxable year 2007.

- The BIR issued a Notice of Informal Conference dated October 5, 2009 assessing NLEX Corp. for deficiency VAT plus penalties amounting to ₱470.9 million for taxable year 2008. On May 21, 2010, the BIR issued another notice increasing the deficiency VAT for taxable year 2008 to ₱1,209.2 million (including penalties). On June 11, 2010, NLEX Corp. filed its Position Paper with the BIR reiterating its claim that it is not subject to VAT on toll fees.

- The BIR issued a Notice of Informal Conference on May 21, 2010 assessing NLEX Corp. deficiency VAT plus penalties amounting to ₱1,026.6 million for taxable year 2009. On June 11, 2010, NLEX Corp. filed its Position Paper with the BIR reiterating its claim that it is not subject to VAT on toll fees.

On April 3, 2014, the BIR accepted and approved NLEX Corp.'s application for abatement and issued a Certificate of Approval for the cancellation of the basic output tax, interest and compromise penalty amounting to ₱1,010.5 million and ₱584.6 million for taxable years 2006 and 2007, respectively.

Notwithstanding the foregoing, management believes, in consultation with its legal counsel, that in any event, the STOA amongst NLEX Corp., ROP, acting by and through the TRB, and PNCC, provides NLEX Corp. with legal recourse in order to protect its lawful interests in case there is a change in existing laws which makes the performance by NLEX Corp. of its obligations materially more expensive.

b. RPT

In July 2008 and April 2013, NLEX Corp. filed Petitions for Review under Section 226 of the Local Government Code with the Local Board of Assessment Appeals (LBAA) of the Province of Bulacan seeking to declare as null and void tax declarations issued by the Provincial Assessor of the Province of Bulacan. The said tax declarations were issued in the name of NLEX Corp. as owner/administrator/beneficial user of the NLEX and categorized the NLEX as a commercial property subject to RPT. The LBAA has yet to conduct an ocular inspection to determine whether the properties, subject of the tax declarations, form part of the NLEX, which NLEX Corp. argues is property of the public dominion and exempt from RPT.

In September 2013, NLEX Corp. received notices of realty tax delinquencies for the years 2006 to 2012 and 2013 issued by the Provincial Treasurer of Bulacan stating that if NLEX Corp. fails to pay or remit the alleged delinquent taxes, the remedies provided for under the law for the collection of delinquent taxes shall be applied to enforce collection. In September 27, 2013, the Bureau of Local Government Finance of the Department of Finance (DOF-BLGF) wrote a letter to the Province of Bulacan advising it to hold in abeyance any further course of action pertaining to the alleged real property tax delinquency. In October 2013, the Provincial Treasurer of Bulacan has respected the directive from the DOF-BLGF to hold the enforcement of any collection remedies in abeyance. In January 2017, the Provincial Treasurer of Bulacan issued a notice of realty tax delinquencies for the years 2006 to 2017 stating that it could apply the remedies provided under the law for the collection of delinquent taxes.

The outcome of the claims on RPT cannot be presently determined. Management believes that these claims will not have a significant impact on NLEX Corp.'s consolidated financial statements. Management and its legal counsel also believes that the STOA also provides NLEX Corp. with legal recourse in order to protect its lawful interests in case there is a change in existing laws which makes the performance by NLEX Corp. of its obligations materially more expensive.

c. Toll Rate Adjustments

In June 2012, NLEX Corp., as petitioner-applicant, filed a Petition for Approval of Periodic Toll Rate Adjustment with the TRB praying for the adjustment of the toll rates for the NLEX, effective January 1, 2013 (2012 Petition).

In addition, in September 2014, NLEX Corp., as petitioner-applicant, filed a Petition for Approval of Periodic Toll Rate Adjustment with the TRB praying for the adjustment of the toll rate for the NLEX, effective January 1, 2015 (2014 Petition).

On September 30, 2016, NLEX Corp. as petitioner-applicant, filed a Petition for Approval of Periodic Toll Rate Adjustment with the TRB praying for the adjustment of the toll rate for the NLEX effective January 1, 2017 (2016 Petition).

On October 27, 2015, NLEX Corp. has been granted the right and obligation to manage, operate, and maintain the SCTEX under the terms of the BA between the Company and BCDA. Under the agreements covering the SCTEX, toll rate adjustment petitions shall be filed with the TRB yearly. Prior to October 27, 2015, the BCDA filed petitions for toll rate adjustment effective in 2012, 2013, 2014, and 2016. Thereafter, on September 29, 2016, NLEX Corp., as petitioner-applicant, filed a petition for toll rate adjustment effective January 1, 2017. The TRB approval of the foregoing SCTEX toll rate adjustment petitions remain pending.

NLEX Corp. has yet to receive regulatory approval for the 2012 Petition, 2014 Petition and 2016 Petition.

In August 2015, NLEX Corp. wrote the ROP, acting by and through the TRB, a Final Demand for Compensation based on overdue 2013 and 2015 Toll Rate Adjustments (Final Demand). In the letter, NLEX Corp. stated that the ROP's/TRB's inexcusable refusal to act on the 2012 Petition and 2014 Petition is in total disregard and a culpable violation of applicable laws and contractual provisions on the matter, to the great prejudice of NLEX Corp., which has continuously relied in good faith on such contractual provisions as well as on the timely and proper performance of the ROP's/TRB's legal and contractual duties.

In view of the failure of the ROP/TRB to heed the Final Demand, NLEX Corp. sent a Notice of Dispute to the ROP/TRB dated September 11, 2015 invoking STOA Clause 19 (Settlement of Disputes). STOA Clause 19.1 states that the parties shall endeavor to amicably settle the dispute within sixty (60) calendar days. The TRB sent several letters to NLEX Corp. requesting the extension of the amicable settlement period. However, NLEX Corp. has not received any feasible settlement offer from the ROP/TRB.

Accordingly, on April 4, 2016, NLEX Corp. was compelled to issue a Notice of Arbitration and Statement of Claim (Notice of Arbitration) to the ROP, acting by and through the TRB, consistent with STOA Clause 19 in order to preserve its rights under the STOA. In the Notice of Arbitration, NLEX Corp. appointed retired SC Justice Jose C. Vitug as its nominee to the arbitral tribunal.

In a letter dated May 3, 2016, the ROP, acting by and through the Office of the Solicitor General (OSG), notified NLEX Corp. of its appointment of retired SC Chief Justice Reynato S. Puno as its nominee to the arbitral tribunal, and suggested that the International Chamber of Commerce (ICC) be the Appointing Authority

In a letter dated May 3, 2016, the Republic, acting by and through the Office of the Solicitor General, notified MNTC of its appointment of retired Supreme Court Chief Justice Reynato S. Puno as its nominee to the arbitral tribunal, and manifested that, for reasons of economy, expediency, and convenience, it is unable to agree to MNTC's proposal to designate the ICC as the Appointing Authority and made counter-proposals for the Appointing Authority, i.e., Philippine-based institutions.

In a letter dated June 1, 2016, NLEX Corp. proposed that the arbitration be held in Singapore which is the seat of arbitration that the ROP has chosen for its various PPP projects, and proposed the Singapore International Arbitration Center as the Appointing Authority.

In a letter dated July 13, 2016, the ROP, acting by and through the OSG, stated that it accepts Singapore as the venue of arbitration, but reiterated its previous proposal that a Philippine-based institution/person be the Appointing Authority.

On December 11, 2017, NLEX Corp. submitted its Updated Statement of Claim.

On December 27, 2017, Respondent ROP/TRB filed its request for bifurcation, which was accordingly granted, i.e., the proceedings were divided into two parts: first, the issue on whether or not the tribunal has jurisdiction over NLEX Corp.'s claim, and second, the main merits of the claim as set forth in the Updated Statement of Claim.

The ROP/TRB has submitted its Jurisdictional Objections, to which NLEX Corp. responded with its Opposition. The tribunal has set the early part of February 2018 for resolution of the Respondent ROP's/TRB's Jurisdictional Objections.

As of September 30, 2018 and December 31, 2017, total amount of compensation for TRB's inaction on lawful toll rate adjustments which were due since January 1, 2013 for NLEX covering the 2012 and 2014 NLEX toll rate petition, is approximately at ₱6.90 billion and ₱5.7 billion (VAT-exclusive), respectively.

In addition, as of September 30, 2018, total foregone toll revenues covering the 2016 NLEX toll rate petition is estimated at ₱1.03 billion (VAT-exclusive).

d. Garlitos, Jr. vs. Bases Conversion and Development Authority, Manila North Tollways Corporation and the Executive Secretary, SC (G.R. No. 217001)

Atty. Onofre G. Garlitos, Jr. filed with the SC a Petition for Prohibition and Mandamus with Prayer for Issuance of Temporary Restraining Order and/or Writ of Preliminary Injunction dated March 17, 2015 (Petition) against the BCDA, NLEX Corp., and the Executive Secretary. The Petition prays that (a) a writ of preliminary mandatory and prohibitory injunction be issued enjoining the BCDA, NLEX Corp., and Executive Secretary from proceeding with the SCTEX project and compelling the BCDA to rebid the SCTEX operation and maintenance project, and (b) an order be issued (i) annulling the bidding procedure, direct negotiations, and the Price Challenge conducted by the BCDA, and the Concession Agreement, Business and Operating Agreement, and all subsequent amendments and modifications thereto and (ii) compelling the BCDA to rebid the operation and maintenance of the SCTEX.

NLEX Corp. filed its comment praying that the Petition be denied. The BCDA, through the Office of the Government Corporate Counsel, and the Executive Secretary, through the OSG, also filed their respective Comment praying that the Petition be denied due course and dismissed for lack of merit. The case is pending as at July 19, 2018.

e. NLEX Corp. is also a party to other cases and claims arising from the ordinary course of business filed by third parties which are either pending decisions by the courts or are subject to settlement agreements. The outcome of these claims cannot be presently determined. In the opinion of management and the Company's legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material adverse effect on the Company's financial position and financial performance.

28. **Operating Segment Information**

The Company has only one operating segment which is the tollways business. The Company's results of operations are reviewed by the chief operating decision maker to make decisions and to assess Company performance, and for which discrete financial information is available.

The Company's performance is evaluated based on net income for the year; earnings before interest, taxes and depreciation and amortization (EBITDA); EBITDA margin; core income; and core income margin. Net income for the year is measured consistent with the net income in the financial statements.

EBITDA is measured as net income excluding amortization of service concession assets and other intangible assets, depreciation of property and equipment, provision for heavy maintenance and other provisions, asset impairment on noncurrent assets, interest expense and other finance costs, interest income, net foreign exchange gain (loss), gain (loss) on derivative financial instruments, provision for (benefit from) income tax and other nonrecurring income and expenses. Nonrecurring items represent income and expenses that, through occurrence or size, are not considered usual operating items. EBITDA margin pertains to EBITDA divided by net toll revenues.

Core income for the year is measured as net income, excluding adjustments on net foreign exchange gain (loss), gain (loss) on derivative financial instruments, gain (loss) on prepayment or extinguishment of debt, asset impairment on noncurrent assets, net of tax effects of afore-mentioned adjustments and other nonrecurring income and expenses, as defined under the Company's policy.

Core income margin pertains to core income divided by net toll revenues. Net income margin pertains to net income divided by net toll revenues.

The revenues, net income and other information of the Company's operations for the nine months ended September 30, 2018 and 2017 are as follows:

	Nine Months Ended September 30 (Unaudited)	
	2018	2017
Net toll revenues	**₱9,636,372,198**	₱8,483,282,640
Other income	**143,828,670**	125,326,325
Total revenues	**9,780,200,868**	8,608,608,965
Operating and maintenance costs	**(2,632,729,122)**	(2,706,166,258)
Operating expenses	**(640,315,681)**	(521,741,548)
EBITDA	**6,507,156,065**	5,380,701,159
Financing costs	**(269,944,947)**	(308,271,864)

(Forward)

	Nine Months Ended September 30 (Unaudited)	
	2018	2017
Core income before depreciation, amortization and provisions	**₱6,237,211,118**	₱5,072,429,295
Depreciation, amortization and provisions*	**(853,874,118)**	(705,513,106)
Core income before tax	**5,383,337,000**	4,366,916,189
Provision for income tax	**(1,174,160,748)**	(938,468,326)
Core income after tax	**4,209,176,252**	3,428,447,863
Nonrecurring items	**40,005,294**	(41,022,569)
Net income	**₱4,249,181,546**	₱3,387,425,294
EBITDA margin for the period	**68%**	63%
Core income margin for the period	**44%**	40%
Net income margin for the period	**44%**	40%
Other disclosures:		
Capital expenditure (consists of additions to service concession assets, investment properties and equipment and other intangible assets)	**₱2,807,178,141**	₱3,105,271,068

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Total assets	**₱42,695,194,357**	₱40,146,020,725
Total liabilities	**29,860,285,209**	29,490,286,642
Total equity	**12,834,909,148**	10,655,734,083

**Excludes provision for current and deferred taxes.*

The following table shows the reconciliation of EBITDA to net income for the nine months ended September 30, 2018 and 2017:

	Nine Months Ended September 30 (Unaudited)	
	2018	2017
EBITDA	**₱6,507,156,065**	₱5,380,701,159
Interest expense and other finance costs (see Note 23)	**(333,816,697)**	(366,333,438)
Amortization of service concession assets (see Note 19)	**(603,961,532)**	(543,427,292)
Interest income (see Note 22)	**43,772,469**	30,464,027
Provision for heavy maintenance (see Note 19)	**(177,054,758)**	(99,668,574)
Depreciation of property and equipment	**(48,380,039)**	(25,821,864)
Amortization of other intangible assets (see Note 20)	**(4,378,509)**	(8,955,402)
Other Income (expenses)	**390,402**	(42,427)
Nonrecurring items:		
Provisions	**39,186,100**	(42,358,754)
Foreign exchange gain (loss) - net	**428,793**	1,336,185
Income before income tax	**5,423,342,294**	4,325,893,620
Provision for income tax:		
Current	**1,142,433,713**	958,137,718
Deferred	**31,727,035**	(19,669,392)
	1,174,160,748	938,468,326
Net income for the year	**₱4,249,181,546**	₱3,387,425,294

The following table shows the reconciliation of the core income to the net income for the nine months ended September 30, 2018 and 2017:

	Nine Months Ended September 30 (Unaudited)	
	2018	2017
Core income for the year	**₱4,209,176,252**	₱3,428,447,863
Provisions	**39,186,100**	(42,358,754)
Foreign exchange gain (loss) - net	**428,793**	1,336,185
Other nonrecurring items	**390,402**	–
Net income for the year	**₱4,249,181,546**	₱3,387,425,294

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying unaudited interim financial statements.

This discussion may contain forward-looking statements that reflect our current views with respect to future events and our future financial performance. These statements involve risks and uncertainties, and our actual results may differ materially from those anticipated in these forward-looking statements

Financial Highlights and Key Performance Indicators:

Statement of Income Data

In PhP Millions	**Sep-18**	Sep-17	Increase (Decrease)	
	(Unaudited)	(Unaudited)	Amount	%
Operating revenue	**9,770**	8,605	1,165	14
Cost of services	**(3,428)**	(3,357)	(71)	2
General and administrative expenses	**(688)**	(591)	(97)	16
Interest expense and other finance costs - net of interest income of Php55 million in 2018 and Php38 million in 2017	**(272)**	(328)	56	(17)
Foreign exchange gain (loss)	**0**	1	(1)	(100)
Other income (expenses)	**52**	4	48	1,296
Provision for income tax	**(1,185)**	(946)	(239)	25
Net income	**4,249**	3,387	862	25
Net income margin	**43%**	**39%**		

Balance Sheet Data:

In PhP Millions	**September 2018**	December 2017	Increase (Decrease)	
	(Unaudited)	(Audited)	Amount	%
Cash and cash equivalents	**3,779**	2,715	1,064	39
Total assets	**42,695**	39,979	2,715	7
Total liabilities	**29,860**	29,323	537	2
Total equity	**12,835**	10,656	2,179	20

Business Overview

NLEX Corporation (formerly known as Manila North Tollways Corporation) ("NLEX Corp") was incorporated under the laws of the Republic of the Philippines on February 4, 1997. NLEX Corp is engaged in the development, design, construction, financing, operation, and maintenance of toll roads. It was organized for the primary purpose of constructing, financing, operating and maintaining toll road projects. As of the date of this report, NLEX Corp holds the concession for the North Luzon Expressway ("NLEX") Project and the Connector Road Project, as well as the right to operate and maintain the Subic-Clark-Tarlac Expressway ("SCTEX").

The NLEX Project

The NLEX currently spans approximately 95 km, or 527 lane-kms, and services an average of 250,992 vehicles per day. The NLEX is the main infrastructure backbone that connects Metro Manila to central and northern Luzon. NLEX Corp has operated the NLEX since February 2005 after completing the rehabilitation of the toll road under Phase I of the NLEX Concession.

Phase 1 of the NLEX Project was completed in February 2005, while Phase 2, a purely Greenfield expressway, is being constructed progressively. Certain segments will be opened to commercial traffic once completed. Segment 8.1 and Segment 9 comprise two of the completed segments of NLEX Phase 2, which opened in 2010 and 2015, respectively. Segment 10, a 5.6km all-elevated expressway is currently under construction.

SCTEX

Since October 27, 2015, NLEX Corporation also holds the concession for the management, operation and maintenance of the Subic-Clark-Tarlac Expressway ("SCTEX") as private sector partner of the Bases Conversion Development Authority ("BCDA"). The SCTEX is a 94-km expressway which spans the area from Subic-Tipo in Olongapo, Zambales to La Paz, Tarlac.

In 2016, the SCTEX toll operations were fully integrated with NLEX's toll operations. NLEX Corp re-configured the major toll barriers between NLEX and SCTEX and installed the new NLEX toll collection system in all SCTEX toll plazas to make travel between both expressways seamless.

NLEX and SCTEX Traffic and Revenue Highlights

As of September 30, 2018, the average daily traffic for NLEX reached 250,992 daily entries, 7.6% higher than the 233,332 daily entries recorded during the same period last year, while average daily traffic for the SCTEX during the period reached 61,071 daily entries, 14.3% higher than the 53,407 during the same period last year. Toll revenues reached Php9.6 billion, 14% or Php1.15 billion higher than last year. As of September 30, 2018, net income amounted to Php4.3 billion, 25% or Php862 million higher than same period last year.

Connector Road Project

The Connector Road Project is an unsolicited proposal approved by the NEDA Board under the Build-Operate-Transfer Law and its Implementing Rules and Regulations for the design, financing, construction, operation, and maintenance of an 8-km elevated toll expressway over the right-of-way of the Philippine National Railways. The alignment starts at the junction of Segment 10 at C-3 Road/5th Avenue in Caloocan City and ends at the Polytechnic University of the Philippines in Sta. Mesa, Manila.

On September 19, 2016, MPT North and its subsidiary, NLEX Corp, formally received the Notice of Award from the DPWH as the winning proponent for the Connector Road Project.

On November 23, 2016, NLEX Corp and DPWH signed the Connector Road Concession Agreement.

As of the date of this report, pre-construction activities have commenced including the preparation for the ROW requirements for the Connector Road Project.

NLEX Ventures Corporation

On September 23, 2015, NVC was incorporated under the laws of the Republic of the Philippines for the primary purpose of developing, funding, constructing, operating, and maintaining any, and all facilities for, and to provide services relating to, the safety, comfort, and convenience of toll road users, and to undertake traffic management services. NVC is a wholly-owned subsidiary of NLEX Corp.

NVC manages the non-toll businesses of the Company including advertising, asset and traffic management, pavement marketing services, and property development along NLEX and SCTEX. In 2016, NVC started re-developing the existing Caltex toll service facility near the Valenzuela toll plaza to service the southbound motorists of NLEX.

Result of Operations

The table below shows the revenues, expenses, other income (expenses), income (loss) before income tax, and net income (loss) for the nine months ended September 30, 2018 and 2017.

Statement of Income Data

In PhP Millions	**Sep-18 (Unaudited)**	Sep-17 (Unaudited)	Increase (Decrease)	
			Amount	%
Operating revenue	**9,770**	8,605	1,165	14
Cost of services	**(3,428)**	(3,357)	(71)	2
General and administrative expenses	**(688)**	(591)	(97)	16
Interest expense and other finance costs - net of interest income of Php55 million in 2018 and Php38 million in 2017	**(272)**	(328)	56	(17)
Foreign exchange gain (loss)	**0**	1	(1)	(100)
Other income (expenses)	**52**	4	48	1,296
Provision for income tax	**(1,185)**	(946)	(239)	25
Net income	**4,249**	3,387	862	25
Net income margin	**43%**	**39%**		

September 30, 2018 Compared to September 30, 2017

Revenues

The following table shows the breakdown of revenues for the nine months ended September 30, 2018 and 2017 by revenue source:

In PhP Millions	***Sep-18 (Unaudited)***		Sep-17 (Unaudited)		Increase (Decrease)	
	Amount	**%**	Amount	%	Amount	%
Toll fees - net	9,636	99	8,483	99	1,153	14
Non-toll revenues	134	1	122	1	12	10
Total revenues	**9,770**	**100**	**8,605**	**100**	**1,165**	**14**

Toll revenues for the period ending September 30, 2018 reached Php9.6 billion, 14% or Php1,153 million higher than same period last year due to the steady increase in traffic and steady growth in non-toll revenues.

Non-toll revenues grew by Php12 million this period or 10%, from Php122 million to Php134 million due to increase in toll service facility fees and placement of advertising materials. The NLEX Ventures Corporation, a wholly owned subsidiary of NLEX Corp., also contributed Php13.0 million mainly from the commercialization of roadway maintenance services.

Cost of Services

As of September 30, 2018, the cost of services amounted to Php3.4 billion, higher by Php71 million than the previous year. The table below explains the details of costs of services for the nine-months ended September 30, 2018 and 2017.

In PhP Millions	September 2018 (Unaudited)		September 2017 (Unaudited)		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Operator's fee	655	19	1,173	35	(518)	(44)
Concession fee	787	23	687	20	100	15
Amortization of service concession asset	604	18	543	16	61	11
PNCC fee	474	14	418	12	56	13
Repairs and maintenance	257	7	191	6	66	35
Provision for heavy maintenance	177	5	100	3	77	77
Outside services	217	6	61	2	156	256
Project insurance	59	2	58	2	1	2
Toll collection and medical services	17	1	20	1	(3)	(15)
Others	181	5	106	3	75	71
Total cost of services	**3,428**	**100**	**3,357**	**100**	**71**	**2**

Operator's fee significantly decreased by 44% or Php518 million compared last year due to the re-negotiated fees with the service provider covering the operation and maintenance services.

PNCC fees increased by 13% to Php474 million from Php418 million during the same period last year due to the increase in NLEX toll revenues during the period. Meanwhile, Concession fees paid to BCDA amounted to Php787 million during the nine-month period are higher by Php100 million due to the increase in SCTEX toll revenues.

Repairs and maintenance for the first nine months of the year was at Php257 million, higher by Php66 million versus last year due to the continuing enhancement of several toll plaza equipment along the NLEX and SCTEX. In addition, during the first nine months of the year several contracts from our operator were novated to the Company.

Outside services for the first nine months increased by Php156 million to Php217 million from Php61 million in 2017, as several outsourced services were carved out from the O&M contract starting in January 2018.

Other costs amounting to Php181 million relate to real property tax on toll road facilities, salaries related to toll operations and equipment and depreciation expense of advertising structures installed in the NLEX.

General and Administrative Expenses

In PhP Millions	Sept-18 (Unaudited)		Sept-17 (Unaudited)		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Salaries & employees' benefits	171	25	148	25	23	16
Advertising and marketing expenses	130	19	111	19	19	17
Taxes and Licenses	81	12	70	12	11	16
Professional fees	26	4	57	10	(31)	(54)
Management fees	113	16	55	9	58	105
Representation and travel	22	3	30	5	(8)	(27)
Depreciation & amortization	38	5	24	4	14	58
Outside Services	14	2	11	2	3	27
Repairs and maintenance	4	1	7	1	(3)	(43)
Others	89	13	78	13	11	14
Total general & administrative expenses	**688**	**100**	**591**	**100**	**97**	**16**

For the nine months of 2018, general and administrative expenses amounted to Ph688 million, 16% or Php97 million higher than last year. The increase was mainly driven by taxes and licenses, advertising and marketing expenses, depreciation of office equipment, office supplies, representation, transportation and training and development costs.

Advertising and marketing expenses increased by 17% to Php130 million from Php111 million in 2017, while taxes and licenses increased by 16% at Php81 million, higher by Php11 million from last year, respectively. Meanwhile, Management fees increased by Php58 million to Php113 million from Php55 million last year.

The increase in these accounts were offset by lower professional fees amounting to Php26 million, lower by 54% versus the same period last year.

Interest and Financing Costs

Interest expense and other financing costs (net of interest income) amounted to Php272 million for the nine months ended September 30, 2018, Php56 million or 17% lower than the same period in 2017. This was a result of lower interest and finance cost, down by 11% or Php39 million, offset by higher interest income, up by 45% or Php17 million from the same period last year.

Interest expense from loan facilities used for on-going expansion projects such as Segment 10 are capitalized. Total capitalized borrowing costs as of September 30, 2018 amounted to Php566 million.

The table below shows the breakdown of interest expense and other finance costs for the nine months ended September 30, 2018 and 2017:

In PhP Millions	**September 2018 (Unaudited)**		September 2017 (Unaudited)		Increase (Decrease)	
	Amount	**%**	Amount	%	Amount	%
Interest and Financing Costs:						
Interest expense	315	96	348	95	(33)	(9)
Amortization of debt issue costs	9	3	16	4	(7)	(44)
Financing and other charges	3	1	2	1	1	50
Total interest and financing costs	**327**	**100**	**366**	**100**	**(39)**	**(11)**
Interest Income:						
Cash and cash equivalent	25	45	6	16	19	317
AFS financial assets and others	30	55	32	84	(2)	(6)
Total interest income	**55**	**100**	**38**	**100**	**17**	**45**
Net interest expense	**272**		**328**		**(56)**	**(17)**

Net Income

As of September 30, 2018, net income reached Php4.25 billion, 25% or Php862 million higher than the Php3.4 billion recorded during the same period of 2017 due to higher toll revenues in the NLEX and SCTEX and more efficient utilization of resources covering toll operations and maintenance costs.

Balance Sheet

In PhP Millions	**September 2018**	December 2017	Increase (Decrease)	
	(Unaudited)	(Audited)	Amount	%
Cash and cash equivalents	**3,779**	2,715	1,064	39
Total assets	**42,695**	39,979	2,715	7
Total liabilities	**29,860**	29,323	537	2
Total equity	**12,835**	10,656	2,179	20

September 30, 2018 Compared to December 31, 2017

Assets

Cash and cash equivalents reached Php3,779 million as of September 30, 2018, 39% or higher by Php1,064 million compared to the Php2,715 million in December 31, 2017. The increase was due to the proceeds from the issuance of retail bonds amounting to Php6 billion on July 4, 2018.

Receivables amounting to Php561.7 million as of September 30, 2018, was lower by nearly 21% or Php153.3 million than the Php715.0 million in December 31, 2017. The decline was attributed to collections of receivables mainly related to toll fee payments from Easytrip.

Inventories reached Php108.8 million, below by 3% or Php3.8 million compared to the December 31, 2017 balance due to replacement of spare parts on several toll equipment.

Other current assets amounted to Php692.0 million, lower by 10% or Php78.2 million compared to last year mainly due to the amortization of project insurance. Other current assets are comprised mainly of unamortized portion of project insurance and deferred input value added tax.

Service concession asset increased by Php2.0 billion from Php33.7 billion to Php35.7 billion mainly due to the on-going construction activities on Segment 10, advance works for the Segment 10 - R10 Section project, and pre-construction activities for the Connector road project.

Liabilities and Stockholder's Equity

Accounts payable and other current liabilities amounted to Php2.6 billion, 19% or lower by Php582 million compared to the December 31, 2017 balance, mainly due to payments of contractors and various suppliers of goods and services during the period.

Income tax payable increased to Php339.4 million from Php329.4 million last year, triggered by higher toll revenues during the nine-month period.

Long-term debt reached Php22.0 billion as of September 30, 2018, higher by Php5.8 billion compared to the Php16.1 billion in December 31, 2017 due to the Php6.0 billion fixed rate bonds issued on July 4, 2018.

As of September 30, 2018, retained earnings amounted to Php7.4 billion, 44% or Php2.2 billion higher compared to the Php5.2 billion recorded in December 31, 2017.

Key Financial Indicators

The following table shows the relevant financial ratios for NLEX Corp.:

		September 2018	December 2017
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	**1.15**	0.46
Debt-to-equity (DE) ratio	$\frac{\text{Interest Bearing Liabilities}}{\text{Stockholders' Equity}}$	**1.82**	1.92
Net profit margin	$\frac{\text{Net income}}{\text{Revenues}}$	**43.49%**	39.37%
Return on assets	$\frac{\text{Net income*}}{\text{Average Total Assets}}$	**13.71%**	12.31%

		September 2018	December 2017
Return on stockholders' equity	Net income* / Average Stockholders' Equity	**48.24%**	45.83%

**annualized*

As of September 30, 2018, the current ratio increased to 1.15x from 0.46x during the nine months of 2018. The increase in current ratio is mainly due to the proceeds from the fixed rate bonds.

Debt-to-Equity Ratio improved to 1.82x as of September 30, 2018, from 1.92x in December 2017 due to the periodic repayment of long-term debt and higher stockholders' equity.

Net profit margin increased to 43.5% from 39.4% driven primarily by higher toll revenues generated during the nine-month period ended September 30, 2018.

Estimated full-year return on assets increased to 13.71%, while the expected full year return on equity is at 48.24%.

Cash Flows

The following table shows the company's cash flows for the nine months ended September 30, 2018 and year ended December 31, 2017:

Cash Flows	**For nine months ended September 2018** ***(Unaudited)***	For year ended December 2017 *(Audited)*
Cash, beginning balance	**2,715**	390
Net cash provided by (used in) operating activities	**4,606**	6,632
Net cash provided by (used in) investing activities	**(2,415)**	(3,649)
Net cash used in financing activities	**(1,128)**	(658)
Net increase (decrease) in cash	**1,063**	2,325
Effect of exchange rate changes	**1**	1
Cash, ending balance	**3,779**	2,715

The company used operating cashflows to finance investing and financing activities during the nine-month period. From the beginning cash balance and operating cashflows, the company covered construction costs related to the Segment 10 project, and other capital and operating expenditures.

Other uses of funds include loan principal payment amounting to Php4.1 billion and interest on loans amounting to Php146.8 million.

Cash Flows from Operating Activities

The net cash flows from Operations during the nine-month period reached Php4.6 billion due to higher toll and non-toll revenues earned for the nine months of 2018, offset by payment of the Company's payables and income taxes.

Cash Flows from Investing Activities

Net cash flows used in investing activities during the nine-month period amounted to Php2.4 billion. The significant outflows during the nine-month period include the on-going construction of Segment 10 project, pre-construction works for the C3-R10 Project, installation of RFID equipment and readers, toll plaza expansion in NLEX and improvements in SCTEX.

Cash Flows from Financing Activities

Net cash flows used in financing activities as of September 30, 2018, amounted to Php1.1 billion. This includes payment of loan principal amounting to Php4.1 billion, offset by the proceeds from short-term loan and fixed rate bonds of Php1.0 billion and Php6.0 billion respectively, interest on loans of Php146.8 million and payment of dividends amounting to Php3.8 billion.

Other Financial Information

(i) Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

There are no known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

(ii) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

The registrant's current concession agreement includes standard provisions relating to events of default. Any breach of the loan covenants or material adverse change may result in an event of default.

(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

The Company has no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period.

(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described.

On April 28, 2014, the Company signed a target cost construction contract with Leighton Contractors (Asia) Ltd. (LCAL), for the civil works of NLEX Segment 10. The target cost is approximately Php10.0 billion (inclusive of VAT).

The Company has sourced the financing for the construction of Segment 10 through loans and internally-generated cash. Segment 10 is expected to cost around Php11.5 billion. Construction has started in June 2014 and is expected to be substantially completed by the fourth quarter of 2018.

On July 4, 2018, the Company sourced financing for the construction of the Segment 10: R-10 Section Project through its Series A and B fixed rate bonds. On August 22, 2018, the Company signed the civil works construction contract with LCAL for the R-10 Section Project with a target cost of Php6.0 billion.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations.

a. Higher Fuel Prices – vehicle operating costs normally goes higher with the increase in fuel prices, thereby decreasing the demand for travel. Uncertainties in the movement of crude prices in the world market would affect the expected traffic volume growth in NLEX and SCTEX.

(vi) Any significant elements of income or loss that did not arise from the registrant's continuing operations.

During the period, there were no significant elements of income or loss that arose from transactions outside the registrants' continuing operations.

PART II-- OTHER INFORMATION

List of Disclosures Not Made Under SEC Form 17-C

The Company has disclosed all reportable events under SEC Form 17-C

SIGNATURE

Pursuant to the requirements of the Code, this Quarterly Report (SEC 17-Q) is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in Caloocan City, Metro Manila on November 14, 2018.

By:

MARA THERESA O. WELLS
CHIEF FINANCE OFFICER