

COVER SHEET

for
SEC FORM 17-Q

SEC Registration Number

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COMPANY NAME

N	L	E	X	C	O	R	P	O	R	A	T	I	O	N	A	N	D	A									
S	U	B	S	I	D	I	A	R	Y																		

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

N	L	E	X	C	O	M	P	O	U	N	D	,	B	A	L	I	N	T	A	W	A	K	,			
C	A	L	O	O	C	A	N	C	I	T	Y	,	M	E	T	R	O	M	A	N	I	L	A			

Form Type

1	7	-	Q
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address corpcomm@nlex.com.ph	Company's Telephone Number 580-8900	Mobile Number -
No. of Stockholders 19	Annual Meeting (Month / Day) Any Day in May	Fiscal Year (Month / Day) December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person Ms. Maria Theresa O. Wells	Email Address towells@nlex.com.ph	Telephone Number/s 580-8900	Mobile Number -
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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: March 31, 2019
2. Commission Identification Number: A1997-01451. 3. BIR Tax Identification No: 004-984-946-000

NLEX CORPORATION

4. Exact name of issuer as specified in its charter

Metro Manila, Philippines

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

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office NLEX Compound, Balintawak, Caloocan City 1400
Postal Code

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

N/A

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

10. Securities registered pursuant to Sections 8 and 12 of the 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
<u>Fixed Rate Bonds Due 2021</u>	<u>Php4,400,000,000.00</u>
<u>Fixed Rate Bonds Due 2024</u>	<u>Php2,600,000,000.00</u>
<u>Series A Bonds Due 2025</u>	<u>Php4,000,000,000.00</u>
<u>Series B Bonds Due 2028</u>	<u>Php2,000,000,000.00</u>

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

Yes [] No [✓]

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

N/A

12. Indicate by check mark whether the registrant:

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

Yes [✓] No []

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

Yes [✓] No []

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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)

March 31, 2019 and 2018

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited March 31, 2019	Audited December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱904,816,545	₱2,448,986,198
Investments in unit investment trust funds (Note 5)	58,418,387	67,858,720
Receivables (Notes 6 and 15)	694,010,988	729,730,973
Inventories - at cost	83,243,638	93,480,382
Investments in bonds and treasury notes (Note 11)	61,877,318	61,640,451
Other current assets (Note 12)	953,853,069	609,290,665
Total Current Assets	2,756,219,945	4,010,987,389
Noncurrent Assets		
Service concession assets (Note 7)	38,885,978,316	37,083,887,776
Property and equipment (Note 8)	347,504,704	334,148,769
Investment properties (Note 9)	330,249,324	325,157,911
Other intangible assets (Note 10)	20,629,785	21,868,844
Investments in bonds and treasury notes (Note 11)	786,668,139	979,481,006
Deferred tax assets - net	275,623	275,623
Goodwill (Note 28)	6,213,799,383	6,213,799,383
Advances to contractors and other noncurrent assets	291,525,373	431,455,993
Total Noncurrent Assets	46,876,630,647	45,390,075,305
	₱49,632,850,592	₱49,401,062,694
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 13)	₱2,943,372,566	₱2,501,937,336
Short-term notes payable (Note 16)	500,000,000	-
Income tax payable	787,671,190	358,381,181
Dividends payable	-	2,100,000,000
Provisions (Note 14)	387,885,276	386,079,568
Current portion of long-term debt (Note 16)	353,361,219	352,011,497
Total Current Liabilities	4,972,290,251	5,698,409,582
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	21,617,930,480	21,725,412,966
Long-term incentive plan payable	102,000,000	86,000,000
Service concession fees payable (Note 17)	2,749,006,147	2,701,448,632
Provisions (Note 14)	162,582,137	62,262,164
Pension liability	30,672,975	20,162,687
Deferred tax liabilities - net	511,001,066	535,165,307
Other noncurrent liabilities	13,522,592	10,887,425
Total Noncurrent Liabilities	25,186,715,397	25,141,339,181
Total Liabilities	30,159,005,648	30,839,748,763
Equity		
Capital stock (Note 18)	1,878,600,000	1,878,600,000
Additional paid-in capital	9,965,880,147	9,965,880,147
Retained earnings	7,722,024,949	6,809,474,412
Other comprehensive loss reserve (Note 18)	(105,694,434)	(105,674,910)
Other reserve	13,034,282	13,034,282
Total Equity	19,473,844,944	18,561,313,931
	₱49,632,850,592	₱49,401,062,694

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)

	Three Months ended March 31	
	2019	2018
OPERATING REVENUES		
Toll fees - net of discount	₱3,425,318,566	₱3,186,744,453
Sales of magnetic cards	357	2,009
Toll revenues	3,425,318,923	3,186,746,462
Non-toll revenues (Note 19)	72,343,852	43,410,382
Total revenues	3,497,662,775	3,230,156,844
Cost of services (Note 20)	(1,276,115,106)	(1,118,614,721)
Gross Profit	2,221,547,669	2,111,542,123
Construction revenue (Note 7)	2,016,621,050	646,927,807
Construction costs (Note 7)	(2,016,621,050)	(646,927,807)
General and administrative expenses (Note 21)	(345,935,288)	(265,871,951)
Interest expense and other finance cost (Note 23)	(91,070,442)	(139,577,567)
Interest income (Note 22)	16,590,692	15,401,148
Foreign exchange loss – Net	(1,524,876)	(2,261,150)
Other income	8,694,910	254,974
Income before income tax	1,808,302,665	1,719,487,577
Provision for (benefit from) income tax		
Current	419,933,275	398,003,827
Deferred	(24,181,147)	32,286,945
	395,752,128	430,290,772
Net income	₱1,412,550,537	₱1,289,196,805

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)

	Three Months Ended March 31	
	2019	2018
NET INCOME	₱1,412,550,537	₱1,289,196,805
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>		
Gain (loss) on financial assets at fair value through other comprehensive income (Note 11)	7,421,379	–
Loss on available-for-sale financial assets	–	(418,469)
Income tax effect	(7,440,903)	(1,507,674)
	(19,524)	(1,926,143)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement gains on defined benefit retirement plan	–	2,574,682
Income tax effect	–	(772,405)
	–	1,802,277
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(19,524)	(123,866)
TOTAL COMPREHENSIVE INCOME	₱1,412,531,013	₱1,289,072,939

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 Loss Reserve	Other Reserve	Total Equity
At January 1, 2019	₱1,878,600,000	₱9,965,880,147	₱6,809,474,412	(₱105,674,910)	₱13,034,282	₱18,561,313,931
Cash dividends	–	–	(500,000,000)	–	–	(500,000,000)
Net Income	–	–	1,412,550,537	–	–	1,412,550,537
Other comprehensive loss (Note 18)	–	–	–	(19,524)	–	(19,524)
Total comprehensive income for the year	–	–	1,412,550,537	(19,524)	–	1,412,531,013
At March 31, 2019	₱1,878,600,000	₱9,965,880,147	₱7,722,024,949	(₱105,694,434)	₱13,034,282	₱19,473,844,944
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
Issuances during the year	102,600,000	6,216,168,979	–	–	–	6,318,768,979
Cash dividends	–	–	(4,100,000,000)	–	–	(4,100,000,000)
Net income	–	–	5,755,449,530	–	–	5,755,449,530
Other comprehensive loss (Note 18)	–	–	–	(68,638,661)	–	(68,638,661)
Total comprehensive income for the year	–	–	5,755,449,530	(68,638,661)	–	5,686,810,869
At December 31, 2018	₱1,878,600,000	₱9,965,880,147	₱6,809,474,412	(₱105,674,910)	₱13,034,282	₱18,561,313,931

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 CASH FLOWS (UNAUDITED)

	Three Months Ended March 31	
	2019	2018
OPERATING ACTIVITIES		
Income before income tax	₱1,808,302,665	₱1,719,487,577
Adjustments to reconcile income before income tax to net cash flows:		
Interest expense and other finance costs (Note 23)	91,070,441	139,577,567
Amortization of service concession assets (Note 7)	214,530,509	199,932,985
Interest income (Note 22)	(16,590,692)	(15,401,148)
Long-term incentive plan expense	16,000,000	16,000,000
Allowance for decline in value of inventories	7,638,648	–
Allowance for decline in value of assets	2,423,895	–
Provision for doubtful accounts	2,585,165	–
Depreciation of property and equipment (Note 8)	32,533,225	13,738,531
Deferred toll revenue realized	–	(1,883,284)
Amortization of other intangible assets (Note 10)	1,285,300	1,594,172
Movements in:		
Provisions	97,512,909	13,299,806
Accrued retirement costs / pension costs	10,510,288	4,150,549
Executive stock option plan expense		–
Amortization of discount on bonds	(7,426,618)	–
Gain on disposal of investments in bonds and treasury notes	(7,424,000)	–
Unrealized loss (gain) on investments (UITF)	320,062	(522,334)
Loss (gain) on disposals of property and equipment	(135,720)	267,411
Unrealized foreign exchange loss - net	(872,603)	(531,454)
Working capital changes:		
Decrease (increase) in:		
Receivables	28,460,870	140,370,318
Inventories	2,598,096	5,657,740
Other current assets	(346,986,299)	79,227,486
Increase (decrease) in:		
Accounts payable and other current liabilities	365,341,717	(639,915,953)
Long-term incentive plan payable	–	(157,015,451)
Income tax paid	9,356,734	(329,414,311)
Net cash flows provided by operating activities	2,311,034,592	1,188,620,207
INVESTING ACTIVITIES		
Interest received	21,264,643	18,520,634
Increase (decrease) in other noncurrent assets	139,930,620	(11,846,283)
Additions to:		
Acquisition of investment in UITF (Note 11)	(40,879,729)	(2,206,087,286)
Service concession asset (Note 7)	(1,965,074,173)	(600,360,564)
Property and equipment (Note 8)	(45,617,720)	(20,753,540)
Investment properties (Note 9)	(2,526,211)	(100,387)
Other intangible assets (Note 10)	(46,241)	(1,107,490)
Proceeds from:		
Sale of investment in bonds and treasury notes	257,761,533	1,966,250,684
Sale of property and equipment (Note 8)	(135,720)	123,896
Net cash flows used in investing activities	(1,635,322,998)	(855,360,336)
(Forward)		

	Three Months Ended March 31	
	2019	2018
FINANCING ACTIVITIES		
Payments of:		
Dividends	(₱2,600,000,000)	(₱1,840,000,000)
Interest	(8,561,535)	(62,691,965)
Long-term debt	(112,192,315)	(110,000,000)
Proceeds from short-term notes	500,000,000	–
Net cash flows used in financing activities	(2,220,753,850)	(2,012,691,965)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	872,603	531,454
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,545,042,256)	(1,679,432,094)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,448,986,198	2,715,210,842
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	₱904,816,545	₱1,036,310,202

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 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” to “NLEX Corporation”. The SEC approved the change in the Parent Company’s corporate name on February 13, 2017.

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 41.9% owned by Metro Pacific Holdings, Inc. (MPHI) as at March 31, 2019. 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% as at March 31, 2018. 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.

Merger between NLEX Corp. and Tollways Management Corporation (TMC)

On October 19, 2016, the Parent Company’s BOD approved the proposed merger between NLEX Corp. and TMC, with NLEX Corp. as the surviving corporation (the Merger). The merger was effective on December 14, 2018, which is 15 days after the receipt of the required approval of the SEC on November 29, 2018.

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. Segment 10 construction was completed on February 28, 2019, and officially opened to the public on March 1, 2019. 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 March 31, 2019.

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 kilometers 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 at March 31, 2019, the construction of 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 the available-for-sale (AFS) financial assets which are measured at fair value and prepared in accordance with Philippine Accounting Standard (PAS) 34, "Interim Financial Reporting". The interim condensed consolidated financial statements are presented in Philippine peso, which is the Company's functional and presentation currency.

The interim condensed consolidated 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, 2018.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards and interpretations effective as at January 1, 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments apply for the first time in 2019, they do not have a material impact on the annual consolidated financial statements of the Company or the interim condensed consolidated financial statements of the Company. The nature and the impact of each new standard or amendment is described below:

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The Company does not expect for these amendments to have an impact on the consolidated financial statements.

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-statement of financial position model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Company is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event;
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The Company does not expect for these amendments to have an impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Company is currently assessing the impact of adopting this interpretation.

Annual Improvements to PFRSs 2015-2017 Cycle

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Company but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Company because dividends declared by the Company do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its consolidated financial statements upon adoption.

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

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash and cash equivalents	P422,729,686	P535,618,755
Short-term deposits	482,086,859	1,913,367,443
	P904,816,545	P2,448,986,198

For purposes of the interim statements of cash flows for the three months ended March 31, 2019 and 2018, cash and cash equivalents as at March 31 comprise of the following:

	2019 (Unaudited)	2018
Cash on hand and in banks	P422,729,686	P326,418,261
Short-term deposits	482,086,859	709,891,941
	P904,816,545	P1,036,310,202

5. Investments in Unit Investment Trust Funds

Details of this account are shown below:

	March 31, 2019		December 31, 2018	
	Fair Value	Principal Amount	Fair Value	Principal Amount
Investments in unit investment trust funds				
Short-term	P58,418,387	P57,572,577	P67,858,720	P67,221,409

6. Receivables

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade receivables	P438,317,709	P446,296,708
Advances to Department of Public Works and Highways (DPWH)	193,422,528	193,422,528
Advances to officers and employees	13,535,436	15,952,200
Interest receivables	16,612,838	21,286,789
Due from related parties (see Note 15)	7,259,172	9,179,525
Other receivables	60,211,924	76,356,677
	729,359,607	762,494,427
Less allowance for doubtful accounts	35,348,619	32,763,454
	P694,010,988	P729,730,973

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

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 to six months.

Other receivables are noninterest-bearing and are collectible within a year. As at March 31, 2019 and December 31, 2018, other receivables include those receivables from motorists who caused accidental damage to NLEX property from day-to-day operations amounting to ₱47.8 million and ₱47.9 million, respectively.

Movements in the allowance for doubtful accounts as at March 31, 2019 and 2018 are as follows:

	2019		
	Trade Receivables	Other Receivables	Total
Balance at beginning of year	₱6,533,005	₱26,230,449	₱32,763,454
Provision for doubtful accounts (see Note 14)	223,812	2,361,353	2,585,165
Balance at end of year	₱6,756,817	₱28,591,802	₱35,348,619

	2018		
	Trade Receivables	Other Receivables	Total
Balance at beginning of year	₱3,204,597	₱23,234,568	₱26,439,165
Provision for doubtful accounts (see Note 14)	–	–	–
Balance at end of year	₱3,204,597	₱23,234,568	₱26,439,165

7. Service Concession Assets

The movements in this account follow:

	MNEP	SCTEX	NLEX-SLEX Connector Road	Total
Cost:				
Balance at beginning of year	₱38,262,267,913	₱4,538,737,554	₱2,984,551,462	₱45,785,556,929
Additions	1,910,057,229	44,134,434	62,429,387	2,016,621,050
Balance at end of the period	₱40,172,325,142	₱4,582,871,988	₱3,046,980,849	₱47,802,177,979
Accumulated amortization:				
Balance at beginning of year	₱8,409,199,593	₱292,469,560	₱–	₱8,701,669,153
Amortization (see Note 20)	191,098,569	23,431,941	–	214,530,510
Balance at end of the period	₱8,600,298,162	₱315,901,501	₱–	₱8,916,199,663
Net book value:				
At March 31, 2019	₱31,572,026,980	₱4,266,970,487	₱3,046,980,849	₱38,885,978,316
At December 31, 2018	29,853,068,320	4,246,267,994	2,984,551,462	37,083,887,776

MNEP

Additions for the three months ended March 31, 2019 pertain primarily to the completion of Harbor Link Segment 10 and the on-going pre-construction of the Segment 10 - R-10 Exit Ramp (portion of Phase II); and construction costs of bridge retrofitting, new toll plazas and enhancement of existing ones in certain areas of Phase I. Borrowing costs capitalized amounted to ₱232.4 million for the three months ended March 31, 2019. The interest rate used to determine the amount of borrowing costs eligible for capitalization was 5.0% to 5.8% in 2019.

SCTEX

Additions in SCTEX mainly pertains to the rehabilitation works of the pavement and modernization of toll facilities and fixed operating equipment.

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. Other additions include detailed engineering design, professional fees and general and administrative expenses.

8. Property and Equipment

The movements in this account are as follows:

	Building, Building Improvements and Leasehold Improvements	Transportation Equipment	Office Equipment and Others	Total
Cost:				
At January 1, 2019	₱140,707,680	₱165,609,858	₱370,356,741	₱676,674,279
Additions	1,557,882	6,285,197	36,521,848	44,364,927
Disposals	–	(1,305,430)	(218,804)	(1,524,234)
At March 31, 2019	₱142,265,562	₱170,589,625	₱406,659,785	₱719,514,972
Accumulated depreciation:				
At January 1, 2019	₱51,777,858	₱76,221,089	₱214,526,764	₱342,525,511
Depreciation (see Note 20)	2,871,868	9,618,386	18,518,738	31,008,992
Disposal	–	(1,305,430)	(218,804)	(1,524,234)
At March 31, 2019	₱54,649,526	₱84,534,045	₱232,826,698	₱372,010,269
Net book value:				
At March 31, 2019	₱87,616,036	₱86,055,580	₱173,833,087	₱347,504,704
At December 31, 2018	88,929,822	89,388,769	155,829,977	334,148,769

9. Investment Properties

The movements in this account follow:

	Land	Toll Service Facilities and Improvements	Total
Cost:			
At January 1, 2019	₱117,502,106	₱208,236,622	₱325,738,728
Additions	–	6,136,990	6,136,990
At March 31, 2019	₱117,502,106	₱214,373,612	₱331,875,718
Accumulated depreciation:			
At January 1, 2019	₱–	580,818	₱580,818
Additions	–	1,045,576	1,045,576
At March 31, 2019	₱–	₱1,626,394	₱1,626,394
Net Book Value, March 31, 2019	₱117,502,106	₱212,747,218	₱330,249,324

10. 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:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Cost:		
Balance at beginning of year	P127,372,201	P109,997,788
Additions	46,241	17,374,413
Disposals	-	-
Balance at end of the period	127,418,442	127,372,201
Accumulated amortization:		
Balance at beginning of year	105,503,357	99,683,474
Amortization (see Note 21)	1,285,300	5,819,883
Disposals	-	-
Balance at end of the period	106,788,657	105,503,357
Net book value	P20,629,785	P21,868,844

11. Available-for-sale Financial Assets

Details of AFS financial assets are shown below:

Maturity Date	Interest Rate	March 31, 2019		December 31, 2018	
		Fair Value	Principal Amount	Fair Value	Principal Amount
ROP Retail Treasury Bonds					
August 15, 2023	3.25%	481,516,059	565,100,000	481,516,059	565,100,000
		481,516,059	565,100,000	481,516,059	565,100,000
Fixed Rate Treasury Notes					
July 19, 2019	4.75%	11,104,898	11,230,000	11,104,898	11,230,000
August 20, 2020	3.38%	18,902,000	20,000,000	18,513,447	20,000,000
		30,006,898	31,230,000	29,618,345	31,230,000
Long-term Negotiable Certificates of Deposits (LTNCD)					
PNB – June 12, 2020	4.13%	49,160,500	50,000,000	49,160,500	50,000,000
Metrobank – November 21, 2021	4.25%	46,145,000	50,000,000	46,145,000	50,000,000
		95,305,500	100,000,000	95,305,500	100,000,000
Corporate Bonds					
FMIC – August 10, 2019	5.75%	50,147,000	50,000,000	50,535,553	50,000,000
Meralco – December 12, 2020	4.38%	-	-	192,576,000	200,000,000
PLDT – February 6, 2021	5.23%	191,570,000	200,000,000	191,570,000	200,000,000
		241,717,000	250,000,000	434,681,553	450,000,000
		P848,545,457	P946,633,400	P1,041,121,457	P1,146,633,400

The movements in this account follow:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Balance at beginning of year	₱1,041,121,457	₱–
Reclassification of AFS financial assets to financial assets at FVOCI	–	1,254,406,932
Sale of investment in bonds and treasury notes	(200,000,000)	(100,000,000)
Maturity of investment in bonds and treasury notes	–	(50,000,000)
Changes in fair value during the period	(2,619)	(63,475,190)
Amortization of discount on bonds	2,617	146,002
Recycling to profit or loss	7,424,000	43,713
Balance at end of year	₱848,545,457	₱1,041,121,457
Current	129,314,398	₱61,640,451
Noncurrent	719,231,059	979,481,006
	₱848,545,457	₱1,041,121,457

12. Other Current Assets

Details of other current assets are as follows:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Restricted cash	₱321,000,000	₱321,000,000
Input VAT	291,328,078	28,021,734
Advances to contractors and consultants	142,473,371	91,961,592
Deferred input VAT	137,538,825	79,271,935
Prepayments	61,771,490	104,541,749
Creditable withholding tax	28,541,342	10,869,798
Refundable deposits	3,276,064	3,276,064
	985,929,170	638,942,872
Less: Allowance for non-recoverability of creditable tax	(15,380,461)	(15,380,461)
Allowance for unclaimable input VAT	(16,695,640)	(14,271,746)
	₱953,853,069	₱609,290,665

13. Accounts Payable and Other Current Liabilities

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade payables	₱411,440,998	₱381,055,558
Accrued expenses	1,514,658,616	1,324,221,828
Retention payable	551,302,343	462,721,065
Output VAT	147,986,134	36,048,351
Withholding taxes payable	68,932,725	114,726,787
Interest payable	174,557,693	98,394,217
Deferred output VAT	33,371,380	35,468,649
Unearned revenue	3,672,898	8,870,714
Unearned rental income	4,171,954	6,399,334
Others	33,277,825	34,030,833
	₱2,943,372,566	₱2,501,937,336

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

Accrued expenses consist of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Construction costs	P485,362,076	P537,878,615
PNCC fee	231,483,472	62,423,077
Advertising and marketing expenses	195,921,747	204,664,697
Concession fees	108,128,272	116,867,363
Professional fees	90,287,713	91,685,401
Taxes and licenses	69,881,181	19,372,844
Management fees	67,503,747	21,198,404
Operating and maintenance costs	63,405,448	63,883,442
Outside services	61,070,059	55,926,127
Repairs and maintenance	60,500,531	53,056,881
Salaries and employee benefits	22,388,586	4,934,589
Toll collection and medical services	3,600,049	2,571,070
Project insurance	–	34,138,622
Others	55,125,734	55,620,696
	P1,514,658,616	P1,324,221,828

Retention payable is a percentage of the amount certified as due to the contractor on an interim certificate that is deducted from the amount due and retained by the Company. Retention payable is usually released upon completion of the relevant project.

Interest payable is settled within six months.

14. Provisions

The movements in this account follow:

	Heavy Maintenance	Others	Total
Beginning of the year	P193,975,390	P254,366,342	P448,341,732
Additions (see Notes 20 and 21)	97,600,050	58,692,551	156,292,601
Accretion (see Note 23)	4,612,773	–	4,612,773
Payments	(1,892,851)	(56,886,843)	(58,779,694)
At March 31, 2018	P294,295,362	P256,172,051	P550,467,413
At March 31, 2019:			
Current	P147,500,000	P240,385,276	P387,885,276
Noncurrent	146,795,362	15,786,774	162,582,137
	P294,295,362	P256,172,051	P550,467,413
At December 31, 2018:			
Current	P147,500,000	P238,579,568	P386,079,568
Noncurrent	46,475,390	15,786,774	62,262,164
	P193,975,390	P254,366,342	P448,341,732

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 term of the concession and to maintain the same assets in good condition prior to turnover of the assets to the

Grantor at the end of the concession period. 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, 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.

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Due from Related Parties		
Easytrip Services Corporation (ESC)	₱185,015	₱99,000
Metro Pacific Tollways Corporation	2,799,854	4,230,086
MPCALA Holdings, Inc.	30,034	4,533
Cavitex Infrastructure Corp.	483,417	225,002
Metro Pacific Tollways Management Services, Inc	1,046,926	390,740
Cebu Cordova Link Expressways Corporation	239,774	149,531
Metro Pacific Tollways South Management Corporation	2,194,627	4,057,988
Metro Pacific Tollways North Corporation	17,026	22,645
	₱6,996,673	₱9,179,525

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)	Operator's Fee (see Note 20)	Outside Services (see Note 20)	Repairs and Maintenance (see Note 20)	Communication, Light and Water (see Notes 20 and 21)	Advertising and Marketing Expenses (see Note 21)	Income from Advertising (see Note 19)	Income from Utility Facilities (see Note 19)
MPTC	Intermediate Parent Company	2019	₱6,232,920	₱-	₱-	₱-	₱-	₱19,260,000	₱-	₱-
		2018	15,296,919	-	-	-	-	22,346,607	-	-
MPTNC	Parent Company	2019	20,214,463	-	-	-	-	-	-	-
		2018	8,801,673	-	-	-	-	-	-	-
MPIC		2019					18,500			
		2018								
MPTMSI	Subsidiary of MPTC	2019	16,018,778	-	-	-	-	-	-	-
		2018	13,478,012	-	-	-	-	-	-	-
TMC	Associate of MPT North	2019	-	-	-	-	-	-	-	-
		2018	-	229,348,357	-	-	-	-	-	-
Easytrip Services Corp. (ESC)	Joint Venture of MPT North	2019	-	-	18,420,115	-	-	298,416	-	-
		2018	-	-	19,320,373	-	-	156,800	-	-
Smart Communications Inc. (Smart)	Associate of FPC	2019	-	-	-	-	854,290	-	-	-
		2018	-	-	-	-	414,863	15,774	900,000	-
PLDT	Associate of FPC	2019	-	-	-	-	1,674,674	-	-	-
		2018	-	-	-	-	868,108	-	235,087	-
Southbend Express Services	Subsidiary of MPTC	2019	-	-	16,627,990	-	-	-	-	-
		2018	-	-	-	-	-	-	-	-
Manila Electric Company (Meralco)	Associate of MPIC	2019	-	-	-	-	6,840,853	-	-	-
		2018	-	-	-	-	2,348,382	-	-	-

(Forward)

Related Party	Relationship		Management Fees (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 Notes 20 and 21)	Advertising and Marketing Expenses (see Note 21)	Income from Advertising (see Note 19)	Income from Utility Facilities (see Note 19)
Maynilad	Associate of MPIC	2019	P-	P-	P-	P-	P244,743	P-	P-	P-
		2018	-	-	-	-	67,842	-	-	-
Total		2019	P42,466,161	P-	P35,048,105	P-	P9,616,562	P19,576,916	P-	P-
		2018	37,576,604	229,348,357	19,320,373	-	3,699,195	22,519,181	1,135,087	-

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

Short-term Notes Payable

On March 28, 2019, NLEX Corp. availed a 180-day short-term loan from Philippine National Bank (PNB) amounting to ₱500,000,000 with an annual interest rate of 6.25%. The proceeds were used to bridge finance the Company's capital expenditures that are intended to be permanently financed by term loans.

Long-term Debt

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Peso-denominated Notes and Loans:		
Series A Notes	₱920,000,000	₱930,000,000
Term Loan Facilities	8,200,000,000	8,300,000,000
Fixed-rate Bonds	13,000,000,000	13,000,000,000
	22,120,000,000	22,230,000,000
Less unamortized debt issue costs	148,708,301	152,575,537
	21,971,291,699	22,077,424,463
Less current portion of long-term debt	353,361,219	352,011,497
	₱21,617,930,480	₱21,725,412,966

The unamortized debt issue costs incurred in connection with the availment of long-term debt amounting to ₱148.7 million and ₱152.6 million as at March 31, 2019 and December 31, 2018, respectively, were deducted against the long-term debt. The movements in debt issue costs are as follows:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Balance at beginning of period	₱152,575,537	₱107,020,853
Amortization during the year*	(6,059,301)	(27,920,572)
Debt issue costs incurred during the year	2,192,065	73,475,256
Balance at end of period	₱148,708,301	₱152,575,537

*Includes amortization of debt issue costs capitalized to service concession assets amounting to ₱4,326,644 in 2019 and ₱17,127,856 in 2018.

17. Service Concession Fees Payable

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

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
At January 1	₱2,701,448,632	₱2,521,429,127
Accretion	47,557,515	180,019,505
Balance at end of period	₱2,749,006,147	₱2,701,448,632

18. Equity

Capital Stock

Details of shares of stock of the Company as at March 31, 2019 and December 31, 2018 follow:

	March 31, 2019	December 31, 2018
Authorized - ₱100 par value	40,000,000	40,000,000
Issued	18,786,000	18,786,000

Other Comprehensive Income Reserve

	Financial Assets at FVOCI	Income Tax Related to Financial Assets at FVOCI	Re- measurement of Defined Benefit Plan	Income Tax Related to Defined Benefit Plan	Total
Balance at January 1, 2019	(₱103,572,531)	₱345,742	(₱3,497,315)	₱1,049,194	(₱105,674,910)
Recycling to profit or loss (see Note 11)*	7,421,379	(7,440,903)	-	-	(19,524)
Balance at March 31, 2019	(₱96,151,150)	(₱7,095,163)	(₱3,497,315)	₱1,049,194	(₱105,694,434)
Balance at January 1, 2018	(₱39,612,493)	(₱43,141)	₱3,741,979	(₱1,122,594)	(₱37,036,249)
Recycling to profit or loss (see Note 11)*	(26,844,413)	251,376	-	-	(26,593,037)
Balance at March 31, 2018	(₱66,456,906)	₱208,235	₱3,741,979	(₱1,122,594)	(₱63,629,286)

*Net of changes in fair value during the quarter.

19. Non-Toll Revenue

Details of non-toll revenue follow:

	For Three Months Ended March 31	
	2019	2018
	(Unaudited)	
Income from advertising	₱32,529,730	₱28,668,682
Income from toll service and utility facilities	14,058,368	13,208,015
Rental income	7,788,401	
Service income	12,985,436	1,391,150
Others	4,981,917	142,536
	₱72,343,852	₱43,410,383

20. Cost of Services

This account consists of:

	Three Months Ended March 31	
	2019	2018
	(Unaudited)	
Concession fee	₱287,692,232	₱254,076,007
Amortization of service concession assets (see Note 7)	214,530,509	199,932,985
Salaries and employee benefits	179,991,990	9,343,331
PNCC fee	167,548,226	157,501,628

(Forward)

	Three Months Ended March 31	
	2019	2018
	<i>(Unaudited)</i>	
Provision for heavy maintenance (see Note 14)	₱97,600,049	₱56,289,599
Repairs and maintenance	95,468,895	74,304,750
Outside services	84,202,969	57,718,509
Insurance	20,941,959	20,490,845
Depreciation of property and equipment (see Note 8)	20,455,857	2,859,979
Fuel & Oil	16,338,033	12,860,882
Advertising and promotions	9,047,307	5,047,846
Toll collection and medical services	5,578,200	5,774,067
Technical assistance fee	–	4,446,428
Operator’s fee	–	229,348,357
Others	76,718,880	33,065,936
	₱1,276,115,106	₱1,118,614,721

21. General and Administrative Expenses

This account consists of:

	Three Months Ended March 31	
	2019	2018
	<i>(Unaudited)</i>	
Salaries and employee benefits	₱115,293,598	₱56,119,549
Taxes and licenses	89,216,580	73,051,929
Management fees (see Note 15)	42,466,161	37,576,604
Advertising and marketing expenses	32,574,198	38,908,992
Professional fees	14,098,564	8,548,124
Depreciation of property and equipment (see Note 8)	13,122,944	10,878,552
Outside services (see Note 15)	10,447,888	4,357,785
Decline in value of inventories	7,638,648	–
Representation and travel	3,293,358	4,568,445
Office supplies	2,389,104	3,009,066
Provisions (see Note 14)	1,746,337	18,706,131
Training and development costs	1,712,557	2,741,022
Repairs and maintenance (see Note 13)	1,251,594	1,306,020
Amortization of other intangible assets (see Note 10)	1,200,750	1,594,172
Rentals	400,051	400,405
Directors’ fees	330,000	160,000
Miscellaneous	8,752,956	3,945,155
	₱345,935,288	₱265,871,951

22. Interest Income

Sources of interest income follow:

	Three Months Ended March 31	
	2019	2018
	<i>(Unaudited)</i>	
Cash and cash equivalents (see Note 4)	₱7,316,404	₱4,714,068
Investment in bonds and treasury notes (see Note 11)	9,274,288	10,687,080
	₱16,590,692	₱15,401,148

23. Interest Expense and Other Finance Costs

Sources of interest expense and other finance costs follow:

	Three Months Ended March 31	
	2019	2018
	<i>(Unaudited)</i>	
Interest expense on:		
Long-term debt (see Note 16)	₱83,064,169	₱129,601,614
Provision for heavy maintenance (see Note 14)	4,612,773	3,451,664
Finance costs:		
Amortization of debt issue costs (see Note 16)	1,732,657	5,689,822
Lenders' fees	1,611,900	804,992
Bank charges	48,943	29,475
	₱91,070,442	₱139,577,567

24. Significant Contracts and Commitments

Construction of Segment 10, part of Phase II of the Project

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 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 NTP 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 noncurrent 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.

The construction of the 5.65 km fully-elevated segment was completed on February 28, 2019 and started the commercial operations on March 1, 2019.

As at March 31, 2019, the balance of the escrow account is presented as "Restricted cash" under current assets (see Note 12).

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 1x2 to 2x2 lanes. It also covers the lane configuration of Candaba Viaduct from 2 to 3 lanes. The project was substantially completed and opened for public use in the latter part of May 2017.

Lease Contract

On January 1, 2016, NVC, as lessor, entered into a contract of lease with RDL Fuel Point, Inc, as lessee, covering a parcel of land adjacent to the NLEX and is presently the site of a service facility. The lease term shall be for 14 years starting from January 1, 2016, unless earlier terminated or otherwise extended by the parties in writing. The amount of the rent for the first 2 years shall be ₱3.6 million per year (inclusive of VAT). On the third year of the lease and every year thereafter, the rent shall be escalated by 5%. The lessee shall likewise pay the lessor additional fees based on the sales proceeds of the service facility.

Upon signing of the lease contract, the lessee paid an advance rent amounting to ₱7.2 million which shall be applied equally for the first 2 years. The lessee also paid security deposit amounting to ₱0.3 million which shall be returned to the lessee after the expiration or termination of the lease contract.

NLEX Drive and Dine Project

In 2017, NVC entered into a contract agreement with R.D. Policarpio & Co., Inc. for the design and construction of the NLEX Drive and Dine Project.

On October 6, 2017, an advance payment was made by NVC to the contractor amounting to ₱29.9 million (inclusive of VAT). The NLEX Drive and Dine Project started to commence its operation in September 2018.

25. 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 are reasonable approximate of fair values, by category as at March 31, 2019 and December 31, 2018 is as follows:

	March 31, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Asset				
Financial Assets at FVTPL:				
Unit investment trust fund	₱58,418,387	₱58,418,387	₱67,858,720	₱67,858,720
Financial assets at FVOCI:				
Investment in treasury bonds and notes	511,522,957	511,522,957	511,522,957	511,522,957
Investment in corporate bonds	241,717,000	241,717,000	434,293,000	434,293,000
Investment in LTNCD	95,305,500	95,305,500	95,305,500	95,305,500
	₱906,963,844	₱906,963,844	₱1,108,980,177	₱1,108,980,177
Financial Liability				
Other financial liability:				
Long-term debt	₱21,971,291,699	₱21,144,165,277	₱22,077,424,462	₱20,401,737,578
Service concession fee payable	2,749,006,147	2,601,898,550	2,701,448,632	2,128,511,528
Rental deposits	4,171,954	4,171,954	4,577,671	4,001,962
	₱24,724,469,800	₱23,750,235,781	₱24,783,450,765	₱22,534,251,068

The management assessed that the fair values of cash and cash equivalents, receivables, restricted cash, accounts payable and other current liabilities, 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 investment in treasury bonds and notes, corporate bonds and LTNCD is based on the quoted market price of the financial instruments as at March 31, 2019 and December 31, 2018. 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 March 31, 2019 and December 31, 2018, estimated fair value is based on the discounted value of future cash flows using the prevailing peso interest rates. In 2019 and 2018, the prevailing peso interest rates ranged from 6.5% to 7.6%.

Fair Value Hierarchy

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

	March 31, 2019	Level 1	Level 2	Level 3
Assets measured at fair value:				
Financial assets at FVTPL:				
UITF	P58,418,387	P-	P58,418,387	P-
Financial assets at FVOCI:				
Investment in treasury bonds and notes	511,522,957	18,902,000	492,620,957	-
Investment in corporate bonds	241,717,000	241,717,000	-	-
Investment in LTNCD	95,305,500	95,305,500	-	-
	P906,963,844	P355,924,500	P551,039,344	P-
Liabilities for which fair values are disclosed:				
Other financial liabilities:				
Long-term debt				
Fixed-rate bonds	P12,473,999,300	P12,473,999,300	P-	P-
Peso-denominated notes and loans	8,670,165,977	-	8,670,165,99	-
Service concession fee payable	2,601,898,550	-	-	2,601,898,550
Rental deposits	4,171,954	-	-	4,171,954
	P23,750,235,781	P12,473,999,300	P8,670,165,999	P2,606,070,504

	2018	Level 1	Level 2	Level 3
Assets Measured at Fair Value				
Financial assets at FVTPL:				
Investments in UITF	₱67,858,720	₱–	₱67,858,720	₱–
Financial assets at FVOCI:				
Investment in treasury bonds and note	511,134,404	18,513,447	492,620,957	–
Investment in corporate bonds	434,681,553	434,681,553	–	–
Investment in LTNCD	95,305,500	95,305,500	–	–
	₱1,108,980,177	₱548,500,500	₱560,479,677	₱–
Liabilities for which Fair Values are Disclosed				
Other financial liabilities:				
Long-term debt				
Fixed-rate bonds	₱12,222,114,535	₱12,222,114,535	₱–	₱–
Peso-denominated notes and loans	8,179,623,043	–	₱8,179,623,043	–
Service concession fees payable	2,128,511,528	–	–	2,128,511,528
Rental deposits	4,001,962	–	–	4,001,962
	₱22,534,251,068	₱12,222,114,535	₱8,179,623,043	₱2,132,513,490

During the periods ended March 31, 2019 and December 31, 2018, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

26. Contingencies and Others

a. VAT

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 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 believe 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 September 28, 2018, 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, 2019 (2018 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 all the foregoing SCTEX toll rate adjustment petitions remain pending.

On January 22, 2019, NLEX Corp. as petitioner-applicant, filed a Petition for Implementation of Approved Adjustment to Authorized Toll Rates with Application for Provisional Relief with the TRB praying for the adjustment of the toll rate for the NLEX Open System effective February 15, 2019 upon completion of the NLEX Harbor Link Project (NLEX Segments 9 and 10) (Segment 10 Add-on Toll Rate Petition).

2012 and 2014 Petitions

On February 15, 2019, NLEX Corp received a Consolidated Resolution dated October 2018 issued by the TRB which approved and allowed NLEX Corp. to implement the toll rate adjustment indicated therein on a staggered basis in 2018, 2020, 2021, and 2023. Likewise, on February 15, 2019, the TRB issued a letter to NLEX Corp. instructing the latter to publish the Toll Fee Matrix, which is attached to the said letter in accordance with the 2013 Revised Rules of Procedure of the Toll Regulatory Board (TRB Rules). In full compliance with the letter, NLEX Corp. caused the publication of the Toll Fee Matrix in a newspaper of general circulation, once a week for three consecutive weeks in March 2019. On March 20, 2019, the TRB issued a Notice to Start Collection effective March 21, 2019.

Segment 10 Add-on Toll Rate Petition

On February 15, 2019, the TRB issued an Order finding NLEX Corp.'s subject Petition to be sufficient in form and directed NLEX Corp. to publish in full the contents of the Petition in a newspaper of general circulation, in accordance with applicable rules and laws, with a notice that all interested tollway users may file a petition for review of the proposed adjusted toll rates. In full compliance with the Order and TRB Rules, NLEX Corp. caused the publication of the Petition in a newspaper of general circulation, once a week for three consecutive weeks in February and March 2019. On March 5, 2019, the TRB issued a letter to NLEX Corp. stating that the TRB (a) conditionally approved the subject Petition and granted NLEX Corp. provisional authority to collect the add-on tolls for the Open System of the NLEX and (b) allowing the implementation of the new authorized toll price for the NLEX (Integrated Toll Fee Matrix) which is attached to the said letter. The Integrated Toll Fee Matrix includes both: (a) the first tranche of the approved adjusted toll rates in the 2012 and 2014 Petitions stated in the TRB's Consolidated Resolution dated October 2018; and (b) the provisionally approved add-on toll rates in the Segment 10 Add-on Toll Rate Petition. In the same letter, the TRB instructed NLEX Corp. to: (a) cause the publication of the Integrated Toll Fee Matrix in accordance with the provisions of the TRB Rules and (b) post the required bond amounting to ₱530.0 million or the equivalent of one (1) year collection of add-on rate. In full and complete compliance with the instructions of the TRB, NLEX Corp. (a) submitted the original of the Surety Bond issued by the Prudential Guarantee and Insurance Inc. in favor of the Republic of the Philippines, acting by and through the TRB, and (b) caused the publication of the Integrated Toll Fee Matrix in a newspaper of general circulation once a week for three (3) consecutive weeks in March 2019. On March 20, 2019, the TRB issued a Notice to Start Collection effective March 21, 2019.

NLEX Corp. agreed to implement a ₱1.00 reduction in the Open system approved toll fees across all vehicle classes to cushion the impact of toll adjustments to motorists.

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 obligations.

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 throughout that period.

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.

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. Kevin Kim, esq. was appointed as the third arbitrator and the chairman of the arbitration tribunal.

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.

In January 2018, the ROP/TRB and NLEX Corp. have submitted their respective statements on the matter of jurisdiction. In July 2018, the Arbitral Tribunal issued Procedural Order No. 2 whereby the Arbitral Tribunal declined to dismiss the claim on the basis of the ROP's/TRB's objections to jurisdiction and ordered the ROP/TRB to submit its Statement of Defense. In September 2018, the ROP/TRB submitted its Statement of Defense. In October to November 2018, NLEX Corp. and the ROP/TRB submitted their respective Requests for Production of Documents, Objections to the Request for Production of Documents, and Reply to the Objections to the Request for Production of Documents. In December 2018 and January 2019, the Arbitral Tribunal resolved NLEX Corp.'s and the ROP's/TRB's Request for Production of Documents. In February 2019, the ROP/TRB informed the Arbitral Tribunal that it has released a Consolidated Resolution on NLEX Corp.'s pending 2012 and 2014 petitions for toll rate adjustment. In the Consolidated Resolution, the TRB approved and allowed the implementation of toll rates on a staggered basis in 2018, 2020, 2021, and 2023. In February to March 2019, NLEX Corp. filed its Reply, Supplemental Reply, and Addendum to the Supplemental Reply while the ROP/TRB filed its Rejoinder.

As at March 31, 2019 and December 31, 2018, total amount of compensation for TRB's inaction on lawful toll rate adjustments which were due since January 1, 2013 for NLEX, is approximately at ₱7.7 billion and ₱7.3 billion (VAT-exclusive), respectively.

As at March 31, 2019, NLEX Corp. has yet to receive regulatory approval for the 2016 Petition and 2018 Petition.

- 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 March 31, 2019.

- 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.

27. 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 asset 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, assets, liabilities, and other information of the Company's operations as at and for the period ended March 31, 2019 and 2018 are as follows:

	2019	2018
Net toll revenues	₱3,425,318,566	₱3,186,744,453
Other income	73,406,621	43,145,031
Total revenues	3,498,725,187	3,229,889,484
Operating and maintenance costs	(943,623,256)	(859,763,126)
Operating expenses	(330,362,107)	(252,166,864)
EBITDA	2,224,739,824	2,117,959,494

(Forward)

	2019	2018
EBITDA	₱2,224,739,824	₱2,117,959,494
Financing costs	(63,808,616)	(118,088,897)
Core income before depreciation, amortization and provisions	2,160,931,208	1,999,870,597
Depreciation, amortization and provisions*	(353,340,089)	(280,696,771)
Core income before tax	1,807,591,119	1,719,173,826
Provision for income tax	(392,445,334)	(427,236,809)
Core income after tax	1,415,145,785	1,291,937,017
Nonrecurring items	(2,595,248)	(2,740,212)
Net income	₱1,412,550,537	₱1,289,196,805
EBITDA margin for the year	65%	66%
Core income margin for the year	41%	41%
Net income margin for the year	41%	40%
Total assets	₱49,632,850,592	₱38,921,607,177
Total liabilities	30,159,005,648	27,003,269,326
Total equity	19,473,844,944	11,918,337,851
Other disclosures:		
Capital expenditure (consists of additions to service concession asset, property and equipment, investment properties and other intangible assets)	₱2,013,264,345	₱622,321,981

* Includes provision for current and deferred taxes.

The following table shows the reconciliation of EBITDA to net income for the period ended March 31, 2019 and 2018.

	2019	2018
EBITDA	₱2,224,739,824	₱2,117,959,494
Interest expense and other finance costs (see Note 23)	(78,825,169)	(136,125,903)
Amortization of service concession asset (see Note 20)	(214,530,509)	(199,932,985)
Interest income (see Note 22)	13,283,897	12,347,184
Provision for heavy maintenance (see Note 20)	(102,212,823)	(59,741,263)
Depreciation of property and equipment (see Note 21)	(34,864,100)	(15,332,701)
Nonrecurring items:		
Provisions (see Note 21)	(1,070,373)	(479,062)
Foreign exchange gain (loss) - net	(1,524,876)	(2,261,150)
Income before income tax	1,804,995,871	1,716,433,614
Provision for income tax:		
Current	416,626,479	394,949,864
Deferred	(24,181,146)	32,286,945
	392,445,334	427,236,809
Net income for the year	₱1,412,550,537	₱1,289,196,805

The following table shows the reconciliation of the core income to the net income for the period ended March 31, 2019 and 2018.

	2019	2018
Core income for the year	₱1,415,145,785	₱1,291,937,017
Provisions (see Note 20)	(1,070,372)	(479,062)
Foreign exchange gain (loss) - net	(1,524,876)	(2,261,150)
Net income for the year	₱1,412,550,537	₱1,289,196,805

28. Merger between NLEX Corp. and TMC

TMC, a company registered in the Philippines, is primarily engaged in the operations and maintenance of tollways, its facilities, interchanges and related works, or otherwise engage in the operation and maintenance of roads, highways, bridges, buildings and structures of all kinds.

Under an Operation and Maintenance Agreement with NLEX Corp., TMC provides services to NLEX Corp. as the operator of Phase I of the North Luzon Expressway (NLEX) consisting of Segments 1, 2, 3 and 7, Phase II of NLEX consisting of Segments 8.1 and 9, Plaridel Bypass Interchange, Bocaue North Bound Interchange, and SCTEX for a total consideration based on a minimum fixed annual amount with a variable component.

On October 19, 2016, the Parent Company's BOD approved the proposed merger between NLEX Corp. and 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.

In January 2017, the ROP exercised its appraisal right with respect to its shares held in TMC. ROP shall be entitled an amount equal to the fair value of its shares held in TMC payable upon approval of the Merger by the SEC.

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 (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 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 the execution of the updated Plan of Merger 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 and approved the signing and delivery of an updated Plan of Merger to reflect the issuance of additional NLEX Corp. shares to the ROP in exchange for the ROP's shares in the Company based on the previously approved conversion ratio as a result of the withdrawal of the ROP's exercise of its appraisal rights.

On November 29, 2018, the SEC approved the certificate of filing of the Articles and Plan of Merger between NLEX Corp. (surviving corporation) and TMC (absorbed corporation). The Merger is effective on December 14, 2018.

Based on the Articles of Merger, NLEX Corp. shall be deemed to have acquired all assets and assumed all the liabilities of TMC, and NLEX Corp's corporate existence shall continue. NLEX Corp will have the ability to direct the relevant activities of TMC, which includes the operation and maintenance of tollways and related facilities and its main source of revenue of TMC.

The Merger between NLEX Corp. and TMC was accounted for using the acquisition method since the transaction has substance from the perspective of NLEX Corp. The Merger has substance based on the following: (i) there is a business purpose, (ii) the transaction involves third parties, (iii) the transaction was conducted at fair value, and (iv) NLEX Corp. and TMC have existing activities prior to the Merger.

Under the acquisition method, the Company is required to measure the fair value of the assets acquired and liabilities assumed of TMC.

The following are the provisional fair values of the assets acquired and liabilities assumed from TMC on December 13, 2018:

<u>Assets</u>	
Cash and cash equivalents	₱155,809,552
Receivables	109,813,200
Other current assets	68,404,740
Property and equipment	53,780,166
Deferred tax assets	16,906,493
Deposits and other noncurrent assets	12,782,152
	<u>417,496,303</u>
<u>Liabilities</u>	
Accounts payable and other current liabilities	119,517,516
Provisions	155,312,279
Retention payable	10,354,340
Retirement liability	27,342,572
	<u>312,526,707</u>
Fair value of identifiable net assets acquired	<u>₱104,969,596</u>

The fair value and gross amount of the receivables amounted to ₱109.9 million. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

NLEX Corp. issued 2.70 shares of stock for each stockholder of TMC, equivalent to a total of 1,026,000 common shares of stock. The total value of equity shares issued by NLEX Corp. amounted to ₱6,318.8 million, based on the independent valuation of third-party financial advisor engaged by the Company.

The amount of provisional goodwill resulting from the Merger between NLEX Corp. and TMC follows:

Consideration transferred	₱6,318,768,979
Fair value of identifiable net assets acquired	104,969,596
Goodwill	<u>₱6,213,799,383</u>

The provisional goodwill resulting from the merger transaction represents the estimated future cash flow between NLEX Corp. and TMC for the Operation and Maintenance Agreement where both entities are bounded to comply. This represents the synergies from the combining operations of NLEX Corp. and TMC that will allow (i) the integration of the administrative facilities of the corporations to improve the economies of scale and efficiency of operations, (ii) the procurement of financing and credit facilities under more favorable terms, and (iii) the productive use of properties owned by the constituent corporations. Further, the provisional goodwill is also attributable to the value of TMC's assembled workforce who will still be involved in the continuous operations and maintenance of NLEX Corp.'s toll road operations as at the acquisition date.

From the date of business combination to December 31, 2018, TMC has no contribution to revenues and net income since it is already legally merged with NLEX Corp. (surviving corporation). If the business combination occurred at the beginning of the year, the contribution to revenues is nil, while the contribution to the net income represents the foregone mark-up imposed by TMC to the operations and maintenance services billed to NLEX Corp.

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

For the First Quarter Ending March 31, 2019

Financial Highlights and Key Performance Indicators:

Statement of Income Data

In PhP, Millions	31-Mar-19	31-Mar-18	Increase (Decrease)	
	(unaudited)	(unaudited)	Amount	%
Operating revenue	₱3,498	₱3,230	268	8
Cost of services	(1,276)	(1,119)	(157)	14
General and administrative expenses	(346)	(266)	(80)	30
Interest expense and other financing costs, net of interest income of Php16.6 million in 2019 and Php15.4 million in 2018	(74)	(124)	50	(40)
Foreign exchange loss - net	(2)	(2)	0	0
Other income	9	0	9	100
Provision for income tax	(396)	(430)	34	(8)
Net income	₱1,413	₱1,289	124	10
Net income margin	40%	40%		

Statement of Financial Position

In PhP, Millions	31-Mar-19	31-Dec-18	Increase (Decrease)	
	Unaudited	(Audited)	Amount	%
Balance Sheet Data:				
Cash and cash equivalents	₱905	₱2,449	(1,544)	(63)
Total assets	49,633	49,401	232	0
Total liabilities	30,159	30,840	(681)	(2)
Total equity	19,474	18,561	913	5

Result of Operation

The first quarter consolidated net income ended March 31, 2019 reached ₱1.41 billion, higher by 10% compared to ₱1.29 billion posted during the first quarter of 2018. The growth is attributed to higher traffic during the period for both NLEX and SCTEX. Traffic volume for the NLEX and SCTEX grew by 5.7% and 15.0%, respectively quarter-on-quarter. The traffic growth pushed first quarter revenues up by 8% to ₱3.50 billion, from ₱3.23 billion recorded during the first quarter of 2018.

Statement of Income Data

In PhP, Millions	31-Mar-19	31-Mar-18	Increase (Decrease)	
	(unaudited)	(unaudited)	Amount	%
Operating revenue	₱3,498	₱3,230	268	8
Cost of services	(1,276)	(1,119)	(157)	14
General and administrative expenses	(346)	(266)	(80)	30
Interest expense and other financing costs, net of interest income of Php16.6 million in 2019 and Php15.4 million in 2018	(74)	(124)	50	(40)
Foreign exchange gain (loss) – net	(2)	(2)	0	0
Other income	9	0	9	100
Provision for income tax	(396)	(430)	34	(8)
Net income	₱1,413	₱1,289	124	10
Net income margin	40%	40%		

March 31, 2019 Compared to March 31, 2018

Revenues

In PhP, Millions	31-Mar-19 (unaudited)		31-Mar-18 (unaudited)		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Toll Revenues	₱3,426	98	₱3,187	99	239	7
Non-toll Revenues	72	2	43	1	29	67
Total Revenues	₱3,498	100	₱3,230	100	268	8

The Company's operating revenues were derived mainly from toll fees in NLEX and SCTEX. The Company also generated other income from advertising materials and structures, toll service facilities along the NLEX and rental income from toll service facilities.

For the first quarter of 2019, toll revenues reached ₱3.43 billion, up by 7% or ₱239 million from ₱3.19 billion posted during the first quarter of 2018 due to higher traffic volume in both NLEX and SCTEX. Average daily traffic for the NLEX reached 265,225 daily vehicle entries, higher by 6% versus the same period last year, while average daily traffic in SCTEX reached 68,805, higher by 15% than the previous year. The full impact of the toll adjustment that took effect last March 21, 2019 is expected to appear in the next quarter results.

In addition to toll revenues, the Company also generated revenues arising from advertising, toll services and utility facilities and rental and service income for the first quarter of 2019 amounting to ₱72.3 million, higher by ₱29 million or 67% than ₱43 million posted during the same period last year.

Cost of Services

During the first quarter of 2019, the Company incurred ₱1.3 billion to cover the costs of toll operations, asset preservation and safety enhancements. The table in the next page summarizes the details of this account for the quarter ended March 31, 2019 and 2018.

In Php, Millions	31-Mar-19		31-Mar-18		Increase / (Decrease)	
	Amount	%	Amount	%	Amount	%
PNCC fee	₱168	13	₱158	14	10	6
Concession fee	288	23	254	23	34	13
Provision for heavy maintenance	98	7	56	5	42	75
Repairs and maintenance	95	7	74	7	21	28
Insurance	21	2	21	2	0	0
Toll collection and medical services	6	0	6	0	0	0
Outside services	84	7	58	5	26	45
Amortization of service concession assets	215	17	200	18	15	8
Salaries and employee benefits	180	14	9	1	171	(1,900)
Depreciation	20	2	3	0	17	567
Operator's fee	-	-	229	21	(229)	(100)
Others	101	8	51	4	50	98
Total cost of services	₱1,276	100	₱1,119	100	157	14

PNCC fee increased by 6% to ₱168 million from ₱158 million last year due to higher NLEX toll revenues during the period. Concession fee of ₱288 million is attributed to the fees paid to BCDA based on SCTEX toll revenues. During the period, Concession fees increased by 13% against the first quarter of 2018.

Due to the merger between NLEX Corp. and TMC in December 2018, the Company started recording the cost of toll operations under their respective accounts compared to last year where costs have been lodged under Operator's Fee. This resulted in the increase in Salaries and benefits and outside services for the first quarter of 2019. For the first quarter, outside services amounted to ₱84 million, 45% or ₱26 million higher compared to the ₱58 million incurred last year due to the novated contracts as result of the merger.

The increase in repairs and maintenance was mainly due to the implementation of the improvements in SCTEX.

Amortization of service concession assets for the quarter reached ₱215 million, increased by 8% or ₱15 million from ₱200 million last year.

General and Administrative Expenses

In Php millions	31-Mar-19		31-Mar-18		Increase / (Decrease)	
	Amount	%	Amount	%	Amount	%
Taxes and Licenses	₱89	27	₱73	27	16	22
Salaries & Employee benefits	115	21	56	21	59	105
Advertising and marketing expenses	33	15	39	15	(6)	(15)
Management fees	42	14	38	14	4	11
Representation and travel	3	2	5	2	(2)	(40)
Provisions	2	7	19	7	(17)	(89)
Professional fees	14	3	9	3	5	56
Depreciation	13	4	11	4	2	18
Outside services	10	2	4	2	6	150
Others	24	5	12	5	12	100
Total	₱345	100	₱266	100	79	30

As of March 31, 2019, general and administrative expenses amounted to ₱345 million, ₱79 million or 30% higher than the ₱266 million incurred during the same period last year due to higher advertising and marketing expenses and management fees. This account comprises mainly of manpower costs, advertising expenses, management fees, utilities, professional fees, supplies, taxes and licenses, outside services and depreciation expense of office furniture & transportation equipment.

Interest and Financing Costs

Net financing costs for the quarter ended March 31, 2019 amounted to ₱74 million lower by 40% or ₱50 million versus last year due to the lower principal balance of loans.

Net borrowing costs capitalized amounted to ₱166.3 million for the three months ended March 31, 2019

In PhP, Millions	31-Mar-19		31-Mar-18		Increase / (Decrease)	
	Amount	%	Amount	%	Amount	%
Interest and financing costs:						
Interest expense, net of interest income	₱88	97	₱133	95	(45)	(34)
Amortization of debt issue costs	2	2	6	4	(4)	(67)
Lenders' fees and bank charges	1	1	1	1	0	0
Total interest & financing costs	₱91	100	₱140	100	(49)	(35)

Interest Income:						
Cash and cash equivalents	₱7	41	₱5	31	2	40
Investment in bonds & treasury notes	10	59	11	69	(10)	(9)
Total interest income	₱17	100	₱16	100	10	6

Net Financing costs	₱74		₱124		(50)	(40)
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Net Income

Net income for the quarter ended March 31, 2019 reached ₱1,412.6 million, 9.6% or ₱123.4 million higher compared to ₱1,289.2 million posted in March 31, 2018. Income growth was driven by higher toll revenues from NLEX and SCTEX during the period which grew by 7% on the back of sustained traffic growth across NLEX and SCTEX.

Balance Sheet

In PhP, Millions	31-Mar-19	31-Dec-18	Increase (Decrease)	
	Unaudited	(Audited)	Amount	%
Balance Sheet Data:				
Cash and cash equivalents	₱905	₱2,449	(1,544)	(171)
Total assets	49,633	49,401	232	0
Total liabilities	30,159	30,840	(681)	(2)
Total equity	19,474	18,561	913	5

March 31, 2019 Compared to December 31, 2018

Assets

Cash and cash equivalents as of March 31, 2019 stood at ₱905 million, down by ₱1,544 million or 63% from ₱2,449 million in December 31, 2018. The decline was attributed mainly to payment to contractors and suppliers, income tax, property and equipment and dividends.

In addition, available-for-sale financial assets amounted to ₱849 million as of March 31, 2019, lower by ₱192 million compared to the ₱1,041 million balance as of December 31, 2018.

Accounts receivable comprising of advances to DPWH for the right-of-way acquisition, advertising accounts and utility facility fees reached Php694 million, decreased by ₱30 million compared to the ₱730 million balance in December 2018 due to collections of receivables mainly from Easytrip and advertising accounts.

Total assets as of March 31, 2019 stood at ₱49.6 billion, higher than December 31, 2018 figures by 1% mainly due to increases in service concession assets related to the completion of Segment 10.

Liabilities and Stockholder's Equity

Current liabilities for the quarter ending March 31, 2019 decreased by ₱726 million or 13% to ₱4.5 billion compared to ₱5.7 billion in December 2018 due to payment of trade payables and other short-term obligations during the period.

Long-term debt – net of current portion amounted to ₱21.6 billion, slightly lower from the December 2018 balance of ₱21.7 billion due to principal amortization in March 2019.

Total liabilities as of the end March 31, 2019 is at ₱30.2 billion, down by 2% or Php681 million from ₱30.8 billion in December 2018.

Stockholders' equity reached ₱19.5 billion, up by 5% or ₱912 million from the ₱18.6 billion as of end December 2018.

Key Financial Indicators

The following table shows the Company's relevant financial ratios:

		31-Mar-19	31-Dec-18
Current ratio	Current Assets	0.55	0.70
	Current liabilities		
Debt-to-equity (DE) ratio	Interest bearing liabilities	1.15	1.19
	Stockholders' equity		
Net profit margin	Net Income	40.4%	43.4%
	Revenues		
Return on assets	Net income*	12.8%	12.9%
	Average total assets		
Return on stockholders' equity	Net income*	37.1%	39.4%
	Average stockholders' equity		

**annualized*

Current ratio stood at 0.55 times as of quarter end, from 0.70 times as of end-2018 due to the 180-day short-term loan obtained in March 2019 amounting to ₱500.0 million. The decline in current ratio is temporary given that the Company has available resources to cover short-term obligations.

In addition, the Company has available-for-sale investments classified as non-current assets amounting to ₱787 million, which can be liquidated to fund near-term liabilities.

The Debt-to-Equity Ratio for the first quarter slightly improved to 1.15 from 1.19 as of December 2018 due to increase in equity balance from the net income, and the repayment of principal during the first quarter of 2019.

As of March 31, 2019, the net profit margin slightly declined by 3.0% from 43.4% in December 2018 to 40.4%.

Return on Assets increased slightly decreased to 12.8% due to higher net income for the period, while Return on Stockholder's equity decreased to 37.1%.

Cash Flows

The table below summarizes the Company's comparative cash flows as of March 31, 2019 and 2018.

Cash Flows	31-Mar-19	31-Mar-18
	<i>(in Php Millions)</i>	
Cash and cash equivalents, beginning balance	₱2,449	₱2,715
Net cash provided by operating activities	2,311	1,189
Net cash used in investing activities	(1,635)	(855)
Net cash provided by financing activities	(2,220)	(2,013)
Effect of exchange rate changes	0	0
Net increase (decrease) in cash	(1,544)	(1,679)
Cash and cash equivalents, ending balance	₱905	₱1,036

Cash Flows from Operating Activities

Net cash provided by operating activities during the quarter reached ₱2.3 billion, from ₱1.2 billion during the 1st quarter of last year due to higher toll revenue and lower payment of trade payables.

Cash Flows from Investing Activities

For the first quarter of 2019, net cash outflows used in investing activities amounted to ₱1.6 billion. Cash outflows during the period were mainly related to the settlement of payables for the construction costs of Segment 10, toll plaza expansion, enhancement of interchanges, pavement rehabilitation and modernization of toll road facilities and equipment.

Cash Flows from Financing Activities

Net cash flows used in financing activities amounted to ₱2.2 billion. Outflows during the period include the interest expense of ₱91 million, principal repayment of ₱10 million and settlement of dividends payable amounting to ₱2.6 billion during the early part of the year.

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 concession agreements include 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.

The Company has partially sourced financing for the construction of Segment 10: R10 Section through its recent bond issuance in 2018. The ₱6.0 billion fixed rate bonds will be used to partially finance the construction of the R-10 Section of Segment 10. This Project is expected to cost around ₱6.5 billion. Construction is expected to be completed within the 1st half of 2020.

As of the date of this report, the Company has also finalized the construction contract for the NLEX Segment 7 ("SFEX") Capacity Expansion Project. The Project is estimated to cost around Php1.6 billion and will be sourced through internally generated cash and term loans. The Project is estimated to be completed by the 4Q of 2020.

(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. Tariff Increase – the uncertainty in the approval of the tariff increase from regulatory authorities in the expressway can hamper the growth in net revenues of the Company moving forward.

b. Higher Fuel Prices – vehicle operating costs normally go 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 registrant's 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 May 15, 2019.

By:



MARA THERESA O. WELLS
CHIEF FINANCE OFFICER