

COVER SHEET

for
SEC FORM 17-Q

SEC Registration Number

A	1	9	9	7	0	1	4	5	1
---	---	---	---	---	---	---	---	---	---

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
---	---	---	---

Department requiring the report

--	--	--	--

Secondary License Type, If Applicable

--	--	--	--

COMPANY INFORMATION

Company's Email Address

corpcomm@nlex.com.ph

Company's Telephone Number

8-580-8900

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

8-580-8900

Mobile Number

-

CONTACT PERSON'S ADDRESS

NLEX Compound, Balintawak, Caloocan City, Metro Manila

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

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

SECURITIES AND EXCHANGE COMMISSION

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

1. For the quarterly period ended: September 30, 2020
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
+632-8-580-8900

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 []

Table of Contents

SEC FORM 17-Q	ii
PART I--FINANCIAL INFORMATION	1
Item 1. Financial Statements	1
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	36
PART II-- OTHER INFORMATION	44

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements

NLEX CORPORATION

(A Subsidiary of Metro Pacific Tollways North Corporation)

AND A SUBSIDIARY

Interim Condensed Consolidated Financial Statements (unaudited)

September 30, 2020 and 2019

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited September 30, 2020	Audited December 31, 2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱549,271,403	₱4,400,431,580
Investments in unit investment trust funds (UITF) (Note 5)	2,129,808	18,066,958
Receivables and contract assets (Notes 6 and 15)	501,787,596	641,331,761
Inventories - at cost	100,638,578	94,325,974
Investments in bonds and treasury notes (Note 17)	-	68,805,873
Other current assets (Note 11)	509,174,135	362,493,443
Total Current Assets	1,663,001,520	5,585,455,589
Noncurrent Assets		
Service concession assets (Note 7)	49,833,561,777	44,517,589,233
Property and equipment (Note 8)	350,792,680	462,679,480
Investment properties (Note 9)	557,140,006	341,579,067
Other intangible assets (Note 10)	56,492,091	49,819,109
Investments in bonds and treasury notes (Note 17)	46,145,000	95,241,141
Goodwill (Note 28)	6,213,799,383	6,213,799,383
Advances to contractors and other noncurrent assets	579,345,066	636,481,253
Total Noncurrent Assets	57,637,276,003	52,317,188,666
	₱59,300,277,523	₱57,902,644,255
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 12)	₱4,298,767,254	₱3,935,403,666
Long-term incentive plan payable (Note 12)	162,192,738	-
Short-term loans payable (Note 15)	2,562,000,000	25,000,000
Income tax payable	332,154,487	490,603,990
Dividends payable	-	3,100,000,000
Provisions (Note 13)	158,084,430	123,095,653
Current portion of long-term debt (Note 15)	5,898,441,352	351,861,110
Total Current Liabilities	13,411,640,261	8,025,964,419
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 15)	20,719,404,911	26,353,356,366
Long-term incentive plan payable	-	155,492,087
Service concession fees payable (Note 16)	3,024,021,121	2,894,320,777
Provisions (Note 13)	450,897,132	282,857,102
Pension liability	103,456,033	95,587,284
Deferred tax liabilities - net	554,826,500	551,935,537
Other noncurrent liabilities	15,620,667	15,421,635
Total Noncurrent Liabilities	24,868,226,364	30,348,970,788
Total Liabilities	38,279,866,625	38,374,935,207
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 (Note 18)	9,233,894,247	7,743,162,158
Other comprehensive loss reserve (Note 18)	(70,997,778)	(72,967,539)
Other reserve	13,034,282	13,034,282
Total Equity	21,020,410,898	19,527,709,048
	₱59,300,277,523	₱57,902,644,255

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Nine Months ended September 30		Three Months ended September 30	
	2020	2019	2020	2019
OPERATING REVENUES				
Toll fees – net of discount	₱7,678,111,747	₱11,000,496,789	₱2,751,514,613	₱3,712,423,335
Sales of magnetic cards	3,348	3,571	–	1,339
Toll revenues	7,678,115,095	11,000,500,360	2,751,514,613	3,712,424,674
Non-toll revenues (Note 19)	145,812,488	228,681,188	49,650,963	82,062,889
Total revenues	7,823,927,583	11,229,181,548	2,801,165,576	3,794,487,563
Cost of services (Note 20)	(3,153,965,598)	(3,992,252,026)	(1,117,643,114)	(1,346,679,054)
Gross Profit	4,669,961,985	7,236,929,522	1,683,522,462	2,447,808,509
Construction revenue (Note 7)	5,138,652,687	5,776,753,054	2,339,678,955	924,488,594
Construction costs (Note 7)	(5,138,652,687)	(5,776,753,054)	(2,339,678,955)	(924,488,594)
General and administrative expenses (Note 21)	(582,162,152)	(858,622,243)	(160,621,755)	(225,468,671)
Interest expense and other finance cost (Note 23)	(741,018,743)	(531,796,535)	(298,128,095)	(219,912,575)
Interest income (Note 22)	26,779,252	57,475,414	13,820,026	18,068,977
Foreign exchange loss – Net	(3,654,756)	(854,801)	(3,629,863)	721,625
Other income	65,565,265	1,071,505	6,077,085	(10,814,091)
Income before income tax	3,435,470,851	5,904,202,862	1,241,039,860	2,010,403,776
Provision for (benefit from) income tax				
Current	873,848,246	1,315,218,131	328,873,256	451,449,478
Deferred	2,890,516	9,060,063	(3,292,801)	12,204,538
	876,738,762	1,324,278,194	325,580,455	463,653,476
Net income	₱2,558,732,089	₱4,579,924,668	₱915,459,405	₱1,546,750,300

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Nine Months Ended September 30	
	2020	2019
NET INCOME	₱2,558,732,089	₱4,579,924,668
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>		
Gain on financial assets at fair value through other comprehensive income (Note 17)	2,066,790	96,825,228
Income tax effect	(97,029)	(286,097)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	1,969,761	96,539,131
TOTAL COMPREHENSIVE INCOME	₱2,560,701,850	₱4,676,463,799

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, 2020	₱1,878,600,000	₱9,965,880,147	₱7,743,162,158	(₱72,967,539)	₱13,034,282	₱19,527,709,048
Cash dividends (Note 18)			(1,068,000,000)			(1,068,000,000)
Net Income	–	–	2,558,732,089	–	–	2,558,732,089
Other comprehensive loss (Note 18)	–	–	–	1,969,761	–	1,969,761
Total comprehensive income for the year	–	–	2,558,732,089	1,969,761	–	2,560,701,850
At September 30, 2020	₱1,878,600,000	₱9,965,880,147	₱9,233,894,247	(₱70,997,778)	₱13,034,282	₱21,020,410,898
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 (Note 18)	–	–	(5,700,000,000)	–	–	(5,700,000,000)
Net income	–	–	6,633,687,746	–	–	6,633,687,746
Other comprehensive loss (Note 18)	–	–	–	32,707,371	–	32,707,371
Total comprehensive income for the year	–	–	6,633,687,746	32,707,371	–	6,666,395,117
At December 31, 2019	₱1,878,600,000	₱9,965,880,147	₱7,743,162,158	(₱72,967,539)	₱13,034,282	₱19,527,709,048

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)

	Nine Months Ended September 30	
	2020	2019
OPERATING ACTIVITIES		
Income before income tax	₱3,435,470,851	₱5,904,202,862
Adjustments to reconcile income before income tax to net cash flows:		
Interest expense and other finance costs (Note 23)	741,018,743	531,796,535
Amortization of service concession assets (Note 7)	504,162,491	770,032,657
Interest income (Note 22)	(26,779,252)	(57,475,414)
Long-term incentive plan expense	–	51,795,614
Depreciation of property and equipment	100,223,487	95,654,658
Provision for doubtful accounts	–	5,373,079
Amortization of other intangible assets (Note 10)	479,732	2,669,940
Allowance for decline in value of assets	–	2,423,895
Allowance for decline in value of inventories	–	223,201
Movements in:		
Provisions	193,326,031	85,088,352
Pension costs	7,868,749	7,438,919
Amortization of discount on bonds (Note 17)	(1,625,409)	(1,899,105)
Loss on disposal of investments in bonds and treasury notes	–	15,959,242
Unrealized gain on investments (UITF)	(267,412)	(272,968)
Loss on disposals of property and equipment	11,858,101	–
Unrealized foreign exchange gain – net	(786,888)	(478,727)
Working capital changes:		
Decrease (increase) in:		
Receivables	125,820,165	41,895,025
Inventories	(6,312,604)	3,165,851
Other current assets	(146,680,692)	114,884,566
Increase in:		
Accounts payable and other current liabilities	98,104,124	1,400,293,267
Due to related parties	–	25,290
Long-term incentive plan payable	6,700,651	–
Income tax paid	(1,032,297,749)	(1,231,126,594)
Net cash flows provided by operating activities	4,010,283,119	7,741,670,145
INVESTING ACTIVITIES		
Interest received	30,244,252	69,798,141
Increase (decrease) in other noncurrent assets	57,039,605	(150,276,459)
Additions to:		
Acquisition of investment in UITF (Note 5)	–	(80,812,952)
Service concession asset (Note 7)	(5,425,571,587)	(6,239,141,096)
Property and equipment (Note 8)	(31,111,558)	(207,520,440)
Investment properties (Note 9)	(217,658,114)	(9,512,090)
Other intangible assets (Note 10)	(5,881,285)	(21,060,595)
Proceeds from:		
Sale of investment in bonds and treasury notes	–	699,465,473
Sale of investments in UITFs	16,204,562	131,323,497
Maturity of investments in bonds and treasury notes	121,594,213	261,230,000
Sale of property and equipment (Note 8)	57,300,074	–
Net cash flows used in investing activities	(5,397,839,839)	(5,546,506,521)

Nine Months Ended September 30

	2020	2019
FINANCING ACTIVITIES		
Payments of:		
Dividends	(₱4,168,000,000)	(₱4,700,000,000)
Interest	(720,891,415)	(431,616,150)
Long-term debt	(110,000,000)	(610,000,000)
Short-term debt	(2,543,000,000)	–
Debt issue cost	(2,498,930)	(2,192,064)
Proceeds from short-term notes (Note 15)	5,080,000,000	500,000,000
Proceeds from long-term debt	–	1,000,000,000
Net cash flows used in financing activities	(2,464,390,345)	(4,243,808,214)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	786,888	478,727
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,851,947,065)	(2,048,644,590)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,400,431,580	2,448,986,198
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	₱549,271,403	₱400,820,335

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 42.0% owned by Metro Pacific Holdings, Inc. (MPHI) as at September 30, 2020. 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 September 30, 2020. 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.

On June 15, 2020, the Company opened the C3-R10 Section of Segment 10 – which connects Segment 10 in C-3 Road to Radial Road 10 (R10).

The remaining portion of Phase II is under pre-construction works while Phase III of the MNEP has not yet been started as at September 30, 2020.

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 September 30, 2020, the construction of the NLEX-SLEX Connector Road Section 1 has started while the bidding process for Section 2 is on-going.

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 investments in unit investment trust funds, bonds and treasury notes 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, 2019.

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, 2019, except for the adoption of new standards and interpretations effective as at January 1, 2020. 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 2020, 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 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments are not expected to have an impact to the Company.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

The Company is currently assessing the impact of adopting these amendments.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.
 - A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.
 - The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash and cash equivalents	₱383,867,265	₱139,114,079
Short-term deposits	165,404,138	4,261,317,501
	₱549,271,403	₱4,400,431,580

For purposes of the interim statements of cash flows for the nine months ended September 30, 2020 and 2019, cash and cash equivalents as at September 30 comprise of the following:

	2020 (Unaudited)	2019
Cash on hand and in banks	₱383,867,265	₱147,317,613
Short-term deposits	165,404,138	253,502,722
	₱549,271,403	₱400,820,335

5. Investments in Unit Investment Trust Funds

Details of this account are shown below:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Fair Value	₱2,129,808	₱18,066,958
Principal Amount	1,921,954	17,221,414

6. Receivables and contract assets

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade receivables	₱132,570,020	₱364,892,246
Advances to Department of Public Works and Highways (DPWH)	155,808,636	160,741,016
Accrued lease receivable	32,198,431	25,385,647
Due from related parties (see Note 14)	29,068,624	51,848,786
Advances to officers and employees	17,377,090	18,719,248
Contract assets	11,906,839	9,761,486
Interest receivables	8,747,083	10,406,480
Other receivables	150,851,095	39,949,709
	538,527,819	681,704,618
Less allowance for doubtful accounts	36,740,223	40,372,857
	₱501,787,596	₱641,331,761

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 non-interest-bearing and are collectible within a year. These include those receivables from motorists who caused accidental damage to NLEX properties from day-to-day operations.

Movements in the allowance for doubtful accounts as at September 30, 2020 and December 31, 2019 are as follows:

	2020		Total
	Trade Receivables	Other Receivables	
Balance at beginning of year	₱7,901,934	₱32,470,923	₱40,372,857
Provision for doubtful accounts (see Note 21)	1,830,114	590,052	2,420,166
Write-off	–	(6,052,800)	(6,052,800)
Balance at end of the period	₱9,732,048	₱27,008,175	₱36,740,223

	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 21)	1,368,929	6,240,474	7,609,403
Balance at end of year	₱7,901,934	₱32,470,923	₱40,372,857

7. Service Concession Assets

The movements in this account follow:

	MNEP	SCTEX	NLEX-SLEX Connector Road	Total
Cost:				
At January 1, 2019	₱38,262,267,913	₱4,538,737,554	₱2,984,551,462	₱45,785,556,929
Additions	7,846,269,357	168,986,136	392,248,175	8,407,503,668
At December 31, 2019	46,108,537,270	4,707,723,690	3,376,799,637	54,193,060,597
Additions	3,741,870,522	59,728,041	2,018,536,472	5,820,135,035
At September 30, 2020	₱49,850,407,792	₱4,767,451,731	₱5,395,336,109	₱60,013,195,632
Accumulated amortization:				
At January 1, 2019	₱8,409,199,593	₱292,469,560	₱—	₱8,701,669,153
Amortization	876,394,339	97,407,872	—	973,802,211
At December 31, 2019	9,285,593,932	389,877,432	—	₱9,675,471,364
Amortization (see Note 20)	478,368,011	25,794,480	—	504,162,491
Balance at end of the period	₱9,763,961,943	₱415,671,912	₱—	₱10,179,633,855
Net book value:				
At September 30, 2020	₱40,086,445,849	₱4,351,779,819	₱5,395,336,109	₱49,833,561,777
At December 31, 2019	36,822,943,338	4,317,846,258	3,376,799,637	44,517,589,233

MNEP

Additions for the nine months ended September 30, 2020 pertain to the completion of Segment 10 – R-10 Exit Ramp (portion of Phase II); expansion of Subic Freeport Expressway and toll plaza expansions. Borrowing costs capitalized amounted to ₱432.6 million and ₱492.3 million for the nine months ended September 30, 2020 and September 30, 2019, respectively. The interest rate used to determine the amount of borrowing costs eligible for capitalization was 4.7% to 6.9% in 2020.

SCTEX

Additions in SCTEX include the construction works of Clark South toll facilities and fixed operating equipment.

NLEX-SLEX Connector Road

Additions in NLEX-SLEX Connector Road pertains to mobilization costs and the accretion in the present value of periodic payments to DPWH in consideration for the acquisition of the right of way, professional fees and general and administrative expenses. To date, capitalized borrowing costs and accretion of interest is ₱317.6 million and ₱115.0 million, respectively.

The Notice to Proceed (NTP) was issued to DMCI (the Contractor) dated January 24, 2020.

8. Property and Equipment

The movements in this account are as follows:

	Land	Building, Building Improvements and Leasehold Improvements	Transportation Equipment	Office Equipment and Others	Total
Cost:					
At January 1, 2019	₱–	₱140,707,680	₱165,609,858	₱370,302,741	₱676,620,279
Additions	72,197,370	49,148,561	33,786,680	114,422,717	269,555,328
Disposals	–	–	(3,904,407)	(218,805)	(4,123,212)
At December 31, 2019	₱72,197,370	₱189,856,241	₱195,492,131	₱484,506,653	₱942,052,395
Additions	–	14,755,988	8,218,107	36,369,293	59,343,388
Disposals	–	–	(42,613,118)	(2,552,714)	(45,165,832)
Reclassification	(65,023,560)	–	–	–	(65,023,560)
At September 30, 2020	₱7,173,810	₱204,612,229	₱161,097,120	₱518,323,232	₱891,206,391
Accumulated depreciation:					
At January 1, 2019	₱–	₱51,777,858	₱76,224,811	₱214,468,841	₱342,471,510
Depreciation	–	11,526,731	39,538,890	88,774,800	139,840,421
Disposals	–	–	(2,720,212)	(218,804)	(2,939,016)
At January 1, 2020	₱–	₱63,304,589	₱113,043,489	₱303,024,837	₱479,372,915
Depreciation (see Notes 20 and 21)	–	8,006,484	21,669,492	64,672,551	94,348,527
Disposal	–	–	(30,881,781)	(2,425,950)	(33,307,731)
At September 30, 2020	₱–	₱71,311,073	₱103,831,200	₱365,271,438	₱540,413,711
Net book value:					
At September 30, 2020	₱7,173,810	₱133,301,156	₱57,265,920	₱153,051,794	₱350,792,680
At December 31, 2019	72,197,370	126,551,652	82,452,363	181,478,095	462,679,480

9. Investment Properties

The movements in this account follow:

	Construction in Progress	Land	Toll Service Facilities and Improvements	Total
Cost:				
At January 1, 2020	₱1,016,971	₱129,336,520	₱219,313,305	₱349,666,796
Additions	1,463,776	220,003,375	–	221,467,151
At September 30, 2020	₱2,480,747	₱349,339,895	₱219,313,305	₱571,133,947
Accumulated depreciation:				
At January 1, 2020	₱–	₱–	₱8,087,729	₱8,087,729
Additions (see Notes 20 and 21)	–	–	5,906,212	5,906,212
At September 30, 2020	₱–	₱–	₱13,993,941	₱13,993,941
Net Book Value				
At September 30, 2020	₱2,480,747	₱349,339,895	₱205,319,364	₱557,140,006
At December 31, 2019	1,016,972	117,401,719	223,160,376	341,579,067

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:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cost:		
Balance at beginning of year	P158,147,982	P127,372,201
Additions	7,152,714	30,775,781
Balance at end of the period	165,300,696	158,147,982
Accumulated amortization:		
Balance at beginning of year	108,328,873	105,503,357
Amortization (see Notes 20 and 21)	479,732	2,825,516
Balance at end of the period	108,808,605	108,328,873
Net book value	P56,492,091	P49,819,109

11. Other Current Assets

Details of other current assets are as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Input VAT	P199,123,109	P31,289,550
Deferred input VAT	139,465,597	74,132,160
Advances to contractors and consultants	96,710,461	180,336,657
Prepayments	68,338,975	76,748,336
Creditable withholding tax	35,674,628	28,786,778
Refundable deposits	-	3,276,064
	539,312,770	394,569,545
Less: Allowance for non-recoverability of creditable tax	(15,380,461)	(15,380,461)
Allowance for unclaimable input VAT	(14,758,174)	(16,695,641)
	P509,174,135	P362,493,443

12. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Accrued expenses	P2,901,103,911	P2,882,986,353
Trade payables	466,840,505	333,974,810
Retention payable	438,854,916	350,706,621
Interest payable	182,309,133	187,911,837
Long-term incentive plan payable	162,192,738	-
Output VAT	127,626,466	9,027,856
Withholding taxes payable	84,201,939	119,720,576
Deferred output VAT	35,124,819	28,025,802
Unearned revenue	12,843,455	-

(Forward)

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Unearned rental income	P–	P8,909
Others	49,862,110	23,040,902
	P4,460,959,992	P3,935,403,666

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

Accrued expenses consist of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Construction costs	P1,704,859,290	P1,269,146,557
PNCC fee	381,536,880	742,517,583
TRB fee	194,132,203	182,215,691
Outside services	125,502,751	84,330,750
Repairs and maintenance	114,644,103	68,063,567
Operating and maintenance costs	96,906,630	72,687,889
Concession fees	79,201,126	150,111,760
Professional fees	51,143,844	59,366,007
Taxes and licenses	27,536,246	49,322,248
Salaries and employee benefits	38,084,773	–
Advertising and marketing expenses	31,050,285	48,653,372
Project insurance	8,198,266	9,814,854
Management fees	5,159,032	74,789,831
Toll collection and medical services	1,599,650	1,592,845
Others	41,548,832	70,373,399
	P2,901,103,911	P2,882,986,353

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 warranty period stipulated in the construction contract.

Interest payable is settled within three to six months.

13. Provisions

The movements in this account follow:

	Heavy Maintenance	Others	Total
At January 1, 2019	P193,975,390	P254,366,342	P448,341,732
Additions	307,482,581	22,689,715	330,172,296
Accretion	11,572,488	–	11,572,488
Payments	(274,030,649)	(91,161,316)	(365,191,965)
Reversal	–	(18,941,796)	(18,941,796)
At December 31, 2019	238,999,810	166,952,945	405,952,755
Additions (see Notes 20 and 21)	198,666,694	58,313,407	256,980,101
Accretion (see Note 23)	9,702,776	–	9,702,776
Payments	(40,329,440)	(23,324,630)	(63,654,070)
September 30, 2020	P407,039,840	P201,941,722	P608,981,562

	Heavy Maintenance	Others	Total
At September 30, 2020:			
Current	₱–	₱158,084,430	₱158,084,430
Noncurrent	407,039,840	43,857,292	450,897,132
	₱407,039,840	₱201,941,722	₱608,981,562
At December 31, 2019:			
Current	₱–	₱123,095,653	₱123,095,653
Noncurrent	238,999,810	43,857,292	282,857,102
	₱238,999,810	₱166,952,945	₱405,952,755

Provision for heavy maintenance pertains to the present value of the estimated contractual obligations of the Company to maintain the service concession asset to a specified level of serviceability during the service concession term and to restore the same assets in good working 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 assets.

Other provisions include employee leave entitlements and 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.

14. Related Party Disclosures

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Due from Related Parties		
Metro Pacific Tollways Management Services, Inc	₱12,306,426	₱11,449,666
Metro Pacific Tollways South Management Corporation	4,552,075	35,859,061
Southbend Express Services Inc	8,750,508	–
Metro Pacific Tollways Corporation	2,657,025	3,158,736
Cavitex Infrastructure Corp.	269,142	597,198
Easytrip Services Corporation	185,015	185,015
Metro Pacific Tollways North Corporation	42,352	78,519
MPCALA Holdings	–	216,627
Others	306,081	303,964
	₱29,068,624	₱51,848,786

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

Related Party	Relationship		Management Fees (see Note 21)	Professional Fee (see Note 21)	Outside Services (see Notes 20 and 21)	Repairs and Maintenance (see Note 21)	Communication, Light and Water (see Notes 20 and 21)	Advertising and Marketing Expenses (see Note 21)	Fuel & Oil, Transportation, Rental, Others (see Notes 20 and 21)	Income from Advertising (see Note 19)	Income from Utility Facilities (see Note 19)
MPTC	Intermediate Parent Company	2020	₱7,551,672	₱60,000	₱60,000	₱2,715,888	₱81,278	₱10,444,939	₱1,420	₱-	₱-
		2019	33,765,771	-	101,250	41,158	17,285	50,353,333	-	-	-
MPTNC	Parent Company	2020	30,124,591	-	-	-	-	-	-	-	-
		2019	60,643,389	-	-	-	-	14,386,665	-	-	-
MPIC		2020	-	-	-	-	-	-	-	-	-
		2019	-	-	-	-	-	18,500	-	-	-
MPTMSI	Subsidiary of MPTC	2020	39,229,964	-	-	3,168,860	74,822	-	-	-	-
		2019	48,056,333	-	-	-	326,325	-	-	-	-
TMC	Associate of MPT North	2020	-	-	-	-	-	-	-	-	-
		2019	-	-	-	-	-	-	-	-	-
Easytrip Services Corp. (ESC)	Joint Venture of MPT North	2020	-	-	60,965,386	-	-	8,719,656	-	-	-
		2019	-	-	69,340,582	-	-	443,816	893	-	-
Smart Communications Inc. (Smart)	Associate of FPC	2020	-	-	-	-	3,592,611	-	-	-	-
		2019	-	-	-	-	2,416,960	-	-	-	408,259
Egis Projects Philippines Inc.	Associate of FPC	2020	-	9,568,024	-	1,658,561	-	-	-	-	-
		2019	-	15,423,920	-	-	-	-	-	-	-
Indra Philippines Inc.	Associate of FPC	2020	-	-	-	31,800,955	-	-	-	-	-
		2019	-	-	-	16,323,312	-	-	-	-	-
PLDT	Associate of FPC	2020	-	-	-	-	5,078,356	-	-	-	12,072
		2019	-	-	-	-	5,390,774	41,520	10,272	2,050,000	2,183,616

(Forward)

Related Party	Relationship		Management Fees (see Note 21)	Professional Fee (see Note 21)	Outside Services (see Notes 20 and 21)	Repairs and Maintenance (see Note 21)	Communication, Light and Water (see Notes 20 and 21)	Advertising and Marketing Expenses (see Note 21)	Fuel & Oil, Transportation, Rental, Others (see Notes 20 and 21)	Income from Advertising (see Note 19)	Income from Utility Facilities (see Note 19)
Cavitex Infrastructure Corp (CIC)	Subsidiary of MPTC	2020	₱-	₱-	₱-	₱-	₱-	₱-	₱205	₱-	₱-
		2019	-	-	-	-	-	57	-	1,450,000	-
Southbend Express Services	Subsidiary of MPTC	2020	-	-	105,737,348	-	21,780	-	6,606,028	-	-
		2019	-	-	44,395,626	374,950	76,780	-	2,658,952	-	-
Manila Electric Company (Meralco)	Associate of MPIC	2020	-	-	-	-	21,395,554	3,202	-	-	-
		2019	-	-	-	-	36,402,087	-	-	-	-
Maynilad	Associate of MPIC	2020	-	-	-	-	624,624	-	-	-	-
		2019	-	-	-	-	681,206	-	-	-	25,000
Total		2020	₱76,906,227	₱9,628,024	₱166,762,734	₱39,344,264	₱30,869,025	₱19,167,797	₱6,607,653	₱-	₱12,072
		2019	142,465,493	15,423,920	113,837,458	16,739,420	45,311,417	65,243,891	2,670,117	3,500,000	2,616,875

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

Short-term Notes Payable

NLEX Corp.

On March 23, 2020, NLEX Corporation availed short-term loans from Rizal Commercial Banking Corporation (RCBC) in two tranches amounting to ₱2.012 billion and ₱2.0 billion, respectively, with annual interest rate of 5.0%. The proceeds were used to bridge finance the Company's capital expenditures.

On August 17, 2020, and August 20, 2020 respectively, NLEX Corporation partially refinanced the initial ₱4.012 billion short term facility entered into last March 2020, with a ₱1.0 billion short-term facility with Philippine National Bank and a ₱1.512 billion short-term facility with RCBC.

NVC

On November 20, 2019, NVC availed a 90-day short-term loan from Metrobank amounting to ₱25.0 million with an annual interest rate of 4.6%. The proceeds were used by NVC for its working capital requirements. Before the maturity date, the loan was rolled for another 90 days at an annual interest rate of 4.75%.

On March 16, 2020, NVC availed another 91-day short-term loan from Metrobank amounting to ₱25.0 million with an annual interest rate of 4.35%. In addition, NVC obtained a 91-day short-term loan from RCBC amounting to ₱43.0 million with an annual interest rate of 4.60%. The proceeds will be used by NVC for its working capital requirements.

Long-term Debt

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Peso-denominated Notes and Loans:		
Series A Notes	₱910,000,000	₱920,000,000
Term Loan Facilities	12,850,000,000	12,950,000,000
Fixed-rate Bonds	13,000,000,000	13,000,000,000
	26,760,000,000	26,870,000,000
Less unamortized debt issue costs	142,153,737	164,782,524
	26,617,846,263	26,705,217,476
Less current portion of long-term debt	5,898,441,352	351,861,110
	₱20,719,404,911	₱26,353,356,366

The unamortized debt issue costs incurred in connection with the availment of long-term debt amounting to ₱142.2 million and ₱164.8 million as at September 30, 2020 and December 31, 2019, respectively, were deducted against the long-term debt. The movements in debt issue costs are as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of period	₱164,782,524	₱152,575,537
Amortization during the year*	(25,127,717)	(27,485,100)
Debt issue costs incurred during the year	2,498,930	39,692,087
Balance at end of period	₱142,153,737	₱164,782,524

*Includes amortization of debt issue costs capitalized to service concession assets amounting to ₱8,108,724 in 2020 and ₱9,154,056 in 2019.

16. Service Concession Fees Payable

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
At January 1	P2,894,320,777	P2,701,448,632
Accretion	129,700,344	192,872,145
Balance at end of period	P3,024,021,121	P2,894,320,777

17. Investment in Bonds and Treasury Notes

Details of the account are shown below:

Maturity Date	Interest Rate	September 30, 2020		December 31, 2019	
		Fair Value	Principal Amount	Fair Value	Principal Amount
ROP Retail Treasury Bonds					
August 15, 2023	3.25%	P-	P-	P49,096,141	P50,000,000
Fixed Rate Treasury Notes					
August 20, 2020	3.38%	-	-	19,645,373	20,000,000
Long-term Negotiable Certificates of Deposits (LTNCD)					
PNB – June 12, 2020	4.13%	-	-	49,160,500	50,000,000
Metrobank – November 21, 2021	4.25%	46,145,000	50,000,000	46,145,000	50,000,000
		46,145,000	50,000,000	95,305,500	100,000,000
		P46,145,000	P50,000,000	P164,047,014	P170,000,000

The movements in this account follow:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of year	P164,047,014	P1,041,121,457
Maturity of investment in bonds and treasury notes	(70,000,000)	(61,230,000)
Changes in fair value during the period	472,577	904,633
Amortization of discount on bonds	1,625,409	1,899,105
Sale of investment in bonds and treasury notes	(50,000,000)	(915,100,000)
Recycling to profit or loss	-	96,451,819
Balance at end of year	P46,145,000	P164,047,014
Current	P-	P68,805,873
Noncurrent	46,145,000	95,241,141
	P46,145,000	P164,047,014

18. Equity

Capital Stock

Details of shares of stock of the Company as at June 30, 2020 and December 31, 2019 follow:

	September 30, 2020	December 31, 2019
Authorized – ₱100 par value	40,000,000	40,000,000
Issued	18,786,000	18,786,000

Retained Earnings

Accumulated equity in net earnings of the subsidiary

A portion of the consolidated retained earnings corresponding to the net earnings of the subsidiary amounting to ₱8.1 million and ₱20.7 million as at September 30, 2020 and December 31, 2019, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon receipt of the Parent Company from the subsidiary.

Cash dividends

The following cash dividends were declared in 2020, 2019 and 2018:

Declaration Date	Record Date	Payment Date	Cash Dividend per Share	Total
July 29, 2020	August 8, 2020	September 4, 2020	₱56.85	₱1,068,000,000
December 18, 2019	December 28, 2019	January 27, 2020	165.02	3,100,000,000
July 30, 2019	August 14, 2019	September 13, 2019	111.79	2,100,000,000
February 15, 2019	February 26, 2019	March 28, 2019	26.60	500,000,000
December 18, 2018	December 28, 2018	January 25, 2019	111.78	2,100,000,000
July 19, 2018	July 30, 2018	August 16, 2018	112.62	2,000,000,000

Other Comprehensive Loss Reserve

	Financial Assets at FVOCI (see Note 17)	Income Tax Related to Financial Assets at FVOCI (see Note 17)	Re-measurement of Defined Benefit Plan	Income Tax Related to Defined Benefit Plan	Total
Balance at January 1, 2020	(₱5,921,790)	₱97,029	(87,558,500)	₱20,415,722	(₱72,967,539)
Changes in fair value	(787,327)	1,922,398	-	-	1,135,071
Recycling to profit or loss	836,751	(2,061)	-	-	834,690
Remeasurement loss	-	-	-	-	-
Balance at September 30, 2020 (Unaudited)	(₱5,872,366)	₱2,017,366	(₱87,558,500)	₱20,415,722	(₱70,997,778)

	Financial Assets at FVOCI (see Note 17)	Income Tax Related to Financial Assets at FVOCI (see Note 17)	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)
Changes in fair value	1,198,922	(248,713)	-	-	950,209
Recycling to profit or loss	96,451,819	-	-	-	96,451,819
Remeasurement loss	-	-	(84,061,184)	19,366,527	(64,694,657)
Balance at December 31, 2019 (Audited)	(₱5,921,790)	₱97,029	(₱87,558,499)	₱20,415,721	(₱72,967,539)

20. Non-Toll Revenue

Details of non-toll revenue follow:

	For Nine Months Ended September 30	
	2020	2019
	<i>(Unaudited)</i>	
Income from advertising	₱52,706,783	₱105,527,993
Rental income	31,346,269	33,077,242
Income from toll service and utility facilities	26,849,015	48,696,320
Service income	20,813,920	23,428,031
Income from utilities	12,019,976	13,726,763
Others	2,076,525	4,224,839
	₱145,812,488	₱228,681,188

21. Cost of Services

This account consists of:

	Nine Months Ended September 30	
	2020	2019
	<i>(Unaudited)</i>	
Concession fee	₱638,030,979	₱928,217,927
Amortization of service concession assets (see Note 7)	504,162,491	770,032,657
Salaries and employee benefits	479,325,514	428,128,541
PNCC fee	391,185,371	537,708,612
Outside services	322,599,316	260,374,280
Repairs and maintenance	218,239,722	283,427,833
Provision for heavy maintenance (see Note 13)	198,666,694	314,078,229
Insurance	81,347,245	68,636,525
Depreciation of property and equipment (see Notes 8 and 9)	63,111,948	65,439,043
Light and water	59,845,574	71,483,338
Provisions	39,474,778	–
Fuel and oil	31,702,203	54,052,189
Supplies	19,884,322	7,043,057
Advertising and promotions	15,490,551	31,288,617
Toll collection and medical services	13,869,186	16,583,789
Supervision fee	–	55,274,742
Others	77,029,704	100,482,647
	₱3,153,965,598	₱3,992,252,026

22. General and Administrative Expenses

This account consists of:

	Nine Months Ended September 30	
	2020	2019
	<i>(Unaudited)</i>	
Salaries and employee benefits	₱201,228,852	₱282,097,073
Taxes and licenses	109,767,992	88,927,183
Professional fees	71,613,375	36,173,312
Management fees (see Note 14)	38,453,114	142,465,493
Depreciation of property and equipment (see Notes 8 and 9)	37,111,539	35,636,267
Advertising and marketing expenses (see note 14)	30,972,526	106,318,121
Outside services (see Note 14)	24,454,502	26,673,453

	Nine Months Ended September 30	
	2020	2019
	<i>(Unaudited)</i>	
Representation and travel	18,384,788	22,850,173
Provisions (see Note 13)	18,838,629	73,731,766
Office supplies	8,147,941	7,071,807
Repairs and maintenance (see Note 14)	6,925,924	3,092,760
Training and development costs	2,827,102	10,351,580
Communication, light and water (see Note 14)	2,508,573	3,739,869
Provision for doubtful accounts	2,420,166	5,373,079
Decline in value of inventories	1,875,000	223,201
Rentals (see Note 14)	1,511,970	1,450,417
Directors' fees	1,440,000	654,000
Amortization of other intangible assets (see Note 10)	286,435	2,468,932
Decline in value of asset	–	2,423,895
Miscellaneous	3,393,724	6,899,862
	₱582,162,152	₱858,622,243

23. Interest Income

Sources of interest income follow:

	Nine Months Ended September 30	
	2020	2019
	<i>(Unaudited)</i>	
Cash and cash equivalents (see Note 4)	₱22,399,143	₱29,735,388
Investment in bonds and treasury notes (see Note 17)	4,333,974	27,024,831
Others	46,135	715,195
	₱26,779,252	₱57,475,414

24. Interest Expense and Other Finance Costs

Sources of interest expense and other finance costs follow:

	Nine Months Ended September 30	
	2020	2019
	<i>(Unaudited)</i>	
Interest expense on:		
Long-term debt (see Note 15)	₱710,803,616	₱504,107,224
Provision for heavy maintenance (see Note 13)	9,702,776	11,228,844
Deferred lease income	400,241	278,457
Finance costs:		
Amortization of debt issue costs (see Note 15)	15,627,015	11,304,725
Lenders' fees	4,194,787	3,590,432
Bank charges	290,308	1,286,853
	₱741,018,743	₱531,796,535

25. Significant Contracts and Commitments

PNCC Fee

In consideration of the assignment by PNCC of its usufructuary rights, interests and privileges under its franchise, PNCC is entitled to receive payment equivalent to 6% and 2% of the toll revenues from the NLEX and Segment 7, respectively. Any unpaid balance carried forward will accrue interest at the rate of the latest Philippine 91-day Treasury bill rate plus 1% per annum. This entitlement, as affirmed in the Amended

and Restated Shareholders' Agreement (ARSA) dated September 30, 2004, shall be subordinated to operating expenses and the requirements of the financing agreements and shall be paid out subject to availability of funds. In December 2006, NLEX Corp. entered into a letter agreement with PNCC to set out the detailed procedure for payment.

The PNCC franchise expired in May 2007. However, since the payment is a continuing obligation under the ARSA, NLEX Corp. continues to accrue and pay the PNCC entitlement.

On December 2, 2010, NLEX Corp. received a letter from the TRB dated November 30, 2010, citing a decision of the Supreme Court (SC) dated October 19, 2010 directing NLEX Corp. to remit forthwith to the National Treasury, through TRB, all payments representing PNCC's percentage share of the toll revenues and dividends, if any, arising out of PNCC's participation in the MNEP. In the said decision, the SC ruled, among others, that after the expiration of the franchise of PNCC, its share/participation in the JVs and STOs, inclusive of its percentage share in toll fees collected by joint venture companies currently operating the expressways, shall accrue to the Philippine Government.

On April 12, 2011, the SC issued a resolution directing NLEX Corp. to remit PNCC's share in the net income from toll revenues to the National Treasury and the TRB, with the assistance of the Commission on Audit, was directed to prepare and finalize the implementing rules and guidelines relative to the determination of the net income remittable by PNCC to the National Treasury.

In accordance with the TRB directive, 90% of the PNCC fee are to be remitted to the TRB, while the balance of 10% to PNCC. As of September 30, 2020, and 2019, the Company recorded PNCC fee amounting to ₱391.2 million and ₱537.7 million, respectively (see Note 20).

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.

On June 14, 2019, the ₱321 million balance of the escrow account was already released and used to pay the gain share of LCAL.

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 completed and opened for public use in the latter part of May 2017.

As part of Phase 2 of the NLEX Widening Project, the Company has also finalized the construction contract for the NLEX Segment 7 (“SFEX”) Capacity Expansion Project with Sta. Clara International Corporation on May 3, 2019. The SFEX Capacity Expansion Project is estimated to cost around ₱1.6 billion, inclusive of VAT, and is estimated to be completed by 4th quarter of 2020. Construction of the SFEX Capacity Expansion Project is still on-going as of September 30, 2020.

Construction of NLEX Connector Road

On November 5, 2019, NLEX Corp. awarded an ₱8.0 billion contract to DM Consunji Inc. (DMCI) for the construction of the first section of the Connector Road.

The contract covers the main civil works for the Caloocan-España section. The NLEX Connector Road will continue the NLEX southward from NLEX Harbor Link Segment 10 of the New Caloocan Interchange. The project will utilize portions of the existing right of way of the Philippine National Railways (PNR).

As of September 30, 2020, the construction of Section 1 of the NLEX Connector Road Project has started while bidding process for Section 2 of the NLEX Connector Project is still on-going.

Toll Collection Interoperability Agreement

On September 15, 2017, NLEX Corp., together with together with San Miguel Holdings Corporation, Private Infra Development Corporation, Citra Metro Manila Tollways Corporation, Skyway O&M Corporation, Citra Central Expressway Corporation, Vertex Tollways Development Incorporation, South Luzon Tollways Corporation, Manila Toll Expressway Systems Incorporated, Star Infrastructure Development Corporation, Star Tollway Corporation, MPTC, CIC, MHI, BCDA, Ayala Corporation, MCX Tollway, Inc., Department of Transportation, DPWH, and Land Transportation Office, has signed the MOA for Toll Collection Interoperability with TRB; whereby the concessionaires or facility operators agreed to timely, smoothly, and fairly implement the interoperability of the electronic toll collection systems and cash payment systems of the covered expressways and of future toll expressways, consistent with and subject to the concessionaires and operators’ respective concession agreements, toll operations agreements, and supplemental toll operations agreement, as applicable.

The agreement will be implemented in two phases and to be operationalized within twelve (12) months from signing of the MOA. The first phase covers electronic collection interoperability, while the second phase covers cash collection interoperability. As at September 30, 2020, the implementation is still on-going.

Lease Contract

The Company entered into various lease agreements covering its leased commercial spaces. The lease agreements have lease terms of three (3) to twenty (20) years and a rental fee that is based on a monthly rate, minimum guaranteed rent for the first one (1) to three (3) years depending on the agreement with the lessee, or a percentage of gross sales, whichever is higher.

Upon signing of the lease contract, the lessees shall pay an advance rent to be applied on the lease depending on the agreement in the contract and rental deposit which shall be returned to the lessee after the expiration or termination of the lease contract.

Rent receivable amounted to ₱65.0 million and ₱49.1 million as at September 30, 2020 and December 31, 2019, respectively (see Note 6).

Rental income earned from this investment property amounted to ₱31.3 million and ₱53.4 million for the period ended September 30, 2020 and December 31, 2019, respectively.

As at September 30, 2020 and December 31, 2019, the rental deposit recorded under “Other noncurrent liabilities” in the statements of financial position amounted to ₱7.7 million and ₱7.0 million, respectively. The accretion on the rental deposit of ₱0.4 million, ₱0.4 million for the years ended September 30, 2020,

and December 31, 2019, respectively, were recognized as interest expense in the consolidated statements of comprehensive income (see Note 23).

The difference between the principal amount and present value of the rental deposit at lease inception date of ₱0.5 million and ₱2.2 million in 2020 and 2019, respectively, is recognized as deferred lease income in the Company's consolidated statements of financial position as at September 30, 2020 and December 31, 2019. This deferred lease income is regarded as additional lease payments that the lessee is required to make and therefore was amortized using straight-line method over the lease. The amortization of deferred lease income, included as part of "Rental income" in the consolidated statements of comprehensive income amounted to ₱0.6 million and ₱0.6 million in 2020 and 2019, respectively (see Note 19). As at September 30, 2020 and December 31, 2019, the deferred lease income recorded under "Other noncurrent liabilities" in the consolidated statements of financial position amounted to ₱7.9 million and ₱8.4 million, respectively.

NLEX Drive and Dine Project

In September 2020, NVC entered into a contract agreement with ECBA Architectural and Engineering Services for the design and construction of the NLEX Drive and Dine Expansion Project.

As at September 30, 2020 and 2019, the remaining advances to contractor after the application of the advances to billing from contractors and additional advances made recorded under "Advances to contractors and other noncurrent assets" in the consolidated statements of financial position amounted to ₱2.7 million and ₱4.2 million, respectively, which is inclusive of VAT. These advances are related to payments made to Kayumanggi Technologies and Systems, Inc. for supply and installation of Temcrete Prefabricated Concrete Fence System at Segment 10 and CALAEX Project.

26. Financial Assets and Financial Liabilities

Fair values

A comparison of carrying and fair values of all of the Company's financial instruments other than those with carrying amounts that are reasonable approximate of fair values, by category as at September 30, 2020 and December 31, 2019 is as follows:

	September 30, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Asset				
Financial Assets at FVTPL:				
Unit investment trust fund	₱2,129,808	₱2,129,808	₱18,066,958	₱18,066,958
Financial assets at FVOCI:				
Investment in treasury bonds and notes	–	–	68,741,514	68,741,514
Investment in corporate bonds	–	–	–	–
Investment in LTNCD	46,145,000	46,145,000	93,305,500	93,305,500
	₱48,274,808	₱48,274,808	₱180,113,972	₱180,113,972

	September 30, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liability				
Other financial liability:				
Long-term debt	₱26,617,846,263	₱27,237,770,801	₱26,705,217,476	₱26,795,142,703
Service concession fee payable	3,024,021,121	3,029,350,441	2,894,320,777	3,101,116,267
Rental deposits	7,673,261	7,673,261	6,977,571	9,246,915
	₱29,649,540,645	₱30,274,794,503	₱29,606,515,824	₱29,905,505,885

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 September 30, 2020 and December 31, 2019. When the market prices are not readily available, the Company uses adjusted quoted market prices of comparable investments or applied discounted cash flow methodologies.

Long-term Debt

For fixed rate peso-denominated notes and loans, except the fixed-rate bonds where the fair value is based on its quoted market price as at September 30, 2020 and December 31, 2019, estimated fair value is based on the discounted value of future cash flows using the prevailing peso interest rates. In 2020 and 2019, the prevailing peso interest rates ranged from 6.3% to 6.5%.

Fair Value Hierarchy

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

	September 30, 2020	Level 1	Level 2	Level 3
Assets measured at fair value:				
Financial assets at FVTPL:				
UITF	P2,129,808	P-	P2,129,808	P-
Financial assets at FVOCI:				
Investment in treasury bonds and notes	-	-	-	-
Investment in corporate bonds	-	-	-	-
Investment in LTNCD	46,145,000	46,145,000	-	-
	P48,274,808	P46,145,000	P2,129,808	P-
Liabilities for which fair values are disclosed:				
Other financial liabilities:				
Long-term debt				
Fixed-rate bonds	P12,458,001,400	P12,458,001,400	P-	P-
Peso-denominated notes and loans	14,779,769,401	-	14,779,769,401	-
Service concession fee payable	3,029,350,441	-	-	3,029,350,441
Rental deposits	7,673,261	-	-	7,673,261
	P30,274,794,503	P12,458,001,400	P14,779,769,401	P3,037,023,702

	2019	Level 1	Level 2	Level 3
Assets Measured at Fair Value				
Financial assets at FVTPL:				
Investments in UITF	P18,066,958	P-	P18,066,958	P-

	2019	Level 1	Level 2	Level 3
Financial assets at FVOCI:				
Investment in treasury bonds and note	68,741,514	19,645,373	49,096,141	–
Investment in corporate bonds	–	–	–	–
Investment in LTNCD	93,305,500	93,305,500	–	–
	₱180,113,972	₱112,950,873	₱67,163,099	₱–
Liabilities for which Fair Values are Disclosed				
Other financial liabilities:				
Long-term debt				
Fixed-rate bonds	₱12,458,001,400	₱12,458,001,400	₱–	₱–
Peso-denominated notes and loans	14,337,141,303	–	₱14,337,141,303	–
Service concession fees payable	3,101,116,267	–	–	3,101,116,267
Rental deposits	9,246,915	–	–	9,246,915
	₱29,905,505,885	₱12,458,001,400	₱14,337,141,303	₱3,110,363,182

During the periods ended September 30, 2020 and December 31, 2019, 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.

27. 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. NLEX Corp. argues that NLEX is property of the public dominion and exempt from RPT. The cases are pending as at September 30, 2020.

In September 2013, NLEX Corp. received notices of realty tax delinquencies for the years 2006 to 2012 and 2013 issued by the Provincial Treasurer of Bulacan stating that if NLEX Corp. fails to pay or remit the alleged delinquent taxes, the remedies provided for under the law for the collection of delinquent taxes shall be applied to enforce collection. In September 27, 2013, the Bureau of Local Government Finance of the Department of Finance (DOF-BLGF) wrote a letter to the Province of Bulacan advising it to hold in abeyance any further course of action pertaining to the alleged real property tax delinquency. In October 2013, the Provincial Treasurer of Bulacan has respected the directive from the DOF-BLGF to hold the enforcement of any collection remedies in abeyance. In January 2017, the Provincial Treasurer of Bulacan issued a notice of realty tax delinquencies of Php459 million for the years 2006 to 2017 stating that it could apply the remedies provided under the law for the collection of delinquent taxes. The matter is pending as at September 30, 2020.

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 September 30, 2020, 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, 2021 (2020 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 and September 30, 2020, NLEX Corp., as petitioner-applicant, filed a petition for toll rate adjustment effective January 1, 2017 and January 1, 2021, respectively.

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).

On June 6, 2020, NLEX Corp. as petitioner-applicant, filed an Amended 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 substantially completed Segment 10: C3-R10 Section (C3-R10 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. On March 20, 2019, the TRB issued a Notice to Start Collection of the first tranche effective March 21, 2019. On September 30, 2020, NLEX Corp filed with the TRB a Manifestation of Compliance stating the completion of publication of the toll fee matrix with the second tranche and praying for the issuance of a Notice to Start Collection. On October 9, 2020, the TRB issued a Notice to Start Collection of the second tranche effective immediately.

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. In March 2020, NLEX Corp posted an extension of the Surety Bond for six (6) months and was further extended for another six (6) months in September 2020.

NLEX Corp. agreed to temporarily 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.

2016, 2018 and 2020 Petitions

NLEX Corp. has yet to receive regulatory approval for these petitions as at September 30, 2020.

C3-R10 Add-on Toll Rate Petition

NLEX Corp has yet to receive regulatory approval for this petition as of September 30, 2020.

SCTEX Petition

On June 14, 2019, NLEX Corp. implemented the Petition for Periodic Toll Rate Adjustment effective 2012 in the SCTEX. NLEX Corp. has yet to receive regulatory approval for the other remaining petitions for toll rate adjustments for SCTEX.

d. Arbitration

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. 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. In March to April 2019, NLEX Corp. and the Republic submitted their respective witness

statements. In May 2019, NLEX Corp. and the Republic submitted pre-hearing documents like the core bundle of documents consisting of pleadings, witness statements, factual exhibits, and legal authorities.

On June 24 to 27, 2019, hearings were held in Singapore. In August 2019, NLEX Corp. and the Republic submitted their respective Post-Hearing Briefs. In December 2019, MNTC sought from the Arbitral Tribunal a 60-day suspension of the proceedings for the parties to discuss the matter, which request was granted by the Tribunal. In February 2020, MNTC and the Republic requested the Arbitral Tribunal for a further suspension of the proceedings for a period of 60 days or until April 17, 2020. In April 2020, the Republic agreed to request the Arbitral Tribunal for a further suspension of the proceedings up to May 10, 2020 only. The Arbitral Tribunal granted the requests. On May 11, 2020, the Arbitral Tribunal noted that the parties had not yet reached a settlement and confirmed that it would henceforth resume its deliberations towards issuing an award. On August 15, 2020, the Arbitral Tribunal informed the parties that it is in the process of finalizing its deliberations, is currently exchanging notes on the draft award, and would do its utmost to issue the award in the following months. The arbitration case remains pending.

As of September 30, 2020, total amount of compensation for TRB's inaction on lawful toll rate adjustments covering the 2012 and 2014 NLEX Toll Rate Petitions, is approximately at ₱7.6 billion.

- e. Garlitos, Jr. vs. Bases Conversion and Development Authority, NLEX 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. In November and December 2015, the petitioner filed a Manifestation and Motion to Resolve Prayer for TRO and/ or Writ of Preliminary Injunction. On July 4, 2016, the Supreme Court issued a Resolution noting the Manifestations of the petitioner. In February 2020, the Supreme Court issued a Notice that petitioner's counsel had failed to pay the P1,000 fine due to his failure to comply with a show cause resolution for non-filing of a consolidated reply to the separate comments of the Executive Secretary and BCDA. On October 28, 2020, NLEX Corp.'s counsel received a Motion for Leave to File Manifestation with Motion for Submission for Resolution dated October 1, 2020 filed by BCDA's counsel. The case is pending as of September 30, 2020.

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

28. Operating Segment Information

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

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

EBITDA is measured as net income excluding amortization of service concession 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 September 30, 2020 and 2019 are as follows:

	2020	2019
Net toll revenues	₱7,678,115,095	₱11,000,500,360
Other income	145,812,488	228,681,188
Total revenues	7,823,927,583	11,229,181,548
Operating and maintenance costs	(2,322,459,200)	(2,841,630,592)
Operating expenses	(529,885,701)	(819,045,622)
EBITDA	4,971,582,682	7,568,505,334
Interest income	26,779,252	57,475,414
Financing costs	(741,018,743)	(531,796,535)
Core income before depreciation, amortization and provisions	4,257,343,191	7,094,184,213
Depreciation, amortization and provisions*	(803,052,672)	(1,185,186,196)
Core income before tax	3,454,290,519	5,908,998,017
Provision for income tax	(876,738,762)	(1,324,278,194)
Core income after tax	2,577,551,757	4,584,719,823
Nonrecurring items	(18,819,668)	(4,795,155)
Net income	₱2,558,732,089	₱4,579,924,668
EBITDA margin for the year	64%	67%
Core income margin for the year	33%	41%
Net income margin for the year	33%	41%
Total assets	₱59,300,277,523	₱57,902,644,255
Total liabilities	38,279,866,625	38,374,935,207
Total equity	21,020,410,898	19,527,709,048
Other disclosures:		
Capital expenditure (consists of additions to service concession asset, property and equipment, investment properties and other intangible assets)	₱5,680,222,545	₱6,477,234,221

* Excludes provision for current and deferred taxes.

The following table shows the reconciliation of EBITDA to net income for the period ended September 30, 2020 and 2019.

	2020	2019
EBITDA	₱4,971,582,682	₱7,568,505,334
Interest expense and other finance costs (see Note 23)	(741,018,743)	(531,796,535)
Amortization of service concession asset (see Note 20)	(504,162,491)	(770,032,657)
Interest income (see Note 22)	26,779,252	57,475,414
Provision for heavy maintenance (see Note 20)	(198,666,694)	(314,078,229)
Depreciation of property and equipment (see Notes 20 and 21)	(100,223,487)	(101,075,310)
Nonrecurring items:		
Provisions (see Note 21)	(15,164,912)	(3,940,354)
Foreign exchange gain (loss) - net	(3,654,756)	(854,801)
Income before income tax	3,435,470,851	5,904,202,862
Provision for income tax:		
Current	₱873,848,246	₱1,315,218,131
Deferred	2,890,516	9,060,063
	876,738,762	1,324,278,194
Net income for the year	₱2,558,732,089	₱4,579,924,668

The following table shows the reconciliation of the core income to the net income for the period ended September 30, 2020 and 2019.

	2020	2019
Core income for the year	₱2,577,551,757	₱4,584,719,823
Provisions (see Note 21)	(15,164,912)	(3,940,354)
Foreign exchange gain (loss) - net	(3,654,756)	(854,801)
Net income for the year	₱2,558,732,089	₱4,579,924,668

29. Goodwill

Impairment Testing of Goodwill

In assessing the impairment for goodwill, the Company compares the carrying amounts of the underlying assets against their recoverable amounts (the higher of the assets' fair value less costs of disposal and their value in use (VIU)).

The pre-tax discount rate of 15.0% and 11.6% applied to cash flow projections reflects the weighted average cost of capital as at December 31, 2019 and 2018, respectively. In the assessment of the recoverable amounts, the VIUs were calculated based on cash flow projections as per the most recent financial budgets and forecasts, which management believes are reasonable and are management's best estimates of the ranges of economic conditions that will exist over the forecast period. The average forecast period used in the computation is 18 years and 19 years for 2019 and 2018, respectively. The forecasted period is more than 5 years as management can reliably estimate the cash flows for their entire concession period. The cash flows during the projection periods are derived using estimated average growth rates of traffic volume. Assumptions used in 2019 for traffic volume growth is at 2.7% average growth rate of daily vehicle traffic for NLEX open system, and 4.4% and 6.2% average growth rate of daily vehicle traffic for NLEX and SCTEX closed system, respectively. Assumptions used in 2018 for traffic volume growth is at 2.8% average growth rate of daily vehicle traffic for NLEX open system, and 2.9% average growth rate of daily vehicle traffic for NLEX closed system.

Based on the impairment test, management did not identify an impairment loss for goodwill. Management also believes that no reasonably possible changes in any key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

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 Third Quarter ended September 30, 2020

Financial Highlights and Key Performance Indicators:

Statement of Income Data

	30-Sep-20	30-Sep-19	Increase (Decrease)	
In PhP, Millions	(unaudited)	(unaudited)	Amount	%
Operating revenue	₱7,824	₱11,229	(3,405)	(30)
Cost of services	(3,154)	(3,992)	838	(21)
General and administrative expenses	(582)	(859)	277	(32)
Interest expense and other financing costs, net of interest income of ₱27 million in 2020 and ₱57 million in 2019	(714)	(474)	(240)	51
Foreign exchange loss – net	(4)	(1)	(3)	300
Other income	66	1	65	6,500
Provision for income tax	(877)	(1,324)	447	(34)
Net income	₱2,559	₱4,580	(2,021)	(44)
Net income margin	33%	41%		

Statement of Financial Position

	30-Sep-20	31-Dec-19	Increase (Decrease)	
In PhP, Millions	(unaudited)	(audited)	Amount	%
Balance Sheet Data:				
Total assets	₱59,300	₱57,903	1,397	2
Total liabilities	38,280	38,375	(95)	0
Total equity	21,020	19,528	1,492	8

Result of Operation

As of September 30, 2020, total revenues reached ₱7.8 billion, lower by 30% compared to ₱11.2 billion posted during the same period last year. The decrease in revenues was due to lower traffic volume during the Government's implementation of the Luzon-wide Enhanced Community Quarantine (ECQ) starting March 16, 2020 to curb the spread of COVID-19 pandemic.

Statement of Income Data

In PhP, Millions	30-Sep-20	30-Sep-19	Increase (Decrease)	
	(unaudited)	(unaudited)	Amount	%
Operating revenue	₱7,824	₱11,229	(3,405)	(30)
Cost of services	(3,154)	(3,992)	838	(21)
General and administrative expenses	(582)	(859)	277	(32)
Interest expense and other financing costs, net of interest income of Php27 million in 2020 and Php57 million in 2019	(714)	(474)	(240)	51
Foreign exchange loss – net	(4)	(1)	(3)	300
Other income	66	1	65	6,500
Provision for income tax	(877)	(1,324)	447	(34)
Net income	₱2,559	₱4,580	(2,021)	(44)
Net income margin	33%	41%		

September 30, 2020 Compared to September 30, 2019

Revenues

In PhP, Millions	30-Sep-20		30-Sep-19		Increase (Decrease)	
	(unaudited)		(unaudited)		Amount	%
	Amount	%	Amount	%		
Toll Revenues	₱7,678	98	₱11,000	98	(3,322)	(30)
Non-toll Revenues	146	2	229	2	(83)	(36)
Total Revenues	₱7,824	100	₱11,229	100	(3,405)	(30)

The Company's operating revenues were derived mainly from toll fees in NLEX and SCTEX. The Company also generated other income from advertising placements, fees from toll service facilities located along the NLEX and rental revenues generated by the Company-owned NLEX Drive & Dine through its wholly owned subsidiary - NLEX Ventures Corporation.

Toll revenues reached ₱7.7 billion, lower by 30% or ₱3,322 million compared to the ₱11.0 billion posted for the same period last year.

As of September 30, 2020, average daily traffic in NLEX reached 188,830 daily vehicle entries, while average daily traffic in SCTEX reached 42,350 daily vehicle entries. Compared to last year, the daily average vehicle entries in NLEX and SCTEX was down by 29.3% and 38.4%, respectively. The sharp decline in average daily vehicle entries in both NLEX and SCTEX was due to the Luzon-wide community quarantine implemented starting in March of this year.

The Company also generated revenues from advertising, toll services and utility facilities, rental and service income amounting to ₱146 million. However, such amount was lower by ₱83 million or 36% compared to the same period last year.

Cost of Services

As of September 30, 2020, total cost of services amounted to ₱3.2 billion, 21% or ₱838 million lower than the same period last year. The details of cost of services are presented in the table below:

	30-Sep-20 (unaudited)		30-Sep-19 (unaudited)		Increase / (Decrease)	
	Amount	%	Amount	%	Amount	%
In PhP, Millions						
Concession fee	₱638	20	₱928	23	(290)	(31)
Amortization of service concession assets	504	16	770	19	(266)	(35)
Salaries and employee benefits	479	15	428	11	51	12
PNCC fee	391	12	538	13	(147)	(27)
Outside services	323	10	260	7	63	24
Repairs and maintenance	218	7	283	7	(65)	(23)
Provision for heavy maintenance	199	6	314	8	(115)	(37)
Insurance	81	3	69	2	12	17
Depreciation	63	2	65	2	(2)	(3)
Light & Water	60	2	71	2	(11)	(15)
Provisions	39	1	-	0	39	100
Fuel & Oil	32	1	54	1	(22)	(41)
Supplies	20	1	7	0	13	186
Advertising & promotions	15	1	31	1	(16)	(52)
Toll collection & medical services	14	1	17	0	(3)	(18)
Supervision fee	-	0	55	1	(55)	(100)
Others	78	2	102	3	(24)	(24)
Total cost of services	₱3,154	100	₱3,992	100	(838)	(21)

PNCC fees decreased by 27% from ₱538 million during the nine months of 2019 to ₱391 million in 2020 mainly due to lower NLEX toll revenues during the period. Concession fees of ₱638 million pertains to the fees paid to BCDA representing 50% of toll revenues in the SCTEX. The concession fees paid to BCDA during the period is lower by 31% versus the same period in 2019, as a result of lower SCTEX toll revenues.

Repairs and maintenance expense decreased to ₱218 million from ₱283 million last year due to slowdown in the activities of the contractors caused by the community quarantine.

Amortization of service concession assets for the nine months reached ₱504 million, lower by 35% or ₱266 million from ₱770 million last year due to lower traffic volume during the period. The amortization of service concession assets is calculated using the ratio of actual traffic volume to the projected traffic volume during the remaining concession period multiplied by the net carrying value of the concession assets.

Provisions for heavy maintenance for the nine months decreased from ₱314 million to ₱199 million as a significant portion of the pavement repairs was implemented last year.

General and Administrative Expenses

	30-Sep-20 (unaudited)		30-Sep-19 (unaudited)		Increase / (Decrease)	
	Amount	%	Amount	%	Amount	%
In PhP, Millions						
Salaries and Employee benefits	₱201	35	₱282	33	(81)	(29)
Taxes and Licenses	110	19	89	10	21	24
Professional fees	72	12	36	4	36	98
Management fees	38	7	142	17	(104)	(73)
Depreciation	37	6	36	4	1	3
Advertising and marketing expenses	31	5	106	12	(75)	(71)
Outside services	24	4	27	3	(3)	(8)
Representation and travel	18	3	23	3	(5)	(22)
Provisions	19	3	73	9	(54)	(74)
Others	32	6	45	5	(13)	(28)
Total	₱582	100	₱859	100	(277)	(32)

As of September 30, 2020, general and administrative expenses amounted to ₱582 million, ₱277 million or 32% lower than the ₱859 million incurred during the same period last year. The slowdown in corporate activities primarily marketing programs, advertising, outside services and construction activities contributed to the lower expenses during the nine months of 2020.

Interest and Financing Costs

Net financing costs for the nine months ended September 30, 2020 amounted to ₱714 million, higher by 51% or ₱240 million versus last year due to the recognition of borrowing costs from the financing of Segment 10 and C3-R10 projects which commenced commercial operations in March 1, 2019 and June 15, 2020, respectively.

Net borrowing costs capitalized amounted to ₱681.5 million as of September 30, 2020.

	30-Sep-20 (unaudited)		30-Sep-19 (unaudited)		Increase / (Decrease)	
	Amount	%	Amount	%	Amount	%
In PhP, Millions						
Interest and financing costs:						
Interest expense, net of interest income	₱721	97	₱516	97	205	40
Amortization of debt issue costs	16	2	11	2	5	45
Lenders' fees and bank charges	4	1	5	1	(1)	(20)
Total interest & financing costs	741	100	532	100	209	39
Interest Income:						
Cash and cash equivalents	23	85	30	51	(7)	(23)
Investment in bonds & treasury notes	4	15	27	47	(23)	(85)
Others	0	0	1	2	(1)	(100)
Total interest income	27	100	58	100	(31)	(53)
Net Financing costs	₱714		₱474		240	51

Net Income

Net income as of September 30, 2020 reached ₱2.6 billion, 44% or ₱2.0 billion lower compared to the ₱4.6 billion posted during same period last year. The decrease in income was attributed to the lower traffic volume as a result of the imposition of Luzon-wide enhanced community quarantine starting March 16, 2020.

Balance Sheet

	30-Sep-20	31-Dec-19	Increase (Decrease)	
In PhP, Millions	(unaudited)	(Audited)	Amount	%
Balance Sheet Data:				
Total assets	₱59,300	₱57,903	1,397	2
Total liabilities	38,280	38,375	(95)	0
Total equity	21,020	19,528	1,492	8

September 30, 2020 Compared to December 31, 2019

Assets

Cash and cash equivalents as of September 30, 2020 stood at ₱549 million, lower by ₱3.9 billion or 88% from ₱4.4 billion in December 31, 2019.

Accounts receivable comprising of advances for the right-of-way acquisition, advertising accounts and utility facility fees reached ₱501.8 million, down by ₱139.5 million compared to the ₱641.3 million balance in December 2019 due to accelerated collections mainly from ESC and various advertising accounts.

Total assets as of September 30, 2020 stood at ₱59.3 billion, representing a 2% increase compared to the December 31, 2019 figures mainly from the construction of the R-10 project, construction of the NLEX Connector Road Project and toll plaza expansion projects.

Liabilities and Stockholder's Equity

Current liabilities for the period ended September 30, 2020 increased by ₱5.4 billion or 67% to ₱13.4 billion compared to ₱8.0 billion as at December 31, 2019. This can be attributed to the short-term loan balance amounting to ₱2.5 billion and the recognition of the current portion of long-term debt amounting to ₱5.9 billion. The current portion of long-term debt consists of the fixed rate bonds amounting to ₱4.4 billion due in March 2021 and the corporate notes amounting to ₱910 million due in April 2021.

Long-term debt as of September 30, 2020 stood at ₱20.7 billion, lower than the ₱26.4 billion balance as of December 31, 2019 due to the re-classification of the current portion.

Total liabilities as of the end September 30, 2020 was at ₱38.3 billion, lower by only 0.3% or ₱95 million from ₱38.4 billion posted in December 2019.

Stockholders' equity reached ₱21.0 billion, up by 8% or ₱1.5 billion from ₱19.5 billion as of end December 2019 due to income recognized during the period which was partially offset by the distribution of dividends amounting to ₱1.08 billion or 65% of net earnings during the 1st half of 2020.

Key Financial Indicators

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

		30-Sep-20	31-Dec-19
Current ratio	Current Assets	0.12	0.70
	Current liabilities		
Debt-to-equity (DE) ratio	Interest bearing liabilities	1.39	1.37
	Stockholders' equity		
Net profit margin	Net Income	33%	43%
	Revenues		
Return on assets	Net income*	7%	12%
	Average total assets		
Return on stockholders' equity	Net income*	20%	35%
	Average stockholders' equity		

**annualized*

Current ratio stood at 0.12 times as of quarter end, from 0.70 times as of end-2019 due to the temporary increase in current liabilities and the re-classification of the current portion of long-term debt. The Company tapped into its existing short-term lines to shore up its cash position at the start of the quarantine period but gradually pared this down as daily cashflows started to normalize.

With increasing level of daily cash flows from operations and available omnibus short-term lines amounting to ₱19.0 billion, the Company has the means to cover short-term obligations. On the other hand, refinancing of maturing bonds and notes will be covered by a long-term financing facility that will be in place ahead of the maturity date. In July 29, 2020, the Company awarded China Bank Capital Corporation the mandate to arrange up to ₱20.0 billion in corporate notes to cover the refinancing of the Company's maturing loans and the construction cost of the NLEX-SLEX Connector Road Project.

Debt-to-Equity Ratio as of the third quarter of 2020 slightly increased to 1.39 times from 1.37 times as of December 2019. The mild increase can be attributed to the availment of short-term loans during the period.

As of September 30, 2020, net profit margin declined from 43% in December 2019 to 33% as a result of fixed operating costs and higher interest and depreciation expense incurred as a percentage of revenues.

Return on assets decreased to 7% due to the increase in service concession assets offset by lower estimated full year net income. Meanwhile, return on stockholder's equity decreased to 20% due to the lower full-year net income based on actual results for the third quarter of 2020.

Cash Flows

The table below summarizes the Company's comparative cash flows as of September 30, 2020 and 2019.

Cash Flows	30-Sep-20	30-Sep-19
	<i>(in ₱ Millions)</i>	
Cash and cash equivalents, beginning balance	₱4,400	₱2,449
Net cash provided by operating activities	4,010	7,742
Net cash used in investing activities	(5,397)	(5,547)
Net cash provided by (used in) financing activities	(2,463)	(4,244)
Effect of exchange rate changes	(1)	1
Net increase (decrease) in cash	(3,851)	(2,048)
Cash and cash equivalents, ending balance	₱549	₱401

Cash Flows from Operating Activities

Net cash provided by operating activities during the nine months of 2020 reached ₱4.0 billion, lower than 2019 figures during the same period due to the impact of Government-imposed travel restrictions on traffic volume and toll revenues.

Cash Flows from Investing Activities

For the nine months of 2020, net cash used in investing activities amounted to ₱5.4 billion. Cash outflows during the period were mainly related to the construction costs of Segment 10-C3:R10 Section Project, other expansion projects, enhancement of interchanges, pavement rehabilitation and modernization of toll road facilities and equipment.

Cash Flows from Financing Activities

Net cash flows from financing activities amounted to ₱2.5 billion. Total proceeds from short-term loans amounting to ₱5.1 billion was partially offset by outflows for dividends, interest and principal loan repayment amounting to ₱4.2 billion, ₱0.7 billion and ₱2.7 billion, respectively.

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.

Travel restrictions imposed by the Government resulted in a significant decline in traffic volume for the month of April 2020. However, as restrictions eased in May, traffic volume in NLEX and SCTEX gradually recovered. Despite the re-imposition of tighter travel restrictions in August 2020, traffic volume has been trending upward as lockdown restrictions were relaxed during the last couple of months.

(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.

The Company has signed a to ₱20 billion Corporate Notes Facility last November 4, 2020 with seven (7) local financing institutions as Noteholders. The Facility will be used to partially fund the NLEX Connector Road, other capex and prepay the upcoming maturing loan facilities of the Company.

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

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

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

On January 13, 2020, the Company and D.M. Consunji Inc. ("DMCI") entered into a ₱8 billion target-cost contract for the construction of Section 1 of the NLEX Connector Road Project, a 5-km. all-elevated expressway running from Caloocan Interchange towards España in Manila. The contract

covers the construction of a 4-lane carriageway and two (2) interchanges located at C3 Road/5th Avenue, Caloocan City and España, Manila. It is expected to be completed within twenty (20) months from start of construction.

DMCI officially commenced construction on February 7, 2020. The project cost will be partially funded by the proceeds of the BDO Term Loan Facility. The Company will complete the financing for the full project cost from the proceeds of the ₱20 billion Corporate Notes Facility signed last November 4, 2020. Construction works for Section 1 of the NLEX Connector Road Project are on-going while contractor selection for Section 2 is also under way.

(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.

On November 5, 2020, the Toll Regulatory Board approved the proposed toll adjustment in the NLEX open system in line with the completion of the R-10 Project last June 2020. This adjustment will be integrated with the amounts due for staggered implementation under the 2012 and 2014 Petitions.

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.

c. COVID 19 – The quarantine restrictions have resulted in lower traffic figures on both the NLEX and SCTEX. However as, restrictions were eased starting in May 2020, we have seen a significant improvement in the number of vehicles using the NLEX and SCTEX. For the month of September 2020, the aggregate traffic volume in NLEX and SCTEX has reached around 83% of traffic volume recorded in September 2019. We expect further improvement towards the 4th quarter of the year which is typically peak season for travel demand.

(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 November 13, 2020.

By:



MARIA THERESA O. WELLS
CHIEF FINANCE OFFICER

