



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, 2021
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
<b><u>Fixed Rate Bonds Due 2024</u></b>	<b><u>Php2,600,000,000.00</u></b>
<b><u>Series A Bonds Due 2025</u></b>	<b><u>Php4,000,000,000.00</u></b>
<b><u>Series B Bonds Due 2028</u></b>	<b><u>Php2,000,000,000.00</u></b>

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

Yes [ ] No [✓]

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

N/A

12. Indicate by check mark whether the registrant:

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

Yes [✓] No [ ]

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

Yes [✓] No [ ]

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**PART I--FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**NLEX CORPORATION**

**(A Subsidiary of Metro Pacific Tollways North Corporation)**

**Interim Condensed Financial Statements as at September 30, 2021**

**and**

**Interim Condensed Consolidated Financial Statements as at September 30, 2020**

**(unaudited)**

**September 30, 2021 and 2020**

**NLEX CORPORATION**
**(A Subsidiary of Metro Pacific Tollways North Corporation)**
**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 2021 (UNAUDITED)  
AND CONDENSED CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2020 (AUDITED)**

	September 30, 2021	December 31, 2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱5,045,514,527	₱2,343,376,064
Financial assets at fair value through profit or loss (FVTPL) (Note 5)	372,760,563	2,136,231
Receivables (Notes 6 and 14)	757,831,022	1,249,563,122
Inventories:		
At net realizable value	73,914,400	67,280,944
At cost	21,340,125	25,300,638
Financial assets at fair value through other comprehensive income (Note 10)	46,145,000	46,145,000
Other current assets (Note 11)	198,725,359	286,347,793
<b>Total Current Assets</b>	<b>6,516,230,996</b>	<b>4,020,149,792</b>
<b>Noncurrent Assets</b>		
Service concession assets (Note 7)	54,525,549,161	51,440,658,525
Property and equipment (Note 8)	343,855,037	375,560,670
Other intangible assets (Note 9)	42,019,144	54,666,989
Goodwill (Note 28)	6,213,799,383	6,213,799,383
Advances to contractors and other noncurrent assets	526,935,818	681,618,179
<b>Total Noncurrent Assets</b>	<b>61,652,158,543</b>	<b>58,766,303,746</b>
	<b>₱68,168,389,539</b>	<b>₱62,786,453,538</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities (Note 12)	₱3,697,855,149	₱4,442,948,624
Long-term incentive plan payable	279,420,048	–
Income tax payable	328,393,655	335,982,168
Dividends payable	–	1,900,000,000
Provisions (Note 13)	427,730,769	428,339,314
Current portion of long-term debt (Note 15)	646,891,456	5,909,348,835
<b>Total Current Liabilities</b>	<b>5,380,291,077</b>	<b>13,016,618,941</b>
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Note 15)	36,915,602,581	25,411,731,147
Long-term incentive plan payable	–	305,470,240
Service concession fees payable (Note 16)	3,222,931,947	3,072,102,985
Provisions (Note 13)	303,378,866	220,991,610
Pension liability	189,823,088	173,216,549
Deferred tax liabilities – net	218,929,882	472,508,052
<b>Total Noncurrent Liabilities</b>	<b>40,850,666,364</b>	<b>29,656,020,583</b>
<b>Total Liabilities</b>	<b>46,230,957,441</b>	<b>42,672,639,524</b>
<b>Equity</b>		
Capital stock (Note 17)	1,878,600,000	1,878,600,000
Additional paid-in capital	9,965,880,147	9,965,880,147
Retained earnings	10,230,760,421	8,355,677,562
Other comprehensive loss reserve- net	(137,808,470)	(99,377,977)
Other reserve	–	13,034,282
<b>Total Equity</b>	<b>21,937,432,098</b>	<b>20,113,814,014</b>
	<b>₱68,168,389,539</b>	<b>₱62,786,453,538</b>

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

**NLEX CORPORATION**
**(A Subsidiary of Metro Pacific Tollways North Corporation)**
**INTERIM CONDENSED STATEMENT OF INCOME AS AT SEPTEMBER 30, 2021 (UNAUDITED)**
**AND INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME AS AT SEPTEMBER 30, 2020 (UNAUDITED)**

	Nine Months ended September 30		Three Months ended September 30	
	2021	2020	2021	2020
<b>OPERATING REVENUES</b>				
Toll fees – net of discount	<b>₱9,954,259,669</b>	₱7,678,111,747	<b>₱3,235,820,669</b>	₱2,751,514,613
Sales of magnetic cards	–	3,348	–	–
Toll revenues	<b>9,954,259,669</b>	7,678,115,095	<b>3,235,820,669</b>	2,751,514,613
Non-toll revenues (Note 18)	<b>47,059,301</b>	145,812,488	<b>17,241,162</b>	49,650,963
Total revenues	<b>10,001,318,970</b>	7,823,927,583	<b>3,253,061,831</b>	2,801,165,576
<b>Cost of services (Note 19)</b>	<b>(4,071,029,918)</b>	(3,153,965,598)	<b>(1,233,112,157)</b>	(1,117,643,114)
<b>Gross Profit</b>	<b>5,930,289,052</b>	4,669,961,985	<b>2,019,949,674</b>	1,683,522,462
<b>Construction revenue (Note 7)</b>	<b>3,176,233,244</b>	5,138,652,687	<b>1,459,821,626</b>	2,339,678,955
<b>Construction costs (Note 7)</b>	<b>(3,176,233,244)</b>	(5,138,652,687)	<b>(1,459,821,626)</b>	(2,339,678,955)
<b>General and administrative expenses (Note 20)</b>	<b>(704,148,843)</b>	(582,162,152)	<b>(165,413,598)</b>	(160,621,755)
<b>Interest expense and other finance cost (Note 22)</b>	<b>(863,181,416)</b>	(741,018,743)	<b>(286,587,817)</b>	(298,128,095)
<b>Interest income (Note 21)</b>	<b>20,960,503</b>	26,779,252	<b>8,819,652</b>	13,820,026
<b>Foreign exchange gain (loss) – Net</b>	<b>1,321,780</b>	(3,654,756)	<b>666,949</b>	(3,629,863)
<b>Other income</b>	<b>181,570,655</b>	65,565,265	<b>87,463,498</b>	6,077,085
<b>Income before income tax</b>	<b>4,566,811,731</b>	3,435,470,851	<b>1,664,898,358</b>	1,241,039,860
<b>Provision for (benefit from) income tax</b>				
Current	<b>828,771,817</b>	873,848,246	<b>314,154,877</b>	328,873,256
Deferred	<b>(292,008,663)</b>	2,890,516	<b>(10,041,937)</b>	(3,292,801)
	<b>536,763,154</b>	876,738,762	<b>304,112,940</b>	325,580,455
<b>Net income</b>	<b>₱4,030,048,577</b>	₱2,558,732,089	<b>₱1,360,785,418</b>	₱915,459,405

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

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

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME AS AT SEPTEMBER 30, 2021 (UNAUDITED)**  
**AND INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS AT SEPTEMBER 30,**  
**2020 (UNAUDITED)**

	<b>Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
<b>NET INCOME</b>	<b>₱4,030,048,577</b>	<b>₱2,558,732,089</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>		
Gain (loss) on financial assets at fair value through other comprehensive income (Note 10)	–	2,066,790
Income tax effect	–	(97,029)
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement gains (losses) on defined benefit Retirement plan (Note 10)	<b>(39,340,195)</b>	–
Income tax effect	<b>909,702</b>	–
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>	<b>(38,430,493)</b>	<b>1,969,761</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱3,991,618,084</b>	<b>₱2,560,701,850</b>

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

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

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY AS AT SEPTEMBER 30, 2021 (UNAUDITED)**  
**AND CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT DECEMBER 31, 2020 (AUDITED)**

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Other Comprehensive Loss Reserve	Other Reserve	Total Equity
At January 1, 2021	₱1,878,600,000	₱9,965,880,147	₱8,355,677,562	(₱99,377,977)	₱13,034,282	₱20,113,814,014
Cash Dividends	–	–	(2,168,000,000)	–	–	(2,168,000,000)
Net Income	–	–	4,030,048,577	–	–	4,030,048,577
Reclassification	–	–	13,034,282	–	(13,034,282)	–
Other comprehensive loss	–	–	–	(38,430,493)	–	(38,430,493)
Total comprehensive income for the year	–	–	4,043,082,859	(38,430,493)	(13,034,282)	3,991,618,084
At September 30, 2021	₱1,878,600,000	₱9,965,880,147	₱10,230,760,421	(₱137,808,470)	₱–	₱21,937,432,098
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 17)	–	–	(2,968,000,000)	–	–	(2,968,000,000)
Net income	–	–	3,580,515,404	–	–	3,580,515,404
Other comprehensive loss (Note 17)	–	–	–	(26,410,438)	–	(26,410,438)
Total comprehensive income for the year	–	–	3,580,515,404	(26,410,438)	–	3,554,104,966
At December 31, 2020	₱1,878,600,000	₱9,965,880,147	₱8,355,677,562	(₱99,377,977)	₱13,034,282	₱20,113,814,014

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



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

**INTERIM CONDENSED STATEMENT OF CASH FLOWS AS AT SEPTEMBER 30, 2021 (UNAUDITED)**  
**AND INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS AS AT SEPTEMBER 30, 2020**  
**(UNAUDITED)**

	<b>Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
<b>OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱4,566,811,731</b>	₱3,435,470,851
Adjustments to reconcile income before income tax to net cash flows:		
Interest expense and other finance costs (Note 22)	<b>863,181,416</b>	741,018,743
Amortization of service concession assets (Note 7)	<b>801,726,567</b>	504,162,491
Depreciation of property and equipment (Note 8)	<b>81,996,615</b>	100,223,487
Movements in:		
Provisions	<b>68,024,056</b>	193,326,031
Accrued retirement costs / pension costs	<b>(22,733,656)</b>	7,868,749
Loss (gain) on disposals of property and equipment	<b>(49,066,307)</b>	11,858,101
Remeasurement gains/losses on pension	<b>39,340,195</b>	–
Interest income and other finance costs - net (Note 21)	<b>(20,960,503)</b>	(26,779,252)
Amortization of other intangible assets (Note 9)	<b>6,246,338</b>	479,732
Allowance for decline in value of inventories	<b>4,131,399</b>	–
Unrealized foreign exchange gain (loss) – net	<b>(933,175)</b>	(786,888)
Unrealized gain on investments (FVTPL)	<b>(624,333)</b>	(267,412)
Amortization of discount on bonds	<b>–</b>	(1,625,409)
Working capital changes:		
Decrease (increase) in:		
Other current assets	<b>(105,831,652)</b>	(146,680,693)
Receivables	<b>436,790,184</b>	125,820,165
Inventories	<b>(6,804,342)</b>	(6,312,604)
Increase (decrease) in:		
Accounts payable and other current liabilities	<b>(618,042,761)</b>	98,104,124
Long-term incentive plan payable	<b>(26,050,192)</b>	6,700,651
Income tax paid	<b>(836,360,330)</b>	(1,032,297,749)
<b>Net cash flows from operating activities</b>	<b>5,180,841,250</b>	4,010,283,118
<b>INVESTING ACTIVITIES</b>		
Increase in other noncurrent assets	<b>243,146,045</b>	57,039,605
Interest received	<b>26,203,962</b>	30,244,252
Additions to:		
Service concession asset (Note 7)	<b>(3,778,171,751)</b>	(5,425,571,587)
Property and equipment (Note 8)	<b>(6,047,273)</b>	(31,111,558)
Other intangible assets (Note 9)	<b>(4,690,657)</b>	(5,881,285)
Financial assets at FVTPL	<b>(370,000,000)</b>	–
Investment properties	<b>–</b>	(217,658,114)
Proceeds from:		
Sale of property and equipment (Note 8)	<b>51,148,393</b>	57,300,074
Sale of financial assets at FVTPL	<b>–</b>	16,204,562
Maturity of financial assets at FVOCI (Note 11)	<b>–</b>	121,594,213
<b>Net cash flows used in investing activities</b>	<b>(3,838,411,281)</b>	(5,397,839,838)
<i>(Forward)</i>		

**Nine Months Ended September 30**

	2021	2020
<b>FINANCING ACTIVITIES</b>		
Proceeds from availment of:		
Long-term debt (Note 15)	<b>₱12,000,000,000</b>	₱-
Short-term notes payable (Note 15)	-	5,080,000,000
Payments of:		
Long-term debt (Note 15)	<b>(5,660,000,000)</b>	(110,000,000)
Short-term debt	-	(2,543,000,000)
Dividends	<b>(4,068,000,000)</b>	(4,168,000,000)
Interest expense and other finance cost	<b>(826,223,952)</b>	(720,891,415)
Debt issue costs (Note 15)	<b>(90,000,000)</b>	(2,498,930)
<b>Net cash flows provided by financing activities</b>	<b>1,355,776,048</b>	(2,464,390,345)
<b>NON-CASH TRANSACTION</b>		
Capitalized depreciation expense to service concession asset (Note 8)	<b>2,999,271</b>	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,698,206,017</b>	(3,851,947,065)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>933,175</b>	786,888
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>2,343,376,064</b>	4,400,431,580
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)</b>	<b>₱5,045,514,527</b>	₱549,271,403

*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)**

**NOTES TO UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**

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**1. Corporate Information**

General

NLEX Corporation (NLEX Corp. or the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on February 4, 1997. 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.

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

Metro Pacific Tollways North Corporation (MPTNC), the parent company of NLEX Corp., is a wholly owned subsidiary of Metro Pacific Tollways Corporation (MPTC). MPTC is 99.9% owned by Metro Pacific Investments Corporation (MPIC). MPIC is a publicly listed Philippine corporation and is 41.9% owned by Metro Pacific Holdings, Inc. (MPHI) as at September 30, 2021. 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 56.2% as at September 30, 2021. 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 Company is NLEX Compound, Balintawak, Caloocan City, Metro Manila.

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

On October 19, 2016, the 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.

Sale of NLEX Ventures Corp (NVC) to MPTC

NVC, a previously 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 December 29, 2020, the Company entered into a Deed of Absolute Sale of Shares with MPTC for the sale of its 100% ownership interest in NVC, representing 2,000,000 common shares, for a total consideration of ₱544.0 million and payable in cash (see Note 23).

Toll Operations

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

The MNEP consists of three phases as follows:

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

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

Segment 8.1, a portion of Phase II, which is a 2.7 km-road designed to link Mindanao Avenue to the NLEX, had officially commenced tollway operation on June 5, 2010. Segment 9, a portion of Phase II, which is a 2.4 km-road connecting NLEX to the McArthur Highway, had officially commenced tollway operation on March 19, 2015. In May 2014, Segment 10, a portion of Phase II, which is a 5.76 km four-lane, elevated expressway that will start from the terminal of Segment 9 in Valenzuela City going to Circumferential Road 3 (C-3 Road) in Caloocan City above the alignment of Philippine National Railway (PNR) tracks. Segment 10 construction was completed on February 28, 2019, and officially opened to the public on March 1, 2019. The 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, 2021.

*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, 2021, the construction of the NLEX-SLEX Connector Road Section 1 is on-going while the contract for Section 2 is yet to be awarded. Construction for Section 2 is expected to commence within the 4<sup>th</sup> quarter of 2021.

## **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 financial assets at FVTPL and financial assets at FVOCI 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, 2020.

### New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

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

### 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.

The government-imposed travel restrictions to curtail the COVID-19 pandemic have affected the traffic figures in both NLEX and SCTEX.

### 4. Cash and Cash Equivalents

	<b>September 30, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
Cash and cash equivalents	<b>₱1,867,776,811</b>	₱767,249,932
Short-term deposits	<b>3,177,737,716</b>	1,576,126,132
	<b>₱5,045,514,527</b>	₱2,343,376,064

For purposes of the interim statements of cash flows for the nine months ended September 30, 2021, and 2020, cash and cash equivalents as at September 30 comprise of the following:

	<b>2021 (Unaudited)</b>	2020
Cash on hand and in banks	<b>₱1,867,776,811</b>	₱383,867,265
Short-term deposits	<b>3,177,737,716</b>	165,404,138
	<b>₱5,045,514,527</b>	₱549,271,403

## 5. Financial assets at FVTPL

Details of this account are shown below:

	September 30, 2021		December 31, 2020	
	Fair Value	Principal Amount	Fair Value	Principal Amount
<b>Financial assets at FVTPL</b>				
Short-term	<b>₱372,760,563</b>	<b>₱371,921,954</b>	₱2,136,231	₱1,921,954

The movements in this account follow:

	2021	2020
Balance at beginning of year	<b>₱2,136,231</b>	₱18,066,958
Additions	<b>370,000,000</b>	–
Sale of UITF	–	(15,299,456)
Changes in fair value taken to profit or loss*	<b>624,332</b>	(631,271)
Balance at end of year	<b>₱372,760,563</b>	₱2,136,231

## 6. Receivables

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade receivables	<b>₱279,165,617</b>	₱242,061,736
Advances to Department of Public Works and Highways (DPWH)	<b>185,980,811</b>	133,126,581
Receivables from motorists	<b>83,884,972</b>	66,937,030
Advances to officers and employees	<b>35,712,850</b>	41,186,056
Due from related parties (see Note 14)	<b>154,125,221</b>	770,361,074
Interest receivables	<b>9,469,154</b>	8,793,310
Other receivables	<b>53,422,468</b>	29,293,671
	<b>801,761,093</b>	1,291,759,458
Less allowance for doubtful accounts	<b>43,930,071</b>	42,196,336
	<b>₱757,831,022</b>	₱1,249,563,122

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

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

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

Interest receivables are collectible within three to six months.

Other receivables are noninterest-bearing and are collectible within a year. 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, 2021 and December 31, 2020 are as follows:

	2021		
	Trade Receivables	Other Receivables	Total
Balance at beginning of year	₱5,926,270	₱36,270,066	₱42,196,336
Provision for doubtful accounts (see Note 20)	-	1,733,735	1,733,735
	₱5,926,270	₱38,003,801	₱43,930,071

	2020		
	Trade Receivables	Other Receivables	Total
Balance at beginning of year	₱7,901,934	₱32,470,923	₱40,372,857
Provision for doubtful accounts (see Note 20)	4,077,137	3,799,143	7,876,280
Write-off	(6,052,801)	-	(6,052,801)
	₱5,926,270	₱36,270,066	₱42,196,336

## 7. Service Concession Assets

The movements in this account follow:

	MNEP	NLEX-SLEX		Total
		SCTEX	Connector Road	
Cost:				
At January 1, 2020	₱46,108,537,270	₱4,707,723,690	₱3,376,799,637	₱54,193,060,597
Additions	4,461,358,882	116,643,472	3,038,872,254	7,616,874,608
Reclassification/reversal	-	-	65,023,560	65,023,560
At December 31, 2020	50,569,896,152	4,824,367,162	6,480,695,451	61,874,958,765
Additions	759,074,833	146,058,477	3,594,687,066	4,499,820,376
Reclassification/reversal	(582,533,022)	-	(30,670,151)	(613,203,173)
At September 30, 2021	₱50,746,437,963	₱4,970,425,639	₱10,044,712,366	₱65,761,575,968
Accumulated amortization:				
At January 1, 2020	₱9,285,593,932	₱389,877,432	₱-	₱9,675,471,364
Amortization	721,846,620	36,982,256	-	758,828,876
At December 31, 2020	10,007,440,552	426,859,688	-	10,434,300,240
Amortization (see Note 19)	767,104,021	34,622,546	-	801,726,567
At September 30, 2021	₱10,774,544,573	₱461,482,234	₱-	₱11,236,026,807
Net book value:				
At September 30, 2021	₱39,971,893,390	₱4,508,943,405	₱10,044,712,366	₱54,525,549,161
At December 31, 2020	40,562,455,600	4,397,507,474	6,480,695,451	51,440,658,525

### MNEP

Additions for the nine months ended September 30, 2021, pertain primarily to the construction costs of bridge retrofitting, new toll plazas, enhancement of existing ones in certain areas of Phase I, and construction of tunnel, new bridges and roadworks development related to the SFEX Capacity Expansion amounting to ₱685.2 million. Borrowing costs capitalized amounted to ₱73.9 million and ₱432.6 million for the nine months ended September 30, 2021, and September 30, 2020, 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 mainly pertain to the installation of fixed operating equipment to SCTEX Bamban Toll Plaza Project and SCTEX Toll Plaza Expansion, construction of toll booths and other technical upgrades.

## NLEX-SLEX Connector Road

Additions in NLEX-SLEX Connector Road pertains mainly to construction costs and the accretion in the present value of periodic payments to DPWH in consideration for the acquisition of the right of way. Other additions include professional fees and general and administrative expenses. Capitalized borrowing costs and accretion of interest is ₱487.9 million and ₱150.8 million and ₱317.6 million and ₱115.0 million for the nine months ended September 30, 2021, and September 30, 2020, respectively.

## 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
<b>Cost:</b>					
At January 1, 2020	₱72,197,370	₱189,856,240	₱195,492,131	₱484,506,654	₱942,052,395
Additions	–	19,955,037	20,758,791	75,615,132	116,328,960
Disposals	–	–	(42,613,118)	(2,552,714)	(45,165,832)
Reclassification	(65,023,560)	–	–	–	(65,023,560)
Derecognition as a result of sale of subsidiary (see Note 23)	–	–	(3,429,578)	(13,140,407)	(16,569,985)
At December 31, 2020	₱7,173,810	₱209,811,277	₱170,208,226	₱544,428,665	₱931,621,978
Additions	–	8,054,403	25,371,732	21,952,636	55,378,771
Disposals	–	–	(20,547,307)	(35,047,251)	(55,594,558)
<b>At September 30, 2021</b>	<b>₱7,173,810</b>	<b>₱217,865,680</b>	<b>₱175,032,651</b>	<b>₱531,334,050</b>	<b>₱931,406,191</b>
<b>Accumulated depreciation:</b>					
At January 1, 2020	₱–	₱63,304,589	₱113,043,489	₱303,024,837	₱479,372,915
Depreciation	–	10,623,180	27,898,940	87,052,795	125,574,915
Disposals	–	–	(30,881,782)	(2,425,950)	(33,307,732)
Derecognition as a result of sale of subsidiary (see Note 23)	–	–	(2,741,636)	(12,837,154)	(15,578,790)
At December 31, 2020	₱–	₱73,927,769	₱107,319,011	₱374,814,528	₱556,061,308
Depreciation (see Notes 19 and 20)	–	12,651,564	17,456,614	54,887,709	84,995,887
Disposal	–	–	(19,785,675)	(33,720,366)	(53,506,041)
<b>At September 30, 2021</b>	<b>₱–</b>	<b>₱86,579,333</b>	<b>₱104,989,950</b>	<b>₱395,981,871</b>	<b>₱587,551,154</b>
<b>Net book value:</b>					
<b>At September 30, 2021</b>	<b>₱7,173,810</b>	<b>₱131,286,347</b>	<b>₱70,042,701</b>	<b>₱135,352,179</b>	<b>₱343,855,037</b>
At December 31, 2020	7,173,810	135,883,508	62,889,215	169,614,137	375,560,670

The addition for depreciation for the year is ₱85.0 million, ₱3.0 million is capitalized to Connector Road Project.

Disposals to property and equipment during the year pertains to the sale of decommissioned vehicles for employee shuttling and administrative services to Southbend Express Services, Inc. (SESI). Proceeds from



the sale of property and equipment amounted to ₱51.1 million and ₱57.3 million for the period ended September 30, 2021, and September 30, 2020, respectively. Gain on disposal amounted to ₱49.1 million and ₱55.7 million for the period ended September 30, 2021, and September 30, 2020, respectively.

## 9. Other Intangible Assets

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cost:		
Balance at beginning of year	₱163,967,961	₱158,147,982
Additions	3,049,249	9,352,479
Derecognition as a result of sale of subsidiary (see Note 23)	–	(3,532,500)
Reclassification	(9,450,756)	–
Balance at end of the period	157,566,454	163,967,961
Accumulated amortization:		
Balance at beginning of year	109,300,972	108,328,873
Amortization (see Notes 19 and 20)	6,246,338	972,099
Balance at end of the period	115,547,310	109,300,972
<b>Net book value</b>	<b>₱42,019,144</b>	<b>₱54,666,989</b>

## 10. Investment in Fair Value at Other Comprehensive Income

Details of the account are shown below:

Maturity Date	Interest Rate	September 30, 2021		December 31, 2020	
		Fair Value	Principal Amount	Fair Value	Principal Amount
<b>Long-term Negotiable</b>					
<b>Certificates of Deposits (LTNCD)</b>					
Metrobank - November 21, 2021	4.25%	₱46,145,000	₱50,000,000	₱46,145,000	₱50,000,000

The movements in this account follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of year	₱46,145,000	₱164,047,014
Sale of financial assets at FVOCI	–	(50,000,000)
Maturity of financial assets at FVOCI	–	(70,000,000)
Recycling to profit or loss (see Note 17)	–	(18,936)
Changes in fair value during the period	–	2,085,726
Amortization of discount on bonds	–	31,196
Balance at end of year	₱46,145,000	₱46,145,000
Current	46,145,000	₱46,145,000
	<b>₱46,145,000</b>	<b>₱46,145,000</b>

## 11. Other Current Assets

Details of other current assets are as follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Advances to contractors and consultants	P115,291,491	P96,881,376
Deferred input VAT	55,824,498	79,662,703
Creditable withholding tax	31,550,156	31,364,627
Prepayments	31,464,371	93,819,548
Input VAT	14,758,174	14,758,174
	<b>248,888,690</b>	<b>316,486,428</b>
Less: Allowance for non-recoverability of advances	<b>(20,024,695)</b>	–
Allowance for non-recoverability of creditable tax	<b>(15,380,461)</b>	(15,380,461)
Allowance for unclaimable input VAT	<b>(14,758,174)</b>	(14,758,174)
	<b>P198,725,360</b>	<b>P286,347,793</b>

## 12. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Accrued expenses	P2,375,843,797	P2,954,807,216
Retention payable	595,270,285	435,950,928
Trade payables	240,263,554	638,975,311
Interest payable	175,699,199	166,464,487
Output VAT – net	82,695,613	23,795,813
Withholding taxes payable	74,797,778	117,985,985
Deferred output VAT	66,276,661	42,832,604
Others	87,008,262	62,136,280
	<b>P3,697,855,149</b>	<b>P4,442,948,624</b>

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

Accrued expenses consist of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Construction costs	P830,966,363	P1,766,567,318
PNCC fee	498,831,266	56,679,028
Outside services	279,758,915	154,872,563
TRB fee	212,603,790	201,487,995
Operating and maintenance costs	109,014,327	109,620,987
Repairs and maintenance	95,956,360	225,489,458
Concession fees	86,725,804	107,458,162
Professional fees	42,929,296	43,246,677
Advertising and marketing expenses	35,059,733	114,503,252
Salaries and employee benefits	33,161,352	64,580
Taxes and licenses	29,914,401	52,582,454
Management fees	10,043,844	5,366,858

(Forward)

	<b>September 30, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
Toll collection and medical services	<b>3,231,386</b>	–
Project insurance	–	19,094,295
Others	<b>107,646,960</b>	97,773,589
	<b>₱2,375,843,797</b>	₱2,954,807,216

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, 2020	₱238,999,810	₱166,952,945	₱405,952,755
Additions	310,938,391	39,869,088	350,807,479
Accretion	8,872,050	–	8,872,050
Payments	(97,867,248)	(18,434,112)	(116,301,360)
At December 31, 2020	460,943,003	188,387,921	649,330,924
Additions (see Notes 19 and 20)	229,374,999	22,310,622	251,685,621
Accretion (see Note 22)	13,754,655	–	13,754,655
Payments	(160,742,398)	(22,919,167)	(183,661,565)
<b>September 30, 2021</b>	<b>₱543,330,259</b>	<b>₱187,779,376</b>	<b>₱731,109,635</b>

At September 30, 2021:

<b>Current</b>	<b>₱324,171,226</b>	<b>₱103,559,543</b>	<b>₱427,730,769</b>
<b>Noncurrent</b>	<b>219,159,033</b>	<b>84,219,833</b>	<b>303,378,866</b>
	<b>₱543,330,259</b>	<b>₱187,779,376</b>	<b>₱731,109,635</b>

At December 31, 2020:

Current	₱324,171,226	₱104,168,088	₱428,339,314
Noncurrent	136,771,777	84,219,833	220,991,610
	₱460,943,003	₱188,387,921	₱649,330,924

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.

	<b>September 30, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
Due from Related Parties		
Metro Pacific Tollways Management Services, Inc	<b>₱9,523,262</b>	₱11,303,711
NLEX Ventures Corporation	<b>3,496,097</b>	5,266,975
Metro Pacific Tollways Corporation	<b>1,694,677</b>	746,476,502
Metro Pacific Tollways South Management Corporation	<b>435,857</b>	3,246,201
Cavitex Infrastructure Corp.	<b>164,206</b>	264,582
Easytrip Services Corporation	<b>190,350</b>	452,566
Southbend Express Services Inc	–	2,693,799
Metro Pacific Tollways North Corporation	–	16,168
Others	<b>71,015</b>	640,570
	<b>₱15,575,464</b>	₱770,361,074

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

Related Party	Relationship		Management Fees (see Note 20)	Professional Fee (see Note 20)	Outside Services (see Note 19)	Repairs and Maintenance (see Note 19)	Communication, Light and Water (see Notes 19 and 20)	Advertising and Marketing Expenses (see Notes 19 and 20)	Fuel & Oil, Transportation, Rental, Representation (see note 19)	Income from Utility Facilities (see Note 18)	Other Income
MPTC	Intermediate Parent Company	<b>2021</b>	<b>₱11,010,103</b>	<b>₱-</b>	<b>₱110,953</b>	<b>₱3,571,659</b>	<b>₱-</b>	<b>₱825</b>	<b>₱31,140</b>	<b>₱-</b>	<b>₱16,655,454</b>
		2020	7,551,672	60,000	60,000	2,715,888	81,278	10,444,939	1,420	-	-
MPTNC	Parent Company	<b>2021</b>	<b>14,492,076</b>	-	-	-	-	-	-	-	<b>82,618</b>
		2020	30,124,591	-	-	-	-	-	-	-	-
MPTSMC	Subsidiary of MPTC	<b>2021</b>	-	-	-	-	-	-	-	-	<b>1,979,341</b>
		2020	-	-	-	-	-	-	-	-	-
MPTMSI	Subsidiary of MPTC	<b>2021</b>	<b>24,470,834</b>	<b>870,532</b>	-	<b>332,369</b>	-	-	-	-	<b>5,177,630</b>
		2020	39,229,964	-	-	3,168,860	74,822	-	-	-	-
NLEX Ventures Corporation	Subsidiary of MPTC	<b>2021</b>	-	-	-	-	-	-	<b>76,200</b>	-	<b>45,635,169</b>
		2020	-	-	-	-	-	-	-	-	-
Easytrip Services Corp. (ESC)	Joint Venture of MPT North	<b>2021</b>	-	-	<b>133,705,214</b>	-	-	<b>17,396,580</b>	<b>10,989</b>	-	<b>6,417</b>
		2020	-	-	60,965,386	-	-	8,719,656	-	-	-
Smart Communications Inc. (Smart)	Associate of FPC	<b>2021</b>	-	-	-	-	<b>3,359,191</b>	<b>19,018</b>	-	<b>872,459</b>	-
		2020	-	-	-	-	3,592,611	-	-	-	-
Egis Projects Philippines Inc.	Associate of FPC	<b>2021</b>	-	<b>15,570,111</b>	-	<b>1,041,667</b>	-	-	-	-	-
		2020	-	9,568,024	-	1,658,561	-	-	-	-	-
Indra Philippines Inc.	Associate of FPC	<b>2021</b>	-	-	-	<b>8,708,144</b>	-	-	-	-	-
		2020	-	-	-	31,800,955	-	-	-	-	-

Related Party	Relationship		Management Fees (see Note 20)	Professional Fee (see Note 20)	Outside Services (see Note 19)	Repairs and Maintenance (see Note 19)	Communication, Light and Water (see Notes 19 and 20)	Advertising and Marketing Expenses (see Notes 19 and 20)	Fuel & Oil, Transportation, Rental, Representation (see note 19)	Income from Utility Facilities (see Note 18)	Other Income
PLDT	Associate of FPC	<b>2021</b>	-	-	-	-	<b>6,251,719</b>	-	-	<b>2,334,775</b>	-
		2020	-	-	-	-	5,078,356	-	-	12,072	-
Cavitex Infrastructure Corp (CIC)	Subsidiary of MPTC	<b>2021</b>	-	-	-	-	-	-	<b>18</b>	-	<b>10,620,452</b>
		2020	-	-	-	-	-	-	205	-	-
Southbend Express Services	Subsidiary of MPTC	<b>2021</b>	-	-	<b>200,575,993</b>	<b>2,125,667</b>	-	-	<b>27,476,674</b>	-	<b>6,427</b>
		2020	-	-	105,737,348	-	21,780	-	6,606,028	-	-
Cebu Cordova Link Expressway Corp (CCLEC)	Subsidiary of MPTNC	<b>2021</b>	-	-	-	-	-	-	-	-	<b>48,842</b>
		2020	-	-	-	-	-	-	-	-	-
MPCALA Holdings Inc	Subsidiary of MPTNC	<b>2021</b>	-	-	-	-	-	-	-	-	<b>10,612,184</b>
		2020	-	-	-	-	-	-	-	-	-
Manila Electric Company (Meralco)	Associate of MPIC	<b>2021</b>	-	-	-	-	<b>33,135,417</b>	-	-	-	-
		2020	-	-	-	-	21,395,554	3,202	-	-	-
Maynilad	Associate of MPIC	<b>2021</b>	-	-	-	-	<b>7,489,780</b>	-	-	-	-
		2020	-	-	-	-	624,624	-	-	-	-
<b>Total</b>		<b>2021</b>	<b>₱49,973,013</b>	<b>₱16,440,643</b>	<b>₱334,392,160</b>	<b>₱15,779,506</b>	<b>₱50,236,107</b>	<b>₱17,416,423</b>	<b>₱27,595,021</b>	<b>₱3,207,234</b>	<b>₱90,824,534</b>
		2020	76,906,227	9,628,024	166,762,734	39,344,264	30,869,025	19,167,797	6,607,653	12,072	-

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

### Short-term Notes Payable

On March 23, 2020, NLEX Corporation availed 90-day and 180-day short-term loans from Rizal Commercial Banking Corporation (RCBC) in two tranches amounting to ₱2.012 billion and ₱2.0 billion, respectively, both with an annual interest rate of 5.0% and a maturity date of June 22, 2020. These were also renewed in 2020 with maturity dates of September 23, 2020, and September 21, 2020, respectively. The proceeds were used to bridge finance the Company's capital expenditures.

The ₱2.0 billion short-term loan was paid on September 16, 2020, while the remaining loan was partially refinanced by a 60-day short-term facility ₱1.0 billion from Philippine National Bank (PNB) with an annual interest rate of 3.5% and a maturity date of November 17, 2020.

On March 28, 2019, NLEX Corp. availed a 180-day short-term loan from PNB amounting to ₱500.0 million with an annual interest rate of 6.25%. The proceeds were used to bridge finance the Company's capital expenditures that are intended to be permanently financed by term loans. The loan facility matured and was paid on September 24, 2019.

On April 18, 2018, NLEX Corp. availed 90-day short-term loans from BDO Unibank Inc. (BDO) and Metropolitan Bank & Trust Co. (MBTC) amounting to ₱1.4 billion each with an annual interest rate of 3.50%. The proceeds were used to finance the payment of the ₱4.0 billion Series A Notes which matured and was settled on July 17, 2018.

To partially finance the repayment of these short-term loans on July 17, 2018, the Company availed another 90-day short-term loans from BDO and MBTC amounting to ₱500.0 million each with an annual interest rate of 4.00%. Both loans matured and were settled by the Company on October 11, 2018.

As of September 30, 2021, all short-term loans have been paid by the Company.

### Long-term Debt

This account consists of:

	<b>September 30, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
<b>Peso-denominated Notes and Loans:</b>		
Series A Notes	₱-	₱910,000,000
Term Loan Facilities	<b>12,250,000,000</b>	12,600,000,000
Corporate Notes	<b>17,000,000,000</b>	5,000,000,000
Fixed-rate Bonds	<b>8,600,000,000</b>	13,000,000,000
	<b>37,850,000,000</b>	31,510,000,000
Less: unamortized debt issue costs	<b>287,505,963</b>	188,920,018
	<b>37,562,494,037</b>	31,321,079,982
Less: current portion of long-term debt	<b>646,891,456</b>	5,909,348,835
	<b>₱36,915,602,581</b>	₱25,411,731,147

The unamortized debt issue costs incurred in connection with the availment of long-term debt amounting to ₱287.5 million and ₱188.9 million as at September 30, 2021 and December 31, 2020, respectively, were deducted against the long-term debt.

The movements in debt issue costs are as follows:

	<b>September 30, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
Balance at beginning of period	<b>₱188,920,018</b>	₱164,782,524
Amortization during the year*	<b>(39,168,623)</b>	(35,769,120)
Debt issue costs incurred during the year	<b>137,754,568</b>	59,906,614
Balance at end of period	<b>₱287,505,963</b>	₱188,920,018

\*Includes amortization of debt issue costs capitalized to service concession assets amounting to ₱25,200,526 in 2021 and ₱13,467,940 in 2020.

#### Series A Notes

On April 15, 2011, NLEX Corp. entered into a Corporate Notes Facility Agreement with various local financial institutions for fixed-rate unsecured notes amounting to ₱6.2 billion, with tenors ranging over 5 years, 7 years and 10 years (“Series A Notes”). Weighted average fixed interest rate on the Series A Notes is 7.70% per annum. Debt issue costs incurred in the availment of the Series A Notes amounted to ₱141.9 million in 2011.

On April 19, 2018, the Company paid ₱5.2 billion of Series A Notes with tenor of 7 years. Starting 2011, the Company paid ₱10.0 million every 15th day of March for the 10-year Series A Notes.

On April 19, 2021, the Company paid the remaining balance of Series A Notes amounting to ₱900.0 million. This amount is net of the annual principal repayment of ₱10.0 million every 15th of March.

#### 2020 Corporate Notes Facility

On November 4, 2020, NLEX Corp. entered into a Corporate Notes Facility Agreement with various financial institutions for an unsecured note amounting to ₱20.0 billion (₱11.0 billion for Tranche A Facility and ₱9.0 billion for Tranche B Facility), with tenors ranging from 7 years (Tranche A) and 10 years (Tranche B). The noteholders for Tranche A are China Banking Corporation (CBC), Development Bank of the Philippines, KEB Hana Bank Manila Branch, Land Bank of the Philippines (LBP), and The Insular Life Assurance Company, Ltd. while the noteholders for Tranche B are CBC, LBP, Sun Life of Canada (Philippines) Inc., and United Coconut Planters Bank. The initial drawdown was made on November 11, 2020, amounting to ₱5.0 billion, of which, ₱2.75 billion refers to Tranche A while ₱2.25 billion refers to Tranche B.

The applicable interest rate for the initial drawdown for Tranche A (7-year tranche) was 4.040% from Issue Date until the day immediately prior to second (2nd) anniversary of the Initial Issue Date while for Tranche B (10-year tranche) was 4.293% from Issue Date until the day immediately prior to fifth (5th) anniversary of the Initial Issue Date. The proceeds will be primarily used to finance the NLEX Connector Road Project and other capital expenditures.

On March 26, 2021, NLEX Corp made the 2nd drawdown from its ₱20.0 billion Corporate Notes Facility amounting to ₱4.4 billion and ₱3.6 billion for Tranche A and B Facilities, respectively. The applicable interest rate for Tranche A Facility is 5.13% while for Tranche B Facility is 4.52%.

On June 21, 2021, NLEX Corp made its 3rd drawdown from the same Facility amounting to ₱1.1 billion and ₱0.9 billion for Tranche A and B Facilities, respectively. The applicable interest rate for Tranche A Facility is 4.58% while for Tranche B Facility is 4.29%.

On September 16, 2021, NLEX Corp made its 4th drawdown from the same Facility amounting to ₱1.1 billion and ₱0.9 billion for Tranche A and B Facilities, respectively. The applicable interest rate for Tranche A Facility is 4.64% while for Tranche B Facility is 4.29%.

#### Term Loan Facilities

*BDO Unibank Inc.* On September 19, 2019, NLEX Corp. entered into a term loan facility agreement with BDO Unibank Inc. for a 10-year fixed-rate loan amounting to ₱5.0 billion. The proceeds of the loan will be used to partially finance the Company’s capital expenditure projects. On September 23, 2019, the Company



made an initial drawdown of ₱1.0 billion with an annual interest rate of 5.21%. On December 27, 2019, the Company made its second and final drawdown amounting to ₱4.0 billion with an annual interest rate of 4.73%.

On March 15 and September 10, 2021, the Company paid principal repayments totaling to ₱250 million.

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

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

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

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

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

On October 24, 2017, NLEX Corp. made its second and final drawdown amounting to ₱2.0 billion. The Company paid ₱4.2 million in commitment fees for not being able to draw in accordance with the drawdown schedule. Total debt issue costs incurred on the second drawdown, including the commitment fees, amounted to ₱14.2 million. The Company paid ₱250.0 million on December 15, 2019 and December 14, 2020.

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

*Unionbank of the Philippines (Unionbank).* On January 29, 2016, NLEX Corp. entered into a new ten-year term loan facility agreement with Unionbank for a facility amount of ₱5.0 billion to finance capital expenditures which include Segment 10 and its exit ramps and the NLEX-SLEX Connector Road. On February 3 and December 29, 2016, NLEX Corp. made its initial and second drawdown amounting to ₱1.0 billion each. The undrawn amount will be available for drawing in one (1) or more availments on any banking day within one (1) year from July 24, 2015 with an extension period up to July 24, 2017, or such longer period as the parties may agree upon in writing. Total debt issue costs incurred on the initial and second drawdown amounted to ₱11.0 million.

On July 24, 2017, the Company opted not to extend the availability period of the undrawn amount of the term loan facility. On August 9, 2017, Unionbank, billed NLEX Corp. for the commitment fee of ₱12.1 million which is equivalent to 0.25% per annum of the undrawn amount, computed from January 29, 2016 up to July 24, 2017. The Company paid ₱100.0 million principal repayments on February 3, 2019, 2020 and 2021, respectively.

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

Fixed-rate Bonds

On March 31, 2014, NLEX Corp. issued ₱4.4 billion principal amounts of fixed-rate bonds with terms of seven years at 5.07% per annum and ₱2.6 billion principal amounts of bonds with terms of 10 years at 5.50% per annum, for public distribution and sale in the Philippines. Interest payments are payable quarterly in arrears on March 31, June 30, September 30 and December 31 starting on June 30, 2014. Total debt issue costs amounted to ₱76.0 million.

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

On July 4, 2018, NLEX Corp. issued ₱4.0 billion fixed-rate bonds with term of seven years at 6.6407% per annum and ₱2.0 billion principal amounts of bonds with term of ten years at 6.90% per annum, for public distribution and sale in the Philippines. Interest payments are payable quarterly in arrears on July 4, October 4, January 4, and April 4, starting on October 4, 2018.

The bonds will be payable at the end of the seven-year and ten-year maturity periods on July 4, 2025, and July 4, 2028, respectively. The proceeds will be used by NLEX Corp. to partially fund the construction cost of Segment 10: C3-R10 Ramp Project, portion of Phase II of MNEP, which will connect the C-3 Road in Caloocan City to the R-10 in the Port area, and other general corporate purposes.

The bonds issued by NLEX Corp in 2014 and 2018 contain an early redemption option where NLEX Corp. has the right, but not the obligation, to redeem in whole, and not in part, any series of the bonds before the relevant maturity dates. The early redemption option was assessed by the management as closely and clearly related to the host contract.

On maturity date, March 31, 2021, NLEX Corp paid the 7-year tranche of its fixed rate bonds issued on March 31, 2014, amounting to ₱4.4 billion.

**16. Service Concession Fees Payable**

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

	<b>September 30, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
At January 1	<b>₱3,072,102,985</b>	₱2,894,320,777
Accretion	<b>150,828,962</b>	177,782,208
Balance at end of period	<b>₱3,222,931,947</b>	₱3,072,102,985

## 17. Equity

### Capital Stock

Details of shares of stock of the Company as at September 30, 2021 and December 31, 2020 follow:

	September 30, 2021	December 31, 2020
Authorized - ₱100 par value	40,000,000	40,000,000
Issued	18,786,000	18,786,000

### Cash dividends

The following cash dividends were declared in 2021 and 2020:

Declaration Date	Record Date	Payment Date	Cash Dividend per Share	Total
July 28, 2021	August 6, 2021	September 3, 2021	₱115.41	₱2,168,000,000
December 16, 2020	December 28, 2020	January 22, 2021	101.14	1,900,000,000
July 29, 2020	August 8, 2020	September 04, 2020	56.85	1,068,000,000

### Other Comprehensive Loss Reserve

	Financial Assets at FVOCI (see Note 15)	Income Tax Related to Financial Assets at FVOCI (see Notes 15 and 30)	Re-measurement of Defined Benefit Plan (see Note 26)	Income Tax Related to Defined Benefit Plan (see Note 30)	Total
Balance at January 1, 2021	(₱3,855,000)	₱-	(₱128,101,640)	₱32,578,663	(₱99,377,977)
Changes in fair value	-	-	-	-	-
Reclassification adjustment	-	-	-	(38,430,492)	(38,430,493)
Remeasurement loss	-	-	-	-	-
Balance at September 30, 2021	(₱3,855,000)	₱-	(₱128,101,640)	₱5,851,829	(₱137,808,470)

	Financial Assets at FVOCI (see Note 15)	Income Tax Related to Financial Assets at FVOCI (see Notes 15 and 30)	Re-measurement of Defined Benefit Plan (see Note 26)	Income Tax Related to Defined Benefit Plan (see Note 30)	Total
Balance at January 1, 2020	(₱5,921,790)	₱97,029	(₱87,558,499)	₱20,415,721	(₱72,967,539)
Changes in fair value	2,085,726	(102,710)	-	-	1,983,016
Recycling to profit or loss	(18,936)	5,681	-	-	(13,255)
Remeasurement loss	-	-	(40,543,141)	12,162,942	(28,380,199)
Balance at December 31, 2020	(₱3,855,000)	₱-	(₱128,101,640)	₱32,578,663	(₱99,377,977)

## 18. Non-Toll Revenue

Details of non-toll revenue follow:

	Nine Months Ended September 30	
	2021	2020
	(Unaudited)	
Income from toll service and utility facilities	₱40,043,215	₱26,849,015
Income from advertising	7,016,086	52,706,783
Service income	-	20,813,920
Rental income	-	31,346,269
Others	-	14,096,501
	<b>₱47,059,301</b>	<b>₱145,812,488</b>

## 19. Cost of Services

This account consists of:

	Nine Months Ended September 30	
	2021	2020
	<i>(Unaudited)</i>	
Amortization of service concession assets (see Note 7)	₱801,726,567	₱504,162,491
Concession fee	785,442,630	638,030,979
Salaries and employee benefits	640,258,872	479,325,514
PNCC fee	510,722,396	391,185,371
Outside services	475,558,992	322,599,316
Provision for heavy maintenance (see Note 13)	229,374,999	198,666,694
Repairs and maintenance (See note 14)	200,985,256	218,239,722
Insurance	100,451,567	81,347,245
Light & water	66,722,318	59,845,574
Depreciation of property and equipment (see Note 8)	58,525,273	56,019,323
Fuel & oil	52,583,552	31,702,203
Advertising and promotions	17,352,140	15,490,551
Provisions (see Note 13)	13,311,151	39,474,778
Toll collection and medical services	12,043,050	13,869,186
Amortization of intangible assets (see Note 9)	5,075,426	193,297
Others	114,206,880	103,813,354
	<b>₱4,071,029,918</b>	<b>₱3,153,965,598</b>

## 20. General and Administrative Expenses

This account consists of:

	Nine Months Ended September 30	
	2021	2020
	<i>(Unaudited)</i>	
Management fees (see Note 14)	₱182,265,447	₱38,453,114
Salaries and employee benefits	209,045,449	201,228,852
Taxes and licenses	84,626,559	109,767,992
Professional fees	84,999,442	71,613,375
Advertising and marketing expenses	27,509,553	30,972,526
Depreciation of property and equipment (see Note 8)	23,471,342	37,031,185
Outside services (see Note 14)	20,182,801	24,454,502
Decline in value of asset	20,024,695	–
Representation and travel	10,326,297	18,384,788
Repairs and maintenance (see Note 14)	8,239,485	6,925,924
Office supplies	6,628,578	8,147,941
Provisions (see Note 13)	8,999,471	18,838,629
Decline in value of inventories	4,131,399	1,875,000
Rentals	2,732,673	1,511,970
Training and development costs	1,866,614	2,827,102
Provision for doubtful accounts	1,733,735	2,420,166
Directors' fees	1,720,000	1,440,000
Amortization of other intangible assets (see Note 9)	1,170,912	286,435
Miscellaneous	4,474,391	5,982,651
	<b>₱704,148,843</b>	<b>₱582,162,152</b>

## 21. Interest Income

Sources of interest income follow:

	Nine Months Ended September 30	
	2021	2020
	<i>(Unaudited)</i>	
Cash and cash equivalents	<b>₱19,366,753</b>	₱22,399,143
Investment in bonds and treasury notes (see Note 10)	<b>1,593,750</b>	4,333,974
Others	<b>–</b>	46,135
	<b>₱20,960,503</b>	<b>₱26,779,252</b>

## 22. Interest Expense and Other Finance Costs

Sources of interest expense and other finance costs follow:

	Nine Months Ended September 30	
	2021	2020
	<i>(Unaudited)</i>	
Interest expense on:		
Long-term debt (see Note 15)	<b>₱832,230,965</b>	₱710,803,616
Provision for heavy maintenance (see Note 13)	<b>13,754,655</b>	9,702,776
Deferred lease income	<b>–</b>	400,241
Finance costs:		
Amortization of debt issue costs (see Note 15)	<b>13,968,097</b>	15,627,015
Lenders' fees	<b>3,133,253</b>	4,194,787
Bank charges	<b>94,446</b>	290,308
	<b>₱863,181,416</b>	<b>₱741,018,743</b>

## 23. Sale of shares in NVC to MPTC

On November 12, 2020, the Parent Company entered into a subscription agreement with NVC for the subscription of 1,000,000 common shares to be issued from the capital increase of NVC at a subscription price of ₱200.00 per share or an aggregate subscription price of ₱200.0 million.

On December 29, 2020, the Parent Company entered into a Deed of Assignment of Subscription Rights with MPTC to transfer and assign the subscription of 1,000,000 common shares in NVC. Receivable from MPTC amounting to ₱200.0 million was subsequently collected on January 22, 2021.

On the same date, the Parent Company also entered into a Deed of Absolute Sale of Shares with MPTC for the sale of its 100% ownership interest in NVC, representing 2,000,000 common shares, for a total consideration of ₱544.0 million, payable in cash. The consideration was subsequently collected from MPTC on January 15, 2021.

The following are the carrying amounts of the assets and liabilities of NVC as of December 29, 2020:

<b><u>Assets</u></b>	
Cash and cash equivalents	₱18,179,010
Receivables	93,629,000
Inventories	4,537
Other current assets	54,197,424
Property and equipment – net	991,195
Investment properties – net	571,425,374
Intangible assets	3,532,500
Other noncurrent assets	9,257,418
	<b>751,216,458</b>
<b><u>Liabilities</u></b>	
Accounts payable and other current liabilities	₱46,047,921
Short-term loans payable	100,000,000
Contract liabilities	2,856,935
Deposit for future stock subscription	200,000,000
Deferred tax liabilities – net	10,002,560
Other noncurrent liabilities	15,564,397
	<b>374,471,813</b>
<b>Carrying amount of net assets</b>	<b>₱376,744,645</b>

The amount of gain resulting from the loss of control of the subsidiary amounted to:

Total consideration	₱544,000,000
Net assets of the former subsidiary	(376,744,645)
	<b>₱167,255,355</b>

## 24. 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, 2021, and 2020, the Company recorded PNCC fee amounting to ₱510.7 million and ₱391.2 million, respectively.

#### **NLEX Harbor Link Segment C3-R10 and Port Extension**

On June 15, 2020, NLEX Corp opened the Harbor Link C3-R10 Section to public. The extension will boost the government's traffic decongestion efforts in Metro Manila, especially in the CAMANAVA area.

On October 19, 2020, the recommendation of the Department of Public Works and Highways (DPWH) to Toll Regulatory Board (TRB) to implement the proposed Harbor Link Port Extension to Anda Circle Project of NLEX Corp has been approved. This project will be within the scope of the existing NLEX concession. NLEX Corp has been advised to proceed on the preparation, completion and submission of requirements, documents and processes that are necessary on the implementation of the project. As at September 30, 2021, the selection and bidding process for the contractor is ongoing.

#### **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 will be sourced through internally generated cash and term loans. The SFEX Capacity Expansion Project was opened temporarily to serve motorists coming in and out of the Subic Bay Freeport Zone during the holiday season on December 28, 2020, until January 15, 2021. Subsequently, the expanded SFEX was fully opened to the public on February 19, 2021.

#### **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 at September 30, 2021, the construction of the NLEX-SLEX Connector Road Section 1 is on-going while the contract for Section 2 is yet to be awarded to the contractor awaiting internal approval. Construction for Section 2 is expected to commence within the 4<sup>th</sup> quarter of 2021.

#### **Toll Collection Interoperability Agreement**

On September 15, 2017, NLEX Corp., 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.

The Company's Toll Collection Lanes are currently accepting Autosweep tags enrolled to the Easytrip system. The enrolment of the Autosweep tags started last December 20, 2017.

The interoperability test activities were conducted for 14 consecutive days from January 29 to February 11, 2021. 44 vehicles were used, 22 vehicles coming from each party. The test routes are within NLEX, SCTEX and TPLEX. The evaluation of more the passages conducted during the testing was completed and was formally submitted to TRB last April 26, 2021.

The second phase that covers the cash collection interoperability will no longer be implemented in line with the recent developments on the mandate of the Government to implement 100% cashless and contactless transactions in all expressways. As at September 30, 2021, the implementation is still on the works.

#### **Traffic Management Memorandum of Agreement**

On January 18, 2006, NLEX Corp, DPWH and the City of Valenzuela entered into a memorandum of agreement to develop a traffic engineering management plan in coordination and cooperation with other government agencies and local government units and to address traffic build-up and congestion within the Valenzuela interchange. Under the MOA, DPWH shall improve pavements and construct road widening while NLEX Corp and Valenzuela City shall implement measures such as improvement of pedestrian barriers, crossing markings and road signs, deployment of traffic enforcers, clearing of sidewalks.

On July 9, 2019, NLEX Corp renewed its agreement with the City Government of San Fernando, Pampanga. Under the agreement, both parties shall adopt and execute the agreed traffic management plan to address the traffic situation within the territorial jurisdiction of San Fernando, Pampanga. On June 29, 2020, NLEX Corp renewed its memorandum of agreement with City Government of Meycauayan to address the traffic situation within the territorial jurisdiction of Meycauayan City.

On November 23, 2020, the officials of NLEX Corp and City of Angeles Pampanga entered into a memorandum of agreement to address the traffic situation within the Angeles Interchange. Under the MOA, both parties shall implement measures around the traffic management zone which include the deployment of traffic personnel, improvement of service time at the toll plaza, clearing of sidewalks, and prohibition of illegal parking, loading/unloading and jaywalking affecting the NLEX traffic flow.

#### **Out-of-Home (OOH) Advertising Agreement with NVC**

On February 1, 2021, NLEX Corp. has appointed NVC as exclusive partner for the OOH advertising within its expressways. NLEX Corp. grants NVC the limited and exclusive right to use portions of the NLEX and SCTEX rights-of-way for OOH advertising contracts, including the installation, construction, and maintenance of OOH structures. For this purpose, NLEX Corp. assigns its rights and obligations under the existing advertising contracts to NVC effective February 1, 2021 for a fixed monthly fee of ₱1.3 million per month and variable fee of 15% of advertising revenue in excess of ₱110.0 million over a calendar year. The agreement will be effective for an initial period of three (3) years, which can be renewed subject to the terms and conditions mutually agreed by the Parties, unless otherwise terminated by either party upon ninety (90) days prior written notice.



## 25. Financial Assets and Financial Liabilities

### Fair values

A comparison of carrying and fair values of all of the Company's financial instruments other than those with carrying amounts that are reasonable approximate of fair values, by category as at September 30, 2021 and December 31, 2020 is as follows:

	September 30, 2021		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Asset</b>				
Financial Assets at FVTPL:				
Unit investment trust fund	<b>₱372,760,563</b>	<b>₱372,760,563</b>	₱2,136,231	₱2,136,231
Financial assets at FVOCI:				
Investment in LTNCD	<b>46,145,000</b>	<b>46,145,000</b>	46,145,000	46,145,000
	<b>₱418,905,563</b>	<b>₱418,905,563</b>	₱48,281,231	₱48,281,231
<b>Financial Liability</b>				
Other financial liability:				
Long-term debt	<b>₱37,562,494,037</b>	<b>₱38,127,581,178</b>	₱31,321,079,982	₱32,261,272,305
Service concession fee payable	<b>3,222,931,947</b>	<b>3,273,760,755</b>	3,072,102,985	3,491,752,552
	<b>₱40,785,425,984</b>	<b>₱41,401,341,933</b>	₱34,393,182,967	₱35,753,024,857

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 Fair Value at Profit or Loss

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 Fair Value at Other Comprehensive Income

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, 2021 and December 31, 2020. 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, 2021 and December 31, 2020, estimated fair value is based on the discounted value of future cash flows using the prevailing peso interest rates. In 2021 and 2020, the prevailing peso interest rates ranged from 2.00% to 5.44% and 1.73% to 4.36%.

### Fair Value Hierarchy

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

	September 30, 2021	Level 1	Level 2	Level 3
<b>Assets measured at fair value:</b>				
Financial assets at FVTPL:				
UITF	₱372,760,563	₱–	₱372,760,563	₱–
Financial assets at FVOCI:				
Investment in LTNCD	46,145,000	46,145,000	–	–
	<b>₱418,905,563</b>	<b>₱46,145,000</b>	<b>₱372,760,563</b>	<b>₱–</b>
<b>Liabilities for which fair values are disclosed:</b>				
Other financial liabilities:				
Long-term debt				
Fixed-rate bonds	₱8,080,617,400	₱8,080,617,400	₱–	₱–
Peso-denominated notes and loans	30,046,963,778	–	30,046,963,778	–
Service concession fee payable	3,273,760,755	–	–	3,273,760,755
	<b>₱41,401,341,933</b>	<b>₱8,080,617,400</b>	<b>₱30,046,963,778</b>	<b>₱3,273,760,755</b>

	2020	Level 1	Level 2	Level 3
<b>Assets Measured at Fair Value</b>				
Financial assets at FVTPL:				
Investments in UITFs	₱2,136,231	₱–	₱2,136,231	₱–
Financial assets at FVOCI:				
Investment in LTNCD	46,145,000	46,145,000	–	–
	<b>₱48,281,231</b>	<b>₱46,145,000</b>	<b>₱2,136,231</b>	<b>₱–</b>
<b>Liabilities for which Fair Values are Disclosed</b>				
Other financial liabilities:				
Long-term debt				
Fixed-rate bonds	₱12,458,001,400	₱12,458,001,400	₱–	₱–
Peso-denominated notes and loans	19,803,270,905	–	19,803,270,905	–
Service concession fees payable	3,491,752,552	–	–	3,491,752,552
	<b>₱35,753,024,857</b>	<b>₱12,458,001,400</b>	<b>₱19,803,270,905</b>	<b>₱3,491,752,552</b>

During the periods ended September 30, 2021 and December 31, 2020, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

## 26. Contingencies and Others

### a. VAT

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

- The BIR issued a Formal Letter of Demand on March 16, 2009 requesting NLEX Corp. to pay deficiency VAT plus penalties amounting to ₱1,010.5 million for taxable year 2006.
- A Final Assessment Notice was received from the BIR dated November 15, 2009 assessing NLEX Corp. deficiency VAT plus penalties amounting to ₱557.6 million for taxable year 2007.
- The BIR issued a Notice of Informal Conference dated October 5, 2009 assessing NLEX Corp. for deficiency VAT plus penalties amounting to ₱470.9 million for taxable year 2008. On May 21, 2010, the BIR issued another notice increasing the deficiency VAT for taxable year 2008 to ₱1,209.2 million (including penalties). On June 11, 2010, NLEX Corp. filed its Position Paper with the BIR reiterating its claim that it is not subject to VAT on toll fees.
- The BIR issued a Notice of Informal Conference on May 21, 2010 assessing NLEX Corp. deficiency VAT plus penalties amounting to ₱1,026.6 million for taxable year 2009. On June 11, 2010, NLEX Corp. filed its Position Paper with the BIR reiterating its claim that it is not subject to VAT on toll fees.

On April 3, 2014, the BIR accepted and approved NLEX Corp.'s application for abatement and issued a Certificate of Approval for the cancellation of the basic output tax, interest and compromise penalty amounting to ₱1,010.5 million and ₱584.6 million for taxable years 2006 and 2007, respectively. As at September 30, 2021, the VAT assessments for taxable years 2008 and 2009 remain pending with the BIR and there were no abatements made for these assessments.

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 2004, MPT North (formerly, FPIDC) received from the Office of the Provincial Assessor, Province of Bataan, tax declarations categorizing the Bataan portion of the Subic-Tipo Road (Segment 7) as taxable. The tax declarations assessed the Company the total amount of ₱87.0 for the period from 1997 to 2004. This was appealed by the Company to the Local Board of Assessment Appeals (LBAA) of Bataan, stating that the subject property is owned by the Republic of the Philippines and, consequently, praying for the revocation of the tax declarations and for the dropping of the land covered by the Subic-Tipo Road from the assessment roll in accordance with the Local Government Code. The case remains pending before the LBAA of Bataan as at September 30, 2021.

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, 2021.

In September 2013, NLEX Corp. received notices of realty tax delinquencies for the years 2006 to 2012 and 2013 issued by the Provincial Treasurer of Bulacan stating that if NLEX Corp. fails to pay or remit the alleged delinquent taxes, the remedies provided for under the law for the collection of delinquent taxes shall be applied to enforce collection. In September 27, 2013, the Bureau of Local Government

Finance of the Department of Finance (DOF-BLGF) wrote a letter to the Province of Bulacan advising it to hold in abeyance any further course of action pertaining to the alleged real property tax delinquency. In October 2013, the Provincial Treasurer of Bulacan has respected the directive from the DOF-BLGF to hold the enforcement of any collection remedies in abeyance. In January 2017, the Provincial Treasurer of Bulacan issued a notice of realty tax delinquencies for the years 2006 to 2017 stating that it could apply the remedies provided under the law for the collection of delinquent taxes. The matter is pending as at September 30, 2021.

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. Local Business Tax (LBT) Assessments

In March 2019, TMC filed an application for cessation of its business operations in Caloocan City pursuant to its merger with the Company. In April 2019, the Company received an assessment for alleged deficiency local business taxes for TY 2018 in the total amount of ₱13.4 million. In June 2019, the Company filed its protest on the assessment. Due to the inaction of the Office of the City Treasurer, in September 2019, the Company filed a complaint for annulment of the assessment with the Regional Trial Court of Caloocan City with a claim for refund in the amount of ₱5.4 million, representing excess LBT paid for TY 2018. The case is pending as at September 30, 2021.

In September 2019, the BPLO of the City of Valenzuela issued a demand to pay billing statement for alleged deficiency local business tax amounting to ₱47.8 million. Subsequently, the BPLO cancelled the initial billing and issued a revised assessment for alleged deficiency local business taxes in the reduced amount of ₱26.5 million. In November 2019, the Company paid the reduced amount under protest. In January 2020, the Company filed its protest with a claim for refund of the revised assessment. Due to the inaction of the Office of the City Treasurer, the Company filed a complaint for annulment of the assessment with the Regional Trial Court of the Caloocan City. The case is pending as of September 30, 2021.

In November 2019, the City Treasurer of Valenzuela issued to NLEX Corp. an assessment for alleged deficiency LBT for the years 2013 to 2019 in the amount of ₱9.9 million. The assessment pertains to the imposition of LBT on the Value Added Tax (VAT) component of the Company's gross receipts for the said years. On November 21, 2019, the Company timely filed its protest to the assessment. The City Treasurer of Valenzuela failed to act on the protest filed by NLEX Corp. within the period provided in the Local Government Code. Hence, in February 2020, NLEX Corp. filed a complaint for the annulment of the assessment with the Regional Trial Court. The case is still pending as at September 30, 2021.

d. Toll Rate Adjustments

NLEX Corp, as petitioner-applicant, filed the following Petitions for Approval of Periodic Toll Rate Adjustment with the Toll Regulatory Board (TRB) praying for the adjustment of the toll rates for the NLEX:

<b>Petition</b>	<b>Date Filed</b>	<b>Effectivity</b>
2012 Petition	June 2012	January 1, 2013
2014 Petition	September 2014	January 1, 2015
2016 Petition	September 2016	January 1, 2017
2018 Petition	September 2018	January 1, 2019
2020 Petition	September 2020	January 1, 2021

On October 27, 2015, NLEX Corp was granted the right and obligation to manage, operate, and maintain the SCTEX under the terms of the Business Agreement between NLEX Corp. 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, and 2015. 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).

On February 18, 2021, 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 substantially completed expansion of NLEX Segment 7 and San Fernando Interchange (NLEX Lane Widening Phase 2 Add-on Toll Rate Petition). On September 17, 2021, the Company received the TRB Order dated September 8, 2021 granting the petition for add-on toll rate. The Notice to Start Collection is still pending with the TRB as of September 30, 2021.

#### 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. The Company implemented the second tranche of the 2012 and 2014 petitions on November 25, 2020.

On May 6, 2021, the TRB issued a Notice to Start Collection of the third tranche. The Company implemented the third tranche of the 2012 and 2014 petitions on May 18, 2021.

#### 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. In March 2021, NLEX Corp. posted the third extension of the Surety Bond for another six (6) months. In September 2021, NLEX Corp. posted the fourth extension of the Surety Bond for another six (6) months.

#### 2016, 2018 and 2020 Petitions

NLEX Corp has yet to receive regulatory approval for these petitions.

#### C3-R10 Add-on Toll Rate Petition

On August 5, 2020, the TRB issued a Resolution which provisionally approved and allowed NLEX Corp to implement the add-on toll for the Open System subject of the Petition. On November 20, 2020, the TRB issued a Notice to Start Collection effective November 23, 2020. The Company has implemented the toll adjustment starting November 25, 2020.

#### SCTEX Petition

On June 14, 2019, NLEX Corp. implemented the Petition for Periodic Toll Rate Adjustment effective 2012 in the SCTEX. Apart from this Petition, all the remaining petitions for toll rate adjustments for SCTEX remain pending with the TRB.

#### d. Arbitration

In August 2015, NLEX Corp wrote the Republic of the Philippines (ROP), acting by and through the Toll Regulatory Board (TRB), a Final Demand for Compensation (Final Demand) based on the 2012 and 2014 petitions for overdue toll rate adjustments (Petitions) pursuant to the parties' Supplemental Toll Operation Agreement dated April 30, 1998 (STOA).

In the Final Demand, NLEX Corp stated that the ROP's/TRB's refusal to act on, and grant, the 2012 and 2014 Petitions violates both the express STOA provisions on the matter and the basic principles of obligations and contracts, to the prejudice of NLEX Corp which has continuously relied in good faith on the ROP's/TRB's timely performance of their express obligations and undertakings under the STOA and the applicable laws.

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). On April 4, 2016, NLEX Corp was constrained to issue a Notice of Arbitration and Statement of Claim to the ROP/TRB to preserve its rights under the STOA.

On June 24 to 27, 2019, the arbitration hearings were held in Singapore. In August 2019, NLEX Corp and the ROP/TRB submitted their respective Post-Hearing Briefs. From December 2019 to April 2020, the parties sought from the Arbitral Tribunal a suspension of the proceedings until May 10, 2020 for the parties to explore the possibility of an amicable settlement, which the Arbitral Tribunal granted. 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 September 7, 2021, NLEX Corp. has received notice of the ruling of the Permanent Court of Arbitration in the arbitration case filed with the Tribunal against the Republic of the Philippines, acting by and through the TRB. While the Tribunal ruled that it has jurisdiction over the claims presented by NLEX, the Tribunal held that under the factual circumstances of the case, the TRB is not liable for unreasonable delay on the petitions for toll rate adjustment filed in 2012 and 2014 ("2012 and 2014 Petitions"). The rejection of the claim is without prejudice to further review by the TRB of the said petitions. The Tribunal also noted that the TRB already decided on the 2012 and 2014 Petitions when the TRB issued its resolution in 2018 approving an upward adjustment in the toll rates, which NLEX started implementing in March 2019. Based on the foregoing, the Tribunal also denied NLEX's claim for

damages. The Tribunal also ruled that each Party will bear the costs of arbitration in equal shares and will bear their own costs of legal representation and assistance.

- 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. In July 2020, the Supreme Court issued another Notice for the petitioner's counsel to pay an increased fine of P2,000 and to comply with the resolution to file a consolidated reply to the separate comments of the Executive Secretary and BCDA. On October 28, 2020, NLEX Corp's counsel received from BCDA's counsel a Motion for Leave to File Manifestation with Motion for Submission for Resolution dated October 1, 2020. The case is pending as at September 30, 2021.

- 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.

- g. Legal Assistance for NLEX Corporation in its Dispute Against the City of Valenzuela

On December 3, 2020, the City of Valenzuela sent a letter to the Corporation which constituted the former's formal complaint and demand against NLEX Corp. for unusual heavy traffic in the Valenzuela City after the implementation of the cashless and contactless toll collection program pursuant to the Department of Transportation Department order No. 2020-012. The dispute led to the issuance of suspension orders, through several city ordinances and Executive Orders, which led to the raising of toll barriers and cessation of operations at NLEX toll booths in Valenzuela City on December 7, 2020 until further notice.

Given the substantial loss in revenue and the reputational and operational damage caused by the raising of toll barriers, the Corporation sought the assistance of its legal counsel to explore remedies for the restoration of normal operations at NLEX toll booth in Valenzuela City and to explore actions against the City of Valenzuela, if necessary. Eventually, on December 16, 2020, NLEX Corp. and the City of Valenzuela reached an agreement for the lifting of the suspension order against the corporation before any action was filed before the courts. On the same date, the operations in NLEX toll booths in Valenzuela City have returned to its normal operations.

## 27. Operating Segment Information

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

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

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

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

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

The revenues, net income, assets, liabilities, and other information of the Company's operations as at and for the period ended September 30, 2021 and 2020 are as follows:

	2021	2020
Net toll revenues	P9,954,259,669	P7,678,115,095
Other income	227,942,624	145,812,488
Total revenues	10,182,202,293	7,823,927,583
Operating and maintenance costs	(2,743,933,870)	(2,322,459,200)
Operating expenses	(520,201,067)	(529,885,701)
EBITDA	6,918,067,356	4,971,582,682
Financing costs	(831,829,871)	(714,239,491)
Core income before depreciation, amortization and provisions	6,086,237,485	4,257,343,191
Depreciation, amortization and provisions*	(1,034,073,845)	(803,052,672)
Core income before tax	5,052,163,640	3,454,290,519
Provision for income tax	(668,447,601)	(876,738,762)
Core income after tax	4,383,716,039	2,577,551,757
Nonrecurring items	(353,667,462)	(18,819,668)
Net income	P4,030,048,577	P2,558,732,089
EBITDA margin for the year	68%	64%
Core income margin for the year	43%	33%
Net income margin for the year	40%	33%
Total assets	P68,168,389,539	P59,300,277,523
Total liabilities	46,230,957,441	38,279,866,625
Total equity	21,937,432,098	21,020,410,898



	2021	2020
Other disclosures:		
Capital expenditure (consists of additions to service concession asset, property and equipment, investment properties and other intangible assets)	<b>₱ 4,753,126,850</b>	₱5,680,222,545

\* Excludes provision for current and deferred taxes.

The following table shows the reconciliation of EBITDA to net income for the period ended September 30, 2021, and 2020.

	2021	2020
EBITDA	<b>₱6,918,067,356</b>	₱4,971,582,682
Interest expense and other finance costs (see Note 22)	<b>(848,802,428)</b>	(741,018,743)
Amortization of service concession asset (see Note 7)	<b>(801,726,567)</b>	(504,162,491)
Interest income (see Note 21)	<b>16,972,558</b>	26,779,252
Provision for heavy maintenance (see Note 19)	<b>(243,129,654)</b>	(198,666,694)
Depreciation of property and equipment (see Note 8)	<b>(88,242,955)</b>	(100,223,487)
Reversal of provision	<b>99,025,330</b>	–
Nonrecurring items:		
Provisions (see Note 13)	<b>(354,989,242)</b>	(15,164,912)
Foreign exchange gain (loss) – net	<b>1,321,780</b>	(3,654,756)
Income before income tax	<b>4,698,496,178</b>	3,435,470,851
Provision for income tax:		
Current	<b>960,456,264</b>	₱873,848,246
Deferred	<b>(292,008,663)</b>	2,890,516
	<b>668,447,601</b>	876,738,762
Net income for the year	<b>₱4,030,048,577</b>	₱2,558,732,089

The following table shows the reconciliation of the core income to the net income for the period ended September 30, 2021, and 2020.

	2021	2020
Core income for the year	<b>₱4,383,716,039</b>	₱2,577,551,757
Provisions (see Note 13)	<b>(354,989,242)</b>	(15,164,912)
Foreign exchange gain (loss) - net	<b>1,321,780</b>	(3,654,756)
Net income for the year	<b>₱4,030,048,577</b>	₱2,558,732,089

## 28. 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 11.2% and 15.0% applied to cash flow projections reflects the weighted average cost of capital as at December 31, 2020 and 2019, 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 17 years and 18 years for 2020 and 2019, 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 2020 for traffic volume growth is at 2.7% average growth rate of daily vehicle traffic for NLEX open system, and 3.2% and 7.0% average growth rate of daily vehicle traffic for NLEX and SCTEX closed system, respectively. 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.

Based on the impairment test, management did not identify an impairment loss for goodwill.

## 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, 2021

#### Financial Highlights and Key Performance Indicators:

##### Statement of Income Data

	30-Sep-21	30-Sep-20	Increase (Decrease)	
In PhP, Millions			Amount	%
	(unaudited)	(unaudited)		
Operating revenue	₱10,001	₱7,824	2,177	28
Cost of services	(4,071)	(3,154)	(917)	29
General and administrative expenses	(704)	(582)	(122)	21
Interest expense and other financing costs, net of interest income of ₱21 million in 2021 and ₱27 million in 2020	(842)	(714)	(128)	18
Foreign exchange loss – net	1	(3)	4	(133)
Other income	182	66	116	176
Provision for income tax	(537)	(878)	341	(39)
Net income	₱4,030	₱2,559	1,471	57
Net income margin	40%	33%		

##### Statement of Financial Position

	30-Sep-21	31-Dec-20	Increase (Decrease)	
In PhP, Millions			Amount	%
	Unaudited	(Audited)		
Balance Sheet Data:				
Total assets	₱68,168	₱62,787	5,381	9
Total liabilities	46,231	42,673	3,558	8
Total equity	21,937	20,114	1,823	9

## Result of Operation

NLEX Corporation recorded revenues amounting to ₱10.0 billion, 28% higher than 2020 figures as traffic figures continue to increase due to lighter quarantine restrictions on mobility and supported by the higher toll rates implemented in November 2020 and May 2021. Net Income for the three quarters of 2021 is at ₱4.0 billion, 57% or ₱1.5 billion higher than last year due to higher revenues offset by the increase in financing and amortization costs relating to the recent opening of expansion projects combined with one-time charges relating with the company's RFID initiatives.

The table below shows the consolidated revenues, expenses, other income, income before income tax, and net income of NLEX Corp for the period ended September 30, 2021, and 2020.

## Statement of Income Data

	30-Sep-21	30-Sep-20	Increase (Decrease)	
In PhP, Millions	(unaudited)	(unaudited)	Amount	%
Operating revenue	₱10,001	₱7,824	2,177	28
Cost of services	(4,071)	(3,154)	(917)	29
General and administrative expenses	(704)	(582)	(122)	21
Interest expense and other financing costs, net of interest income of Php21 million in 2021 and Php27 million in 2020	(842)	(714)	(128)	18
Foreign exchange loss - net	1	(3)	4	(133)
Other income	182	66	116	176
Provision for income tax	(537)	(878)	341	(39)
Net income	₱4,030	₱2,559	1,471	57
Net income margin	40%	33%		

## September 30, 2021 Compared to September 30, 2020

### Revenues

In PhP, Millions	30-Sep-21		30-Sep-20		Increase (Decrease)	
	(unaudited)		(unaudited)		Amount	%
	Amount	%	Amount	%		
Toll Revenues	₱9,954	100	₱7,678	98	2,276	30
Non-toll Revenues	47	0	146	2	(99)	(68)
<b>Total Revenues</b>	<b>₱10,001</b>	<b>100</b>	<b>₱7,824</b>	<b>100</b>	<b>2,177</b>	<b>28</b>

The Company's operating revenues are derived mainly from toll fees in NLEX and SCTEX. The Company previously generated other income from advertising which was transferred to NVC early this year. The Company continues to record non-toll revenues from toll service facilities and utility facilities located along the NLEX.

For the three quarters of 2021, toll revenues reached ₱10.0 billion, higher by 30% or ₱2.3 billion from ₱7.7 billion posted as of third quarter of 2020 as traffic figures gradually recovered since the imposition of strict quarantine and mobility measures in March 2020.

As of September 30, 2021, average daily traffic for the NLEX reached 240,892 daily vehicle entries, while average daily traffic in SCTEX reached 52,742 daily vehicle entries. For the first nine months of the year, traffic figures for NLEX and SCTEX have exceeded 2020 figures by 28% and 25% respectively.

In addition to higher traffic volume, toll revenues were also pushed by higher toll fees implemented last May 2021 on top of the November 2020 adjustments.

The adjustments in May 2021 were related to the third tranche of the 2012 and 2014 toll rate petitions while the November 2020 adjustments relate to the add-on toll for Segment 10: C3-R10 Section and the second tranche of NLEX 2012 and 2014 petitions.

### Cost of Services

As of September 30, 2021, major cost components include costs of toll operations, asset preservation and safety enhancements. The table shown below summarizes the details of these accounts for the period ended September 30, 2021, and 2020:

In PhP, Millions	30-Sep-21		30-Sep-20		Increase / (Decrease)	
	Amount	%	Amount	%	Amount	%
Amortization of service concession assets	₱802	20	₱504	16	298	59
Concession fee	785	19	638	20	147	23
Salaries and employee benefits	640	16	479	15	161	34
PNCC fee	511	13	391	12	120	31
Outside services	476	12	323	10	153	47
Provision for heavy maintenance	229	6	199	6	30	15
Repairs and maintenance	201	5	218	7	(17)	(8)
Insurance	100	2	81	3	19	23
Light & Water	67	2	60	2	7	12
Depreciation	59	1	63	2	(4)	(6)
Fuel & Oil	53	1	32	1	21	66
Toll collection and medical services	12	0	14	0	(2)	(14)
Others	136	3	152	6	(16)	(11)
<b>Total cost of services</b>	<b>₱4,071</b>	<b>100</b>	<b>₱3,154</b>	<b>100</b>	<b>917</b>	<b>29</b>

For the first nine months of the year, PNCC fees increased by 31% from ₱391 million during the third quarter of 2020 to ₱511 million in 2021 mainly due to higher NLEX toll revenues during the period. Concession fees of ₱785 million, an increase of 23% versus the same period in 2020 pertain to the fees paid to BCDA representing 50% of toll revenues in the SCTEX.

Salaries and employee benefits reached ₱640 million during the third quarter of 2021, higher by 34% or ₱161 million due in part to the voluntary separation program instituted as part of the RFID initiative mandated by the government.

Amortization of service concession assets for the third quarter reached ₱802 million, higher by 59% or ₱298 million from ₱504 million last year due to the amortization of the Segment 10: C3-R10 Section which opened on June 15, 2020.

Outside services increased by 47% from ₱323 million during the third quarter of 2020 to ₱476 million in 2021 mainly due to the reclassification of car rental charges with driver from transportation expense last year.

Total cost of services for the third quarter of 2021 is at ₱4.07 billion, higher by 29% or ₱917 million versus the ₱3.15 billion recorded during the same period last year.

### **General and Administrative Expenses**

In Php millions	30-Sep-21		30-Sep-20		Increase / (Decrease)	
	Amount	%	Amount	%	Amount	%
Salaries and Employee benefits	₱209	30	₱201	35	8	4
Management fees	182	26	38	7	144	379
Taxes and Licenses	85	12	110	19	(25)	(23)
Professional fees	85	12	72	12	13	18
Advertising and marketing expenses	28	4	31	5	(3)	(10)
Depreciation	23	3	37	6	(14)	(38)
Outside services	20	3	24	4	(4)	(17)
Representation and travel	10	1	18	3	(8)	(44)
Provisions	8	1	21	4	(13)	(62)
Others	54	8	30	5	24	80
<b>Total</b>	<b>₱704</b>	<b>100</b>	<b>₱582</b>	<b>100</b>	<b>122</b>	<b>21</b>

As of September 30, 2021, general and administrative expenses amounted to ₱704 million, ₱122 million or 21% higher than the ₱582 million incurred during the same period last year due to the re-classification of capitalized management fees, offset by decrease in local business taxes, outside services and depreciation.

### **Interest and Financing Costs**

Net financing costs for the quarter ended September 30, 2021, amounted to ₱564 million higher by 18% or ₱128 million versus last year due to the recognition of interest expense from the loans used to finance the construction of Segment 10: C3-R10 Section which commenced commercial operations on June 15, 2020. Prior to operation, these interest payments were capitalized.

Net borrowing costs capitalized amounted to ₱589.0 million as of September 30, 2021.

In PhP, Millions	30-Sep-21		30-Sep-20		Increase / (Decrease)	
	Amount	%	Amount	%	Amount	%
Interest and financing costs:						
Interest expense, net of interest income	₱846	98	₱721	97	125	17
Amortization of debt issue costs	14	2	16	2	(2)	(13)
Lenders' fees and bank charges	3	0	5	1	(1)	(25)
<b>Total interest &amp; financing costs</b>	<b>863</b>	<b>100</b>	<b>742</b>	<b>100</b>	<b>122</b>	<b>16</b>
Interest Income:						
Cash and cash equivalents	19	90	22	81	(3)	(14)
Investment in bonds & treasury notes	2	10	5	19	(3)	(60)
<b>Total interest income</b>	<b>21</b>	<b>100</b>	<b>27</b>	<b>100</b>	<b>(6)</b>	<b>(22)</b>
<b>Net Financing costs</b>	<b>₱564</b>		<b>₱430</b>		<b>128</b>	<b>18</b>

### **Net Income**

As of September 30, 2021, net income reached ₱4.0 billion, 57% higher than last year due to higher recorded revenues offset by the financing and amortization costs and one-off costs of the employee separation program.

### **Balance Sheet**

	30-Sep-21	31-Dec-20	Increase (Decrease)	
In PhP, Millions	Unaudited	(Audited)	Amount	%
Balance Sheet Data:				
Total assets	₱68,168	₱62,787	5,381	9
Total liabilities	46,231	42,673	3,558	8
Total equity	21,937	20,114	1,823	9

### **September 30, 2021, Compared to December 31, 2020**

#### **Assets**

Cash and cash equivalents as of September 30, 2021 stood at ₱5.0 billion, higher by ₱2.7 billion or 115% from ₱2.3 billion in December 31, 2020 mainly due to the loan drawdowns from its ₱20.0 billion Corporate Notes Facility totaling to ₱6.6 billion and ₱5.4 billion for Tranche A and B Facilities, respectively offset by the payment of dividends and 7-year tranche of its fixed rate bonds issued on March 31, 2014 amounting to ₱4.4 billion and ₱5.7 billion, respectively.

Receivables comprising of advances for the right-of-way acquisition, advertising accounts, utility facility fees and receivables from affiliates reached ₱757.8 million, down by ₱491.7 million compared to the ₱1,250 million balance in December 2020 due to collection from MPTC of the proceeds from the sale of NVC amounting to ₱744 million.

As of September 30, 2021, total assets amounted to ₱68.2 billion, higher than the December 31, 2020 figures by 9% mainly from the increase in cash and cash equivalents and service concession assets related to the construction costs of NLEX Connector Road Project.

#### **Liabilities and Stockholder's Equity**

Current liabilities for the period ended September 30, 2021 decreased by ₱7.6 billion or 59% to ₱5.4 billion compared to ₱13.0 billion as of December 31, 2020 due to the full payment of the 7-year tranche of the Company's fixed rate bonds which matured on March 31, 2024 amounting to ₱4.4 billion.

Long-term debt as of September 30, 2021 stood at ₱36.9 billion.

Total liabilities as of the end September 30, 2021 was at ₱46.2 billion, higher by 8% or ₱3.6 billion from ₱42.7 billion posted in December 2020.

Stockholders' equity reached ₱21.9 billion, up by 9% or ₱1.8 billion from the ₱20.1 billion as of end December 2020.

## **Key Financial Indicators**

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

		30-Sep-21	31-Dec-20
Current ratio	Current Assets	1.23	0.31
	Current liabilities		
Debt-to-equity (DE) ratio	Interest bearing liabilities	1.71	1.56
	Stockholders' equity		
Net profit margin	Net Income	40%	32%
	Revenues		
Return on assets	Net income*	8%	6%
	Average total assets		
Return on stockholders' equity	Net income*	26%	18%
	Average stockholders' equity		

*\*annualized*

Current ratio stood at 1.21 times as of quarter end, from 0.31 times as of end-2020 due to the increase in current assets. The Company has adequate sources of liquidity including daily cash flows from operations and available short-term lines amounting to ₱18.0 billion as of September 2021.

Debt-to-Equity Ratio as of the third quarter of 2021 increased to 1.71 times from 1.56 times as of December 2020 due to the recent drawdown from the corporate notes facility amounting to ₱8.0 billion, ₱2.0 billion and ₱2.0 billion in March 2021, June 2021 and September 2021, respectively, offset by the principal payments made during the nine months of the year.

As of September 30, 2021, net profit margin increased from 32% in December 2020 to 40% as a result of higher recorded revenues as of the third quarter of 2021.

Return on assets increased to 9% due to higher asset balance arising from the increase in service concession assets offset by higher annualized net income. Meanwhile, return on stockholder's equity increased to 27% due to the higher retained earnings balance as of September 2021, partially offset by higher annualized net income for the third quarter of 2021.

## **Cash Flows**

The table below summarizes the Company's comparative cash flows as of September 30, 2021 and 2020.

Cash Flows	30-Sep-21	30-Sep-20
	<i>(in ₱ Millions)</i>	
Cash and cash equivalents, beginning balance	₱2,343	₱4,400
Net cash provided by operating activities	5,915	4,011
Net cash used in investing activities	(4,521)	(5,398)
Net cash provided by (used in) financing activities	1,308	(2,463)
Effect of exchange rate changes	1	(1)
Net increase (decrease) in cash	2,703	(3,851)
Cash and cash equivalents, ending balance	₱5,046	₱549



### **Cash Flows from Operating Activities**

Net cash provided by operating activities during the third quarter of 2021 reached ₱5.9 billion, higher than 2020 figures during the same period due to the recovery of toll revenues, as well as the cash flows from the transfer of NVC to MPTC.

### **Cash Flows from Investing Activities**

For the third quarter of 2021, net cash used in investing activities amounted to ₱4.5 billion. Cash outflows during the period were mainly related to the settlement of payables for bridge retrofitting, construction of new toll plazas, enhancement of existing ones in certain areas of Phase I, and construction of tunnel, new bridges and roadworks development related to the SFEX Capacity Expansion and NLEX Connector Road Project.

### **Cash Flows from Financing Activities**

Net cash flows from financing activities amounted to ₱1.3 billion. Total proceeds from long term loans amounting to ₱12.0 billion was partially offset by the cash payments for dividends, interest and principal loan repayment amounting to ₱4.1 billion, ₱0.8 billion and ₱5.7 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.**

Any future quarantine measures that can be implemented by government that severely limit the mobility of people, goods and services may have a material impact on the issuer's liquidity. Thus, the Company maintains adequate short-term credit lines to cover any tightness in liquidity.

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

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

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

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

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

Aside from the ongoing construction of NLEX Connector Road Project, the Company has no material commitments for capital expenditures within the reportable period.

**(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 May 18, 2021, the Company implemented the third tranche of the staggered implementation of NLEX 2012 and 2014 petitions. The Company expects another round of toll adjustments within the 4<sup>th</sup> quarter of 2021.

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 Pandemic – in the event of any pandemic within Metro Manila and nearby provinces, operations of the Company may be affected, as vehicular traffic may be limited due to travel restrictions in place.

**(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 11, 2021.

By:

  
\_\_\_\_\_  
**MARIA THERESA O. WELLS**  
CHIEF FINANCE OFFICER  
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