SMC TOLLWAYS CORPORATION

11th Floor, San Miguel Properties Centre
7 St. Francis St., Mandaluyong City

PROSPECTUS

Fixed Rate Bonds in the aggregate principal amount of up to ₱35,000,000,000.00

Offer of ₱30,000,000,000.00 Fixed Rate Bonds
With an Oversubscription Option of up to ₱5,000,000,000.00 Fixed Rate Bonds

Consisting of:
Series A Bonds: 6.4783% p.a. due 2030

Series B Bonds: 6.7026% p.a. due 2031

and

Series C Bonds: 6.9331% p.a. due 2034

Issue Price: 100% Face Value

to be listed and traded through the Philippine Dealing & Exchange Corp.

Joint Issue Managers

Bank of Commerce[1]
Land Bank of the Philippines[2]
PNB Capital and Investment Corporation[3]

Joint Lead Underwriters and Bookrunners

Bank of Commerce	BPI Capital Corporation[4]	China Bank Capital Corporation[5]
Land Bank of the Philippines	Philippine Commercial Capital, Inc.	PNB Capital and Investment Corporation
RCBC Capital Corporation[6]	SB Capital Investment Corporation	Union Bank of the Philippines[7]

Selling Agents

BDO Capital and Investment Corporation
East West Banking Corporation
First Metro Investment Corporation

Trustee

RCBC Trust Corporation[8]

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

This Prospectus is dated as of November 13, 2024.

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[1] *Bank of Commerce is an affiliate of San Miguel Corporation.*
[2] *Land Bank of the Philippines is a noteholder of the corporate notes facility that will be prepaid with the proceeds of this Offer. For further discussion, please see section on Use of Proceeds.*
[3] *PNB Capital and Investment Corporation is a wholly-owned subsidiary of Philippine National Bank, which is a noteholder of the corporate notes facility that will be prepaid with the proceeds of this Offer. For further discussion, please see section on Use of Proceeds.*
[4] *BPI Capital Corporation is a wholly-owned subsidiary of Bank of the Philippine Islands, which is a noteholder of the corporate notes facility that will be prepaid with the proceeds of this Offer. For further discussion, please see section on Use of Proceeds.*
[5] *China Bank Capital Corporation is a wholly-owned subsidiary of China Banking Corporation, which is a noteholder of the corporate notes facility that will be prepaid with the proceeds of this Offer. For further discussion, please see section on Use of Proceeds.*
[6] *RCBC Capital Corporation is a wholly-owned subsidiary of Rizal Commercial Banking Corporation, which is a noteholder of the corporate notes facility that will be prepaid with the proceeds of this Offer. For further discussion, please see section on Use of Proceeds.*
[7] *Union Bank of the Philippines is a noteholder of the corporate notes facility that will be prepaid with the proceeds of the Offer. For further discussion, please see section on Use of Proceeds.*
[8] *RCBC Trust Corporation is an affiliate of Rizal Commercial Banking Corporation, which is a noteholder of the corporate notes facility that will be prepaid with the proceeds of this Offer. For further discussion, please see section on Use of Proceeds.*

SMC TOLLWAYS CORPORATION
11th Floor, San Miguel Properties Centre
7 St. Francis St., Mandaluyong City
Telephone Number (632) 8702-4900
https://smctollways.com.ph

This Prospectus (the "**Prospectus**") relates to the registration and the public offer for sale, distribution, and issuance in the Philippines (the "**Offer**") of Philippine Peso-denominated fixed rate bonds with an aggregate principal amount of up to Thirty-five Billion Pesos ₱35,000,000,000.00 (the "**Bonds**") by SMC Tollways Corporation, formerly Atlantic Aurum Investments Philippines Corporation ("**SMC Tollways**," the "**Company**," the "**Parent Company**," or the "**Issuer**"), a corporation duly organized and existing under Philippine law. The Bonds will be issued at face value ("**Issue Price**") and listed and traded through the Philippine Dealing & Exchange Corp. ("**PDEx**").

The Offer will have an aggregate principal amount of **₱30,000,000,000.00** (the "**Base Offer**"), and in the event of an oversubscription, the Joint Lead Underwriters and Bookrunners (as defined below), in consultation with the Issuer, may increase the size of the Offer by up to ₱5,000,000,000.00 (the "**Oversubscription Option**," and the Bonds pertaining to such option, the "**Oversubscription Option Bonds**") for an aggregate issue size of up to ₱35,000,000,000.00.

The Bonds will be issued on December 5, 2024 (the "**Issue Date**") and will be comprised of Series A Bonds due 2030 (the "**Series A Bonds**"), Series B Bonds due 2031 (the "**Series B Bonds**"), and Series C Bonds due 2034 (the "**Series C Bonds**"). The Issuer has the discretion to allocate the principal amount of the Bonds among the Series A Bonds, the Series B Bonds, and the Series C Bonds based on the book building process.

The Series A Bonds shall have a term of five (5) years and three (3) months from Issue Date with a fixed interest rate equivalent to 6.4783% per annum. The Series B Bonds shall have a term of seven (7) years from Issue Date with a fixed interest rate equivalent to 6.7026% per annum. The Series C Bonds shall have a term of ten (10) years from Issue Date with a fixed interest rate equivalent to 6.9331% per annum.

For a detailed discussion on the Interest Payment Dates, please refer to the section *"Description of the Bonds – Interest"* starting on page 35 of this Prospectus.

Subject to the consequences of default as may be contained in the Trust Agreement, and unless otherwise redeemed or purchased prior to the relevant Maturity Date, the Bonds will be redeemed at par or 100% of the face value thereof on the Maturity Date. For a more detailed discussion on the redemption of the Bonds, please refer to the section *"Description of the Bonds – Redemption and Purchase"* starting on page 36 of this Prospectus.

It is expected that the Bonds will be delivered in book-entry form against payment thereof to the Philippine Depository & Trust Corp. ("**PDTC**").

The Company estimates that the net proceeds from the Offer after fees, commissions, and expenses, shall amount to approximately ₱29,629,980,375.00, in the event the Oversubscription Option is not exercised, or approximately ₱34,572,480,375.00, assuming full exercise of the Oversubscription Option. The net proceeds of the Offer shall be used primarily by the Company to prepay its existing Peso-denominated Corporate Notes and to fund the capital expenditure program of Skyway Stages 1, 2, and 3. The Joint Lead Underwriters and Bookrunners shall receive a fee of up to 0.40% of the gross proceeds of the Offer. For a more detailed discussion on the use of proceeds, please refer to the section *"Use of Proceeds"* starting on page 63 of this Prospectus.

On March 13, 2024, the Board of Directors of the Company (the "**Board of Directors**") authorized the sale and offer of the Bonds under such terms and conditions as the management of SMC Tollways may deem advantageous to it. On September 24, 2024, the Company filed an application with the Securities and Exchange Commission ("**SEC**") to register the Bonds under the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799) ("**SRC**"). On November 7, 2024, the SEC issued the pre-effective approval for the Bonds. The SEC is expected to issue an order rendering the Registration Statement effective, and a corresponding permit to offer securities for sale covering the Bonds upon compliance with the terms and conditions of the pre-effective approval.

The Company will apply for the listing of the Bonds in the PDEx. However, there is no assurance that such listing will be achieved either before or after the Issue Date of the Bonds being offered at a particular time or whether such a listing will materially affect the liquidity of the Bonds on the secondary market. Such listing will be subject to the Company's execution of a listing agreement with PDEx that may require the Company to make certain disclosures, undertakings, and payments on an ongoing basis.

The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings. PRS Aaa is the highest rating assigned by PhilRatings. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. The rating is subject to regular annual review, or more frequently as market developments may dictate, for as long as the Bonds are outstanding.

The Bonds will be offered to the public solely in the Philippines through Bank of Commerce, Land Bank of the Philippines, and PNB Capital and Investment Corporation (collectively, the "**Joint Issue Managers**"), and together with BPI Capital Corporation, China Bank Capital Corporation, Philippine Commercial Capital, Inc., RCBC Capital Corporation, SB Capital Investment Corporation, and Union Bank of the Philippines (collectively with the Joint Issue Managers, referred to as the "**Joint Lead Underwriters and Bookrunners**"), and the selling agents named herein, if any.

The Company reserves the right to withdraw the offer and sale of the Bonds at any time before the commencement of the Offer Period. The Issuer (acting through the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners) reserves the right to reject any application to purchase the Bonds in whole or in part and to allot to any prospective purchaser less than the full amount of the Bonds sought by such purchaser. For a discussion on the potential grounds for rejection, please refer to "*Plan of Distribution – Rejection of Applications*" starting on page 73 of this Prospectus. If the Offer is withdrawn or discontinued, the Company shall subsequently notify the SEC and, as applicable, the PDEx. Any of the Joint Issue Managers, the Joint Lead Underwriters and Bookrunners and the Selling Agent may acquire for their own account a portion of the Bonds. The Company may also withdraw the offer and sale of the Bonds at any time on or after the commencement of the Offer Period and prior to the Issue Date, upon occurrence of certain events. For further discussion, please refer to "*Summary of the Offer*" on page 24 and "*Plan of Distribution – Withdrawal of the Offer*" starting on page 74 of this Prospectus.

The Bonds will be registered and offered exclusively in the Philippines. The distribution of this Prospectus and the offer and sale of the Bonds may, in certain jurisdictions, be restricted by law. This Prospectus does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any securities of the Company in any jurisdiction, to or from any person whom it is unlawful to make such offer in such jurisdiction. The Company, the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners require persons into whose possession this Prospectus comes to inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally, and to observe all such restrictions. Each investor in the Bonds must comply with all laws applicable to it and must obtain the necessary consent, approvals or permission for its purchase or subsequent offer and sale of the Bonds under the laws and regulations in force in any jurisdiction to which it is subject. None of the Company, the Joint Issue Managers, the Joint Lead Underwriters and Bookrunners, and selling agent will have any responsibility therefor.

The price of securities, such as the Bonds, can and does fluctuate, as any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. An investment in the Bonds described in this Prospectus involves a certain degree of risk. A prospective purchaser of the Bonds should carefully consider several risk factors relating to the Company's business and operations, risks relating to the Philippines, and risks relating to the Bonds, as set out in *"Risk Factors"* found on page 54 of this Prospectus, in addition to the other information contained in this Prospectus, in deciding whether to invest in the Bonds. The risk disclosure discussion does not purport to disclose all the risks and other significant aspects of investing in the Bonds. A person contemplating an investment in the Bonds should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities.

The Company may declare dividends at the discretion of the Board of Directors and such declaration will depend upon the future results of operations and general financial condition and capital requirements of SMC Tollways; its ability to receive dividends and other distributions and payments from its subsidiaries; foreign exchange rates; legal, regulatory, and contractual restrictions; loan obligations (both at the parent and subsidiary levels); and other factors that the Board of Directors may deem relevant.

For a summary of the financial and operating information of SMC Tollways as at and for the period ended June 30, 2024 (with comparative figures as at December 31, 2023, 2022, and 2021 and for the period ended June 30, 2023) were derived from the consolidated financial statements of the SMC Tollways and its subsidiaries, please refer to the section on "*Selected Financial Information*" starting on page 113 of this Prospectus.

Unless otherwise stated, the information contained in this Prospectus has been supplied by the Company. To the best of its knowledge and belief, the Company (which has taken all reasonable care to ensure that such is the case) confirms that the information in this Prospectus is correct as of the date hereof, and that there is no material misstatement or omission of fact which would make any statement in this Prospectus misleading in any material respect.

The Joint Issue Managers and the Joint Lead Underwriters and Bookrunners have exercised the required due diligence in ascertaining that all material representations contained in this Prospectus, and any amendment or supplement thereto, are true and correct as of the date hereof and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading in any material respect.

Unless otherwise indicated, all information in this Prospectus is as of the date hereof. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company and its subsidiaries since such date.

Market data and certain industry forecasts used throughout this Prospectus were obtained from internal surveys, market research, and publicly available information. Internal surveys, industry forecasts, and market research, while believed to be reliable, have not been independently verified. The Company does not make any representation, undertaking, or other assurance as to the accuracy or completeness of such information or that any projections will be achieved, or in relation to any other matter, information, opinion or statements in relation to the Offer. Any reliance placed on any projections or forecasts is a matter of commercial judgment. Certain agreements are referred to in this Prospectus in summary form. Any such summary does not purport to be a complete or accurate description of the agreement and prospective investors are expected to independently review such agreements in full.

This Prospectus is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by either the Issuer, the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners or their respective affiliates or legal advisers that any recipient of this Prospectus should purchase the Bonds. Each person contemplating an investment in the Bonds should make his own investigation and analysis of the creditworthiness of SMC Tollways and his or her own determination of the suitability of any such investment. The risk disclosure herein does not purport to disclose all the risks and other significant aspects of investing in the Bonds. A person contemplating an investment in the Bonds should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially those high-risk securities. Investing in the Bonds involves a higher degree of risk compared to debt instruments. For a discussion of certain factors to be considered in respect of an investment in the Bonds, see the section on *"Risk Factors"* starting on page 54.

No dealer, salesman, or any other person has been authorized to give any information or to make any representation not contained in this Prospectus. If given or made, any such information or representation must not be relied upon as having been authorized by the Company, the Joint Issue Managers, or the Joint Lead Underwriters and Bookrunners.

As of the date of this Prospectus, the Company does not own land. In the event the Company decides to hold private land, there must be strict compliance with Philippine law requirements that would constitute it as a

Philippine National and allow direct ownership of private lands in the Philippines. In connection with the ownership of private land, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. For further discussion, please refer to section on *"Regulatory Framework"* on page 134.

SMC Tollways is a Philippine corporation with its registered office located at 11th Floor, San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City, Philippines. SMC Tollways' telephone number is: (632) 8702-4900 and its website is *https://smctollways.com.ph.* The information on the SMC Tollways website is not incorporated by reference into, and does not form part, of this Prospectus.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CURRENT.

SMC TOLLWAYS CORPORATION
By:

RAMON S. ANG
President

13 NOV 2024

SUBSCRIBED AND SWORN to before me this ___________, affiant exhibiting to me his Philippine Passport No. P2247867B issued at DFA Manila, expiring on May 21, 2029 as competent evidence of identity.

Doc. No. 487;
Page No. 99;
Book No. II;
Series of 2024.

CARLO MAGNO C. CABALLA
NOTARY PUBLIC
ROLL NO. 73331
MANDALUYONG CITY, PHILIPPINES

CARLO MAGNO C. CABALLA
Commission No. 0576-24
Notary Public of Mandaluyong City
Until December 31, 2025
19th Floor San Miguel Properties Centre
No. 7 Saint Francis St. Ortigas Center, Mandaluyong City
Roll No. 73331
PTR No. 5415724; 01/08/2024; Mandaluyong City
IBP No.302217; 01/08/2024; Rizal Chapter
MCLE Compliance No. VII-0015366;04/12/2022

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FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors which may cause actual results, performance, or achievements of SMC Tollways to be materially different from any future results; and
- performance or achievements expressed or implied by forward-looking statements.

The words "believe," "expect," "anticipate," "estimate," "project," "may," "plan," "intend," "will," "shall," "should," "would," and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Prospectus are forward-looking statements. Statements in this Prospectus as to the opinions, beliefs, and intentions of the Issuer are the opinions, beliefs, and intentions of the management of SMC Tollways as to such matters at the date of this Prospectus, although the Issuer can give no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from the expectation of the Issuer. All subsequent written and oral forward-looking statements attributable to either the Issuer or persons acting on behalf of the Issuer are expressly qualified in their entirety by cautionary statements. Such forward-looking statements are based on assumptions regarding the present and future business strategies and the environment in which SMC Tollways will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance, or achievements to differ materially from those in the forward-looking statements include, among other things:

- the ability of SMC Tollways to successfully implement its strategies;
- the ability of SMC Tollways to anticipate and respond to customer trends;
- the ability of SMC Tollways and its subsidiaries to successfully manage their growth;
- the condition and changes in the Philippine, Asian, or global economies;
- any future political instability in the Philippines, Asia, or other regions;
- changes in interest rates, inflation rates, and the value of the Peso against the U.S. Dollar and other currencies;
- changes in government regulations, including tax laws, or licensing requirements in the Philippines, Asia, or other regions; and
- competition in the infrastructure industry in the Philippines.

Additional factors that could cause actual results, performance, or achievements of SMC Tollways to differ materially include, but are not limited to, those disclosed under *"Risk Factors"* and elsewhere in this Prospectus. These forward-looking statements speak only as of the date of this Prospectus. SMC Tollways, the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the expectations of SMC Tollways with regard thereto or any change in events, conditions, assumptions, or circumstances on which any statement is based. In light of these risks, uncertainties and assumptions associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur in the way SMC Tollways expects, or at all. SMC Tollways' actual results could differ substantially from those anticipated in the Company's forward-looking statements. Investors should not place undue reliance on any forward-looking information.

DEFINITION OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below.

AADT	:	Annual Average Daily Traffic
AAIBV	:	Atlantic Aurum Investments, B.V.
Applicable Law	:	Any statute, law, regulation, ordinance, rule, judgment, order, decree, directive, guideline, policy, requirement or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Authority and any directive, guideline, policy or requirement of any Governmental Authority having the force and effect of law
Applicant	:	Any person who seeks to subscribe to the Bonds and submits a duly accomplished Application to Purchase, together with all the requirements set forth therein
Application to Purchase	:	The application form accomplished and submitted by an Applicant to the relevant Joint Lead Underwriter and Bookrunner or Selling Agent for the purchase of a specified amount of the Series A Bonds, Series B Bonds, and/or Series C Bonds, together with all the other requirements set forth in such application form
BIR	:	Bureau of Internal Revenue of the Philippines
Board of Directors	:	Board of Directors of SMC Tollways
Bond Agreements	:	Collectively, the Underwriting Agreement, the Trust Agreement and the Registry and Paying Agency Agreement
Bondholder	:	A Person whose name appears, at any time, as the registered owner of the Series A Bonds, Series B Bonds, and/or Series C Bonds in the Registry of Bondholders.
Bonds		Fixed rate bonds with an aggregate principal amount of up to ₱35,000,000,000.00 consisting of the Series A Bonds, Series B Bonds, and Series C Bonds.
BSP	:	Bangko Sentral ng Pilipinas
BTO	:	Build-Transfer-Operate
Business Day		A day, other than a public non-working holiday, Saturday or Sunday, on which the BSP's Philippine Payment and Settlement System (PhilPaSS) and the Philippine Clearing House Corporation (PCHC) (or, in the event of the discontinuance of their respective functions, their respective replacements) are open and available for clearing and settlement, and banks are open for business in Metro Manila, Philippines
CALABARZON	:	Cavite, Laguna, Batangas, Rizal and Quezon
Capital Stock	:	With respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the date of the Trust Agreement or issued thereafter, including, without limitation, all common stock and preferred stock of such Person
Cash Settlement Account	:	An account designated by a Bondholder into which shall be credited the interests, principal, and other payments on the Bonds.
Change in Law or Circumstance	:	Each of the events described as such under "*Description of the Bonds –*

		Redemption by Reason of Change in Law or Circumstance"
Change of Control	:	San Miguel Corporation ceasing to, whether directly or indirectly, have an aggregate economic interest of more than 50.0% in the Issuer or ceasing to have control over the Issuer. In this context, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and under common control with) means the possession, directly or indirectly, of the power to direct, or cause the direction of, the management and policies of such Person whether through ownership of voting shares, by contract, or otherwise.
Citra	:	P.T. Citra Lamtoro Gung Persada
COE	:	Certificate of Entitlement to Treaty Benefits
Consolidated EBITDA	:	In respect of any Relevant Period, the net income of the Group (excluding items between any or all of the Issuer and its Consolidated Subsidiaries): (a) before any provision on account of taxation; (b) before any interest, commission, discounts or other fees incurred or payable, received or receivable by the Issuer or any of its Consolidated Subsidiaries in respect of Consolidated Net Debt; (c) before any items treated as exceptional or extraordinary items; (d) before any amount attributable to the amortization of intangible assets and depreciation of tangible assets; and and so that no amount shall be included or excluded more than once, and excluding all amounts attributable to or generated by the Ring-Fenced Subsidiaries
Consolidated Equity	:	The consolidated total assets minus consolidated total liabilities plus deposit for future subscription as reported in the consolidated financial statements of the Company and excluding all amounts attributable to or generated by the Ring-Fenced Subsidiaries
Consolidated Net Debt	:	At any date, the Consolidated Total Debt less the aggregate amount (without duplication) of freely available, unencumbered cash and cash equivalents on the consolidated balance sheet of the Group at such time
Consolidated Total Debt	:	Refers to the total interest-bearing debt obtained from banks, financial institutions and retail bond issuances (for avoidance of doubt, excluding shareholder advances), as reflected in SMC Tollways' Consolidated Audited Financial Statements and/or Management Reports excluding Project Debt (as applicable)
Consolidated Total Interest Expense	:	In respect of any Relevant Period, the total interest expense per consolidated financial statements of the Company less interest due on the Project Debt
Corporate Notes	:	The Peso-denominated floating rate Corporate Notes Facility Agreement dated December 9, 2019, in the amount of ₱41.2 billion between the Company and Philippine National Bank, Rizal Commercial Banking Corporation, Union Bank of the Philippines, Land Bank of the Philippines, Bank of the Philippine Islands, and China Banking Corporation
D.O. No. 174-17	:	DOLE Department Order No. 174-17 or Rules Implementing Articles 106 to 109 of the Labor Code, as Amended
Debt	:	Any indebtedness of a Person for or in respect of and without duplication: (a) all obligations of such Person for borrowed money;

(b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business;

(d) all obligations of such Person as lessee which are capitalized in accordance with PFRS;

(e) all Debt (of any Person) secured by a Lien on any asset of such first-mentioned Person, whether or not such Debt is otherwise an obligation of such first-mentioned Person;

(f) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit, guarantee or similar instrument;

(g) all Debt of others guaranteed by such Person;

(h) all indebtedness of such Person for or in respect of receivables sold or discounted (other than on customary non-recourse terms consistent with market terms for transactions of such nature); and

all indebtedness of such Person for or in respect of any interest rate swap, currency swap, forward foreign exchange transaction, cap, floor, collar or option transaction or any other treasury transaction or any combination thereof or any other transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and the amount of the indebtedness in relation to any such transaction described in this paragraph (j) shall be calculated by reference to the mark-to-market valuation of such transaction at the relevant time)

DENR : Department of Environment and Natural Resources of the Philippines

Disruption Event : Either or both of: (a) a material disruption to those payment communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the transactions contemplated by the Trust Agreement to be carried out which disruption is not caused by, and is beyond the control of, any of the parties; or (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a party preventing that party from: (i) performing its payment obligations under the Trust Agreement and the Registry and Paying Agency Agreement; or (ii) communicating with other relevant parties (including, but not limited to, the Trustee and Paying Agent) in accordance with the terms of the Trust Agreement and the Registry and Paying Agency Agreement

DST : Documentary Stamp Tax

DOLE : Department of Labor and Employment of the Philippines

DOTr : Department of Transportation of the Philippines

DPWH : Department of Public Works and Highways of the Philippines

DST : Documentary stamp tax

EBITDA : Earnings before interest, taxes, depreciation and amortizations

ECC : Environmental Compliance Certificate

EIS : Environmental Impact Statement

EMB : Environmental Management Bureau

EMF	:	Environmental Monitoring Fund
ETC	:	Electronic Toll Collection
Final Redemption Amount	:	As the context may require: (a) 100% of the face value of the outstanding Series A Bonds, Series B Bonds, or Series C Bonds, as the case may be, on the relevant Maturity Date of such series; or (b) the redemption price of the relevant series of the Bonds determined in accordance with the terms and conditions of the Bonds on the relevant Redemption Date
Government	:	The Government of the Republic of the Philippines
Governmental Authority	:	Any government agency, authority, bureau, department, court, tribunal, legislative body, statutory or legal entity (whether autonomous or not), commission, corporation, or instrumentality, whether national or local, of the Republic of the Philippines
GRT	:	Gross Receipts Tax
Grantor	:	The Republic of the Philippines acting by and through the TRB, or any Governmental Authority that succeeds the functions thereof.
IETC	:	Intelligent E-Processes Technologies Corp.
Interest Coverage Ratio	:	Means ratio of Consolidated EBITDA to Consolidated Total Interest Expense
IRR	:	Implementing Rules and Regulations
Joint Issue Managers	:	Bank of Commerce ("**BankCom**"), Land Bank of the Philippines ("**LANDBANK**"), and PNB Capital and Investment Corporation("**PNB Capital**")
Joint Lead Underwriters and Bookrunners	:	BankCom, BPI Capital Corporation ("**BPI Capital**"), China Bank Capital Corporation ("**Chinabank Capital**"), LANDBANK, Philippine Commercial Capital, Inc. ("**PCCI**"), PNB Capital and Investment Corporation ("**PNB Capital**"), RCBC Capital Corporation ("**RCBC Capital**"), SB Capital Investment Corporation ("**SB Capital**"), and Union Bank of the Philippines ("**UBP**")
LGU	:	Local Government Unit
Lien	:	With respect to any property or asset, (i) any mortgage, lien, pledge, charge, security interest, encumbrance or other preferential arrangement of any kind in respect of such property or asset, including, without limitation, any preference or priority under Article 2244(14) of the Civil Code of the Philippines; and (ii) the right of a vendor, lessor, or similar party under any conditional sales agreement, capital lease or other title retention agreement relating to such property or asset, and any other right of or arrangement with any creditor to have its claims satisfied out of any property or asset, or the proceeds therefrom, prior to any general creditor of the owner thereof.
LTO	:	Land Transportation Office
Majority Bondholders	:	Means: (a) with respect to matters relating only to the Series A Bonds, Bondholders representing more than fifty percent (50%) of the outstanding principal amount of the Series A Bonds, (b) with respect to matters relating only to the Series B Bonds, Bondholders representing more than fifty percent (50%) of the outstanding principal amount of the Series B Bonds, (c) with respect to matters relating only to the Series C Bonds, Bondholders representing more than fifty percent (50%) of the outstanding principal amount of the Series C Bonds, and

		(d) with respect to matters affecting all Bonds, Bondholders representing more than fifty percent (50%) of the outstanding principal amount of the Bonds.
Material Adverse Effect	:	In the reasonable opinion of the Majority Bondholders, acting in good faith and in consultation with the Issuer, a material adverse effect on (a) the ability of the Issuer to observe and comply with the provisions of and perform its financial obligations under the Bonds and the Bond Agreements; or (b) the validity or enforceability of the Bonds or any Bond Agreements; or (c) the financial condition, business or operations of the Issuer and its subsidiaries taken as a whole
Maturity Date	:	Means: (a) For the Series A Bonds, March 5, 2030, which is five (5) years and three (3) months from Issue Date; (b) for the Series B Bonds, December 5, 2031, which is seven (7) years from Issue Date; (c) and for the Series C Bonds, December 5, 2034, which is ten (10) years from the Issue Date; provided that if any of the Maturity Dates falls on a day that is not a Business Day, then the payment of the accrued interest and the Final Redemption Amount shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and the Final Redemption Amount to be paid.
MCIT	:	Minimum Corporate Income Tax
MMEX	:	Metro Manila Expressway
MOA	:	Memorandum of Agreement
MMSS3	:	SMC Skyway Stage 3 Corporation[9]
MMSS4	:	SMC Skyway Stage 4 Corporation[10]
Net Debt-to-Equity Ratio	:	Means ratio of Consolidated Net Debt to Consolidated Equity
O&M	:	Operations and maintenance
Offer	:	The issuance of Bonds by the Issuer under the conditions as herein contained.
Offer Period	:	The period, commencing within two (2) Business Days from the date of the issuance of the SEC Permit to Sell Securities in connection with the Offer, during which the Bonds shall be offered to the public.
Paying Agent	:	PDTC, whose principal obligation is to handle payments of the principal of, interest on, and all other amounts payable on the Bonds, to the Bondholders, pursuant to the Registry and Paying Agency Agreement. The term includes, wherever the context permits, all other Person or Persons for the time being acting as paying agent or paying agents under the Registry and Paying Agency Agreement.
Payment Account	:	The account to be opened and maintained by the Paying Agent designated by the Issuer and solely managed by the Paying Agent, in trust and for the irrevocable benefit of the Bondholders, into which the Issuer shall deposit the amount of the interest payments, principal payments, and all other payments due on the Bonds on a relevant Payment Date and exclusively used for such purpose, the beneficial ownership of which shall always remain with

[9] *Formerly,* Citra Central Expressway Corporation.
[10] *Formerly,* Citra Intercity Tollways Inc.

		the Bondholders.
Payment Date	:	As the context may require, each date on which payment for interest, principal, and/or all other payments due on the Bonds become due.
PDEx	:	The Philippine Dealing & Exchange Corp., a corporation duly organized and existing under and by virtue of the laws of the Philippines and duly registered with the SEC to operate an exchange and trading market for fixed income securities and a member of the Philippine Dealing System Group of Companies.
PDEx Trading Participant	:	A trading participant of PDEx defined as such under the PDEx Rules.
PDS	:	Philippine Dealing System Group
PDTC or Registrar and Paying Agent	:	The Philippine Depository & Trust Corp., the central depository and clearing agency of the Philippines which provides the infrastructure for handling the lodgment of the scripless Bonds and the electronic book-entry transfers of the lodged Bonds in accordance with the PDTC Rules, and its successor-in-interest.
P.D. 1112	:	The Presidential Decree (P.D.) No. 1112 issued on March 31, 1977 creating the Toll Regulatory Board
P.D. 1113	:	The Presidential Decree (P.D.) No. 1113 issued on March 31, 1977 granting the franchise to PNCC
P.D. 1894	:	The Presidential Decree (P.D.) No. 1894 issued on December 22, 1983 amending P.D. 1113
PDTC Rules	:	The SEC-approved rules of the PDTC, including the PDTC Operating Procedures and PDTC Operating Manual, as may be amended, supplemented, or modified from time to time.
Permit to Sell	:	The Certificate of Permit to Sell or Offer for Sale of Securities issued by the SEC in respect of the Offer
Permitted Lien	:	means

(a) Any Lien existing as of the date of the Trust Agreement;

(b) Liens for taxes or assessments or governmental charges or levies not yet delinquent or which are being contested in good faith;

(c) Other Liens incidental to the ordinary conduct of the business of the Issuer or any Subsidiary or the ownership of the properties and assets of the Issuer or any Subsidiary provided that:

(i) such Liens are not incurred or granted in connection with incurring or maintaining Debt;

(ii) such Liens do not, individually or in the aggregate, materially detract from the value of such properties or assets or materially impair the use thereof in the operation of the business of the Issuer or any Subsidiary or materially interfere with the sale or other disposition of such properties or assets;

(iii) such Liens shall in no event secure any obligations or liabilities incurred by the Issuer and/or any Subsidiary in the ordinary course of any real property development business; and

(iv) the aggregate amount secured by such Lien permitted under this paragraph (c) (for any and all of the Issuer and the Subsidiaries) shall not at any time be in excess of US$30,000,000.00 (or the equivalent in any other currencies);

(d) Liens arising by operation of law (other than any preference or priority under Article 2244(14)(a) of the Civil Code of the Philippines) on any property or asset of the Issuer or its Subsidiaries, including without limitation, amounts owing to a landlord, carrier, warehouseman, mechanic or materialman;

(e) Liens (not otherwise permitted in paragraphs (a) to (c) above) securing Debt owed under any government lending program or incurred by the Issuer and/or its Subsidiaries (in each case) in the ordinary course of any real property development business and in an aggregate principal amount (such aggregate being the aggregate for the Issuer and the Subsidiaries) at any date not to exceed 5% of Consolidated Net Worth as of such date;

(f) Liens over or affecting any asset of any company which becomes a member of the Group after the date of the Trust Agreement, where the Lien is created prior to the date on which that company becomes a member of the Group;

(g) Liens created with the prior written consent of the Majority Bondholders;

(h) To the extent notified to the Trustee in writing, any Lien created by a Ring-Fenced Subsidiary securing Project Debt; and

(i) To the extent notified to the Trustee in writing, any Lien created over shares in any Ring-Fenced Subsidiary securing Project Debt.

Person	:	Any individual, firm, corporation, partnership, association, joint venture, tribunal, limited liability company, trust, government or political subdivision or agency or instrumentality thereof, or any other entity or organization
Pesos, **₱**, **PhP** and **Philippine currency**	:	The legal currency of the Republic of the Philippines.
Philippines or ROP	:	The Republic of the Philippines
PNCC	:	The Philippine National Construction Corporation (formerly Construction and Development Corporation of the Philippines)
PhilRatings, PRS	:	Philippine Rating Services Corporation
Picazo Law		Picazo Buyco Tan Fider & Santos
PFRS	:	The Philippine Financial Reporting Standards
PPP	:	Public-Private Partnership
Privacy Commission	:	National Privacy Commission
Project Debt	:	Debt incurred by a Ring-Fenced Subsidiary in relation to project finance in respect of which there is no recourse to the Company or any other member of the Group, and in respect of which neither the Company nor any other member of the Group has any actual or contingent liability of any nature, whether as principal, guarantor, surety or otherwise, except in respect of the granting of Liens granted by the Company or any member of the Group over its shares in such Ring-Fenced Subsidiary
Prospectus	:	The prospectus dated November 13, 2024 and any amendments, supplements and addenda thereto for the offer and sale to the public of the Bonds
PSC	:	PNCC Skyway Corporation

Public Service Act	:	Commonwealth Act No. 146, as amended by Republic Act No. 11659
Purchase Price	:	In respect of each Bond, an amount equal to the face amount of such Bond, which is payable in full upon submission of the duly executed Application to Purchase
Record Date	:	As used with respect to any Payment Date, (a) two (2) Business Days immediately preceding the relevant Payment Date which shall be the cut-off date in determining the Bondholders entitled to receive interest, principal or any amount due under the Bonds or (b) such other date as the Issuer may duly notify PDTC
Redemption Date	:	The date when the Bonds (or any series thereof) are redeemed earlier than the relevant Maturity Date in accordance with the terms and conditions of the Bonds; provided that if the relevant Redemption Date falls on a day that is not a Business Day, then the payment of the principal and accrued interest (if any) shall be made by the Issuer on the next Business Day, without adjustment to the amount of principal and interest to be paid. For the avoidance of doubt, the term "Redemption Date" includes the Optional Redemption Date
Registrar	:	PDTC, whose principal obligation is to maintain the Registry of Bondholders and record the initial issuance and subsequent transfers of the Bonds, pursuant to the Registry and Paying Agency Agreement. The term includes, wherever the context permits, all other Person or Persons for the time being acting as registrar or registrars under the Registry and Paying Agency Agreement
Registry and Paying Agency Agreement	:	The Registry and Paying Agency Agreement November 13, 2024 and its annexes and attachments, as may be modified, supplemented or amended from time to time, entered into between the Issuer and the Registrar and Paying Agent to stipulate on the mutual rights and obligations of the Issuer and the Registrar and Paying Agent in relation to the Bonds
Registry of Bondholders	:	The electronic registry book of the Registrar containing the official information on the Bondholders, including, but not limited to, the names and addresses of the Bondholders and the amount of the Bonds they respectively hold, including all transfers and assignments thereof, any transaction relating thereto and any liens or encumbrances thereon, to be maintained by the Registrar pursuant to and under the terms of the Registry and Paying Agency Agreement
Relevant Period	:	A period of twelve (12) calendar months ending on the last day of any quarter of any of the Issuer's fiscal years
Revised Corporation Code	:	Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines
RFID	:	Radio Frequency Identification
Ring-Fenced Subsidiary	:	Any entity that satisfies the following conditions: (a) such entity is a Subsidiary of the Issuer; (b) such entity, to the extent directly owned by the Issuer or a member of the Group (other than another Ring-Fenced Subsidiary), is a limited liability company or corporation organized and existing under the laws of the Philippines; (c) the Issuer has delivered a written notification to the Trustee designating such entity as a Ring-Fenced Subsidiary; (d) no member of the Group (other than that Ring-Fenced Subsidiary) shall be contingently liable for any Debt of such entity or its Subsidiaries, except in respect of the granting by a member of the

		Group of Liens over its shares in such entity or such entity's Subsidiaries; and (e) all transactions conducted between any member of the Group and such entity or its Subsidiaries must be on an arm's length basis and on normal commercial terms, and each Subsidiary of any such entity shall also be a Ring- Fenced Subsidiary
RTGS	:	The Philippine Payment and Settlement System via Real Time Gross Settlement that allows banks to effect electronic payment transfers which are interfaced directly to the automated accounting and settlement systems of the BSP
S3HC	:	Stage 3 Connector Tollways Holdings Corporation
SEC	:	The Securities and Exchange Commission of the Philippines
Series A Bonds	:	Bonds to be issued by the Issuer having a term beginning on the Issue Date and ending five (5) years and three (3) months from Issue Date or on 2030 with a fixed Interest Rate equivalent to 6.4783% per annum.
Series B Bonds	:	Bonds to be issued by the Issuer having a term beginning on the Issue Date and ending seven (7) years from Issue Date or on 2031 with a fixed Interest Rate equivalent to 6.7026% per annum.
Series C Bonds	:	Bonds to be issued by the Issuer having a term beginning on the Issue Date and ending ten (10) years from Issue Date or on 2034 with a fixed Interest Rate equivalent to 6.9331% per annum.
Skyway Project	:	Skyway Stages 1 & 2 which consist of a 13.43-km at-grade section from Magallanes to Alabang and a 15.9-km elevated section from Buendia to Alabang.
Skyway Extension Project	:	Skyway-Alabang South Extension Project which consists of a 4.10-km elevated road from Sucat Exit and providing an elevated viaduct running from Susana Heights connecting to the existing Alabang viaduct
Skyway Stage 3 Project	:	Skyway Stage 3 which consists of a 17.93-km elevated roadway from Buendia, Makati City to Balintawak, Quezon City.
SLEX	:	South Luzon Expressway
SMC	:	San Miguel Corporation, a corporation incorporated under the laws of the Republic of the Philippines
SMC NAIAX	:	SMC NAIAX Corporation[11]
SMC SKYWAY	:	SMC Skyway Corporation[12]
SMC Tollways Group and **Group**	:	At any time, the Company and its Subsidiaries at such time
SMHC and **SMC Infrastructure**	:	San Miguel Holdings Corp.
SOMCO	:	Skyway O&M Corporation
SOMCO3	:	Skyway 3 O&M Corp.
STAR	:	Southern Tagalog Arterial Road
STOA	:	Supplemental Toll Operation Agreement
SRC	:	The Securities Regulation Code of the Philippines

[11] *formerly,* Vertex Tollways Devt. Inc.
[12] *formerly,* Citra Metro Manila Tollways Corporation

SSS	:	Social Security System of the Philippines
Subsidiary	:	An entity of which a Person has direct or indirect control or owns directly or indirectly more than 50% of the voting capital or similar right of ownership
SyCip Law	:	SyCip Salazar Hernandez & Gatmaitan Law Offices
Tax Code	:	The National Internal Revenue Code of 1997, as amended
Taxes	:	Any present or future taxes, including, but not limited to, documentary stamp tax, levies, imposts, filing and other fees or charges imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof, including surcharges, penalties and interests on said taxes, but excluding final withholding tax, gross receipts tax, taxes on the overall income of the underwriter or of the Bondholders, value added tax, and taxes on any gains realized from the sale of the Bonds.
THI	:	Terramino Holdings, Inc.
TOA	:	The Toll Operations Agreement between PNCC and TRB
TOC	:	The Toll Operation Certificates
TPLEX	:	SMC TPLEX Corporation
TRAIN Act	:	Tax Reform for Acceleration and Inclusion Act or Republic Act No. 10963
TRB	:	The Toll Regulatory Board of the Philippines
TROMV	:	Toll Road Operation & Maintenance Venture Corporation
Trust Agreement	:	The Trust Agreement, dated November 13, 2024 and its annexes and attachments, as may be modified, supplemented or amended from time to time, and entered into between the Company and the Trustee
Trustee	:	RCBC Trust Corporation, a banking corporation organized and existing under the laws of the Republic of the Philippines and duly licensed by the BSP to engage in the trust business, acting in its capacity as trustee for and in behalf of the Bondholders in accordance with the Trust Agreement. The term includes, wherever the context permits, all other Person or Persons for the time being acting as trustee or trustees under the Trust Agreement.
Underwriting Agreement	:	The Underwriting Agreement, dated November 13, 2024, and its annexes and attachments, as may be modified, supplemented or amended from time to time, and entered into between the Company and the Joint Lead Underwriters and Bookrunners in relation to the Bonds
U.S.$	:	U.S. Dollars, the legal currency of the United States of America
VAT	:	Value-added tax

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and audited financial statements, including notes thereto, found in the appendices of this Prospectus.

Prospective investors should read this entire Prospectus fully and carefully, including the section on "Risk Factors". In case of any inconsistency between this summary and the more detailed information in this Prospectus, then the more detailed portions, as the case may be, shall at all times prevail.

Brief Background on the Company

SMC Tollways Corporation (''**SMC Tollways**'', the "**Company"** or the "**Issuer**") was incorporated on June 7, 2013 as a holding company of San Miguel Corporation for its tollways, and related businesses.

In 2013, the Company acquired a total of 87.84% interest in SMC Skyway Corporation ("**SMC SKYWAY**") from Atlantic Aurum Investments, B.V. ("**AAIBV**") and Terramino Holdings, Inc. ("**THI**"), for a total consideration of ₱20,723 million.

In 2016, the Company acquired 100% interest in Stage 3 Connector Tollway Holdings Corporation ("**S3HC**") from AAIBV. S3HC is the parent company of SMC Skyway Stage 3 Corporation ("**MMSS3**").

In 2020, the Company acquired a total of 53.37% interest in Toll Road Operation & Maintenance Venture Corporation ("**TROMV**") from Padma Investment Pte. Ltd. The acquisition resulted to an indirect ownership of 57.88% interest in Skyway O&M Corporation ("**SOMCO**").

For the years ended December 31, 2022 and 2023, SMC Tollways Group recorded revenues amounting to ₱17,015 million and ₱20,266 million, respectively; EBITDA amounting to ₱14,372 million and ₱16,887 million, respectively; and net income amounting to ₱5,639 million and ₱8,408 million, respectively.

SMC Tollways and its subsidiaries generated revenues, EBITDA, and net income of ₱10,533 million, ₱8,798 million, and ₱4,817 million as of June 30, 2024, respectively. Revenues, EBITDA and net income increased by 7%, 6%, and 21%, respectively, from the same period last year.

SMC Skyway Corporation ("SMC SKYWAY")

SMC SKYWAY was incorporated on November 27, 1995 as a joint venture between P.T. Citra Lamtoro Gung Persada ("**Citra**") and the Philippine National Construction Corporation ("**PNCC**") with the primary and exclusive responsibility and privilege of financing, designing, and constructing, under a build-transfer-operate ("**BTO**") scheme, the South Metro Manila Skyway ("**Skyway Project**") and Metro Manila Tollways.

SMC SKYWAY entered into a BTO scheme with the Government under which SMC SKYWAY was to construct an elevated expressway from Alabang, Muntinlupa City to Buendia, Makati City and to rehabilitate the at-grade from Magallanes, Makati City to Alabang, Muntinlupa City. Stages 1 and 2 of the Skyway Project, which have been in operation since December 1998 and December 2010, respectively, are now being operated and managed by SOMCO. SMC SKYWAY holds 40% of the outstanding capital stock of SOMCO.

For the years ended 2022, and 2023, SMC SKYWAY had total revenues of ₱9,544 million, and ₱10,746 million; EBITDA of ₱8,408 million, and ₱9,427 million; and net income of ₱6,474 million, and ₱6,939 million, respectively. AADT of SMC SKYWAY was around 246,340, and 272,383 vehicles, for 2022 and 2023, respectively.

For the period ended June 30, 2024, SMC SKYWAY's revenue, EBITDA, and net income amounted to ₱5,475 million, ₱4,834 million, and ₱3,596 million, respectively.

Stage 3 Connector Tollways Holdings Corporation (“**S3HC”)**

S3HC was incorporated on February 28, 2014, as a holding company for logistics, tollways, infrastructure and similar businesses.

It is a wholly owned subsidiary of SMC Tollways Corporation. Prior to March 15, 2016, S3HC's parent company is AAIBV, a holding company incorporated and domiciled in the Netherlands.

SMC Skyway Stage 3 Corporation (“MMSS3”)

MMSS3 was incorporated on November 16, 2012 with the primary purpose to finance, design and construct, under a BTO scheme with the Philippine government, the Skyway Stage 3 Project. Subsequently, the STOA covering the Skyway Stage 3 Project was signed on July 8, 2013, among TRB, PNCC, and MMSS3.

Skyway Stage 3 Project is a 17.93-km elevated roadway from Buendia, Makati City to Balintawak, Quezon City. Skyway Stage 3 Project is a priority infrastructure project of the government meant to decongest major thoroughfares within Metro Manila and stimulate the growth of trade and industry in Southern, Central, and Northern Luzon. The project covers a concession period of 30 years from the issuance of the Toll Operation Certificate. This was opened partially to the public last December 29, 2020, free of toll, and was formally inaugurated and opened to motorists, still free of toll, on January 14, 2021. The Toll Operations Permit was issued on July 1, 2021, and MMSS3 started collecting toll fees on July 12, 2021.

For the years ended 2022, and 2023, MMSS3 had total revenues of ₱6,281 million, and ₱8,265 million; EBITDA of ₱5,887 million, and ₱7,403 million; and net income of ₱1,482 million, and ₱3,596 million, respectively. AADT of MMSS3 was around 120,954 and 154,736 vehicles, for 2022 and 2023, respectively.

For the period ended June 30, 2024, MMSS3’s revenue, EBITDA, and net income amounted to ₱4,412 million, ₱3,930 million, and ₱2,188 million, respectively.

Toll Road Operation and Maintenance Venture Corporation (“**TROMV”)**

TROMV was incorporated on October 25, 2007, primarily to engage in toll road operation and maintenance activity in the Philippines.

It is 46.63%-owned by San Miguel Holdings Corp. doing business under the name and style of SMC Infrastructure or SMHC (“**SMHC**”) and 53.37%-owned by SMC Tollways Corporation, both domestic corporations.

Skyway O&M Corporation (“**SOMCO”)**

SOMCO was incorporated on December 13, 2007, primarily to maintain and operate toll roads and toll facilities, as well as any and all such extensions, linkages or stretches as may be authorized by the Toll Regulatory Board (“**TRB**”) or other appropriate government agency. TROMV and SMC SKYWAY have 42.61% and 40% equity interest, respectively, in SOMCO.

For the years ended 2022, and 2023, SOMCO had total revenues of ₱1,190 million, and ₱1,255 million; EBITDA of ₱78 million, and ₱47 million; and net income of ₱6 million, and ₱4 million, respectively.

For the period ended June 30, 2024, SOMCO’s revenue, EBITDA, and net income amounted to ₱646 million, ₱32 million, and ₱12 million, respectively.

Strengths and Strategies

Strengths

SMC Tollways believes that its principal strengths include the following:

- Project portfolio vital to the growth of the Philippine economy;
- Sustainable streams of income and cash flow;
- Highly experienced and competent technical and management team; and
- Strong support from SMC parent

Strategies of SMC Tollways

The principal strategies of SMC Tollways include the following:

- Enhance business performance through continuous efficiency development and optimization of operations;
- Create long-term value through identifying and exploring opportunities for the country's infrastructure development;
- Identify and pursue synergies across businesses; and
- Strongly commit to provide safe and efficient mobility through modernization and sustainability

For a more detailed discussion of the strengths and strategies of SMC Tollways, please refer to page 90 of this Prospectus.

Risks of Investing

Prospective investors should also consider the following risks of investing in the Offer:

➢ Risks related to the Company:
  - Completion of infrastructure projects
  - Inability to secure tariff increases
  - Decrease in utilization and disruption of operations
  - Risks relating to construction defects and other building-related claims
  - Traffic risk
  - Delay in Right-of-Way delivery may result in higher constructions costs and delay in project completion
  - Ability of subsidiaries to distribute dividends

➢ Risks related to the Philippines:
  - Political instability in the Philippines
  - Potential changes in the legal and regulatory environment
  - Acts of terrorism, clashes with separatist groups and violent crimes
  - Natural catastrophes and other force majeure events
  - Downgrade of Philippine credit rating

➢ Risks related to the Offer:
  - The Bonds may not be a suitable investment for all investors
  - An active or liquid trading market for the Bonds may not develop
  - The Issuer may be unable to redeem the Bonds
  - Holders of the Bonds may not be able to reinvest at a similar return on investment
  - The Bondholder may face possible gain or loss if the Bonds are sold at the secondary market
  - The Bonds may not be able to retain its credit rating
  - The Bonds have no preference under Article 2244 (14) of the Civil Code
  - There can be no guarantee that the Bonds will be listed on the PDEx
  - Risks related to statements made in this Prospectus

For a more detailed discussion, see "*Risk Factors*" on page 54.

Use of Proceeds

The gross proceeds of the Base Offer shall be ₱30,000,000,000.00. In the event the Oversubscription Option is fully exercised, the gross proceeds will be ₱35,000,000,000.00.

The net proceeds of the Base Offer, after deducting from the gross proceeds the total issue management, underwriting and selling fees, listing fees, taxes and other related fees and out-of-pocket expenses, is estimated to be ₱29,629,980,375.00. In the event the Oversubscription Option is fully exercised, the net proceeds will be ₱34,572,480,375.00. Net proceeds will be used by the Company for the prepayment of its existing Corporate Notes and to fund the capital expenditure requirements of the Skyway Project and the SMC Skyway Stage 3 Project. For a more detailed discussion, see "*Use of Proceeds*" on page 63.

Plan of Distribution

SMC Tollways plans to issue the Bonds to institutional and retail investors through a public offering to be conducted through the Joint Lead Underwriters and Bookrunners.

SUMMARY OF THE OFFER

The terms and conditions of this Offer are as follows. Any specific time of day refers to Philippine Standard Time.

Issuer………………………….	SMC TOLLWAYS CORPORATION ("**SMC Tollways**'", the "**Company**," or the "**Parent Company**," or the "**Issuer**")
Instrument…………………..	SEC-registered fixed rate bonds constituting the direct, unconditional, unsubordinated, and unsecured obligations of the Issuer.
Offer Size…………………….	Base Offer of ₱30,000,000,000.00, with an Oversubscription Option of up to ₱5,000,000,000.00
The Offer……………………..	Philippine Peso-denominated 5.25-year fixed rate Series A Bonds due 2030, 7-year fixed rate Series B Bonds due 2031, and 10-year fixed rate Series C Bonds due 2034 with an aggregate issue size of up to ₱35,000,000,000.00, consisting of a Base Offer of ₱30,000,000,000.00 and an Oversubscription Option of up to ₱5,000,000,000.00. The Issuer has the discretion to allocate the principal amount of the Bonds among the Series A Bonds, Series B Bonds, and Series C Bonds based on the bookbuilding process.
Oversubscription Option………………………….	The Issuer grants the Joint Lead Underwriters and Bookrunners the right, in consultation with the Company, to increase the size of the Base Offer size by up to an additional ₱5,000,000,000.00 worth of Bonds to cover oversubscriptions, if any (the "**Oversubscription Option**").
Manner of Distribution….	SEC-registered public offering in the Philippines to eligible investors.
Use of Proceeds …………..	The entire net proceeds of the Offer will be used by the Company to prepay its existing Peso-denominated Corporate Notes and to fund the capital expenditure program of the Skyway Project and the Skyway Stage 3 Project. For a detailed discussion on the Use of Proceeds please refer to the section on "*Use of Proceeds*" on page 63.
Form and Denomination of the Bonds………………..	The Bonds shall be issued in scripless form in minimum denominations of ₱50,000.00 each, and in integral multiples of ₱10,000.00 thereafter, and traded in denominations of ₱10,000.00 in the secondary market.
Purchase Price…………….	The Bonds shall be issued at 100% of face value.
Offer Period...................	The Offer shall commence at 9:00 a.m. on November 18, 2024 and end at 5:00 p.m. on November 27, 2024 or such other date as may be determined by the Issuer and the Joint Lead Underwriters and Bookrunners.

Withdrawal of the Offer... The Company reserves the right to withdraw the offer and sale of the Bonds at any time before the commencement of the Offer Period, in which event the Company shall make the necessary disclosures to the SEC and the PDEx.

The Company may also withdraw the offer and sale of the Bonds at any time on or after the commencement of the Offer Period and prior to the Issue Date, if any of the following events occurs, in which case the Underwriting Agreement shall be deemed terminated, namely:

a. (i) An outbreak or escalation of hostilities or acts of terrorism involving the Philippines or a declaration by the Philippines of a state of war; or (ii) occurrence of any event or change (whether or not forming part of a series of events occurring before, on and/or after the date hereof) of a political, military, economic or other nature; or (iii) occurrence of any change in local, national or international financial, political, economic or stock market conditions, any of which renders it impracticable or inadvisable to continue with the Offer and/or listing of the Bonds in the manner contemplated by the SEC pre-effective clearance, the SEC Order of Registration, or the SEC Permit to Sell Securities (the "Approvals") and by this Prospectus, or would have a material adverse effect on the Philippine economy, on the securities or other financial or currency markets of the Philippines, or on the distribution, offer and sale of the Bonds in the Philippines, rendering it, in the reasonable determination of the Joint Lead Underwriters and Bookrunners, after consultation with the Issuer, impracticable to proceed with the Offer in the manner contemplated by the Approvals and this Prospectus, provided that for the avoidance of doubt, the Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the Issuer's or Joint Lead Underwriters and Bookrunners' inability to sell or market the Bonds or refusal or failure to comply with any undertaking or commitment by the Issuer, the Joint Lead Underwriters and Bookrunners, or any other entity/person to take up any Bonds remaining after the Offer Period;

b. An order revoking, cancelling, suspending, preventing or terminating the offer, sale, distribution, listing or issuance of the Bonds by any court or Governmental Authority having jurisdiction on the matter, including the SEC and the PDEx;

c. Suspension, cancellation, revocation, or termination of the Approvals;

d. Trading in the PDEx is closed or suspended for at least three (3) consecutive trading days other than due to weekends or declared holidays, or in such manner or for such period as will render impracticable the listing and trading of the Bonds on the Issue Date or such other date as may be approved by the PDEx;

e. There is a change or impending change in any Philippine law, rule, regulation, policy or administrative practice, or a ruling, interpretation, decree or order issued, made, or adopted by any Governmental Authority which (i) materially and adversely affects: (a) the ability of the Issuer to engage in the business it is presently engaged in; (b) the capacity and due authorization of the Issuer to offer and issue the Bonds and enter into the transaction documents in connection with the Offer; (c) any of the features of the Bonds, including the taxes on fees or costs in connection with the Offer, or

(ii) renders illegal the performance by any of the Joint Lead Underwriters and Bookrunners of their respective obligations hereunder;

f. Any significant, adverse, and unforeseeable change or development in the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability, which renders the Bonds unsuitable for offering to the public;

g. The Issuer is compelled through an official order, decree, or ruling issued by any competent court or Governmental Authority to stop its operations, which is not remedied within five (5) Business Days from receipt by the Issuer of a formal notice of such decision by such competent court or Governmental Authority (as the case may be);

h. The Issuer shall be adjudicated bankrupt or insolvent, or shall admit in writing its inability to pay its debts as they mature, or shall make or threaten to make an assignment for the benefit of, or a composition or arrangement with, its creditors or any class thereof, or shall declare or threaten to declare a moratorium on its indebtedness or any class thereof; or the Issuer shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; and such receiver, trustee or similar officer shall be appointed; or the Issuer shall initiate or institute (by petition, application or otherwise), or consent to the institution of any bankruptcy, insolvency, reorganization, rehabilitation, arrangement, readjustment of debt, suspension of payment, dissolution, liquidation, corporate rehabilitation or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding shall be instituted against the Issuer; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against any material asset, or material part of the Issuer's assets; or any event occurs which under the laws of the Philippines or any applicable political subdivision thereof, has an effect equivalent to any of the foregoing;

i. A general banking moratorium is declared in the Philippines or a material disruption in commercial banking or securities settlement or clearance services occurs in the Philippines;

j. The commencement or the threatened commencement in writing by any entity, person or regulatory body of any public action, court proceeding, litigation, arbitration or other similar proceeding against the Joint Lead Underwriters and Bookrunners in connection with or with respect to the issuance or sale by the Issuer of the Bonds or the Offer in general which renders the performance of their underwriting commitment impossible or impracticable;

k. Any court, arbitral tribunal, or Governmental Authority which has jurisdiction on the matter issues an order restraining or prohibiting the Joint Lead Underwriters and Bookrunners, or directing them to cease, from performing their underwriting obligations which makes it impossible for the Joint Lead Underwriters and Bookrunners to perform their underwriting obligations due to conditions beyond their control;

l. Unavailability of PDTC's facilities used for the Offer and/or listing prior to or on the target Issue Date and such unavailability effectively prevents the ability of the Issuer and the Joint Lead Underwriters and Bookrunners to fully comply with the listing requirements of the PDEx, if the impact of such unavailability on the listing of the Bonds remains unresolved after discussions between the Issuer and the Joint Lead Underwriters and Bookrunners in good faith; and

m. Any force majeure event, other than the ones enumerated above, that has material and adverse effect on the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability.

After the commencement of the Offer Period, the Offer shall not be withdrawn, cancelled, suspended, or terminated solely by reason of the Issuer's or the Joint Lead Underwriters and Bookrunners' inability to sell or market the Bonds or refusal or failure to comply with any undertaking or commitment by the Issuer, the Joint Lead Underwriters and Bookrunners, or any other entity/person to take up any Bonds remaining after the Offer Period.

Notwithstanding the acceptance of any Application, the Bonds will be issued only upon listing of such Bonds on the PDEx, and provided that the Underwriting Agreement shall not have been terminated or cancelled, on or before the Issue Date, in accordance with the provision of the said agreement. Subject to the right of the Company to withdraw or cancel the offer and sale of the Bonds prior to the Issue Date pursuant to this section and the "*Plan of Distribution – Withdrawal of the Offer*" of this Prospectus, the Company and any of its agents involved in the Offer undertake to comply with all conditions that are within the control of the Company and any of its agents involved in the Offer, to ensure the listing of the Bonds on Issue Date.

Issue Date of the Bonds…. December 5, 2024

Maturity Date……………… Unless otherwise earlier redeemed or purchased in accordance with the terms and conditions of the Bonds, the Bonds shall mature:

For the Series A Bonds, the third (3rd) month after the fifth (5th) anniversary of the Issue Date, or on March 5, 2030.

For the Series B Bonds, the seventh (7th) anniversary of the Issue Date, or on December 5, 2031.

For the Series C Bonds, the tenth (10th) anniversary of the Issue Date, or on December 5, 2034.

If the relevant Maturity Date falls on a day that is not a Business Day, then the payment of the accrued interest and the Final Redemption Amount shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and the Final Redemption Amount to be paid.

Interest Rate……………..… Series A Bonds: 6.4783% per annum

Series B Bonds: 6.7026% per annum

Series C Bonds: 6.9331% per annum

Interest Payment Dates and Interest Payment Computation ……………...	Interest payment on the Bonds shall commence on March 5, 2025 and thereafter, on June 5, September 5, December 5, and March 5 of each year, or the next Business Day if any such dates fall on a non-Business Day, without adjustment to the amount of interest to be paid, during which any of the relevant series of the Bonds are outstanding (each, an "**Interest Payment Date**"), provided that if the Issue Date is set at a date other than December 5, 2024, then the Interest Payment Dates will be automatically adjusted to the numerically corresponding dates at every quarter following the actual Issue Date. Interest on the Bonds shall be calculated on a European 30/360-day count basis regardless of the actual number of days in a month. Interest shall be paid quarterly in arrears.
Final Redemption.............	The Bonds shall be redeemed at par or 100% of the face value (the "**Final Redemption Amount**") on the Maturity Date, unless earlier redeemed or purchased and cancelled by the Issuer. In the event the Maturity Date is not a Business Day, payment of all amounts due on such date will be made by the Issuer through the Registrar and Paying Agent, without adjustment for accrued interest and the Final Redemption Amount, on the succeeding Business Day.
Optional Redemption…….	The Issuer shall have the right, but not the obligation, to redeem in whole (but not in part) any series of the outstanding Bonds on the dates set out below (each an "**Optional Redemption Date**"):

Series A Bonds	
Optional Redemption Date	**Optional Redemption Price**
On the 3rd anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the Maturity Date.	100.50%

Series B Bonds	
Optional Redemption Date	**Optional Redemption Price**
On the 5th anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the 6th anniversary of the Issue Date.	101.00%
On the 6th anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the Maturity Date.	100.50%

Series C Bonds	
Optional Redemption Date	**Optional Redemption Price**
On the 7th anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the 8th anniversary of the Issue Date.	101.50%
On the 8th anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the 9th anniversary of the Issue Date.	101.00%

On the 9th anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the Maturity Date.	100.50%

provided, that if the relevant Optional Redemption Date falls on a day that is not a Business Day, then the payment of accrued interest and the applicable Optional Redemption Price shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and Optional Redemption Price to be paid. For the avoidance of doubt, the Bondholders shall not have any right to cause the Issuer to redeem the Bonds pursuant to this Optional Redemption.

The amount payable to the Bondholders upon the exercise of the Optional Redemption by the Issuer shall be calculated, based on the principal amount of Bonds being redeemed, as the sum of: (a) accrued interest computed from the last Interest Payment Date up to the relevant Optional Redemption Date; and (b) the product of the principal amount of the Bonds being redeemed and the Optional Redemption Price in accordance with the above table.

The Issuer shall give no more than 60 nor less than 30 days' prior written notice to the Trustee, the Registrar and Paying Agent of its intention to redeem the Bonds, which notice shall be irrevocable and binding upon the Issuer to effect, such early redemption of the Bonds on the Optional Redemption Date stated in such notice.

For a detailed discussion on the Optional Redemption, please refer to the section on "*Description of the Bonds – Optional Redemption*" on page 36.

Redemption due to Taxation Reasons ……………………………

If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the relevant series of the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than 60 days' nor less than 30 days' prior written notice to the Trustee, the Registrar and Paying Agent) at 100% of the face value and paid together with the accrued interest thereon, subject to the requirements of Applicable Law.

For a detailed discussion on Redemption for Taxation Reasons, please refer to the section on "*Description of the Bonds – Redemption for Taxation Reason*" on page 37.

Redemption by Reason of Change in Law or Circumstance..................

Upon the occurrence of a Change in Law or Circumstance, the Issuer may redeem the Bonds in whole, but not in part, having given not more than 60 days' nor less than 30 days' prior written notice to the Trustee, the Registrar and the Paying Agent, at 100% of the face value and paid together with the accrued interest thereon.

For a detailed discussion on Redemption by Reasons of Change in Law or Circumstance, please refer to the section on "*Description of the Bonds – Redemption by Reason of Change in Law or Circumstance* on page 38.

Redemption due to Change of Control .... Upon the occurrence of a Change of Control, Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Bonds may require the Issuer to repurchase all (but not some) of the Bonds, at a redemption price equal to the principal amount of the Bonds being redeemed and accrued interest thereon. Within fifteen (15) days following a Change of Control, the Issuer shall notify the Trustee, which shall, in turn, notify the Bondholders (i) that a Change of Control has occurred and that the Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Bonds may require the Issuer to repurchase all (but not some) of the Bonds at the Change of Control Redemption Price, and (ii) the date set by the Issuer for such repurchase (which shall not be earlier than forty-five (45) days and no later than sixty (60) days from the date notice is received by the Trustee). The decision of the Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Bonds shall be conclusive and binding upon all the Bondholders.

For a detailed discussion on Redemption by Reasons of Change in Law or Circumstance, please refer to the section on "*Description of the Bonds - Redemption due to Change of Control*" on page 38.

Status of the Bonds…..….. The Bonds shall constitute the direct, unconditional, unsubordinated and unsecured obligations of SMC Tollways and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsubordinated and unsecured debt of SMC Tollways, contingent or otherwise, other than obligations preferred by law, and preferred claims under any bankruptcy, insolvency, reorganization, moratorium, liquidation or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (but not the preference or priority established by Article 2244(14)(a) of the Civil Code of the Philippines).

Negative Pledge……………. The Bonds will have the benefit of a negative pledge on all existing and future assets of the Issuer and its subsidiaries, subject to the Permitted Liens and exceptions provided under the Trust Agreement and described on page 15 of this Prospectus, including but not limited to project finance arrangements to fund any and all requirements mandated and all variations allowed under the respective STOAs of MMSS3 and SMC SKYWAY, and by the Grantor through the Toll Regulatory Board.

Covenants….………………… Issuance of the Bonds shall be subject to standard covenants such as but not limited to cross-default provisions and adherence to certain financial ratios.

Listing …………..………….…. The Issuer will list the Bonds on the Philippine Dealing & Exchange Corp. ("**PDEx**") on the Issue Date.

Governing Law……………… Republic of the Philippines

Purchase and Cancellation The Issuer may purchase the Bonds at any time in the open market or by tender or by contract, in accordance with PDEx Rules, as may be amended from time to time, without any obligation to make pro rata purchases from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the Bonds on PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules.

Bond Rating ………............	The Bonds have been rated PRS Aaa with a Stable Outlook by the Philippine Rating Services Corporation on September 18, 2024. The rating is subject to regular annual reviews, or more frequently as market developments may dictate, while the Bonds are outstanding.
Transfer of the Bonds ……	Trading of the Bonds will be coursed through a PDEx Trading Participant subject to the applicable PDEx Rules. Trading, transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and the Registrar. Upon any assignment of the Bonds, title thereto will pass by recording of the transfer from the transferor to the transferee in the Registry of Bondholders to be maintained by the Registrar. For a detailed discussion on Transfer of the Bonds, please refer to the section on "*Description of the Bonds – Transfer of the Bonds*" on page 33.
Joint Issue Managers….....	Bank of Commerce, Land Bank of the Philippines, and PNB Capital and Investment Corporation
Joint Lead Underwriters and Bookrunners …………………….....	Bank of Commerce, BPI Capital Corporation, China Bank Capital Corporation, Land Bank of the Philippines, Philippine Commercial Capital, Inc., PNB Capital and Investment Corporation, RCBC Capital Corporation, SB Capital Investment Corporation, and Union Bank of the Philippines
Registrar and Paying Agent….	Philippine Depository & Trust Corp. ("**PDTC**")
Selling Agents……………….	BDO Capital and Investment Corporation, East West Banking Corporation, and First Metro Investment Corporation
Trustee………………………	RCBC Trust Corporation
Counsel to the Issuer………..	Picazo Buyco Tan Fider & Santos
Counsel to the Joint Issue Managers, and the Joint Lead Underwriters and Bookrunners ………………….......	SyCip Salazar Hernandez & Gatmaitan
Incorporation by way of Reference …………………………….	All disclosures, reports, and filings of the Company made after the date of the Prospectus (the "**Company Disclosures**") and submitted to the SEC and/or PDEx pursuant to the Revised Corporation Code, the Securities Regulation Code, and the Disclosure Rules of the PDEx are incorporated or deemed incorporated by reference in this Prospectus. Copies of the Company Disclosures may be viewed on the website of the Company at: *https://smctollways.com.ph*. The Company Disclosures contain material and meaningful information relating to the Company and investors should review all information contained in the Prospectus and the Company Disclosures incorporated or deemed incorporated herein by reference.

Indicative Timetable ……………

Price Setting and Allocation	November 13, 2024
Receipt of SEC Order of Registration and Permit to Sell	November 14 or 15, 2024
Public Offer Period	November 18 to 27, 2024
Settlement Date Issue and Listing Date	December 5, 2024

DESCRIPTION OF THE BONDS

The following does not purport to be a complete listing of all the rights, obligations, or privileges of the Bonds. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws, and resolutions of the Board of Directors of the Company, the information contained in the Prospectus, the Trust Agreement, and the other Bond Agreements or other agreements, Applicable Law, rules and regulations of PDTC and PDEx relevant to the Offer, and to perform their own independent investigation and analysis of the Issuer and the Bonds. Prospective Bondholders must make their own appraisal of the Issuer and the Offer, and must make their own independent verification of the information contained herein and the other aforementioned documents and any other investigation they may deem appropriate for the purpose of determining whether to participate in the Offer. They must not rely solely on any statement, or the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective Bondholder's independent evaluation and analysis. Prospective Bondholders are likewise encouraged to consult their legal counsels and accountants in order to be better advised of the circumstances surrounding the Bonds.

As of the date of this Prospectus, the Company has no outstanding fixed rate bonds. On March 13, 2024, the Board of Directors authorized the registration and issuance of up to ₱35,000,000,000.00 aggregate principal amount of the Bonds consisting of the Base Offer of ₱30,000,000,000.00 and the Oversubscription Option of up to ₱5,000,000,000.00. Upon completion of the Offer, the total outstanding fixed rate bonds of the Company is expected to be ₱30,000,000,000.00 (assuming the Oversubscription Option is not exercised) or ₱35,000,000,000.00 (if the Oversubscription Option is exercised in full).

The Bonds will be issued on December 5, 2024 (the "**Issue Date**") and will be comprised of 5.25-year Series A Bonds due 2030, 7-year Series B Bonds due 2031, and 10-year Series C Bonds due 2034. The Issuer has the discretion to allocate the principal amount of the Bonds among the Series A Bonds, the Series B Bonds, and the Series C Bonds based on the book building process.

The Bonds shall be offered and sold through a general public offering in the Philippines.

The Bonds shall be governed by the Trust Agreement dated November 13, 2024 between the Issuer and RCBC Trust Corporation as Trustee. The Trustee has no interest in or relation to the Issuer which may conflict with the performance of its functions. The description of the terms and conditions of the Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Agreement.

A Registry and Paying Agency Agreement in relation to the Bonds was executed on November 13, 2024 between the Issuer and PDTC as Registrar and Paying Agent. PDTC has no interest in or relation to the Issuer which may conflict with the performance of its functions.

Copies of the Trust Agreement and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Trust Agreement and all the provisions of the Registry and Paying Agency Agreement applicable to them.

Form and Denomination

The Bonds shall be issued in scripless form. Master Certificate of Indebtedness representing each of the Series A Bonds, Series B Bonds, and Series C Bonds sold in the Offer shall be issued in the name of the Trustee for the benefit of the Bondholders.

The Bonds shall be issued in minimum denominations of ₱50,000.00 each, and in integral multiples of ₱10,000.00 thereafter, and traded in denominations of ₱10,000.00 in the secondary market.

Title

Legal title to the Bonds will be shown in the Registry of Bondholders maintained by the Registrar and Paying Agent. A notice confirming the principal amount of the Bonds purchased by each Applicant in the Offer shall be issued by the Registrar and Paying Agent to all Bondholders following the Issue Date. Upon any assignment, title to the Bonds shall pass by recording the transfer from the transferor to the transferee in the Registry of Bondholders maintained by the Registrar. Settlement in respect of such transfer or change of title to the Bonds, including the settlement of any cost arising from such transfer or change, including, but not limited to, documentary stamps taxes, if any, shall be for the account of the relevant Bondholder or the transferee, as applicable.

Bond Rating

The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings. PRS Aaa is the highest rating assigned by PhilRatings. PhilRatings took into account the following major factors in assigning the rating and corresponding outlook: (1) Part of the established San Miguel Group, under its infrastructure arm – San Miguel Holdings Corp.; (2) Positive demand for the services of SMC Tollways; (3) Sustained improvement in profitability; and (4) Easing leverage levels.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

The rating is subject to regular annual review, or more frequently as market developments may dictate, for as long as the Bonds are outstanding. After Issue Date, the Trustee shall monitor the compliance of the Bonds with the regular annual reviews.

TRANSFER OF THE BONDS

Registry of Bondholders

The Issuer shall cause the Registrar to keep the Registry of Bondholders in electronic form. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and assignments of the Bonds, including any liens and encumbrances thereon, shall be entered into the Registry of Bondholders. Transfers of ownership shall be effected through book-entry transfers in the scripless Registry of Bondholders.

As required by Circular No. 428-04 issued by the BSP, the Registrar shall send each Bondholder a written statement of registry holdings at least every quarter (at the cost of the Issuer), and a written advice confirming every receipt or transfer of the Bonds that is effected in the Registrar's system. Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Any requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfer of the Bonds may be made during the Closed Period (as defined below).

Initial placement of the Bonds and subsequent transfers of interests in the Bonds shall be subject to applicable prevailing Philippine selling restrictions.

Transfers: Tax Status

Trading of the Bonds will be coursed through a PDEx Trading Participant subject to the applicable PDEx Rules. Trading, transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and the Registrar and Paying Agent. Upon any assignment of the Bonds, title thereto will pass by recording of the transfer from the transferor to the transferee in the Registry of Bondholders.

Settlement in respect of such transfers or change of title to the Bonds, including the settlement of any documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder or the transferee, as applicable.

The Bondholders may not transfer their Bonds as follows:

(a) transfers across Tax Categories on a date other than on an Interest Payment Date that falls on a Business Day; provided, however, that transfers from a tax-exempt Tax Category to a taxable Tax Category on a date other than an Interest Payment Date shall be allowed using the applicable tax withheld series name on PDEx, ensuring the computations are based on the final withholding tax rate of the taxable party to the trade. Should this transaction occur, the tax-exempt person shall be treated as being of the same Tax Category as its taxable counterparty for the interest period within which such transfer occurred; provided, finally, that this restriction shall be in force until a Non-Restricted Trading & Settlement Environment for Corporate Securities is implemented. For purposes hereof, "**Tax Categories**" shall refer to the four (4) final withholding tax categories in the PDEx system covering, particularly, tax- exempt persons, 20% tax-withheld persons, 25% tax-withheld persons, and 30% tax-withheld persons, as such categories may be revised, amended or supplemented by PDEx in accordance with its rules and applicable law;

(b) transfers by Bondholders with deficient documents; and

(c) transfers during a Closed Period. For purposes hereof, "**Closed Period**" means, with respect to each series of the Bonds, the period during which the Registrar shall not register any transfer or assignment of the relevant series of the Bonds, specifically: (i) the period of two (2) Business Days preceding any Interest Payment Date or the due date for any payment of the Final Redemption Amount of the relevant series of the Bonds; or (ii) the period when any of the Bonds have been previously called for redemption, whereas, "**Final Redemption Amount**" means, as the context may require: (i) 100% of the face value of the outstanding Series A Bonds, Series B Bonds or Series C Bonds, as the case may be, on the relevant maturity date of such series; or (ii) the redemption price of the relevant series of the Bonds determined in accordance with the terms and conditions of the Bonds on the relevant Redemption Date.

Transfers taking place in the Registry of Bondholders after the Bonds are listed on PDEx may be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions, and guidelines of PDEx and PDTC.

A Bondholder claiming tax-exempt status is required to submit to the Registry of Bondholders the required tax-exempt documents as detailed in the Registry and Paying Agency Agreement upon submission of the account opening documents to the Registrar and Paying Agent. Please see the sections on "*Description of the Bonds – Tax-Exempt Status or Entitlement to Preferential Tax Rate*" on page 40 of this Prospectus for a detailed discussion on the requirements for claiming a preferential tax status.

Notwithstanding the submission by the Bondholder, or the receipt by the Issuer or any of its agents of documentary proof of the tax-exempt status or entitlement to a preferential withholding tax rate of a Bondholder, the Issuer may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Bonds. Any question on such determination shall be referred to the Issuer.

The Bondholders shall be responsible for monitoring and accurately reflecting their tax status in the Registry of Bondholders. The payment report to be prepared by the Registrar and Paying Agent and submitted to the Issuer in accordance with the Registry and Paying Agency Agreement, which shall be the basis of payments on the Bonds on any Interest Payment Date, shall reflect the tax status of the Bondholders as indicated in their accounts as of the Record Date.

Secondary Trading of the Bonds

The Issuer intends to list the Bonds on PDEx for secondary market trading and, for that purpose, the Issuer has filed an application for such listing. However, there can be no assurance that such a listing will actually be achieved or whether such a listing will materially affect the liquidity of the Bonds on the secondary market. Such listing would be subject to the Issuer's execution of a listing agreement with PDEx that may require the Issuer to make certain disclosures, undertakings, and payments on an ongoing basis.

For so long as any of the Bonds are listed on PDEx, the Bonds will be traded in a minimum board lot size of ₱10,000.00, and in multiples of ₱10,000.00 in excess thereof. Secondary market trading in PDEx shall follow the applicable PDEx Rules governing trading and settlement between Bondholders of different tax status and shall be subject to the relevant fees of PDEx and PDTC, all of which shall be for the account of the Bondholders.

Ranking

The Bonds shall constitute the direct, unconditional, unsecured, and unsubordinated obligations of the Issuer ranking at least *pari passu* and ratably without any preference or priority among themselves and at least *pari passu* with all other unsecured and unsubordinated Debt of SMC Tollways, whether now existing or hereafter outstanding, contingent or otherwise, other than obligations mandatorily preferred by law, and preferred claims under any bankruptcy, insolvency, reorganization, moratorium, liquidation or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (but not the preference or priority established by Article 2244(14)(a) of the Civil Code of the Philippines).

INTEREST AND INTEREST PAYMENT DATES

Interest

The Series A Bonds shall have a term of five (5) years and three (3) months from Issue Date with a fixed interest rate equivalent to 6.4783% per annum.

The Series B Bonds shall have a term of seven (7) years from Issue Date with a fixed interest rate equivalent to 6.7026% per annum.

The Series C Bonds shall have a term of ten (10) years from Issue Date with a fixed interest rate equivalent to 6.9331% per annum.

Interest Payment Dates

The Bonds shall bear interest on its principal amount from and including the Issue Date, payable quarterly in arrears starting on March 5, 2025 as the first Interest Payment Date, and on June 5, September 5, December 5, and March 5 of each year at which the Bonds are outstanding as the subsequent Interest Payment Dates, or the subsequent Business Day, without adjustment to the amount of interest due, if the relevant Interest Payment Date falls on a non-Business Day, provided that if the Issue Date is set at a date other than December 5, 2024, then the Interest Payment Dates will be automatically adjusted to the numerically corresponding dates at every quarter following the actual Issue Date.

The cut-off date in determining the Bondholders entitled to receive interest, principal or any amount due under the Bonds shall be the second (2^{nd}) Business Day immediately preceding the relevant Interest Payment Date or such other date as the Issuer may duly notify PDTC (see "*Definition of Terms - Record Date*"). The Record Date shall be the reckoning date in determining the Bondholders entitled to receive interest or any other amount due under the Bonds.

No transfers of the Bonds may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Date.

Interest Accrual

The Bonds shall cease to bear interest from and including the Maturity Date, as defined in the discussion on "*Description of the Bonds – Final Redemption*" below, unless (a) the Bonds are redeemed at an earlier date in accordance with the terms and conditions of the Bonds, or (b) upon due presentation, payment of the principal in respect of the Bonds then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see "*Description of the Bonds – Penalty Interest*" below) shall apply.

Determination of Interest

Interest on the Bonds shall be calculated on a European 30/360-day count basis, regardless of the actual number of days in a month.

REDEMPTION AND PURCHASE

Final Redemption

Unless otherwise earlier redeemed or purchased and cancelled, the Bonds shall be redeemed at 100% of face value on their respective Maturity Dates. However, if the relevant Maturity Date is not a Business Day, payment of all amounts due on such date will be made by the Issuer through the Paying Agent, without adjustment for accrued interest and Final Redemption Amount, on the succeeding Business Day.

> For the Series A Bonds, the third (3rd) month after the fifth (5th) anniversary of the Issue Date March 5, 2030,
>
> For the Series B Bonds, the seventh (7th) anniversary of the Issue Date or on December 5, 2031.
>
> For the Series C Bonds, the tenth (10th) anniversary of the Issue Date or on December 5, 2034.

Each Bondholder in whose name the relevant Bonds are registered in the Registry of Bondholders at the close of business on the Record Date preceding the relevant Maturity Date shall be entitled to receive the principal amount of the relevant Bonds. In all cases, repayment of principal shall be remitted to the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

Optional Redemption

The Issuer shall have the right, but not the obligation, to redeem in whole (but not in part) any series of the outstanding Bonds on the dates set out below (each an "**Optional Redemption Date**"):

Series A Bonds	
Optional Redemption Dates	**Optional Redemption Price**
On the 3rd anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the Maturity Date.	100.50%

Series B Bonds	
Optional Redemption Dates	**Optional Redemption Price**
On the 5th anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the 6th anniversary of the Issue Date.	101.00%
On the 6th anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the Maturity Date.	100.50%

Series C Bonds	
Optional Redemption Dates	**Optional Redemption Price**
On the 7th anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the 8th anniversary of the Issue Date.	101.50%
On the 8th anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the 9th anniversary of the Issue Date.	101.00%
On the 9th anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the Maturity Date.	100.50%

provided, that if the relevant Optional Redemption Date falls on a day that is not a Business Day, then the payment of the accrued interest and the applicable Optional Redemption Price shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and Optional Redemption Price to be paid. For the avoidance of doubt, the Bondholders shall not have any right to cause the Issuer to redeem the Bonds pursuant to this Optional Redemption.

The amount payable to the Bondholders upon the exercise of the Optional Redemption by the Issuer shall be calculated, based on the principal amount of Bonds being redeemed, as the sum of: (i) accrued interest computed from the last Interest Payment Date up to the relevant Optional Redemption Date; and (ii) the product of the principal amount of the Bonds being redeemed and the Optional Redemption Price in accordance with the above table.

The Issuer shall give no more than 60 nor less than 30 days' prior written notice to the Trustee, Registrar and Paying Agent of its intention to redeem the Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Bonds on the Optional Redemption Date stated in such notice. Upon receipt by the Trustee of such notice, the Trustee through the Issuer shall secure from the Registrar an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the intended early redemption. Each Bondholder in whose name the Bonds subject of the early redemption are registered in the Registry of Bondholders at the close of business on the relevant Record Date shall be entitled to receive the interest and optional redemption price. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

Redemption for Taxation Reasons

If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the relevant series of the Bonds in whole, and not in part only, on any Interest Payment Date (having given not more than 60 nor less than 30 days' prior written notice to the Trustee, Registrar and Paying Agent) at 100% of face value and paid together with the accrued interest thereon, subject to the requirements of Applicable Law; provided that if the Issuer does not redeem the Bonds then all payments of principal and interest in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any such new or additional taxes, duties, assessments or governmental charges, unless such withholding or deduction is required by Applicable Law. In that event, the Issuer shall pay to the Bondholders concerned such additional amount as will result in the receipt by such Bondholders of such amounts as would have been received by them had no such withholding or deduction for new or additional taxes been required.

Upon receipt by the Trustee of a written notice from the Issuer hereunder, the Trustee through the Issuer shall secure from the Registrar an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the intended early redemption. Each Bondholder in whose name the Bonds subject of the early redemption are registered in the Registry of Bondholders at the close of business on the relevant Record Date shall be entitled to receive the principal of the Bonds subject of the early redemption and the interest accrued thereon. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

The Bondholders shall not have any right to cause the Issuer to redeem the Bonds under this section.

Redemption by Reason of Change in Law or Circumstance

Upon the occurrence of a Change in Law or Circumstance (as enumerated below), the Issuer may redeem the Bonds in whole, but not in part, having given not more than 60 nor less than 30 days' written notice to the Trustee, Registrar and Paying Agent, at 100% of the face value and paid together with the accrued interest thereon.

The following events shall be considered as changes in law or circumstance (each a "**Change in Law or Circumstance**") as it refers to the obligations of the Issuer and to the rights and interests of the Bondholders under the Trust Agreement:

(a) any government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Bonds shall be modified, withdrawn or withheld in a manner which will materially and adversely affect the ability of the Issuer to comply with such obligations; or

(b) any provision of the Trust Agreement and the other Bond Agreements (in whole or in part) is or becomes, for any reason, invalid, illegal or unenforceable to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations thereunder or to enforce any provision thereunder; or any law is introduced or any existing Applicable Law is modified or rendered ineffective or inapplicable to prevent or restrain the performance by the Issuer of its obligations under the Bond Agreements; or

(c) any concession, permit, right, franchise or privilege required for the conduct of the business and operations of the Issuer shall be revoked, cancelled, or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial condition or operations of the Issuer; or

(d) the Philippines or any competent authority thereof takes any action to suspend the whole or a substantial portion of the operations of the Issuer and to condemn, seize, nationalize or appropriate (either with or without compensation) the Issuer or any material portion of its properties or assets, unless such act, deed or proceedings are contested in good faith by the Issuer or the same does not materially and adversely affect the financial condition or operations of the Issuer.

Upon receipt by the Trustee of a written notice from the Issuer on the occurrence of a Change in Law or Circumstance, the Trustee shall secure from the Registrar an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the intended early redemption. Each Bondholder in whose name the Bonds subject of the early redemption are registered in the Registry of Bondholders at the close of business on the relevant Record Date shall be entitled to receive the principal of the Bonds subject of the early redemption and the interest accrued thereon. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

The Bondholders shall not have any right to cause the Issuer to redeem the Bonds pursuant to a Change in Law or Circumstance under this section.

Redemption due to Change of Control

Upon the occurrence of a Change of Control, Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Bonds may require the Issuer to repurchase all (but not some) of the Bonds, at a redemption price equal to the principal amount of the Bonds being redeemed and accrued interest thereon (the

"**Change of Control Redemption Price**"). Within fifteen (15) days following a Change of Control, the Issuer shall notify the Trustee, which shall, in turn, notify the Bondholders (i) that a Change of Control has occurred and that the Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Bonds may require the Issuer to repurchase all (but not some) of the Bonds at the Change of Control Redemption Price, and (ii) the date set by the Issuer for such repurchase (which shall not be earlier than forty-five (45) days and no later than sixty (60) days from the date notice is received by the Trustee). The decision of the Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Bonds shall be conclusive and binding upon all the Bondholders.

Change of Control for purposes of this Section shall mean San Miguel Corporation ceasing to, whether directly or indirectly, have an aggregate economic interest of more than 50.0% in the Issuer or ceasing to have control over the Issuer. In this context, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and under common control with) means the possession, directly or indirectly, of the power to direct, or cause the direction of, the management and policies of such Person whether through ownership of voting shares, by contract, or otherwise.

Purchase and Cancellation

Notwithstanding the provisions on Final Redemption, Optional Redemption and Redemption for Taxation Reasons, Redemption by Reason of Change in Law or Circumstance and Redemption due to Change of Control above, the Issuer may purchase the Bonds at any time in the open market or by tender or by contract, in accordance with PDEx Rules, as may be amended from time to time, without any obligation to make pro rata purchases from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the Bonds in the PDEx, the Issuer shall disclose any such transaction in accordance with the applicable PDEx disclosure rules.

Payments

The principal, interests, and all other amounts payable on the Bonds shall be paid to the Bondholders through the Paying Agent. The Paying Agent shall credit the proper amounts received from the Issuer via RTGS, net of final taxes and fees (if any), to the cash settlement banks of the Bondholders (nominated by the Bondholders in the Application to Purchase or as the Bondholder may notify the Paying Agent in writing), for onward remittance to the relevant cash settlement account of the Bondholders with the cash settlement bank. The principal of, interest on, and all other amounts payable on the Bonds shall be payable in Philippine Pesos.

In the event that the details of the Cash Settlement Accounts indicated by the Bondholder in the Application to Purchase are incomplete or erroneous, or the Cash Settlement Accounts of the Bondholders have been closed or are dormant or inexistent, due to which payments to the Bondholders cannot be effected in a timely manner, the relevant cash settlement bank shall handle such funds in accordance with its own internal procedures until the correction of the Cash Settlement Account is effected and until credit of the relevant cash entitlement is completed. In these cases, the Issuer and the Registrar and Paying Agent shall not be liable to the relevant Bondholder for any failure or delay in the Bondholder's receipt of such payments.

Upon credit of the funds indicated in the payment report (as may be amended or corrected) to the relevant payment account, the obligation of the Issuer to deliver payment on the relevant Payment Date in accordance with the Registry and Paying Agency Agreement is discharged and the Issuer shall be held free and harmless from any losses, claims, damages, liabilities and expenses arising from or in relation to the non-receipt by the Bondholder of the interest, the Final Redemption Amount and/or such other payments due on the Bonds, unless such non-receipt by the Bondholder is solely and directly attributable to the fault or negligence of the Issuer. For the avoidance of doubt, the foregoing shall not create any right, privilege, or benefit in favor of the Bondholders.

The Issuer shall ensure that so long as any of the Bonds remain outstanding, there shall at all times be a Paying Agent for the purposes of the Bonds, and the Issuer or the Paying Agent may only terminate the appointment of the Paying Agent as provided in the Registry and Paying Agency Agreement. In the event the appointed office of any institution shall be unable or unwilling to continue to act as the Paying Agent, the Issuer shall appoint such other leading institution in the Philippines authorized to act in its place.

Payment of Additional Amounts – Taxation

Interest income on the Bonds is subject to a withholding tax at rates of between 10% and 25% depending on the tax status of the Bondholder under relevant law, regulation or tax treaty. Except for such withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided, however, that the Issuer shall not be liable for the following:

(a) the withholding tax applicable on interest earned on the Bonds prescribed under the National Internal Revenue Code of 1997, as amended (the "**Tax Code**"), including any relevant Revenue Regulations and Revenue Memorandum Circulars issued by the BIR, and its implementing rules and regulations as may be in effect from time to time; provided, further, that all Bondholders are required to provide the Issuer through the Bondholders' Selling Agent or PDEx Trading Participant and endorsed to the Registrar and Paying Agent their validly issued tax identification numbers issued by the Bureau of Internal Revenue ("**BIR**");

(b) GRT under Section 121 of the Tax Code;

(c) taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding;

(d) Value-Added Tax under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337 and Republic Act No. 10963; and

(e) any applicable taxes on any subsequent sale or transfer of the Bonds by any holder which shall be for the account of such holder (or its buyer, as the holder and the buyer may have agreed upon).

DST for the primary issue of the Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.

Please see the section on "*Taxation*" on page 143 of this Prospectus for a more detailed discussion on the tax consequences of the acquisition, ownership, and disposition of the Bonds.

Tax-Exempt Status or Entitlement to Preferential Tax Rate

An investor who is exempt from the aforesaid withholding tax or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar in each case, subject to acceptance by the Issuer as being sufficient in form and substance:

(a) BIR-certified true copy of a valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR and addressed to the relevant Applicant or Bondholder, confirming its exemption, as required under BIR Revenue Memorandum Circular ("**RMC**") No. 8-2014 including any clarification, supplement or amendment thereto;

(b) with respect to tax treaty relief:

  (i) a non-resident Bondholder may signify its intention to claim preferential tax rate under the relevant tax treaty by submitting to the Issuer the Application Form for Treaty Purposes (BIR Form 0901) and Tax Residency Certificate ("**TRC**") duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty, and such other documentary requirements enumerated in BIR Revenue Memorandum Order ("**RMO**") No. 14-2021 in relation to BIR RMC Nos. 77-2021 and 20-2022. For the avoidance of doubt, the Issuer shall retain sole discretion in determining whether the non-resident Bondholder is entitled to the preferential tax rate based on the documents submitted by the non-resident Bondholder, provided that all the conditions for the availment thereof, other than tax residency, have been satisfied;

(ii) in the event that the Issuer determines that the non-resident Bondholder is not entitled to the preferential tax rate based on the documents submitted in item (i) above and determines that all conditions for the availment thereof have not been satisfied, the Issuer shall apply the regular tax rates;

(iii) if the non-resident Bondholder intends to obtain a confirmation of entitlement to treaty benefits, the non-resident Bondholder may apply for tax treaty relief with the BIR in accordance with BIR RMO No. 14-2021 in relation to BIR RMO Nos. 77-2021 and 20-2022;

(iv) if the regular withholding tax rate has been imposed, the Issuer shall not file with the BIR for any request for confirmation of preferential tax rate applied;

(v) should the BIR grant the application for tax treaty relief, it is the obligation of the non-resident Bondholder to apply for tax refund with the BIR. The Issuer shall not refund the non-resident Bondholder any amount as a result of the application of the regular tax rate;

(vi) the non-resident Bondholder must update its Certificate of Entitlement to Treaty Benefits ("**COE**") annually, if applicable, as described in BIR RMO No. 14-2021, as further clarified by BIR RMC Nos. 77-2021 and 20-2022. Expired COEs will not be accepted by the Issuer; and

(vii) aside from the updated COE (if applicable), the non-resident Bondholder shall submit its TRC annually to the Issuer as continuing proof of its entitlement to the preferential tax rate. Absent such updated TRC and COE (if applicable), the Issuer shall apply the regular tax rate;

(c) a duly notarized undertaking executed by (i) the corporate secretary or any authorized representative of such Applicant or Bondholder, who has personal knowledge of the exemption or preferential tax rate entitlement based on his official functions, if the Applicant purchases, or the Bondholder holds, the Bonds for its account, or (ii) the trust officer, if the Applicant is a universal bank authorized under Philippine laws to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt entities (*e.g.,* Employee Retirement Fund, etc.), declaring and warranting such entities' tax-exempt status or preferential tax rate entitlement, undertaking to immediately notify the Issuer, the Registrar and the Paying Agent (1) of any suspension, revocation, amendment or invalidation (in whole or in part) of the tax exemption certificate, ruling or opinion issued by the BIR, executed using the prescribed form under the Registry and Paying Agency Agreement; (2) if there are any material changes in the factual circumstances of the Bondholder including but not limited to its character, nature, and method of operation, which are inconsistent with the basis for its income tax exemption; or (3) if there are any change of circumstance, relevant treaty, law or regulation or any supervening event that may or would result in the interest income of the Bonds being ineligible for exemption or preferential tax rate, with a declaration and warranty of its tax-exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax, provided, that in case of corporate, partnership or trust account investors, such investor shall also submit an original certification from the corporate secretary or an equivalent officer of the investor, setting forth the resolutions of its board of directors or equivalent body authorizing the execution of the undertaking and designating the signatories, with their specimen signatures, for the said purpose; and

(d) such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under the applicable regulations of the relevant taxing or other authorities; provided, that, the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the preferential tax rate being claimed by the Bondholders on the interest payments to such Bondholders.

Unless otherwise indicated above, the foregoing requirements shall be submitted, (i) in respect of the initial issuance of the Bonds, upon submission of the Application to Purchase to the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners or Selling Agent who shall then forward the same to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, to the Registrar upon submission of the account opening documents, in accordance with the procedures of the Registrar.

Failure on the part of the applicant/Bondholder/Joint Issue Managers and the Joint Lead Underwriters/Selling Agent/PDEx Trading Participant to submit the aforementioned document/s within the time prescribed shall result in the application of the regular tax rates.

FINANCIAL COVENANTS

So long as any of the Bonds remain outstanding, the Issuer covenants and agrees that, unless the Majority Bondholders shall otherwise consent in writing, it shall maintain:

(a) Net Debt-to-Equity Ratio of not more than 3.0x; and
(b) Interest Coverage Ratio of not less than 2.0x.

NEGATIVE PLEDGE

The Bonds will have the benefit of a negative pledge on all existing and future assets of the Issuer and its subsidiaries, subject to the Permitted Liens and exceptions provided under the Trust Agreement and described on page 15 of this Prospectus, including but not limited to project finance arrangements to fund any and all requirements mandated and all variations allowed under the respective STOAs of MMSS3 and SMC SKYWAY, and by the Grantor through the Toll Regulatory Board.

EVENTS OF DEFAULT

Each of the following events shall constitute an "**Event of Default**" under the Bonds and the Trust Agreement:

(a) the Issuer defaults in the payment when due of any amount payable under the Bonds or the Trust Agreement unless such failure arises solely as a result of an administrative or technical error or a Disruption Event and payment is made within three (3) Business Days after the date such payment is due (a "***Payment Default***");

(b) the Issuer fails to perform, comply with, or violates any material provision, term, condition, covenant or obligation contained in the Trust Agreement (other than by reason of paragraph (a) above), and any such failure, non-compliance or violation is not remediable or, if remediable, continues unremedied for a period of 30 days (or such longer curing period granted to the Issuer by the Majority Bondholders) from the date after written notice thereof shall have been given to the Issuer by the Trustee;

(c) any representation or warranty which is made by the Issuer in the Trust Agreement or otherwise in connection with the Trust Agreement, or in any certificate delivered by the Issuer under or in connection with the Trust Agreement, shall prove to have been untrue or incorrect in any material respect as of the time it was made;

(d) any Debt of the Issuer, whether singly or in the aggregate, in excess of U.S.$50,000,000.00 or its equivalent in Philippine Pesos or other currencies, using the Philippine Dealing System (PDS) closing rate as published in the BSP Reference Exchange Rate Bulletin (or, in the event of discontinuance of use, its replacement) of the immediately preceding Business Day, is not paid on its due date or within any applicable grace period or is declared to be due and payable prior to its stated date of payment (except where liability for payment of that Debt is being contested in good faith by appropriate means);

(e) a decree or order by a court or other Governmental Authority having jurisdiction over the premises is entered without the consent or application of the Issuer:

    (1) adjudging the Issuer bankrupt or insolvent;

    (2) approving a petition seeking a suspension of payments by or a reorganization of the Issuer under any applicable bankruptcy, insolvency or reorganization law;

    (3) appointing a receiver, liquidator or trustee or assignee in bankruptcy or insolvency of the Issuer or of all or substantially all of the business or assets of the Issuer;

(4) providing for the winding up or liquidation of the affairs of the Issuer;

(5) with a view to the rehabilitation, administration, liquidation, winding-up or dissolution of the Issuer; or

(6) taking other action under Applicable Law which is similar to any of the events mentioned in paragraphs (1) to (5) above (inclusive);

provided, that, the issuance of any such decree or order shall not be an Event of Default if the same shall have been dismissed or stayed by injunction or otherwise within 90 days from issuance thereof;

(f) the Issuer:

(1) institutes voluntary proceedings to be adjudicated bankrupt or insolvent or consents to the filing of a bankruptcy or insolvency proceeding against it;

(2) files a petition seeking a suspension of payments by it or its reorganization under any applicable bankruptcy, insolvency or reorganization law or consents to the filing of any such petition;

(3) seeks or consents to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or substantially all of its business or assets;

(4) makes an assignment for the benefit of its creditors or admits in writing its inability to pay its debts generally as they become due;

(5) files a petition seeking the winding up or liquidation of its affairs or consents to the filing of any such petition;

(6) takes any other step with a view to its rehabilitation, administration, liquidation, winding-up or dissolution or a suspension of payments by it; or

(7) takes other action under Applicable Law which is similar to any of the events mentioned in paragraphs (1) to (6) above (inclusive);

(g) final and executory judgment(s) or order(s) are rendered by a court of competent jurisdiction against the Issuer or its properties or assets from which no appeal may be made for the payment of money which will have a Material Adverse Effect and such judgment or order shall continue unsatisfied or undischarged after 90 days;

(h) the Issuer shall suspend or discontinue all or a substantial portion of its business operations, whether voluntarily or involuntarily for a period of 30 consecutive days except in cases of strike, lockout, or closure when necessary to prevent business losses or when due to fortuitous events, or in cases of *force majeure*, *provided* that in any such event of strikes, lockouts, closure, or *force majeure*, there is no Material Adverse Effect; and

(i) any event or circumstance that will have a Material Adverse Effect has occurred and is continuing.

Notice of Default

The Trustee shall, within five (5) Business Days after receipt of written notice from the Issuer or the Majority Bondholders of the occurrence of an Event of Default, give to all the Bondholders written notice of any such Event of Default unless the same shall have been cured before the giving of such notice; provided, that in the case of a Payment Default (as described in paragraph (a) of the "*Description of the Bonds – Events of Default*", the Trustee shall immediately notify the Bondholders upon the occurrence of such Payment Default.

The existence of a written notice required to be given to the Bondholders under this Section shall be published once by the Trustee in a newspaper of general circulation in Metro Manila, Philippines indicating in the published notice that the Bondholders or their duly authorized representatives may request any information relating to such occurrence of an Event of Default at the principal office of the Trustee upon presentation of sufficient and acceptable identification.

Consequences of Default

(a) If any one (1) or more of the Events of Default shall have occurred and be continuing after the lapse of the period given to the Issuer within which to cure such Event of Default, if any, or upon the occurrence of such Event of Default for which no cure period is provided, (i) the Trustee upon the written direction of the Majority Bondholders, by notice in writing delivered to the Issuer, or (ii) the Majority Bondholders, by notice in writing delivered to the Issuer and the Trustee, may declare the Issuer in default (each a "**Declaration of Default**") and declare the principal of the Bonds then outstanding, together with all accrued and unpaid interest thereon and all amounts due thereunder, to be due and payable not later than five (5) Business Days from the receipt of the Declaration of Default ("**Default Payment Date**") with a copy to the Paying Agent who shall then prepare a payment report in accordance with the Registry and Paying Agency Agreement. Thereupon, the Issuer shall make all payments due on the Bonds in accordance with the Registry and Paying Agency Agreement.

(b) All the unpaid obligations under the Bonds, including accrued interest, and all other amounts payable thereunder, shall be declared to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Issuer.

Penalty Interest

In case any amount payable by the Issuer under the Bonds, whether for principal, interest, or otherwise, is not paid on the relevant due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay a penalty fee on the defaulted amount(s) at the rate of 12% per annum (the "**Penalty Interest**") from the time the amount fell due until it is fully paid in accordance with the terms and conditions of the Bonds and the Trust Agreement.

Payments in the Event of Default

Upon the occurrence of any Event of Default, and provided that there has been a Declaration of Default and acceleration of payment of the Bonds by the Majority Bondholders pursuant to the provisions on Consequences of Default above, then in any such case:

(a) the Issuer will pay the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal and with Penalty Interest, where applicable, based on the payment report no later than the Default Payment Date. The Issuer also undertakes that it shall give the Trustee written notice of its intention to make any payments under this paragraph (a); and

(b) the Trustee shall have the right to require the Registrar and Paying Agent, upon demand in writing, to do the following:

  (i) to hold all sums, documents and records held by them in respect of the Bonds on behalf of the Trustee; and/or

  (ii) deliver all evidence of the Bonds and all sums, documents, and records held by them in respect of the Bonds to the Trustee or as the Trustee shall direct in such demand; provided, that such demand shall be deemed not to apply to any documents or records which the Registrar or Paying Agent is not allowed to release by any law or regulation; and/or

  (iii) subject to the terms of the Registry and Paying Agency Agreement, apply any money received from the Issuer pursuant to this section in the order of preference provided in the "*Description of the Bonds – Application of Payments"* below.

Application of Payments

Any money collected by the Trustee as a consequence of a Declaration of Default and any other funds held by it, subject to any other provision of the Trust Agreement relating to the disposition of such money and funds or to the Registry and Paying Agency Agreement, shall be applied by the Trustee in the order of preference as follows:

(a) *First*: to the *pro rata* payment to the Trustee, the Registrar, the Paying Agent and PDEx of the reasonable, actual, and documented costs, expenses, fees, and other charges of collection, including reasonable compensation to them, their agents, attorneys, and all reasonable, actual, and documented expenses and liabilities incurred or disbursements made by them, without gross negligence or bad faith in carrying out their respective obligations under their respective agreements with the Issuer in connection with the Bonds.

(b) *Second*: to the payment of all outstanding interest, including any Penalty Interest, in the order of maturity of such interest based on the information on Bondholders reflected in the relevant registry account to be provided by the Registrar and Paying Agent in accordance with the Registry and Paying Agency Agreement.

(c) *Third*: to the payment of the principal amount of the Bonds then due and payable based on the information on Bondholders reflected in the relevant registry account to be provided by the Registrar and Paying Agent in accordance with the Registry and Paying Agency Agreement.

(d) *Fourth*: the remainder, if any, shall be paid to the Issuer, its successors, or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Prescription

Claims in respect of principal and interest or other sums payable under the Bonds shall prescribe unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which the payment becomes due.

Remedies

All remedies conferred by the Trust Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce the conditions and covenants of the Trust Agreement, subject to the discussion under "*Description of the Bonds – Ability to File Suit*".

No delay or omission by the Trustee or the Bondholders to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto; and every power and remedy given by the Trust Agreement to the Trustee or the Bondholders may be exercised from time to time and as often as may be necessary or expedient, subject to the discussion under "*Description of the Bonds – Ability to File Suit*".

Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of the Trust Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer under the Trust Agreement on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy thereunder unless: (i) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Bonds; (ii) the Majority Bondholders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in its own name; (iii) the Trustee for 60 days after the receipt of such notice and request shall have neglected or refused to institute any such action, suit or proceeding; and (iv) no directions inconsistent with such written request shall have been given under a waiver of default by the Bondholders, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no Bondholder shall have any right in any manner whatever by virtue of or by availing of any provision of the Trust Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Agreement, except in the manner therein provided and for the equal, ratable, and common benefit of all the Bondholders.

Waiver of Default by the Bondholders

The Majority Bondholders (a) may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under the Trust Agreement, or (b) may on behalf of the Bondholders, waive any past default except the Events of Default defined as a Payment Default, insolvency default or closure default, and its consequences. In case of any such waiver, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights under the Trust Agreement; provided that no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

SUBSTITUTION

Substitution of the Bonds is not contemplated.

TRUSTEE - NOTICES

The following discussion is qualified by the more detailed information in the Trust Agreement.

Notice to the Trustee

All documents required to be submitted to the Trustee and all other notices, requests, and other communications must be in writing and will be deemed to have been duly given only if delivered personally, or mailed (first class postage prepaid) or emailed to the Trustee at the following address, or email address; and addressed to the individuals named below:

To the Trustee:

RCBC Trust Corporation

Attention:	Ms. Justine Kim. C. Marte, AVP / Mr. Ryan Roy W. Sinaon, FVP
Telephone No:	8894-9000 locals 1252 and 1278
Email:	jcmarte@rcbc.com / rwsinaon@rcbc.com

All such notices, requests and other communications will: (i) if delivered personally to the address as provided above, be deemed given upon delivery; and (ii) if delivered by mail in the manner described above to the address as provided above, be deemed given upon receipt (in each case regardless of whether such notice, request or other communication is received by any other Person on behalf of such individual to whom a copy of such notice, request or other communication is to be delivered). The Trustee may from time to time change its address, email address, or other information for the purpose of notices hereunder by giving notice specifying such change.

Any notice, report or communication received on a non-working day or after business hours in the place of receipt will only be deemed given on the next working day in that place.

Notice to the Bondholders

The Trustee shall send all notices to Bondholders to their respective mailing address as set forth in the Registry of Bondholders. Except where a specific mode of notification is provided for in the Bond Agreements, notices to Bondholders shall be sufficient when made in writing and transmitted in any one (1) of the following modes: (i) registered mail; (ii) ordinary mail; (iii) by publication for at least once a week for two (2) consecutive weeks in at least two (2) newspapers of general circulation in the Philippines; (iv) personal delivery to the address of record in the Registry of Bondholders; or (v) disclosure through the Online Disclosure System of the PDEx. The Trustee shall be entitled to rely on the Registry of Bondholders in determining the Bondholders entitled to notice and their respective contact details. All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by ordinary mail; (iii) on the date of last publication, if notice is made by publication; (iv) on the date of delivery, for personal delivery; or (v) on the date of disclosure, if notice is made by disclosure through the Online Disclosure System of the PDEx.

A notice made by the Issuer to the Trustee is notice to the Bondholders. The publication in a newspaper of general circulation in the Philippines of a press release or news item about a communication or disclosure made by the Issuer to the PDEx on a matter relating to the Bonds shall be deemed a notice to the Bondholders of said matter on the date of the first publication or the date of the disclosure, as the case may be.

Duties and Responsibilities of the Trustee

The Trustee shall be responsible for performing the following duties, among others, for the benefit of the Bondholders.

(a) The Trustee is appointed as trustee for and on behalf of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Agreement. The Trustee shall, in accordance with the terms and conditions of the Trust Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the observance by the Issuer of all its covenants and performance of all its obligations, under and pursuant to the Trust Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters that must be taken up with the Issuer.

(b) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Agreement, and use such diligence, judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters will exercise in the management of their own affairs.

(c) None of the provisions contained in the Trust Agreement and the Prospectus shall require or be interpreted to require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under the Trust Agreement.

Resignation and Change of Trustee

(a) The Trustee may at any time resign by giving at least 90 days' prior written notice to the Issuer and Bondholders of such resignation.

(b) Upon receipt of such notice of resignation of the Trustee, the Issuer shall immediately appoint a replacement trustee, which shall be acceptable to the Issuer, by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the replacement trustee. If no replacement trustee shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Trustee or any Bondholder who has been a *bona fide* holder for at least the immediately preceding six (6) months may, for and in behalf of the Bondholders, petition any court of competent jurisdiction for the appointment of a replacement trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, appoint a replacement trustee.

(c) Subject to paragraph (f) below, a replacement trustee must possess all the qualifications required under pertinent laws and the Trust Agreement.

(d) In case at any time any of the following shall occur:

(i) the Trustee shall fail to comply with the provisions of Section 11.1(a) after written request therefor by the Issuer or by any Bondholder; or

(ii) the Trustee shall cease to be eligible in accordance with the provisions of this Agreement or Applicable Law and shall fail to resign after written request therefor by the Issuer or by any Bondholder; or

(iii) the Trustee, in the reasonable opinion of the Issuer, has committed fraud, bad faith, willful misconduct or gross negligence or has otherwise violated Applicable Law, in each case, in the performance of any material obligation under this Agreement; or

(iv) the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation,

then the Issuer may, within 30 days therefrom, remove the Trustee, and appoint a replacement trustee, by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the replacement trustee. If the Issuer fails to remove the Trustee and appoint a replacement trustee, any Bondholder may, on behalf of himself and all other Bondholders, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a replacement trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a Replacement Trustee.

(e) The Majority Bondholders may at any time remove the Trustee for cause, and with the consent of the Issuer, appoint a replacement trustee, by the delivery to the Trustee so removed, to the replacement trustee and to the Issuer of the required evidence of the action in that regard taken by the Majority Bondholders, which removal shall take effect 30 days from receipt of such notice by the Trustee; provided, that if no replacement trustee shall have been appointed within 90 days from the receipt of the Issuer of the required evidence of the action taken, the Majority Bondholders may appoint a replacement trustee without the consent of the Issuer. This is without prejudice to whatever remedies may be available to the Majority Bondholders under the law or in equity.

(f) Any resignation or removal of the Trustee and the appointment of a replacement trustee pursuant to any of the provisions in the Trust Agreement shall become effective upon the earlier of: (i) the acceptance of appointment by the replacement trustee as provided in the Trust Agreement; and (ii) the effectivity of the resignation notice sent by the Trustee under the Trust Agreement; provided, that after the effectivity of the resignation notice and, as relevant, until such replacement trustee is qualified and appointed, the resigning or removed Trustee shall continue to discharge its duties and responsibilities solely as a custodian of records for turnover to the replacement trustee promptly upon the appointment thereof by the Issuer and shall be entitled to incurred, due and demandable fee stipulated in the Trust Agreement for services already rendered.

Successor Trustee

(a) Any successor trustee appointed shall execute, acknowledge and deliver to the Issuer and to its predecessor trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusteeship with like effect as if originally named as Trustee under the Trust Agreement. The foregoing notwithstanding, on the written request of the Issuer or of the successor trustee, the trustee ceasing to act as such shall execute and deliver an instrument transferring to the successor trustee, all the rights, powers and duties of the trustee so ceasing to act as such. Upon request of any such successor trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor trustee all such rights, powers and duties.

(b) Upon acceptance of the appointment by a successor Trustee, the Issuer shall notify the Bondholders of the succession of such trustee to the trusteeship in writing and/or by publication once in a newspaper of general circulation in Metro Manila, Philippines. If the Issuer fails to notify the Bondholders within ten (10) days after the acceptance of appointment by the successor trustee, the latter shall cause the Bondholders to be so notified at the expense of the Issuer.

Reports to the Bondholders

Only upon the existence of either (a) and (b) below, the Trustee shall submit to the Bondholders on or before March 1 of each year from the Issue Date until full payment of the Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:

(a) the property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report which shall be based on the report to be given by the Paying Agent to the Trustee upon request by the Trustee through the Issuer; and

(b) any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.

The Trustee shall submit to the Bondholders a brief report within 90 days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Paying Agent with respect to the character, amount, and the circumstances surrounding the making of such advance; provided that, the remaining unpaid amounts of such advance is at least 10% of the aggregate outstanding principal amount of the Bonds at such time.

Upon receipt of written notice to the Trustee, the following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee: (i) the Trustee Agreement and the Registry and Paying Agency Agreement, (ii) the latest amended articles of incorporation and amended by-laws of the Issuer and (iii) the Registration Statement of the Issuer with respect to the Bonds with the Prospectus.

Inspection of Documents

Upon due notice to the Trustee, the following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:

(a) the Trust Agreement;
(b) the Registry and Paying Agency Agreement;
(c) the latest amended articles of incorporation and amended by-laws of the Issuer; and
(d) the Registration Statement of the Issuer with respect to the Bonds with the Prospectus.

MEETING OF BONDHOLDERS

A meeting of the Bondholders may be called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the Bondholders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Agreement or under the law and such other matters related to the rights and interests of the Bondholders under the Bonds.

The following discussion is qualified by the more detailed information in the Trust Agreement.

Notice of Meetings

The Trustee may at any time call a meeting of the Bondholders, on its own accord or upon the written request by the Issuer, or the Majority Bondholders, for purposes of taking any actions authorized under the Trust Agreement. The meeting may be held at such time and at such place as the Trustee shall determine. Meetings may be either in person or through teleconference, videoconference or through similar modes of modern communication technology.

Unless otherwise provided in the Trust Agreement, the Trustee shall give notice of every meeting of the Bondholders (which notice must set forth the time, place, and purpose of such meeting in reasonable detail) to the Issuer and each of the registered Bondholders not earlier than 45 days nor later than 15 days prior to the date fixed for the meeting (physical or via remote communication) and shall publish such notice once in a newspaper of general circulation; provided, that the Trustee shall fix the record date for determining the Bondholders entitled to notice and vote during the meeting, which record date shall not be earlier than 45 days before the date of the meeting; provided, further, that all reasonable, actual and documented costs and expenses incurred by the Trustee for the proper dissemination of the notice of the requested meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported billing statement, subject to obtaining prior written consent of the Issuer for reasonable, actual and documented costs and expenses in excess of Fifty Thousand Pesos (₱50,000.00) per occurrence; provided, finally, that any meetings of the Bondholders shall be held at such time and place within Metro Manila as the party requesting such meeting may determine.

Failure of the Trustee to Call a Meeting

Failure of the Trustee to call a meeting upon the written request of either the Issuer or the Majority Bondholders within five (5) Business Days from receipt of such request shall entitle the requesting party to send and publish the appropriate notice of the Bondholders' meeting and fix the record date for determining the Bondholders entitled to attend and vote in accordance with the procedure set forth under "*Description of the Bonds – Notice of Meetings*". The costs for calling such a meeting shall be for the Trustee's account in case of unjustified failure of the Trustee to call the meeting is due to its willful misconduct, fraud, evident bad faith or gross negligence.

Quorum

The presence of Majority Bondholders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Bondholders. The Trustee shall determine and record the presence of the Majority Bondholders based on the list of Bondholders prepared by the Registrar in accordance with the Registry and Paying Agency Agreement (which list shall include (i) the complete names of the Bondholders (including the name of the authorized representative of the Bondholder, where applicable) (ii) the amount of Offer Bonds held by the Bondholders as of the record date, (iii) the complete address and contact details of the Bondholders, (iv) specimen signatures of the Bondholders' authorized signatories and (v) such other information necessary for the performance of the duties and powers of the Trustee under this Agreement as may be requested by the Trustee through the Issuer). The Registrar shall provide the Trustee with the foregoing list and information upon receipt of a written request from the Trustee.

Procedure for Meetings

(a) The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by the Issuer or by the Majority Bondholders as provided under "*Description of the Bonds – Failure of the Trustee to Call a Meeting*" in which case the Issuer or the Majority Bondholders calling the meeting, as the case may be, shall move for the election of the chairman and secretary of the meeting. The elected secretary shall take down the minutes of the meeting, covering all matters presented for resolution by, and the results of the votes cast by, the Bondholders entitled to vote at the meeting and/or the Person appointed in writing by a public instrument as proxy or agent by any such Bondholder in accordance with the procedure set forth in "Description of the Bonds – Voting Rights". The elected secretary shall immediately provide the Trustee with a copy of the minutes of the meeting which copy shall be made available at any time to the Issuer and all Bondholders upon receipt of a written request.

(b) Any meeting of the Bondholders may be adjourned from time to time for a period or periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been called, and the meeting so adjourned may be held without further notice. Any such adjournment may be ordered by Persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

Voting Rights

To be entitled to vote at any meeting of the Bondholders, a Person should be a registered holder of the Bonds as reflected in the Registry of Bondholders on the relevant record date fixed by the Trustee, the Issuer or the Majority Bondholders, as the case may be, or a Person appointed in writing by a public instrument as proxy or agent by any such Bondholder (and, in case of corporate or institutional Bondholders, duly supported by the resolutions of its board of directors or equivalent body authorizing the appointment of the proxy or agent duly certified by its corporate secretary or an authorized officer) for the meeting. The Bondholders shall be entitled to one (1) vote for every Ten Thousand Pesos (₱10,000.00). The only Persons who shall be entitled to be present or to participate at any meeting of the Bondholders shall be the Persons entitled to vote at such meeting, the Trustee, and any representative of the Issuer and its legal counsel.

Voting Requirements

Except as provided in "*Description of the Bonds – Amendments*," all matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders (present or represented in a meeting at which there is a quorum). Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Trustee as if the votes were unanimous.

Role of the Trustee in Meetings of the Bondholders

Notwithstanding any other provisions of the Trust Agreement, the Trustee may make such reasonable regulations (not inconsistent with the Trust Agreement) as it may deem advisable for any meeting of the Bondholders, with regard to the proof of ownership of the Bonds, the appointment of proxies by the Bondholders, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem fit.

Evidence Supporting the Action of the Bondholders

Wherever in the Trust Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of Bonds may take any action (including the making of any demand or request, the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined such action may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing in accordance with the provision on "*Description of the Bonds — Voting Rights*", (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith, or (iii) a combination of such instrument and any such record of meeting of the Bondholders.

Non-Reliance

Each Bondholder represents and warrants to the Trustee and to the Issuer that it has independently and, without reliance on the Trustee or the Issuer, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Bonds and on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee or the Issuer. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all claims, liabilities, damages, penalties, judgments, suits, expenses, and other costs of any kind or nature against the Trustee in respect of its obligations under the Trust Agreement, except in case it breaches Applicable Law or for its gross negligence, fraud, evident bad faith or willful misconduct.

Amendments

The Issuer and the Trustee may, without prior notice to or the consent of the Bondholders or other parties, amend or waive any provisions of the Trust Agreement if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency; provided, in all cases, that such amendment or waiver does not adversely affect the interests of the Bondholders; provided, further, that all Bondholders are notified of such amendment or waiver.

With the consent of the Majority Bondholders, the Issuer, when authorized by a resolution of the Board of Directors or the executive committee of the Board of Directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental to the Trust Agreement for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of the Trust Agreement; provided, that no such supplemental agreement shall:

(a) without the consent of all Bondholders affected thereby: (i) extend the Maturity Dates of the Bonds; (ii) or reduce the principal amount of the Bonds; or (iii) reduce the rate or extend the time of payment of interest and principal thereon;

(b) impair the right of any Bondholder to (i) receive payment of principal of and interest on the Bonds on or after the due dates therefor or (ii) to institute suit for the enforcement of any payment on or with respect to such Bondholder;

(c) affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders;

(d) make any Bond payable in money other than that stated in the Bond;

(e) subordinate the Bonds to any other obligation of the Issuer;

(f) amend or modify the provisions of the terms and conditions of the Bonds on Taxation, the Events of Default or the waiver of default by the Bondholders;

(g) reduce the percentage of the Bondholders required to be obtained under the Trust Agreement for their consent to or approval of any supplemental agreement or any waiver provided for in the Trust Agreement, without the consent of all the Bondholders; or

(h) make any change or waiver of the conditions under paragraphs (a) to (g) inclusive.

It shall not be necessary to obtain the consent of the Bondholders under the foregoing paragraphs for the purpose of approving the particular form of any proposed supplemental agreement, but such consent shall be necessary for the purpose of approving the substance thereof.

Any consent given pursuant to this section shall be conclusive and binding upon all Bondholders and upon all future holders and owners of the Bonds or of any Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the Bonds.

GOVERNING LAW

The Bond Agreements are governed by and are construed in accordance with Philippine law.

VENUE

Any suit, action, or proceeding arising out of, or relating to, the Bonds or the Trust Agreement shall be brought in any competent court in the Cities of Makati and Mandaluyong, at the option of the plaintiff and to the exclusion of all other courts of equal and competent jurisdiction, and the parties submit to the exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment, the Issuer and Trustee (for itself and on behalf of the Bondholders) expressly waiving any other venue.

WAIVER OF PREFERENCE

The obligations created under the Bond Agreements and the Bonds shall not enjoy any priority or preference or special privilege whatsoever over any Debt or obligations of the Issuer. Accordingly, whatever priorities or preferences that the Bond Agreements may have or any Person deriving a right thereunder may have under Article 2244, paragraph 14(a) of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced. This waiver and renunciation of the priority or preference under Article 2244, paragraph 14(a) of the Civil Code of the Philippines shall be deemed revoked if it be shown that any Debt of the Issuer has a priority or preference under the said provision.

RISK FACTORS

General Risk Warning

An investment in the Bonds involves a number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance and there may be a large difference between the buying price and the selling price of the Bonds. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on the business, financial condition, and results of operations and cause the market price of the Bonds to decline. All or part of an investment in the Bonds could be lost. Investors deal in a range of investments each of which may carry a different level of risk.

The means by which we intend to address the risk factors discussed herein are principally presented under "The Company" beginning on page 79, "Management's Discussion and Analysis of Results of Operations and Financial Condition" beginning on page 116, and "Management" on page 97 of this Prospectus.

The risk factors discussed in this section are of equal importance and are separated into categories for ease of reference only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materializing, of the potential significance of the risks or of the scope of any potential harm to our business, results of operations, financial condition, and prospects

Prudence Required

The risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study on the trading of these securities before commencing any trading activity. Investors may request publicly available information on the Bonds and the Company from the SEC and PDEx.

Professional Advice

An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially high-risk securities.

Risk Factors

This Prospectus contains forward-looking statements that involve risks and uncertainties. SMC Tollways and its subsidiaries adopt what they consider conservative financial and operational controls and policies to manage their business risks. The actual results may differ significantly from the results discussed in the forward-looking statements. See section "Forward-Looking Statements" of this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of SMC Tollways Group, in particular, and those that pertain to the over-all political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below. The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.

Investors should carefully consider all the information contained in this Prospectus including the risk factors described below, before deciding to invest in the Bonds. The business, financial condition, and results of operations of the Company could be materially and adversely affected by any of these risk factors.

RISKS RELATED TO THE COMPANY'S BUSINESS AND OPERATIONS

This Prospectus includes risks and uncertainties considering both historical events and present and future circumstances. The Company analyzes these risks and considers financial and operational controls and policies to manage these business risks.

The risks and how to manage and mitigate its impacts as follows:

Completion of Infrastructure projects

The ability of SMC Tollways and its subsidiaries to maximize the benefits and fully utilize its resources is subject to various risks, uncertainties, and limitations including:

- Environmental or natural disturbances, global events, and other force majeure events that may result to disruption or slowdown of operations or delays in construction;
- Government-related factors such as timeliness of Right-of-Way delivery, delays/denials of required approvals, and other regulatory risks;
- Reliance on third-party service providers and consultants on certain aspects where the Group has limited expertise/experience;
- Ability to complete projects according to budgeted costs and schedules, and the possible need to raise additional financing to fund the projects;
- Delays or deficiencies in the design, engineering, construction, installation, inspection, commissioning, management or operation of each project; and procurement of materials, equipment and services at reasonable costs and in a timely manner.

Occurrence of any of the aforementioned events could result in delays and have a negative impact on its operations which could have a materially adverse effect on the business, financial condition, operations, and future growth prospects or opportunities.

SMC Tollways Group continues to undertake prudent review and due diligence in the construction and management of its projects. The Group also has contingency plans to safeguard its projects and business operations in case of the occurrence of the events mentioned above.

Inability to secure tariff increases

The commercial success of the business and projects of SMC Tollways and its subsidiaries partially depends on their ability to impose toll rate increases. Contractual toll rate increases, as discussed in applicable concession agreements, are permitted subject to negotiations with the regulatory agencies and approval of the government. The possibility of toll rate increases to be granted is also dependent on several external factors, such as competition and consumers' price sensitivity. Any constraint on the Group's ability to secure toll rate increases could have a material impact on its business, financial conditions, and operations.

The Group maintains a good working relationship with the relevant regulatory agencies relating to toll rate adjustments. In the event the toll rate adjustments are delayed or disapproved, the Group shall adopt contingency plans to recover its costs.

Decrease in utilization and disruption of operations

The growth and success of SMC Tollways, including its subsidiaries, also depends on its ability to maintain or increase the utilization of its toll roads and facilities. Revenues of toll road projects are heavily reliant on traffic volumes, which can be vulnerable to several external factors such as oil prices, construction of new routes and extensions, availability of alternative routes, etc. Other factors beyond the control of the Group, such as accidents, breakdown and failure of machines and equipment, interruption of power supply, and other unforeseen factors, could also affect the day-to-day operations and ongoing construction projects. Any decrease in utilization or disruption of operations, in any form, can materially affect the business and its operations and can hinder the Group in attaining its goals.

The Group continually adopts efficiency improvement programs, such as improved RFID systems implementation and regular improvements and maintenance of its facilities that would enhance the satisfaction and convenience of its users.

Risks relating to construction defects and other building-related claims

SMC Tollways and its subsidiaries may be held liable for defects in the construction of the tollways. Claims made against SMC Tollways Group arising from such defects may be costly and could result in significant losses to the Group.

There can be no assurance that SMC Tollways Group will not be held liable for damages, the cost of repairs, and/or the expense of litigation surrounding possible claims or that claims will not arise out of uninsurable events, or circumstances not covered by insurance and not subject to effective indemnification agreements with the Group's contractors. Neither can there be any assurance that the contractors hired by the Group will be able to either correct any such defects or indemnify the Group for costs incurred by the Group to correct such defects. In the event a substantial number of claims arising from construction defects arises, this could have a material adverse effect on the Group's reputation and on its business, financial conditions, and results of operations.

While SMC Tollways Group has not experienced any major construction defect in its operations, its subsidiaries have existing warranties and insurances to cover the cost of any potential financial claim and restoration.

Traffic risk

Revenues from the tollway operations of SMC Tollways Group principally depend upon the number and type of motor vehicles using the Group's tollways. Traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity, and cost of alternative roads, alternative modes of transportation, and Government economic and transportation policies. Consequently, a significant or sustained decline in the traffic volume for the Group's tollways may adversely affect the Group's business, operations, and financial condition. Traffic volume on the Group's tollways is also influenced by traffic volumes on expressways, highways, and other roads which are part of the regional highway system and network. There can be no assurance that changes in this highway system and network will not have an adverse impact on the traffic volume. Additionally, substantial delays in the completion of any of the planned expressways, highways, and other roads that would offer access to or from the Group's tollways, or the cancellation of plans to construct the same, could lead to a decrease in traffic volume.

Fuel supply shortages and increases in fuel prices may adversely affect traffic volumes on both expressways. Fuel prices are inherently volatile and have been high in recent years. If the cost of fuel in the Philippines remains high or increases further, motorists in the Philippines may limit automobile usage or elect to use alternative means of transportation to offset high fuel costs. Furthermore, higher global oil prices and increased demand for fuel may lead to fuel supply shortages and fuel rationing in the Philippines. If fuel supply shortages or rationing occur in Luzon, motorists may be forced to drive less frequently, reducing traffic volumes on the Group's tollways.

Delay in Right-of-Way delivery may result in higher construction costs and delay in project completion

The construction program of the tollways depends on the delivery of the Right-of-Way by the Government. Since certain construction costs are payable in regular intervals for the duration of the construction period or are set based on a specific construction timetable, a delay in the delivery of the Right-of-Way may result in higher construction costs and delay in project completion.

Ability of subsidiaries to distribute dividends

SMC Tollways is a holding company that conducts all of its operations through its subsidiaries. As a holding company, the revenues of SMC Tollways are derived from, among other sources, dividends paid by its subsidiaries. SMC Tollways is reliant on such sources of funds with respect to its obligations and in order to provide financial support to its subsidiaries. The ability of the subsidiaries of SMC Tollways to pay dividends is subject to, (i) the performance and cash flow requirements of such subsidiaries; (ii) the applicable laws; (iii) restrictions contained in loans and/or debt instruments of such subsidiaries; and (iv) the deduction of taxes.

Any restriction or prohibition on the ability of some or all of the subsidiaries of SMC Tollways to distribute dividends or make other distributions to SMC Tollways, either resulting from regulatory restrictions, debt covenants, operating difficulties or other limitations, could have a negative effect on the cash flow, financial condition, and results of operations of SMC Tollways.

SMC Tollways maintains a policy wherein subsidiaries declare a maximum level of dividends to the Parent Company, taking into consideration the funding requirements of the subsidiaries for its operations and expansion programs.

Competition

Apart from the Company, Metro Pacific Tollways Corporation (MPTC), through its various subsidiaries, and MCX Tollway, Inc. also hold long-term concession agreements in the country's major toll roads and expressways. MPTC holds concession rights in NLEX, SCTEX, CAVITEX, and CALAX. MCX Tollway, Inc., on the other hand, holds concession rights in Daang Hari Expressway/MCX in Cavite.

Alternative routes and other modes of transportation compete with the toll roads of the Company. In addition, a section of Skyway Stage 3 and a section of MPTC's NLEX Connector Road offer motorists with alternative access routes. Other than the foregoing, the Company's toll roads are located in different areas and give access to different routes that do not overlap or align with other toll roads and expressways.

Dependence on Suppliers or Customers

SMC Tollways and its subsidiaries are not dependent upon one or a limited number of suppliers. Suppliers and contractors of SMC Tollways Group follow a supplier registration and accreditation procedure currently established and managed centrally by the San Miguel Group. Suppliers and Contractors are required to submit their company credentials for evaluation, and undergo a competitive selection process. Ratings are assigned to assess their capacity and associated risk factors.

SMC Tollways and its subsidiaries are not dependent upon a single or few customers. Based on the current traffic volume, there are no customers that account for, or will account for twenty percent (20%) or more of the Group's sales or will result in a material adverse effect on the Group if there were a decrease of usage by such customers.

RISKS RELATING TO THE PHILIPPINES

The Company is a Philippine corporation where all its operations and assets are conducted and situated in the Philippines. Therefore, the political, social, and economic situation of the Philippines can directly influence the Company's financial position and financial performance.

Political instability in the Philippines

The Philippines has, from time to time, experienced political and military instability, including acts of political violence. In the last decade, there has been political instability in the Philippines, including extra-judicial killings, alleged electoral fraud, impeachment proceedings against two (2) former presidents, two (2) chief justices of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by previous administrations. In addition, a number of officials of the Philippine government are currently under investigation or have been indicted on corruption charges stemming from allegations of misuse of public funds, extortion, bribery, or usurpation of authority. There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy.

No assurance can be given that the future political or social environment in the Philippines will be stable or that current and future governments will adopt economic policies conducive for sustaining economic growth. An unstable political or social environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the business, operations, and financial condition of SMC Tollways.

A major deviation from the policies of the immediate past administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. Any potential instability could have an adverse effect on the Philippine economy, which may impact the Company's businesses prospects, financial condition, and results of operations.

Potential changes in the legal and regulatory environment

Considering that the rights, obligations and privileges of SMC Tollways Group are highly dependent on Government requirements and regulations, there can be no assurance that future regulatory requirements, rulings and legislations will not adversely affect the Group's business and/or its ability to comply with financial and/or other contractual obligations.

The businesses and operations of the Group are subject to a number of national and local laws, rules, and regulations governing the infrastructure industry in the Philippines. The political and regulatory landscape is continually evolving and Group is required to continuously assess and ensure it is up to date with the demands of regulatory compliance. In particular, SMC SKYWAY and MMSS3 are heavily regulated by the TRB and are subject to certain permits and consents from government agencies. Though the STOA specifically outlines the obligations and responsibilities of TRB, failure of TRB to comply with said obligations and responsibilities may have a material adverse effect on the financial condition and results of operations of the Group. In addition, there is no assurance that the Group will not be subject to new licensing requirements in the future or that it will be able to obtain and/or maintain such approvals, licenses or permits in a timely manner, or at all, or that it will not become subject to any regulatory action on account of not having obtained or renewed such approvals, licenses, and permits.

There can be no assurance that future laws, regulations and/or standards will not have a material adverse effect on the Group. In particular, the enactment and implementation of any such bills or amendments to the Tax Code, or other changes to Philippine laws and regulations relevant to the infrastructure industry, could increase the Group's costs and have a material adverse effect on the business, financial condition, and results of operations.

While the Group believes that it has, at all relevant times, materially complied with all applicable laws, rules and regulations, there is no assurance that changes in laws, rules or regulations or the interpretation thereof of relevant government agencies, will not result in the Group having to incur substantial additional costs or capital expenditures to upgrade or supplement its existing facilities or being subject to an increased rate of taxation or fines and penalties.

SMC Tollways Group is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. Further, the Group maintains a strong compliance culture and has processes in place in order to manage adherence to laws and regulations. In the event that SMC Tollways Group becomes involved in future litigation or other proceedings or be held responsible in any future litigation and proceedings, the Group endeavors to amicably settle the legal proceedings and in the event of any adverse ruling or decision, diligently exhaust all legal remedies available to it.

Acts of terrorism, clashes with separatist groups and violent crimes

The Philippines has also been subject to a number of terrorist attacks and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. For example, in May 2017, the city of Marawi in Lanao del Sur, Mindanao, was assaulted by the Maute Group, terrorists which were inspired by pledged allegiance to the Islamic State of Iraq and Syria ("**ISIS**"). Due to the clash between the Government forces and the terrorists and the risk of the armed conflict spilling over to other parts of Mindanao, martial law was declared in the entire island of Mindanao, Philippines. In October 2017, the city was declared liberated from the terrorists. Despite this, the Philippine Congress extended the imposition of martial law in Mindanao until the end of 2019, citing persistent threats of terrorism and rebellion and to ensure the total eradication of ISIS-inspired terrorists in the country. The martial law in Mindanao was lifted on January 1, 2020, while the state of national emergency was lifted on July 25, 2023. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines, and adversely affect the country's economy. These armed conflict and terror attacks could lead to further injuries or deaths by civilians and members of the military, which could destabilize parts of the country and adversely affect the country's economy.

Natural catastrophes and other force majeure events

The Company's business and operations could be severely disrupted by many factors, including accidents, breakdown or failure of equipment, interruption in power supply, human error, natural disasters, public epidemics, outbreak of diseases, and other unforeseen circumstances and problems. The Philippines has experienced a number of major natural catastrophes over the past years, including typhoons, such as super typhoon Rolly in late October 2020, super typhoon Betty in late May 2023, volcanic eruptions, such as the Taal Volcano eruption in January 2020, earthquakes, tsunamis, mudslides, fires, droughts and floods related to El Niño and La Niña weather events. Apart from these natural phenomena, other unforeseeable and uncontrollable events also pose risks in the country, such as the most recent COVID-19 pandemic. Natural catastrophes and other force majeure events may materially disrupt and adversely affect the business, operations, and financial condition of SMC Tollways and its subsidiaries. Several planning and preparations are considered, including evaluation of insurance coverage, and natural disasters, pandemics, and health events preparation and management. There is no assurance that these measures will adequately compensate for all damages and economic losses resulting from natural catastrophes and unforeseeable events but will somehow mitigate its impact on the Company's business and operations.

Downgrade of Philippine credit rating

International credit rating agencies issue credit ratings for companies with reference to the country in which they are resident. As a result, the sovereign credit ratings of the Philippines directly affect companies that are residents in the Philippines, such as SMC Tollways. Historically the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. Since December 31, 2019, the Philippines' long-term foreign currency denominated debt was rated Baa2 by Moody's, BBB+ by S&P Global Ratings, and BBB by Fitch (no update on this as of 2024). As of June 7, 2024, Fitch Ratings affirmed its stable outlook and long-term foreign currency issuer default rating at 'BBB'. Likewise, the Japan Credit Rating Agency's ("**JCRA**") report last March 6, 2024 affirmed the stable outlook with an investment-grade credit rating at 'A-'. On August 14, 2024, Rating and Investment Information, Inc. ("**R&I**") upgraded its rating on the Philippines from the "BBB+" with a positive outlook last year, to "A-" with a stable outlook. The ratings mainly reflect the country's high and sustained economic growth supported by solid domestic demand, a low-level external debt, its resilience to external shocks supported by accumulated foreign exchange reserves, and its solid fiscal base. However, no assurance can be given that Fitch, Moody's, S&P Global Ratings, JCRA or any other international credit rating agency, will not downgrade the credit ratings of the Government in the future and, therefore, of Philippine companies, including the Company. Any such downgrade could have a material adverse effect on liquidity in the Philippine financial markets and the ability of the Philippine government and Philippine companies, including SMC Tollways, to raise additional financing, and will increase borrowing and other costs.

RISKS RELATED TO THE OFFER

The Bonds may not be a suitable investment for all investors

Each potential investor of the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should: (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Prospectus; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency; (iv) understand thoroughly the terms of the Bonds and be familiar with the behavior of any relevant financial markets; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic conditions, interest rate, foreign exchange rate, Issuer's credit risk, and other factors that may affect its investment and its ability to bear the applicable risks.

Each investor should have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds.

An active or liquid trading market for the Bonds may not develop

The Bonds are a new issue of securities for which there is currently no trading market. Even if the Bonds are listed on the PDEx, trading in securities such as the Bonds may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets, and the overall market for debt securities among other factors, which may affect liquidity. Although the Bonds are intended to be listed on PDEx as soon as reasonably practicable, no assurance can be given that an active trading market for the Bonds will develop and, if such a market were to develop, the Joint Lead Underwriters and Bookrunners are under no obligation to maintain such a market. The liquidity and the market prices for the Bonds can be expected to vary with changes in market and economic conditions, the financial position and prospects of the Company, and other factors that generally influence the market prices of securities.

The Company has no control over this risk as active trading of the Bonds is highly dependent on the Bondholders.

The Issuer may be unable to redeem the Bonds

Upon maturity, the Issuer will be required to redeem all of the Bonds. At such event, the Issuer may not have sufficient cash on hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The failure by the Issuer to repay, repurchase or redeem tendered Bonds would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness of the Issuer.

The Issuer has a very strong business franchise in the Philippines. It has a robust recurring cash flow and maintains a low debt-equity ratio and a high level of liquidity in its balance sheet. The Issuer believes that it has sufficient resources which will allow it to service the principal and interest of the Bonds.

Holders of the Bonds may not be able to reinvest at a similar return on investment

Prior to the relevant maturity dates of the Bonds, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), any series of the outstanding Bonds on the relevant Optional Redemption Dates (see "*Description of the Bonds*" on page 32 of this Prospectus). Subject to the specific terms and conditions of the Bonds, in the event that the Company exercises this early redemption option, all Bonds will be redeemed and the Company would pay the amounts to which Bondholders would be entitled. Following such redemption and payment, there can be no assurance that investors in the redeemed Bonds will be able to re-invest such amounts in securities that would offer a comparative or better yield or terms, at such time.

The Bondholder may face possible gain or loss if the Bonds are sold at the secondary market

As with all fixed income securities, the Bonds' market values move (either up or down) depending on the change in interest rates. The Bonds, when sold in the secondary market, are worth more if interest rates decrease since the Bonds have a higher interest rate relative to the market. Likewise, if the prevailing interest rate increases, the Bonds are worth less when sold in the secondary market. Therefore, holders may either make a gain or incur a loss when they decide to sell the Bonds.

The Bonds may not be able to retain its credit rating

There is no assurance that the rating of the Bonds will be retained throughout the life of the Bonds. The rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

The Bonds have no preference under Article 2244(14) of the Civil Code

No other loan or other debt facility currently or to be entered into by the Issuer shall have preference of priority over the Bonds as accorded to public instruments under Article 2244(14) of the Civil Code of the Philippines, and all banks and lenders under any such loans or facilities that are notarized have waived the right to the benefit of any such preference or priority. However, should any bank or Bondholder hereinafter have a preference or priority over the Bonds as a result of notarization, then the Issuer shall, at the Issuer's option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds as may be practicable.

There can be no guarantee that the Bonds will be listed on the PDEx

Purchasers of the Bonds will be required to pay for such Bonds prior to the listing date of the Bonds. There can be no guarantee that listing will occur on the anticipated listing date. Delays in the admission and the commencement of trading of the Bonds in the PDEx may occur. If the PDEx does not admit the Bonds, the market for the Bonds will be illiquid and bondholders may not be able to trade the Bonds. This may materially and adversely affect the value of the Bonds.

Risks related to statements made in this Prospectus

Certain statistics in this Prospectus relating to the Philippines, the industries and markets in which the business of the Company operates, including statistics relating to market size and market share, are derived from various government and private publications, including those produced by industry associations and research groups. This information has not been independently verified and may not be accurate, complete, up-to-date or consistent with other information compiled within or outside the Philippines.

CAPITALIZATION

The following table sets forth the audited consolidated short-term and long-term debt and capitalization of SMC Tollways as of June 30, 2024. This table should be read in conjunction with the more detailed information and reviewed and audited financial statements, including notes thereto, found in Appendix A and Appendix B of this Prospectus.

(in Thousands)	As at June 30, 2024	Adjustments	Note	As adjusted for the Base Offer Size of ₱30 billion	As adjusted for maximum Offer Size of ₱35 billion
Current Liabilities					
Accounts payables and other current liabilities	₱4,917,180			₱4,917,180	₱4,917,180
Current portion of:					
Long-term debt - net of debt issue costs	10,177,560	(4,867,106)	3a	5,310,454	5,310,454
		(1,574,022)	3b	(1,574,022)	(1,574,022)
Provision for resurfacing obligations	113,803			113,803	113,803
Lease liabilities	3,557			3,557	3,557
Dividends payable	135,760			135,760	135,760
Due to Parent Company	61,844			61,844	61,844
Income tax payable	341,201			341,201	341,201
Total Current Liabilities	15,750,905	(6,441,128)		9,309,777	9,309,777
Noncurrent Liabilities					
Noncurrent portion of:					
Long-term debt - net of debt issue costs	40,757,737	29,629,980	1a	70,387,717	70,387,717
		4,942,500	1b		4,942,500
		(25,785,682)	3a	(25,785,682)	(25,785,682)
Provision for resurfacing obligations	159,194			159,194	159,194
Retention payable	105,063			105,063	105,063
Lease liabilities	603			603	603
Net retirement liabilities	74,141			74,141	74,141
Net deferred tax liabilities	385,727			385,727	385,727
Total Noncurrent Liabilities	41,482,465	8,786,798		45,326,763	50,269,263
Total Liabilities	57,233,370	2,345,670		54,636,540	59,579,040
Equity					
Common shares	6,953,846			6,953,846	6,953,846
Retained earnings	48,673,569			48,673,569	48,673,569
Other comprehensive loss	(13,117)			(13,117)	(13,117)
Other equity reserves	(13,594,274)			(13,594,274)	(13,594,274)
Equity attributable to equity holders of the Parent Company	42,020,024			42,020,024	42,020,024
Non-controlling interest	5,516,474			5,516,474	5,516,474
Total Equity	47,536,498			47,536,498	47,536,498
Total Capitalization	**₱104,769,868**	**2,345,670**	2	**₱102,173,038**	**₱107,115,538**

1a Adjusted amount as of June 30, 2024 includes proceeds of ₱30 billion base offer size, after deduction of fees, commissions and expenses.

1b Adjusted amount as of June 30, 2024 includes proceeds of ₱30 billion base offer size and oversubscription of ₱5 billion, after deduction of fees, commissions and expenses.

2 Total capitalization is the sum of debt and equity

3a Application of payments upon receiving of bonds proceeds.

3b Payment made on the Corporate Notes for September 2024.

USE OF PROCEEDS

SMC Tollways expects to raise ₱30,000,000,000.00 as gross proceeds from the Base Offer. The Company estimates that the net proceeds from the Base Offer, after deducting expenses payable by the Company, will be approximately ₱29,629,980,375.00. Assuming full exercise of the Oversubscription Option, the Company estimates that the net proceeds from Base Offer and the full exercise of the Oversubscription Option shall amount to approximately ₱34,572,480,375.00, after deducting the following fees, commissions and expenses.

Particulars	Base Offer	Base Offer and Full Oversubscription
Estimated proceeds from the Base Offer	₱30,000,000,000.00	₱35,000,000,000.00
Less: Estimated fees, commissions and expenses		
Gross Underwriting and Selling Fees	120,000,000.00	140,000,000.00
Documentary Stamp Taxes to be paid by the Company	225,000,000.00	262,500,000.00
SEC Registration Fee, SEC Legal Research and DST	9,405,625.00	9,405,625.00
PDEx Listing Application Fee	300,000.00	300,000.00
Listing and Maintenance Fee	450,000.00	450,000.00
Legal fees[13]	4,000,000.00	4,000,000.00
Other Professional Fees[14]	2,000,000.00	2,000,000.00
Rating Fee	5,544,000.00	5,544,000.00
Trustee Fees	120,000.00	120,000.00
Registry and Paying Agency Fees	750,000.00	750,000.00
Other expenses for publication, marketing, and out of pocket expenses of the underwriters and professional advisers, excluding the legal fees of the underwriter's counsel[15]	2,450,000.00	2,450,000.00
Total estimated fees, commissions, and expenses	370,019,625.00	427,519,625.00
Estimated net proceeds	₱29,629,980,375.00	₱34,572,480,375.00

**The underwriting fees and any selling fees to be paid by the Company in relation to the Offer shall be equivalent to 0.40% of the gross proceeds of the Offer. This shall be inclusive of fees to be paid to the Joint Lead Underwriters and Bookrunners and any commissions to be paid to the Selling Agent.*

Aside from the foregoing one-time costs, the Issuer expects the following annual expenses related to the Bonds:

1. the Issuer will be charged by the PDEx for the first annual maintenance fee in advance upon approval of the listing and thereafter, the Issuer will pay PDEx an annual maintenance listing fee amounting to approximately ₱450,000.00;
2. the Issuer will pay an annual retainer fee to the Trustee amounting to approximately ₱120,000.00;
3. after the Issue Date, a Paying Agency fee amounting to approximately ₱100,000.00 will be paid by the Issuer every Interest Payment Date. The Issuer will pay a monthly maintenance fee charged by the Registrar based on the face value of the Bonds and number of Bondholders; and
4. the Issuer will pay an annual monitoring fee of approximately ₱560,000.00 to PhilRatings.

[13] Legal fees will be paid to the Counsel to the Issuer and the independent third-party counsel.

[14] Other professional fees will be paid to the independent auditor engaged in relation to the Offer.

[15] Other expenses include out-of-pocket, publication, and transportation expenses.

Use of Proceeds

The entire net proceeds of the Offer will be used by the Company to prepay its existing Corporate Notes and to fund the capital expenditure program of Skyway Project and Skyway Stage 3 Project.

Refinancing of Corporate Notes Facility Agreement

The Company intends to use the net proceeds of this Offer to prepay the outstanding principal amount of the Corporate Notes under the Corporate Notes Facility Agreement dated December 9, 2019, in the amount of ₱41.2 billion. Noteholders include:

Noteholder	Outstanding Principal Amount
Philippine National Bank	₱14,236,571,473.45
Rizal Commercial Banking Corporation	4,270,971,441.97
Union Bank of the Philippines	3,559,142,868.41
Land Bank of the Philippines	2,847,314,294.76
Bank of the Philippine Islands	2,740,540,008.76
China Banking Corporation	1,672,797,148.16
Total	**₱29,327,337,235.51**

Under the Corporate Notes Facility Agreement, the Company has the option to redeem the Corporate Notes prior to its maturity date on December 16, 2029.

PNB Capital and Investment Corporation, one of the Joint Issue Managers and one of the Joint Lead Underwriters and Bookrunners for the Offer, is a subsidiary of Philippine National Bank. Union Bank of the Philippines is one of the Joint Lead Underwriters and Bookrunners for the Offer. Land Bank of the Philippines is one of the Joint Issue Managers and one of the Joint Lead Underwriters and Bookrunners for the Offer. BPI Capital Corporation, one the Joint Lead Underwriters and Bookrunners for the Offer is a subsidiary of Bank of the Philippine Islands. China Bank Capital Corporation, one the Joint Lead Underwriters and Bookrunners for the Offer, is a subsidiary of China Banking Corporation.

The noteholders will receive prepayment out of the proceeds of the Offer under the Corporate Notes.

As of the date of this Prospectus, the Corporate Notes has an outstanding balance of ₱29,327,337,235.51 billion, with interest rate of five percent (5%) to six percent (6%) per annum.

Investments of SMC Tollways for Tollway Improvement Projects and On & Off Ramp Completion

The Company intends to infuse by way of equity, debt, or other instruments, within twenty-four (24) months from the Issue Date, up to ₱6.45 billion in SMC SKYWAY to fund its capital expenditure program for traffic mobility and decongestion facilities (the "**Tollway Improvement Projects**") and in MMSS3 to fund the completion of the on & off ramps ("**On & Off Ramp Completion**"), utilizing up to ₱5.24 billion from the net proceeds of the Offer and sourcing ₱1.21 billion from internally generated funds of the Company.

The Tollway Improvement Projects consist of extension, widening, and improvement of the Skyway Project and the On & Off Ramp Completion shall include the Maria Clara Off-Ramp, Shaw/Sevilla On & Off Ramp, Quirino South Bound On & Off Ramp, Pandacan Ramps and Section 2A' of the Skyway Stage 3 Project.

The proceeds of the Offer will be utilized by the Company through direct or indirect investments in SMC SKYWAY, MMSS3 or such other infrastructure subsidiaries of the Company as it may deem appropriate in furtherance of the completion of such projects subject to and in compliance with existing laws, rules and regulations.

In summary, the net proceeds of the Offer shall be used as follows (listed in the order of priority):

Purpose	Base Offer	%	Base Offer and Oversubscription Option*	%	Estimated Timing of Disbursement
Refinancing of Corporate Notes Facility Agreement	₱29,327,337,235.51	98.98%	₱29,327,337,235.51	84.83%	On or before December 16, 2024
Investments in SMC SKYWAY Corporation and MMSS3	₱302,643,139.49	1.02%	up to ₱5,245,143,139.49	15.17%	within 24 months from Issue Date
TOTAL	**₱29,629,980,375.00**	**100.00%**	**₱34,572,480,375.00**	**100.00%**	

**Assuming full exercise of the Oversubscription Option - Any shortfall from the net proceeds of the Offer allotted to any of the foregoing will be financed from the Company's internally generated funds.*

The Company shall file the appropriate SEC Form 17-C with the SEC and PDEx upon making any disbursement of the proceeds of the Offer, for the aforementioned purposes.

UNDERTAKING ON THE USE OF PROCEEDS

Pending the above use of proceeds, the Company intends to invest the net proceeds from the Offer in short-term liquid investments including, but not limited to, short-term government securities, bank deposits and money market placements which are expected to earn at prevailing market rates. In the event such investments should incur losses, any shortfall will be financed from the Company's internally generated funds.

No amount of the proceeds is to be used to reimburse any officer, director, employee, or shareholder of the Company for services rendered, assets previously transferred, money loaned or advanced, or otherwise.

Except for the underwriting fees and expenses related to the Bonds, no amount of the proceeds will be utilized to pay any other outstanding financial obligations to any of the Joint Lead Underwriters and Bookrunners. Please see section on "*Plan of Distribution*" on page 66 of this Prospectus.

The foregoing discussion represents a best estimate of the use of proceeds of the Offer based on the Company's current plans and anticipated expenditures. In the event there is any change in the Company's development plan, including force majeure, market conditions and other circumstances, the Company will carefully evaluate the situation and may reallocate the proceeds for future investments or other uses, and/or hold such funds in investments, whichever is better for the Company's and its shareholders' interest taken as a whole. The Company's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Company's management may find it necessary or advisable to alter its plans. In the event of any substantial deviation, adjustment or reallocation in the planned use of proceeds, the Company shall inform the SEC and the stockholders in writing at least 30 days before such deviation, adjustment or reallocation is implemented.

PLAN OF DISTRIBUTION

The Bonds shall be issued in the aggregate principal amount of up to ₱35,000,000,000.00 fixed rate bonds, consisting of the Base Offer of ₱30,000,000,000.00 with an Oversubscription Option of up to ₱5,000,000,000.00. The Company shall issue the Bonds to institutional and retail investors in the Philippines through a public offering to be conducted through the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners. The Offer does not include an international offering. The Joint Issue Managers and the Joint Lead Underwriters and Bookrunners, in consultation with the Issuer, may increase the Base Offer size of ₱30,000,000,000.00 by up to an additional ₱5,000,000,000.00 under the Oversubscription Option.

Joint Issue Managers

Bank of Commerce, Land Bank of the Philippines and PNB Capital and Investment Corporation are the Joint Issue Managers for the Offer, and as such, manage and coordinate the various workstreams to ensure the successful execution of the Offer.

Joint Lead Underwriters and Bookrunners

The Joint Lead Underwriters and Bookrunners have agreed to distribute and sell the Bonds at the Purchase Price, pursuant to an Underwriting Agreement with SMC Tollways dated November 13, 2024 (the "**Underwriting Agreement**"). Subject to the fulfillment of the conditions provided in the Underwriting Agreement, the Joint Lead Underwriters and Bookrunners have committed to underwrite the following amounts on a firm basis:

Joint Lead Underwriters and Bookrunners	Underwriting Commitment
Bank of Commerce	₱5,000,000,000.00
BPI Capital Corporation	2,250,000,000.00
China Bank Capital Corporation	2,000,000,000.00
Land Bank of the Philippines	6,500,000,000.00
Philippine Commercial Capital, Inc.	1,000,000,000.00
PNB Capital and Investment Corporation	9,500,000,000.00
RCBC Capital Corporation	1,000,000,000.00
SB Capital Corporation	2,000,000,000.00
Union Bank of the Philippines	750,000,000.00
Total	**₱30,000,000,000.00**

BPI Capital Corporation is a subsidiary of Bank of the Philippine Islands, which is a noteholder of the Corporate Notes that will be prepaid using the proceeds of the Offer. China Bank Capital Corporation is a subsidiary of China Banking Corporation, which is a noteholder of the Corporate Notes that will be prepaid using the proceeds of the Offer. Land Bank of the Philippines is a noteholder of the Corporate Notes that will be prepaid using the proceeds of the Offer. PNB Capital and Investment Corporation is a subsidiary of Philippine National Bank, which is a noteholder of the Corporate Notes that will be prepaid using the proceeds of the Offer. Union Bank of the Philippines is a noteholder of the Corporate Notes that will be prepaid using the proceeds of the Offer.

The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to SMC Tollways of the net proceeds of the Offer.

The allocation of the Oversubscription Option among the Joint Lead Underwriters and Bookrunners and the distribution of the Bonds among Series A Bonds, Series B Bonds, and Series C Bonds will be determined and finalized by the end of the Offer Period in the event the Oversubscription Option is exercised.

The underwriting fees and any selling fees to be paid by the Company in relation to the Offer shall be equivalent to 0.40% of the gross proceeds of the Offer. This shall be inclusive of fees to be paid to the Joint Lead Underwriters and Bookrunners and any commissions to be paid to the Selling Agent.

The Joint Lead Underwriters and Bookrunners, except for BankCom, have no direct relation with SMC Tollways in terms of material ownership either by them or their respective major shareholder/s and have no right to designate or nominate any member of the Board of Directors of SMC Tollways. BankCom is an affiliate of SMC.

The Joint Lead Underwriters and Bookrunners have no contract or other arrangement with SMC Tollways by which they may return to SMC Tollways any unsold Bonds.

For the purpose of complying with their respective commitments under the Underwriting Agreement, each Joint Lead Underwriter and Bookrunner may, under such terms and conditions not inconsistent with the provisions of the Underwriting Agreement, particularly the underwriting commitment of the Joint Lead Underwriters and Bookrunners, appoint selling agents for the sale and distribution to the public of the Bonds; provided, that the Joint Lead Underwriters and Bookrunners shall remain solely responsible to the Issuer in respect of their obligations under the Underwriting Agreement entered into by them with the Issuer, and except as otherwise provided in the Underwriting Agreement, the Issuer shall not be bound by any of the terms and conditions of any agreements entered into by the Joint Lead Underwriters and Bookrunners, and selling agents.

The Joint Lead Underwriters and Bookrunners are duly licensed by the SEC to engage in the underwriting and distribution of the Bonds. The Joint Issue Managers, Joint Lead Underwriters and Bookrunners may, from time to time, engage in transactions with and perform services in the ordinary course of their business, for SMC Tollways or any of its subsidiaries or affiliates.

Bank of Commerce ("BankCom")

BankCom, an affiliate of SMC since 2008, is a publicly-listed universal bank. On December 23, 2021, BankCom received its authority to operate as a universal bank under Monetary Board Resolution No. 1798, allowing BankCom to engage in investment banking activities. Subsequently, BankCom established its Investment Banking Group (IBG) in March 2022. On August 11, 2022, BankCom received its secondary license from the SEC to act as an Underwriter of Securities (certificate of registration no. 01-2008-00179). With these developments, BankCom's IBG can now undertake end-to-end publicly listed capital markets transactions, including the arrangement, issue management, and underwriting of debt and equity securities. IBG is likewise responsible for the arrangement, syndication, and placement of privately issued securities, such as syndicated loans and project finance facilities. IBG may also engage in financial advisory activities, including restructuring, mergers, and acquisitions.

BPI Capital Corporation ("BPI Capital")

BPI Capital is a Philippine corporation organized in the Philippines as a wholly owned subsidiary of the Bank of the Philippine Islands. It obtained its license to operate as an investment house on December 3, 1994 and is licensed by the SEC to engage in underwriting and distribution of securities to the public, with SEC Company Registration No. 0000065872 and SEC Investment House License No. CR 01-2008-00210 (renewed on November 28, 2023). As of March 31, 2024, its total assets amounted to ₱3.88 billion and its capital base amounted to ₱3.66 billion. It has an authorized capital stock of ₱506.44 million of which approximately ₱260.36 million represents its paid-up capital.

China Bank Capital Corporation ("Chinabank Capital")

Chinabank Capital is the wholly-owned investment banking subsidiary of China Banking Corporation. It was registered and licensed as an investment house on November 27, 2015, with SEC Company Registration No. CS201522558 and SEC Investment House License No. CR 01-2015-00279 (renewed on November 23, 2023), as a result of the spin-off of China Banking Corporation's Investment Banking Group. The firm offers a full suite of investment banking solutions that enable clients to achieve their fundraising objectives and strategic goals. Its services include arranging, managing, and underwriting debt and equity transactions, such as bond offerings, corporate notes issuances, initial public offerings and follow-on offerings of common and preferred shares, private placement of securities, structured loans, project finance, real estate investment trusts, and asset securitizations. Chinabank Capital also provides financial advisory services, such as deal structuring, valuation, and execution of mergers, acquisitions, divestitures, joint ventures, and other corporate transactions. As of December 31, 2023, it has total assets of ₱3.62 billion and a capital base of ₱3.54 billion.

Land Bank of the Philippines (“**LANDBANK**”)

LANDBANK is a government financial institution organized and existing pursuant to Republic Act No. 3844, otherwise known as the Agricultural Land Reform Code, as amended. Established in 1963, LANDBANK operates as a universal bank, providing a wide range of financial services to support the growth of the agriculture sector, rural communities, and other priority sectors of the economy such as infrastructure and utilities; power; micro, small and medium enterprises; healthcare and education; and environment and natural resources management, among others. Present in all 82 provinces in the county, LANDBANK is the largest development financial institution in the Philippines that promotes financial inclusion, digital transformation, and sustainable national development. LANDBANK is licensed by the SEC as an Investment House Engaged in Dealing Government Securities under Certificate of Registration (C.R.) No.: 01-2008-00243. As of December 31, 2023, LANDBANK’s total assets amounted to ₱3.27 trillion, with a capital of ₱266.77 billion.

Philippine Commercial Capital, Inc. (“**PCCI Capital**”)

PCCI Capital was incorporated on July 25, 1980 and is one of the oldest investment banks in the country. PCCI Capital has established a solid track record and expertise in the Philippine capital markets and consequently obtained a license to operate as a trust entity, investment house and securities dealer. PCCI Capital obtained its investment house license on July 31, 1986. PCCI Capital boasts a wide-ranging portfolio, excelling in the buy and sell activities of government securities and those of other corporations, participating in syndicate undertakings, and is identified by CR number 01-2008-00232. PCCI Capital maintains its prominence in the financial industry, underlined by its latest Investment House-Government Securities Eligible Dealer (IH-GSED) license renewed on 23 November 2023, making it a seasoned and trusted expert in the public bond and preferred shares market.

PNB Capital and Investment Corporation (“PNB Capital”)

PNB Capital is a wholly-owned subsidiary of the Philippine National Bank, and offers a spectrum of investment banking services, including loan syndications and project finance, bond offerings, private placements, public offering of shares, securitization, financial advisory and mergers and acquisitions. It was incorporated on July 30, 1997 (SEC Certificate of Registration No. A199708720) and commenced operations on October 8, 1997. PNB Capital is licensed by the SEC to operate as an investment house with a non-quasi-banking license (SEC Investment House Registration No.: 01-2008-00234). As of December 31, 2023, it had an authorized capital of ₱2.00 billion and paid-up capital of ₱1.50 billion. PNB Capital is authorized to buy and sell, for its own account, securities issued by private corporations and the Philippine Government. As of December 31, 2023, total assets of PNB Capital were at ₱2.15 billion while total capital was at ₱1.94 billion.

RCBC Capital Corporation (“RCBC Capital”)

RCBC Capital is a licensed investment house providing a complete range of capital raising and financial advisory services. Established in 1974, RCBC Capital has over 50 years of experience in underwriting of equity, quasi-equity and debt securities, as well as in managing and arranging the syndication of loans, and in financial advisory. RCBC Capital Corporation has been registered and authorized to act as investment house engaged in dealing government securities (with broker/dealer of securities functions) under SEC C.R No. 01-2008-00212. RCBC Capital is a wholly-owned subsidiary of the Rizal Commercial Banking Corporation and a part of the Yuchengco Group of Companies, one of the country’s largest fully integrated financial services conglomerates. As of March 31, 2024, its total assets amounted to ₱3.51 billion and its capital base amounted to ₱3.44 billion.

SB Capital Investment Corporation (“SB Capital”)

SB Capital is a Philippine corporation organized in October 1995 as a wholly-owned subsidiary of Security Bank Corporation. It obtained its license to operate as an investment house in 1996 and is licensed by the SEC to engage in underwriting and distribution of securities to the public (with C.R. No. 01-2008-00236). SB Capital provides a wide range of investment banking services including financial advisory, underwriting of equity and debt securities, project finance, privatizations, mergers and acquisitions, loan syndications and corporate advisory services. SB Capital is also involved in equity trading through its wholly-owned stock brokerage subsidiary, SB Equities, Inc. Its senior executives have extensive experience in the capital markets and were involved in a lead role in a substantial number of major equity and debt issues, both locally and internationally. As of December 31, 2022, its total assets amounted to ₱1.6 billion and its capital base amounted to ₱1.6 billion.

Union Bank of the Philippines ("Union Bank")

Union Bank is a publicly listed universal bank whose principal shareholders are Aboitiz Equity Ventures, Inc., Social Security System ("**SSS**"), and The Insular Life Assurance Company, Ltd. ("**Insular Life**"). Union Bank has always been among the first to embrace technological innovations to empower its customers. Union Bank leverages on technology and its agile culture to meet the customers' changing and diverse needs and continuously enhance customer experience. Determined to be an enabler of the Philippines' bid to be a G20 country by 2050, Union Bank stands firm in its promise to power the future of banking by co-creating innovations for its customers and for a better world.

Union Bank offers a broad range of products and services, which include deposit and related services, consumer finance (comprising credit card services, mortgage and auto loans, and personal/salary loans), corporate banking, commercial banking (comprising middle-market banking), micro, small and medium-sized enterprises, banking, cash management, trust and investment services, treasury products distribution, and funding and trading (involving management of Union Bank's liquidity and funding requirements and handling of transactions in the financial markets covering foreign exchange, fixed income trading and investments, and derivatives). Union Bank is registered with the SEC as underwriter of securities engaged in dealing government securities under Certificate of Registration No. 01-2008-00246. In addition, Union Bank has a private banking unit which offers estate planning solutions and a global and diversified multi-asset fund to its high-net-worth and ultra-high-net-worth clients through its partnership with Lombard Odier and various life insurance products through its bancassurance partnership with Insular Life.

Selling Agent

The Bonds will be offered to the public through Joint Issue Managers and the Joint Lead Underwriters, and Bookrunners that will be engaged by the Issuer for the Offer. The Joint Issue Managers and the Joint Lead Underwriters, and Bookrunners may appoint selling agents to assist in the sale and distribution of the Bonds to the public. Any of the Joint Issue Managers, the Joint Lead Underwriters, and Bookrunners and the selling agents may acquire for their own account a portion of the Bonds.

Sale and Distribution

The distribution and sale of the Bonds shall be undertaken by the Joint Issue Managers, and the Joint Lead Underwriters and Bookrunners who shall sell and distribute the Bonds to third party buyers/investors. Nothing herein shall limit the rights of the underwriters from purchasing the Bonds for their own respective accounts.

There are no Persons to whom the Bonds are specifically allocated or designated prior to the public offering thereof. The Bonds shall be offered to the public at large and without preference.

The obligations of each of the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners will be several, and not solidary, and nothing in the Underwriting Agreement shall be deemed to create a partnership or joint venture between and among any of the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners. Unless otherwise expressly provided in the Underwriting Agreement, the failure by a Joint Issue Manager or a Joint Lead Underwriter and Bookrunner to carry out its obligations thereunder shall neither relieve the other Joint Issue Managers or other Joint Lead Underwriters and Bookrunners of their obligations under the same Underwriting Agreement, nor shall any Joint Issue Manager or Joint Lead Underwriter and Bookrunner be responsible for the obligation of another Joint Issue Manager or Joint Lead Underwriter and Bookrunner.

Offer Period

The Offer Period shall commence at 9:00 a.m., Manila time, on November 18, 2024, and end at 5:00 p.m., Manila time, on November 27, 2024 or such other dates and time as may be mutually agreed upon by the Company, the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners.

Application to Purchase

The procedure set out in this section and the succeeding sections should be read together with the more detailed procedure and other conditions set out in the Application to Purchase.

Applicants may purchase the Bonds during the Offer Period by submitting to the Joint Lead Underwriters and Bookrunners or the Selling Agent duly completed and signed Applications to Purchase, together with all applicable supporting documentation in the prescribed form and submitted in the prescribed manner, and the full payment of the Purchase Price of the Bonds in the manner provided in the said Application to Purchase.

Corporate and institutional Applicants must also submit the following, namely:

(a) an original notarized certificate of the corporate secretary or an equivalent officer of the Applicant setting forth resolutions of the Applicant's board of directors, partners or equivalent body:
 (i) authorizing the purchase of the Bonds indicated in the Application to Purchase and
 (ii) designating the signatories, with their specimen signatures, for the said purposes;

(b) copies of its Articles of Incorporation and By-Laws and latest amendments thereof, together with the Certificate of Incorporation issued by the SEC or other organizational documents issued by an equivalent government institution, stamped and signed as certified true copies by the SEC or the equivalent government institution, or by the corporate secretary, or by an equivalent officer(s) of the Applicant who is/are authorized signatory(ies);

(c) two (2) duly accomplished signature cards containing the specimen signatures of the authorized signatories of the Applicant, validated by its corporate secretary or by an equivalent officer(s) who is/are authorized signatory(ies);

(d) BIR Certificate of Registration showing the Applicant's Tax Identification Number ("**TIN**");

(e) identification document(s) ("**ID**") of the authorized signatories of the Applicant, as specified in item (a) of the immediately succeeding paragraph below; and

(f) such other documents as may be reasonably required by any of the Joint Issue Managers, the Joint Lead Underwriters and Bookrunners, Selling Agent and the Registrar and Paying Agent in the implementation of their respective internal policies regarding "know your customer", anti-money laundering, and combating the financing of terrorism, and countering proliferation financing.

Individual Applicants must also submit, in addition to accomplished Applications to Purchase and its required attachments:

(a) ID of the Applicant which shall consist of any one (1) of the following valid identification documents bearing a recent photo, and which is not expired: Philippine Identification Card (PhilID), Passport, Driver's License, Professional Regulation Commission ID, National Bureau of Investigation Clearance, Police Clearance, Postal ID, Voter's ID, Barangay Certification, Government Service Insurance System e-Card, Social Security System Card, Senior Citizen Card, Overseas Workers Welfare Administration ID, OFW ID, Seaman's Book, Alien Certification of Registration/Immigrant Certificate of Registration, Integrated Bar of the Philippines ID, ID issued by government office and government-owned and controlled corporation (e.g., Armed Forces of the Philippines, Home Development Mutual Fund, Philippine Health Insurance Corporation, Certification from the National Council for the Welfare of Disabled Persons, Department of Social Welfare and Development Certification, Maritime Industry

Authority (MARINA)), company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or the Insurance Commission, or school ID duly signed by the principal or head of the school (for students who are beneficiaries of remittances/fund transfers who are not yet of voting age);

(b) two (2) duly accomplished signature cards containing the specimen signature of the Applicant;

(c) valid TIN issued by the BIR; and

(d) such other documents as may be reasonably required by the Joint Issue Managers, the Joint Lead Underwriters and Bookrunners, Selling Agent, or the Registrar and Paying Agent in the implementation of their respective internal policies regarding "know your customer", and anti-money laundering, combating the financing of terrorism, and countering proliferation financing.

An Applicant who is claiming exemption from any applicable tax or entitlement to preferential tax rates shall, in addition to the requirements set forth above, be required to submit the following requirements to the relevant Joint Issue Manager, Joint Lead Underwriter and Bookrunner or Selling Agent (if any) (together with Application to Purchase), subject to acceptance by the Issuer as being sufficient in form and substance, namely:

(a) BIR-certified true copy of a valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR and addressed to the relevant Applicant or Bondholder, confirming its exemption or its entitlement to the preferential rate, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto;

(b) with respect to tax treaty relief:

    (i) a non-resident Bondholder may signify its intention to claim preferential tax rate under the relevant tax treaty by submitting to the Issuer the Application Form for Treaty Purposes (BIR Form 0901) and Tax Residency Certificate duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty, and such other documentary requirements enumerated in BIR Revenue Memorandum Order No. 14-2021 in relation to BIR Revenue Memorandum Circular No. 77-2021. For the avoidance of doubt, the Issuer shall retain sole discretion in determining whether the non-resident Bondholder is entitled to the preferential tax treaty rate based on the documents submitted by the non-resident Bondholder, provided that all the conditions for the availment thereof, other than residency, have been satisfied;

    (ii) in the event that the Issuer determines that the non-resident Bondholder is not entitled to the preferential tax treaty rate based on the documents submitted in item (i) above and determines that all conditions for the availment have not been satisfied, the Issuer shall apply the regular tax rates;

    (iii) the non-resident Bondholder may apply for preferential tax treaty rate with the BIR in accordance with BIR Revenue Memorandum Order No. 14-2021;

    (iv) the Issuer shall not apply for any confirmatory application of preferential tax rates with the BIR;

    (v) should the BIR grant the application for tax treaty relief, it is the obligation of the nonresident Bondholder to apply for refund with the BIR. The Issuer shall not refund the non-resident Bondholder any amount as a result of the application of the higher tax rate;

    (vi) the non-resident Bondholder must update its BIR Certificate annually, if applicable, as described in BIR Revenue Memorandum Order No. 14-2021. Expired BIR Certificates will not be accepted by the Issuer; and

(vii) the non-resident Bondholder shall submit its Tax Residency Certificate annually to the Issuer as continuing proof of its entitlement to the preferential tax treaty rate. Absent such updated Tax Residency Certificate, the Issuer shall apply the regular tax rate.

(c) a duly notarized undertaking executed by (i) the corporate secretary or any authorized representative of such Applicant or Bondholder, who has personal knowledge of the exemption or preferential rate treatment based on his official functions, if the Applicant purchases, or the Bondholder holds, the Bonds for its account, or (ii) the trust officer, if the Applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting such entities' tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer, the Registrar and the Paying Agent (1) of any suspension, revocation, amendment or invalidation (in whole or in part) of the tax exemption certificate, ruling or opinion issued by the BIR, executed using the prescribed form under the Registry and Paying Agency Agreement; (2) if there are any material changes in the factual circumstances of the Bondholder including but not limited to its character, nature, and method of operation, which are inconsistent with the basis for its income tax exemption; or (3) if there are any change of circumstance, relevant treaty, law or regulation or any supervening event that may or would result in the interest income of the Bonds being ineligible for exemption or preferential rate, with a declaration and warranty of its tax-exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax, provided, that in case of corporate, partnership or trust account investors, such Bondholder shall also submit an original certification from the corporate secretary or an equivalent officer of the investor, setting forth the resolutions of its board of directors or equivalent body authorizing the execution of the undertaking and designating the signatories, with their specimen signatures, for the said purpose; and

(d) such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under the applicable regulations of the relevant taxing or other authorities; provided, that, the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholders on the Interest payments to such Bondholders.

Unless otherwise indicated above, the foregoing requirements shall be submitted, (i) in respect of an initial issuance of the Bonds, upon submission of the Application to Purchase to the Joint Issue Managers, Joint Lead Underwriter and Bookrunner or the Selling Agents (if any) who shall then forward the same to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, through the intermediary to the Registrar upon submission of the account opening documents.

Failure on the part of the Bondholder to submit the aforementioned document(s) within the time prescribed shall result in the application of the regular tax rates.

The Purchase Price for each Bond is payable in full upon submission of the duly executed Application to Purchase. Payments of the Purchase Price shall be made in the form of either:

(a) a Metro Manila clearing cashier's/manager's or corporate check or personal check drawn against a bank account with a BSP-authorized agent bank located in Metro Manila and dated as of the date of submission of the Application to Purchase covering the entire number of the Bonds covered by the same Application;

(b) through the RTGS facility of the BSP to the Joint Lead Underwriter and Bookrunner or the Selling Agent to whom such Application was submitted; or

(c) via direct debit from their deposit account maintained with the Joint Lead Underwriter and Bookrunner or Selling Agent to whom such Application was submitted.

All payments must be made or delivered to the Joint Issue Manager, the Joint Lead Underwriter and Bookrunner or the Selling Agents (if any) to whom the Application to Purchase is submitted.

Duly completed Applications to Purchase and corresponding payments must reach the Joint Issue Manager, the Joint Lead Underwriter and Bookrunner or the Selling Agent prior to the end of the Offer Period, or such earlier date as may be specified by the Joint Issue Managers or the Joint Lead Underwriters and Bookrunners or the Selling Agents. Acceptance by the Joint Issue Manager, the Joint Lead Underwriter and Bookrunner or the Selling Agent of the completed Application to Purchase shall be subject to the availability of the Bonds and the acceptance by SMC Tollways. In the event that any check payment is returned by the drawee bank for any reason whatsoever or the nominated bank account to be debited is invalid, the Application to Purchase shall be automatically cancelled and any prior acceptance of the Application to Purchase shall be deemed revoked.

Minimum Purchase

A minimum purchase of ₱50,000.00 shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of ₱10,000.00.

Allotment of the Bonds

If the Bonds are insufficient to satisfy all Applications to Purchase, the available Bonds shall be allotted at the discretion of the Joint Lead Underwriters and Bookrunners, in consultation with the Issuer, and without prejudice and subject to the Joint Issue Managers' and the Joint Lead Underwriters' and Bookrunners' exercise of the right of rejection on behalf of the Issuer.

Acceptance of Applications

SMC Tollways, the Joint Issue Managers, and Joint Lead Underwriters and Bookrunners reserve the right to accept or reject applications to purchase the Bonds and allocate the Bonds available to the Applicants in the manner they deem appropriate.

Rejection of Applications

The Joint Issue Managers, and the Joint Lead Underwriters and Bookrunners shall accept, reduce or reject Applications to Purchase on behalf of the Issuer in accordance with the following provisions and the allocation plan. Reasons for rejection may include the following:

(a) Applications may be rejected if: (i) the Purchase Price is unpaid; (ii) payments are insufficient or where checks, as applicable, are dishonoured upon first presentation; (iii) the Application to Purchase is not received by the Joint Issue Managers, the Joint Lead Underwriters and Bookrunners or the Selling Agent on or before the end of the Offer Period; (iv) the number of Bonds subscribed is less than the minimum amount of subscription; (v) the applications do not comply with the terms of the Offer; or (vi) the applications do not have sufficient information or are not supported by the required documents.

(b) Applications may be reduced if the Offer is oversubscribed, in which case the number of Bonds covered by the applications shall be reduced at the discretion of the Joint Lead Underwriters and Bookrunners, in consultation with the Issuer

In the event an Application to Purchase is rejected or the amount of Bonds applied for is scaled down for a particular Applicant, the relevant Joint Issue Manager, Joint Lead Underwriter and Bookrunner or the Selling Agent (if any) shall notify the Applicant concerned that his/her application has been rejected or that the amount of Bonds applied for is scaled down.

Refunds

If any application is rejected or accepted in part only, payments made by the Applicant or the appropriate portion thereof shall be returned without interest thereon to such Applicant by the relevant Joint Issue Manager, Joint Lead Underwriter and Bookrunner or the Selling Agent to whom such Application to Purchase was submitted.

Refunds shall be made, at the option of each Joint Issue Manager, Joint Lead Underwriter and Bookrunner or the Selling Agent, either (i) through the issuance of check(s) payable to the order of the relevant Applicant and crossed "Payees' Account Only," which shall be made available for pick up by the Applicants concerned at the office of the Joint Issue Manager, Joint Lead Underwriter and Bookrunner or the Selling Agent to whom the rejected or scaled down Application to Purchase was submitted no later than three (3) Business Days after the Issue Date, and where any checks that remain unclaimed after the three (3) Business Day period shall be mailed or delivered, at the risk of the Applicant, to the address specified in the Application to Purchase; or (ii) through the issuance of instructions for automatic credit payments to the accounts of the relevant Applicants, as indicated in their respective Applications to Purchase.

Withdrawal of the Offer

The Company reserves the right to withdraw the offer and sale of the Bonds at any time before the commencement of the Offer Period, in which event the Company shall make the necessary disclosures to the SEC and the PDEx.

The Company may also withdraw the offer and sale of the Bonds at any time on or after the commencement of the Offer Period and prior to the Issue Date, if any of the following events occurs, in which case the Underwriting Agreement shall be deemed terminated, namely:

a. (i) An outbreak or escalation of hostilities or acts of terrorism involving the Philippines or a declaration by the Philippines of a state of war; or (ii) occurrence of any event or change (whether or not forming part of a series of events occurring before, on and/or after the date hereof) of a political, military, economic or other nature; or (iii) occurrence of any change in local, national or international financial, political, economic or stock market conditions, any of which renders it impracticable or inadvisable to continue with the Offer and/or listing of the Bonds in the manner contemplated by the SEC pre-effective clearance, the SEC Order of Registration, or the SEC Permit to Sell Securities (the "**Approvals**") and by this Prospectus, or would have a material adverse effect on the Philippine economy, on the securities or other financial or currency markets of the Philippines, or on the distribution, offer and sale of the Bonds in the Philippines, rendering it, in the reasonable determination of the Joint Lead Underwriters and Bookrunners, after consultation with the Issuer, impracticable to proceed with the Offer in the manner contemplated by the Approvals and this Prospectus, provided that for the avoidance of doubt, the Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the Issuer's or Joint Lead Underwriters and Bookrunners' inability to sell or market the Bonds or refusal or failure to comply with any undertaking or commitment by the Issuer, the Joint Lead Underwriters and Bookrunners, or any other entity/person to take up any Bonds remaining after the Offer Period;

b. An order revoking, cancelling, suspending, preventing or terminating the offer, sale, distribution, listing or issuance of the Bonds by any court or Governmental Authority having jurisdiction on the matter, including the SEC and the PDEx;

c. Suspension, cancellation, revocation, or termination of the Approvals;

d. Trading in the PDEx is closed or suspended for at least three (3) consecutive trading days other than due to weekends or declared holidays, or in such manner or for such period as will render impracticable the listing and trading of the Bonds on the Issue Date or such other date as may be approved by the PDEx;

e. There is a change or impending change in any Philippine law, rule, regulation, policy or administrative practice, or a ruling, interpretation, decree or order issued, made, or adopted by any Governmental Authority which (i) materially and adversely affects: (a) the ability of the Issuer to engage in the business it is presently engaged in; (b) the capacity and due authorization of the Issuer to offer and issue the Bonds and enter into the transaction documents in connection with the Offer; (c) any of the features of the Bonds, including the taxes on fees or costs in connection with the Offer, or (ii) renders illegal the performance by any of the Joint Lead Underwriters and Bookrunners of their respective obligations hereunder;

f. Any significant, adverse, and unforeseeable change or development in the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability, which renders the Bonds unsuitable for offering to the public;

g. The Issuer is compelled through an official order, decree, or ruling issued by any competent court or Governmental Authority to stop its operations, which is not remedied within five (5) Business Days from receipt by the Issuer of a formal notice of such decision by such competent court or Governmental Authority (as the case may be);

h. The Issuer shall be adjudicated bankrupt or insolvent, or shall admit in writing its inability to pay its debts as they mature, or shall make or threaten to make an assignment for the benefit of, or a composition or arrangement with, its creditors or any class thereof, or shall declare or threaten to declare a moratorium on its indebtedness or any class thereof; or the Issuer shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; and such receiver, trustee or similar officer shall be appointed; or the Issuer shall initiate or institute (by petition, application or otherwise), or consent to the institution of any bankruptcy, insolvency, reorganization, rehabilitation, arrangement, readjustment of debt, suspension of payment, dissolution, liquidation, corporate rehabilitation or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding shall be instituted against the Issuer; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against any material asset, or material part of the Issuer's assets; or any event occurs which under the laws of the Philippines or any applicable political subdivision thereof, has an effect equivalent to any of the foregoing;

i. A general banking moratorium is declared in the Philippines or a material disruption in commercial banking or securities settlement or clearance services occurs in the Philippines;

j. The commencement or the threatened commencement in writing by any entity, person or regulatory body of any public action, court proceeding, litigation, arbitration or other similar proceeding against the Joint Lead Underwriters and Bookrunners in connection with or with respect to the issuance or sale by the Issuer of the Bonds or the Offer in general which renders the performance of their underwriting commitment impossible or impracticable;

k. Any court, arbitral tribunal, or Governmental Authority which has jurisdiction on the matter issues an order restraining or prohibiting the Joint Lead Underwriters and Bookrunners, or directing them to cease, from performing their underwriting obligations which makes it impossible for the Joint Lead Underwriters and Bookrunners to perform their underwriting obligations due to conditions beyond their control;

l. Unavailability of PDTC's facilities used for the Offer and/or listing prior to or on the target Issue Date and such unavailability effectively prevents the ability of the Issuer and the Joint Lead Underwriters and Bookrunners to fully comply with the listing requirements of the PDEx, if the impact of such unavailability on the listing of the Bonds remains unresolved after discussions between the Issuer and the Joint Lead Underwriters and Bookrunners in good faith; and

m. Any force majeure event, other than the ones enumerated above, that has material and adverse effect on the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability.

After the commencement of the Offer Period, the Offer shall not be withdrawn, cancelled, suspended, or terminated solely by reason of the Issuer's or the Joint Lead Underwriters and Bookrunners' inability to sell or market the Bonds or refusal or failure to comply with any undertaking or commitment by the Issuer, the Joint

Lead Underwriters and Bookrunners, or any other entity/person to take up any Bonds remaining after the Offer Period.

Notwithstanding the acceptance of any Application, the Bonds will be issued only upon listing of such Bonds on the PDEx, and provided that the Underwriting Agreement shall not have been terminated or cancelled, on or before the Issue Date, in accordance with the provision of the said agreement. Subject to the right of the Company to withdraw or cancel the offer and sale of the Bonds prior to the Issue Date pursuant to this section and the "*Summary of the Offer – Withdrawal of the Offer*" of this Prospectus, the Company and any of its agents involved in the Offer undertake to comply with all conditions that are within the control of the Company and any of its agents involved in the Offer, to ensure the listing of the Bonds on Issue Date.

Payments

The Registrar and Paying Agent shall open and maintain a Payment Account for each series of the Bonds, which shall be operated solely and exclusively by the said Registrar and Paying Agent in accordance with the Registry and Paying Agency Agreement, provided that beneficial ownership of the Payment Accounts shall always remain with the Bondholders. The Payment Account shall be used exclusively for the payment of the principal, interest and other payments due on the Bonds on the relevant Payment Date.

The Registrar and Paying Agent shall maintain the relevant Payment Account while the relevant series of the Bonds are outstanding, and until six (6) months past the relevant Maturity Date or date of early redemption, as applicable. Upon closure of the Payment Accounts, any balance remaining in such Payment Account shall be returned to the Issuer and shall be held by the Issuer in trust and for the irrevocable benefit of the Bondholders with unclaimed interest and principal payments and such other payments that are due on the relevant series of the Bonds.

Unclaimed Payments

Any payment of interest on, the principal of, or all other amounts in respect of the Bonds which remain unclaimed after the same shall have become due and payable, shall be held in trust by the Registrar and Paying Agent for the Bondholders at the latter's risk and shall be dealt with in accordance with the relevant provisions of the Registry and Paying Agency Agreement.

Purchase and Cancellation

The Issuer may purchase the Bonds at any time in the open market or by tender or by contract, in accordance with PDEx Rules, as may be amended from time to time, without any obligation to make pro rata purchases from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the Bonds on PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules.

Secondary Market

The Company intends to list the Bonds on the PDEx.

For a more detailed discussion, please refer to the section "*Description of the Bonds – Secondary Trading of the Bonds*" on page 34 of this Prospectus.

Registry of Bondholders

The Bonds shall be issued in scripless form. A Master Certificate of Indebtedness representing the Series A Bonds, Series B Bonds, and Series C Bonds sold in the Offer shall be issued in the name of the Trustee for the benefit of the Bondholders.

Legal title to the Bonds shall be shown in the Registry of Bondholders to be maintained by the Registrar and Paying Agent. The names and addresses of the Bondholders and the particulars of the Bonds held by them and all transfers of the Bonds shall be entered into the Registry of Bondholders. Transfers of ownership shall be effected through book-entry transfers in the scripless Registry of Bondholders.

For a more detailed discussion, please refer to the section *"Description of the Bonds – Transfer of the Bonds"* on page 33 of this Prospectus.

DETERMINATION OF ISSUE PRICE

The Bonds shall be issued on a fully paid basis and at an issue price that is at face value.

THE COMPANY

OVERVIEW

The Company was incorporated as a stock corporation on June 7, 2013 as a holding company of San Miguel Corporation for its tollways and related businesses.

On June 27, 2013, the Company acquired 34,386,487 shares representing 50.51% of the outstanding capital stock of SMC SKYWAY. On September 30, 2013, the Company entered into a share purchase agreement with THI. for the acquisition of 25,409,475 shares in SMC SKYWAY representing 37.33% of the outstanding capital stock of SMC SKYWAY. In 2016, the Company acquired 100% interest in S3HC from AAIBV. S3HC is the parent company of MMSS3. MMSS3 was incorporated on November 16, 2012 with the primary purpose to finance, design and construct, under a BTO scheme with the Philippine government, the Skyway Stage 3 Project.

SMC SKYWAY was incorporated as a stock corporation on November 27, 1995 under the laws of the Republic of the Philippines, as a joint venture between Citra and PNCC with the primary and exclusive responsibility and privilege of financing, designing, and constructing, under a BTO scheme, the Skyway Project and Metro Manila Tollways.

SMC SKYWAY entered into a BTO scheme with the Government under which SMC SKYWAY was to construct an elevated expressway from Alabang, Muntinlupa City to Buendia, Makati City and to rehabilitate the at-grade section from Magallanes, Makati City to Alabang, Muntinlupa City with a total length of 29.33 kilometers. Stages 1 and 2 of the Skyway Project, which have been in operation since December 1998 and December 2010, respectively, are now being operated and maintained by SOMCO. SMC SKYWAY holds 40% of the outstanding capital stock of SOMCO.

SOMCO was incorporated as a stock corporation on December 13, 2007 under the laws of the Republic of the Philippines, to maintain and operate toll roads and toll facilities appurtenant thereto. Prior to incorporation of SOMCO, PNCC was the operator of the Skyway Project. On July 18, 2007, in view of the impending expiration of PNCC's legislative franchise to operate the Skyway Project, the Supplemental Toll Operating Agreement in respect of the Skyway Project was amended to include clause 14.02(3), which granted SMC SKYWAY the right to nominate a qualified party to operate and maintain the Skyway Project. On December 21, 2007, SMC SKYWAY, PNCC and PSC entered into a Memorandum of Agreement for the turnover of the operation and management responsibilities for the Skyway Project from PSC to SOMCO. Subsequently, on December 28, 2007, a Toll Operation Certificate was issued to SOMCO by the Toll Regulatory Board. SOMCO has been operating and maintaining the Skyway Project since December 31, 2007.

MMSS3 was incorporated on November 16, 2012 with the primary purpose to finance, design and construct, under a BTO scheme with the Philippine government, the Skyway Stage 3 Project. Subsequently, the STOA covering the Skyway Stage 3 Project was signed on July 8, 2013, among TRB, PNCC, and MMSS3.

MMSS3 was granted the "PNCC franchise" to finance, design and construct an elevated expressway that will link the South and North Luzon Expressway, from Buendia, Makati City to NLEX-Balintawak, Quezon City with a total length of 17.93 kilometers. MMSS3 started its operations in July 2021 and is being operated and maintained by the SOMCO3.

S3HC was incorporated as a stock corporation on February 28, 2014 under the laws of the Republic of the Philippines, as a holding company for logistics, tollways, infrastructure and similar businesses. S3HC, a 100% owned subsidiary of the Company, has an ownership interest of 90% in MMSS3.

For the years ended December 31, 2022 and 2023, SMC Tollways Group recorded revenues amounting to ₱17,015 million and ₱20,266 million, respectively, EBITDA reached ₱14,372 million and ₱16,887 million, respectively, and net income amounted to ₱5,639 million and ₱8,408 million, respectively.

SMC Tollways and its subsidiaries generated revenues, EBITDA, and net income of ₱10,533 million, ₱8,798 million, and ₱4,817 million as of June 30, 2024, respectively. Revenues, EBITDA, and net income increased by 7%, 6%, and 21%, respectively, from the same period last year.

The following tables set forth the contribution of each of the business of SMC Tollways Group to its revenues, net income and EBITDA for the periods indicated:

REVENUES	For the years ended December 31						For the period ended June 30	
	2021		2022		2023		2024	
	(In Million ₱)	%	(In Million ₱)	%	(In Million ₱)	%	(In Million ₱)	%
SMC Tollways	₱3,827	36.5%	₱4,485	26.4%	₱5,800	28.6%	₱1,555	14.8%
SMC SKYWAY	7,456	71.2%	9,544	56.1%	10,746	53.0%	5,475	52.0%
MMSS3	1,877	17.9%	6,281	36.9%	8,265	40.8%	4,412	41.9%
SOMCO	1,145	10.9%	1,190	7.0%	1,255	6.2%	646	6.1%
Eliminations	(3,827)	(36.5%)	(4,485)	(26.4%)	(5,800)	(28.6%)	(1,555)	(14.8%)
TOTAL	**₱10,478**	**100.0%**	**₱17,015**	**100.0%**	**₱20,266**	**100.0%**	**₱10,533**	**100.0%**

NET INCOME	For the years ended December 31						For the period ended June 30	
	2021		2022		2023		2024	
	(In Million ₱)	%	(In Million ₱)	%	(In Million ₱)	%	(In Million ₱)	%
SMC Tollways	₱1,675	102.8%	₱2,228	39.5%	₱3,706	44.1%	₱598	12.4%
SMC SKYWAY	4,652	285.6%	6,474	114.8%	6,939	82.5%	3,596	74.7%
MMSS3	(782)	(48.0%)	1,482	26.3%	3,596	42.8%	2,188	45.4%
SOMCO	10	0.6%	6	0.1%	4	0.0%	12	0.2%
S3HC	(94)	(5.8%)	4	0.1%	10	0.1%	6	0.1%
Eliminations	(3,832)	(235.2%)	(4,555)	(80.8%)	(5,847)	(69.5%)	(1,583)	(32.8%)
TOTAL	**₱1,629**	**100.0%**	**₱5,639**	**100.0%**	**₱8,408**	**100.0%**	**₱4,817**	**100.0%**

EBITDA	For the years ended December 31						For the period ended June 30	
	2021		2022		2023		2024	
	(In Million ₱)	%	(In Million ₱)	%	(In Million ₱)	%	(In Million ₱)	%
SMC Tollways	₱3,825	49.8%	₱4,483	31.2%	₱5,799	34.3%	₱1,554	17.7%
SMC SKYWAY	6,226	81.1%	8,408	58.5%	9,427	55.8%	4,834	54.9%
MMSS3	1,474	19.2%	5,887	41.0%	7,403	43.8%	3,930	44.7%
SOMCO	77	1.0%	78	0.5%	47	0.3%	32	0.4%
Eliminations	(3,928)	(51.1%)	(4,484)	(31.2%)	(5,789)	(34.2%)	(1,552)	(17.7%)
TOTAL	**₱7,674**	**100.0%**	**₱14,372**	**100.0%**	**₱16,887**	**100.0%**	**₱8,798**	**100.0%**

None of the Company and its subsidiaries are undergoing any bankruptcy, receivership or any similar proceeding, or any material reclassification, merger, consolidation, or entering into a purchase or sale of a significant amount of assets not in the ordinary course of business.

Business of the Issuer

SMC SKYWAY's exclusive privilege to construct the Skyway Project derives from a STOA executed on November 27, 1995 between SMC SKYWAY, PNCC, as franchise holder, and TRB, as the regulatory authority representing the Republic of the Philippines. Under the terms of the STOA, SMC SKYWAY will finance, design and construct Stage 1 of the Skyway Project.

Stage 1 consists of the construction of a 9.02-kilometer elevated road from Bicutan, Parañaque City to the Makati Central Business District as well as the rehabilitation of the 13.43-kilometer section of the South Luzon Expressway from Alabang to Magallanes. It was first opened to traffic in 1999. The construction of Stage 1 of the Skyway Project has halved travel time between Bicutan to Makati. What was previously two-hour traffic has been reduced to 30 minutes on the Alabang-Magallanes at-grade section and 15 minutes on the elevated portion. In August 2000, in efforts to further facilitate travel and ease traffic, SMC SKYWAY launched the E-Pass or contactless toll payment system, providing commuters with an easier and faster way to pay toll fees.

The STOA was later amended in 2007 to include Stage 2 of the Skyway Project. This portion of the project covers 6.88 kilometers of an elevated expressway from Bicutan to Alabang, extending the 9.02-kilometer elevated toll road from Makati to Bicutan. Stage 2 involved the construction of six travel lanes, with four lanes at the Sucat Ramp Toll Plaza leading westward to Dr. A. Santos Avenue. The Sucat-Alabang Section, on the other hand, has four travel lanes from Sucat going down to the two-lane slip ramps leading to the South Luzon Tollway in front of Hillsborough Subdivision.

Originally scheduled for completion in April 2011, Phase 1 of Stage 2 was completed in November 2010 and opened to the public in December the same year. Phase 2 of Stage 2 was completed in March 2011, a month ahead of the Stage 2 schedule.

The O&M for Stages 1 and 2 was initially the responsibility of PNCC through its subsidiary, PSC. By virtue of the Amended STOA, however, SMC SKYWAY was given the power to nominate another party to operate and maintain the Skyway Project. In exercise of this right, SMC SKYWAY nominated its affiliate, SOMCO. Transfer of the operation and maintenance function was duly affected by virtue of a Memorandum of Agreement among SMC SKYWAY, PNCC and PSC.

SOMCO was given a final operation certificate by the TRB on April 25, 2011. Upon the grant of the operation certificate, a revenue sharing agreement between SMC SKYWAY and SOMCO provided SMC SKYWAY 91% of toll revenue, with SOMCO getting the remaining 9%. As of date, the revenue sharing agreement furnishes SMC SKYWAY and SOMCO 92.5% and 7.5% of toll revenue, respectively.

Apart from the Skyway Project, SOMCO also obtains revenue from NAIAx and is subcontracted by SOMCO3 for the operation and management of MMSS3.

The exclusive privilege of MMSS3 to construct the Skyway Stage 3 Project is derived from the STOA executed on July 8, 2013 between MMSS3, PNCC, as franchise holder, and TRB, as the regulatory authority representing the Republic of the Philippines. Under the terms of the STOA, MMSS3 holds the 30-year concession rights to design, finance and construct the Skyway Stage 3 Project, an elevated roadway with a total length of approximately 17.93 km from Buendia Avenue in Makati to NLEX-Balintawak, Quezon City and is connected to the existing Skyway Project. Skyway Stage 3 Project inter-connects the northern and southern cities of Metro Manila to help decongest major thoroughfares within the National Capital Region, stimulate the growth of trade and tourism in Luzon, outside of Metro Manila and provide direct employment and indirect jobs during the construction.

It is designed to pull in and ease traffic with access through eight (8) strategically located interchanges: these being at Buendia, Pres. Quirino Avenue, Plaza Dilao and Nagtahan, Aurora Boulevard, E. Rodriguez Avenue, Quezon Avenue, Sgt. Rivera and Balintawak with a total of twenty-two (22) Toll Plazas. It will be the motorist's choice utilities corridor servicing Metro Manila intercity travelers.

On June 29, 2019, the construction of the Skyway-Alabang South Extension Project (also known as Skyway Extension) began. This project aims to decongest the existing Skyway Project and Skyway Stage 3 Project and SLEX by widening the existing lanes approaching Sucat exit, and providing an elevated viaduct running from Susana Heights, connecting it to the existing Alabang Viaduct. This is foreseen to lessen the at-grade traffic through the diversion of motorists from at-grade to elevated. The northbound side of the Skyway Extension was opened to the public last April 2021, while the southbound side was also opened last December 2021.

On December 29, 2020, the Skyway Stage 3 Project was partially opened to the public. It was formally inaugurated and opened to motorists on January 14, 2021, free of toll fee. On July 1, 2021, MMSS3 received the Toll Operation Permit and started its toll operation.

PNCC is entitled to receive a portion of the toll revenues based on percentage share throughout the concession period, as agreed by the contracting parties. Terms on the share in toll revenues are as follows:

SMC SKYWAY

- 3.5% of total Toll Revenues (gross revenues less returns, discounts, merchant fees, and commissions)

MMSS3

- 2.5% of Net Toll Revenues for the first 4 years of operations
- 3.0% of Net Toll Revenues from the 5th year to the 7th year

- 3.5% of Net Toll Revenues from the 8th year to the 10th year
- 4.0% of Net Toll Revenues from the 11th year onwards

Company Milestones

SMC SKYWAY

1995	• The BJVA between Citra and PNCC was signed. • The STOA covering the Skyway Project was signed.
1996	• Construction of Stage 1 begins.
1999	• The entire Stage 1 was completed and commenced operations.
2007	• The Amended STOA for Stage 2 was signed by TRB, SMC SKYWAY and PNCC. • Preparations for Stage 2 construction commenced - groundbreaking and construction works for Stage 2 commenced.
2010	• Phase 1 of Stage 2 was completed and opened to the public.
2011	• Stage 2 from Bicutan to Alabang was fully completed. • SMHC acquired 46.53% of AAIBV which owns 50.51% of Citra Metro Manila Tollways Corp. (now named SMC Skyway Corporation) shares. • The 30-year concession period commenced.
2013	• SMC Tollways acquired 50.51% of SMC SKYWAY from AAIBV in June 2013 and 37.33% from THI in September 2013, resulting to 87.84% effective ownership of SMC Tollways in SMC SKYWAY.
2019	• Construction works for Skyway Extension Project commenced.
2021	• Skyway Extension Project was opened to the public.

MMSS3

1994	• Submission to TRB of the PNCC-Citra Joint Investment Proposal for the finance, design and construction of Metro Manila Skyway ("**MMS**") in 3 stages.
1995	• The BJVA between Citra and PNCC was signed. • The STOA covering the South Metro Manila Skyway (initially referencing MMS Stage 3) was signed.
2011	• Submission of the Joint Investment Proposal for the financing, design and construction of MMS Stage 3.
2012	• The Supplement to the BJVA of CITRA-PNCC for MMS Stage 3 was signed. • MMS Stage 3 Alignment was approved by the TRB. • Citra Central Expressway Corp., now named "SMC Skyway Stage 3 Corporation" ("**MMSS3**") is incorporated.
2013	• A separate STOA covering the MMS Stage 3 was signed, and approved by the President of the Republic of the Philippines.
2014	• Construction of Skyway Stage 3 Project begins. • S3HC, a wholly-owned subsidiary of SMC Tollways, was incorporated and acquired shares in Citra Central Expressway Corp. (now MMSS3).
2020	• Skyway Stage 3 Project is partially opened to public on December 29, 2020, with toll fee made free.
2021	• Skyway Stage 3 Project is inaugurated and opened to motorists on January 14, 2021, free of toll fee. • MMSS3 received the Toll Operations Permit on July 1, 2021 and started collecting toll on July 12, 2021.

The Concession

SMC SKYWAY is the concessionaire of the Skyway Project which consists of a 9.02-km elevated road that runs from Bicutan to the Makati Central Business District; as well as the rehabilitation of the 13.43-km section of the

SLEX from Alabang to Magallanes and the 6.88-km elevated expressway from Bicutan to Alabang, with ramps leading to the SLEX.

MMSS3 is the concessionaire of the Skyway Stage 3 Project which currently spans 17.93 km from Buendia, Makati City to NLEX-Balintawak, Quezon City. The Skyway Stage 3 Project connects the Southern Luzon Expressway (SLEX) and the North Luzon Expressway (NLEX).

SMC SKYWAY is composed of two (2) stages, namely Skyway Stage 1 and Stage 2. The Skyway was also extended via the construction of the Skyway-Alabang South Extension Project.

Map of Skyway Stage 1 and 2

Skyway Stage 1

Skyway Stage 1 Project consists of the construction of a 9.02-km elevated road from Bicutan, Parañaque City to the Buendia, Makati City as well as the rehabilitation of the 13.43-km at-grade road from Alabang, Muntinlupa to Magallanes, Makati City.

Skyway Stage 2

Skyway Stage 2 Project consists of a 6.88-km elevated toll road from Bicutan, Parañaque City to Alabang, Muntinlupa, to be integrated with Skyway Stage 1 and operated as one sub-system of the MMS.

Skyway-Alabang South Extension Project

The project aims to decongest the existing Skyway System and SLEX by widening the existing lanes approaching Sucat exit, and provides an elevated viaduct running from Susana Heights, connecting it to the existing Alabang Viaduct. The northbound side of the Skyway Extension was opened to the public in April 2021, while the southbound side was also opened in December 2021.

Number of Toll Gates and Toll Plazas

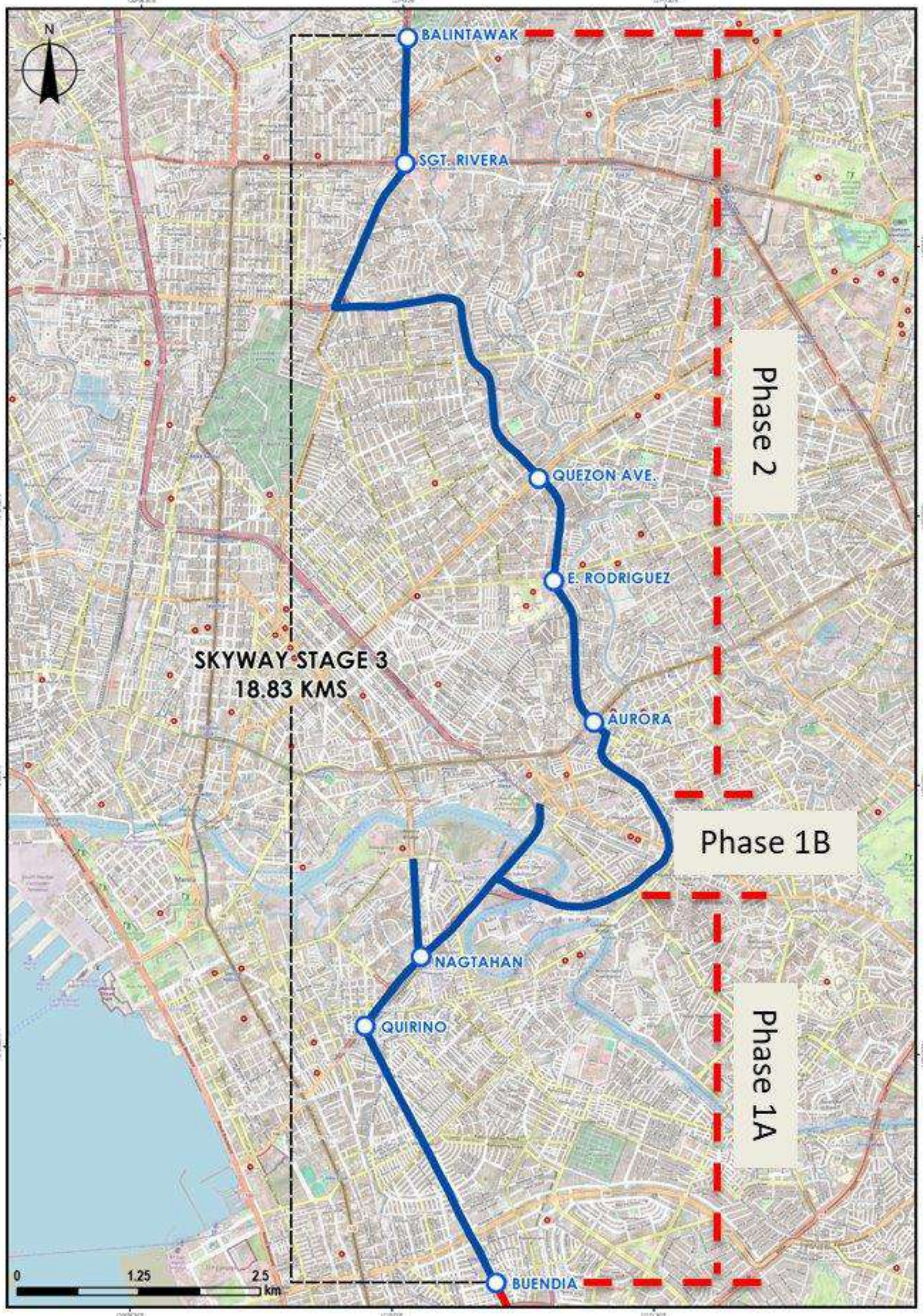
ENTRY		
Toll Plaza		**No. of Toll Gates**
1	Alabang Northbound ("**NB**")	2
2	Bicutan NB	4
3	Bicutan Southbound ("**SB**")	2
4	C5	5
5	Nichols	10
6	Sucat NB	3
7	Sucat SB	2

EXIT		
Toll Plaza		**No. of Toll Gates**
1	Alabang SB	3
2	Alabang Zapote	3
3	Bicutan NB	3
4	Bicutan SB	5
5	Bunye	2
6	C5	7
7	Doña Soledad	8
8	Dr. A. Santos	6
9	Merville	2
10	Nichols Alpha	10
11	Nichols Bravo	7
12	Skyway Alpha	4
13	Skyway Bravo	5
14	Sucat NB	3
15	Sucat SB	4

Skyway Stage 3 Project

Skyway Stage 3 Project is composed of five (5) sections, designed to pull in and ease traffic, with access through eight (8) strategically located interchanges such as: Buendia, Pres. Quirino Avenue, Plaza Dilao, and Nagtahan, Aurora Blvd., E. Rodriguez Avenue, Quezon Avenue, Sgt. River and Balintawak with a total of 22 Toll Plazas.

Map of Skyway Stage 3 Project



**18.83 kilometers include Section 2A'*

Breakdown of Sections:

Sections	From	To	Length (in km)
Section 1 & 1A:	Buendia	Plaza Dilao	3.76
Section 2A:	Plaza Dilao	T. Claudio	0.96
Section 2B:	T. Claudio	Aurora Blvd	3.93
Section 3:	Aurora Blvd	Quezon Ave.	2.71
Section 4:	Quezon Ave.	Balintawak	4.46
Section 5:	Balintawak	NLEX	2.11

Number of Toll Gates and Toll Plazas:

ENTRY		
Toll Plaza		**No. of Toll Gates**
1	Buendia NB	3
2	Nagtahan NB	3
3	G. Araneta NB	2
4	Quezon Ave NB	2

EXIT		
Toll Plaza		**No. of Toll Gates**
1	Buendia SB	2
2	Quirino NB	4
3	Quirino Westbound ("**WB**")	2
4	Quirino SB	4
5	Nagtahan NB/SB	3
6	Plaza Dilao SB	3
7	Quezon Ave NB	4
8	Quezon Ave SB	3
9	Del Monte A NB	4
10	Del Monte B NB	4
11	Del Monte A SB	4
12	Del Monte B SB	4
13	Sgt. Rivera SB	2

TOLL OPERATIONS

Supplemental Toll Operation Agreement

SMC SKYWAY

Pursuant to a Supplemental Toll Operation Agreement ("**STOA**") dated November 27, 1995 entered into by and among the Grantor, PNCC and SMC SKYWAY, SMC SKYWAY was granted concession rights to finance, design and construct the Skyway Project, while PNCC, through its wholly-owned subsidiary, the PNCC Skyway Corporation, was granted the right to operate and maintain the Skyway Project.

On December 21, 2007, the Republic of the Philippines, PNCC, and SMC SKYWAY executed an Amendment to the Supplemental Toll Operation Agreement ("**ASTOA**"), amending certain provisions of the STOA and introducing new provisions such as Clause 14.02 (3) which entitled SMC SKYWAY to assign and nominate a replacement operator in lieu of PNCC. Such provision allowed SMC SKYWAY to nominate as replacement operator its SOMCO, which has since December 31, 2007 taken over the operation and maintenance of the Skyway Project.

Under the STOA and ASTOA (collectively "**Toll Operation Agreements**"), SMC SKYWAY, as investor, and SOMCO, as operator, are entitled to the toll paid by users of the Skyway Project to be shared between them. They currently implement a 91% and 9% revenue sharing scheme for SMC SKYWAY and SOMCO, respectively, over the toll revenue pursuant to a Revenue Sharing Agreement dated March 30, 2012, subject to subsequent renegotiations.

The Toll Operation Agreements entitle SMC SKYWAY or SOMCO, or both SMC SKYWAY and SOMCO to a yearly periodic adjustment of the prevailing toll rate, based on the revised formula set forth in Clause 7.04(2) and (3) of the ASTOA, subject to the approval of the Toll Regulatory Board. The formula takes into account any total outstanding debts vis-à-vis available funding, inflationary pressures and foreign exchange fluctuations.

Subject to the approval of the Toll Regulatory Board, SMC SKYWAY or SOMCO, or both SMC SKYWAY and SOMCO, are likewise entitled to apply and, if warranted, to be granted a provisional adjustment of toll rates upon (a) the happening of force majeure; and/or additional cost of any required repair or reconstruction works arising out of force majeure, to the extent that such additional cost is not covered by insurance; and (b) a significant currency devaluation. The right of SMC SKYWAY to apply for a provisional toll rate adjustment due to significant currency devaluation may only be invoked while any financing is outstanding and has not yet been paid in full.

The Republic of the Philippines, as the grantor of the concessions, has committed to compensate SMC SKYWAY for any resulting loss of revenue in the event that the toll rates and/or any related adjustments are not implemented in accordance with the Toll Operation Agreements for reasons not attributable to SMC SKYWAY, such as but not limited to the reversal, modification, suspension, or invalidation by any competent authority of any such adjustment in the toll rates previously approved by the grantor.

MMSS3

On July 8, 2013, the STOA with the SOMCO3, PNCC and the ROP through the "TRB awarded to MMSS3 a 30-year concession from the issuance of the Toll Operation Certificate to finance, design and construct the toll road, and to SOMCO3 to operate and maintain the toll road. The legal transfer of ownership of the toll road shall be deemed to occur automatically on a continuous basis in accordance with the progress of the Construction (Build-Transfer-Operate).

On July 1, 2021, the TRB issued the Toll Operations Permits for Sections 1 to 5 and approved the implementation of the initial toll rate of the Company, for the said sections.

Under the STOA, toll revenue collected from Skyway Stage 3 Project shall be the property of both MMSS3 and SOMCO3 in accordance with the revenue sharing arrangement agreed upon in writing by both parties and approved by the Grantor. Currently, there are no revenue sharing agreement between MMSS3 and SOMCO3.

SOMCO3 shall collect and retain custody of and remit the toll revenue collected to MMSS3. Toll rates are subject to periodic adjustment based on the formula provided under Section 7.04 of the STOA, subject to the conditions thereunder.

The STOA may be terminated as a result of occurrence of events of default as enumerated in Section 9 thereof. In addition to default on the part of SOMCO3, MMSS3 or the Investor, TRB or the Grantor, the STOA may be terminated in whole or in part by reason of requisition, a final decision by a court of competent jurisdiction and force majeure. Depending on the ground for termination, MMSS3 may be entitled to just compensation for value of the completed construction or net income which the Investor expects to earn or realized during the unexpired term of the franchise period.

INTELLECTUAL PROPERTY

In 2016, the Company and Intelligent E-Processes Technologies Corp. ("**IETC**") entered into service agreements for non-exclusive and nontransferable license to use the toll collection system, preventive and corrective maintenance of Intelligent Transportation System and RFID management and customer services. IETC charges a monthly fee for the above services rendered. The agreement is renewable annually.

Toll Collection System

SMC SKYWAY and MMSS3 use two (2) types of toll collection systems – the open and closed system.

An open system type of toll collection system is a method of collecting tolls on highways or expressways at regularly spaced intervals on the mainline of the road. Motorists are charged a fixed or flat toll rate upon entry into the system, regardless of the distance travelled or destination exit. Meanwhile, a closed system type of toll collection allows motorists to pay a variable toll rate based on the distance travelled from their origin to their destination exit.

Toll payment by motorists is either done through cash or RFID system.

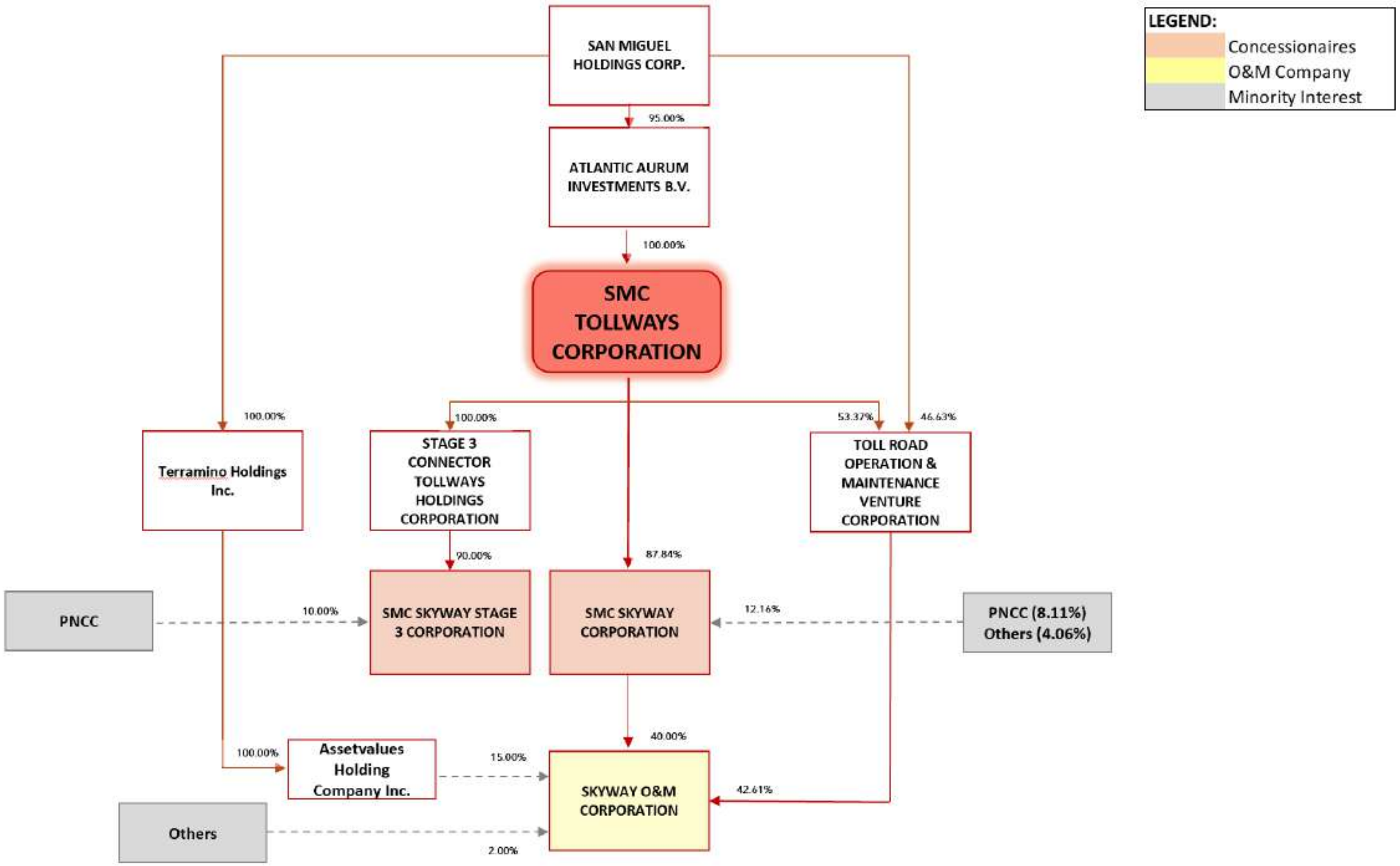
Other Sources of Income

SMC SKYWAY and MMSS3 generate income from lease of advertising areas and spaces along toll roads to related and third parties. SMC SKYWAY also generates income from the lease of investment property to a third party. The income from said sources forms part of the other income of the Company.

SMC TOLLWAYS CORPORATE STRUCTURE

Set forth below is the corporate structure of SMC Tollways as of October 31, 2024.[16]

GROUP STRUCTURE
as of October 31, 2024



[16] Source: SMC Tollways.

STRENGTHS AND STRATEGIES

Strengths

SMC Tollways believes that its principal strengths include the following:

Project portfolio vital to the growth of the Philippine economy

SMC Tollways holds ownership interests in two of the largest operating tollways, Skyway Project and Skyway Stage 3 Project, which contribute to the development and growth of the economy. These two projects serve as the main thoroughfares for intracity transport in Metro Manila and as more convenient passages from and to the neighboring provinces in North and South Luzon. For example, according to the Philippine Statistics Authority, in 2023, the combined gross regional domestic product of NCR, Central Luzon, and CALABARZON approximates ₱13.7 trillion[17], a 10% increase from 2022, which accounts for 56% of the total gross domestic product of the country. These toll roads serve as key gateways to more efficient transport of goods and conduct of services and more effective trade and commerce.

SMC Tollways aims to address gaps in the country's infrastructure and transport network by building expansive and resilient road infrastructure and public transportation projects to catalyze trade, investment, and national development. By being a partner of the government in enhancing the country's infrastructure and transportation, it contributes to the overall economy and helps improve people's lives.

Sustainable streams of income and cash flow

SMC Tollways' sustainable stream of revenues and cash flows driven by the toll roads' stable traffic volume growth have strengthened its financial capacity. The Company through its subsidiaries, SMC SKYWAY and MMSS3, have shown historically remarkable financial performance. Steadily increasing traffic numbers have consistently supported strong revenue growth while costs and expenses are kept well managed, resulting to high and predictable cash flows for SMC SKYWAY and MMSS3. The revenue of SMC SKYWAY has grown from ₱7.5 billion in 2021 to ₱10.7 billion during the same period in 2023 while MMSS3's revenue has grown from ₱1.9 billion to ₱8.3 billion in 2023. Similarly, SMC SKYWAY operating income has steadily grown from ₱5.5 billion in 2021 to ₱8.1 billion in 2023 while MMSS3's operating income significantly grew from ₱443.0 million in 2021 to ₱5.4 billion in 2023. During the same period, EBITDA remarkably improved from ₱6.2 billion to ₱9.4 billion for SMC Skyway 1&2 and ₱1.5 billion to ₱7.4 billion for MMSS3. The Company's ability to manage its costs and expenses as its revenues grow enables it to obtain a healthier and more stable financial position.

Highly experienced and competent technical and management team

SMC Tollways and its subsidiaries are equipped with highly experienced technical and management teams with extensive knowledge in the Philippine infrastructure industry. Their years of experience and solid foundation serve as a substantial resource in the Company. Apart from their competence, their strong professional relationships with the key industry participants, such as the regulatory agencies, contribute as a valuable asset to the Company.

Strong support from SMC parent

With SMC being one of the largest and most diversified conglomerates in the Philippines, the Company believes that it can increase its leverage and bargaining ability that is vital for the implementation and completion of its projects. SMC has continuously provided the necessary financial support to the capital-intensive Infrastructure business.

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[17] Source: Philippine Statistic Authority, April 2024 Regional Accounts of the Philippines - Gross Regional Domestic Product; https://psa.gov.ph.

Under the stewardship of SMC, the Infrastructure business has become one of the major players in the industry in a relatively short period of time. The Company believes it will continue to benefit from the extensive business networks of SMC, its in-depth understanding of the Philippine economy, and the expertise of its senior managers to identify and capitalize on growth opportunities.

Strategies of the Company

Enhance business performance through continuous efficiency development and optimization of operations

SMC Tollways is considering several efficiency programs and initiatives to improve its operations and existing facilities. For instance, the gradual implementation of automated or cashless operations in line with the Government's interoperability initiative. Recently, the companies acquired multiple Automatic License Plate Recognition cameras, as part of its Seamless Project implementation. This high-speed camera system automatically captures and records all license plate numbers of vehicles that pass through the toll plazas. This latest technology addresses bottleneck and throughput issues and increases mobility in toll plazas.

SMC Tollways continuously reviews its business practices to provide and deliver robust results through disciplined toll management, maintenance, and revenue recovery.

Create long-term value through identifying and exploring opportunities for the country's infrastructure development

SMC Tollways, with its parent, SMHC, and its subsidiaries, believes that there are significant opportunities to participate in the development of more infrastructure projects and continuous improvements of existing projects in the country. These infrastructure projects are expected to support and contribute to the recovery and growth of the Philippine economy.

The Company strongly believes that the country's development would also reap benefits for the business. It assumes that in addition to its long-term concessions that will provide strong and stable cash flows, focusing on operational improvements and development projects could positively influence not only its financial position but also the country's economic state.

Identify and pursue synergies across businesses

The infrastructure sector's ability to support other businesses and commercial activities contributes to the nation's economic growth and development. Operating toll roads create an ecosystem where other businesses can operate more efficiently through more convenient transport of goods and services and enhance its distribution network. On the other hand, ongoing construction projects, such as construction of additional ramps and other improvement projects, boost construction-related suppliers like cement, oil, energy, and other construction services. Infrastructure projects, such as the Skyway Project and Skyway Stage 3 Project, complement other businesses and industries and present opportunities for their expansion and growth. The Company's strategy is to improve its existing infrastructure projects to promote synergies not only within the businesses of SMC, but also to create synergies across businesses from different industries and sectors. Synergies with the other businesses will also contribute to the growth of SMC Tollways as partnerships with these companies can create additional income for the Company through the use of service facilities and advertising space rentals.

Strongly commit to provide safe and efficient mobility through modernization and sustainability

SMC Tollways also includes developing more resilient and sustainable projects in its strategies. Together with its aim to provide a sustainable infrastructure network to the country, SMC Tollways executes modernization strategies in its operations and maintenance. The Company explores new technologies and operational improvements aligned with the sustainability goals of SMC, such as to uplift at least 15 million people by 2030, among others. Furthermore, construction of additional ramps and widening projects are also ongoing to improve traffic mobility and decrease the travel time of motorists on the toll roads.

The Company's initiatives to improve its business and operations leaning towards sustainability address the gaps between profitability and environmental and social responsibility. SMC Tollways believes that business success is a combination of strong financial and operational performance, excellent service that promotes people's lives and well-being, and the development of programs that cater to the needs of the communities and the environment.

EMPLOYEES

The consolidated headcount of the SMC Tollways Group as of June 30, 2024 is as follows:

	Number of Employees
Manager	18
Supervisors	254
Rank & File	998
Total	**1,270**

Employees of the Group are not members of any labor union to date. The Group has not experienced any work stoppages. The Group maintains good labor relationships and a constant line of communication with its employees. The Group also engages its employees through employee relations programs to maintain a high-level of employee satisfaction. Within the ensuing 12 months, the Group may not require hiring new employees.

In addition to the statutory benefits, the Group provides benefits for the increased security of its employees in the following areas: healthcare, leaves, miscellaneous benefits, loans and financial assistance applicable to a variety of uses, retirement benefits and survivor security and death benefits.

DESCRIPTION OF PERMITS AND LICENSES

SMC Tollways believes that it has all the applicable and material permits and licenses necessary to operate its business as currently conducted and such permits and licenses are valid, subsisting or pending renewal. Please refer to Annex D of the Prospectus.

COMPLIANCE WITH ENVIRONMENTAL LAWS

The Company is in compliance with environmental laws, except where such non-compliance will not have a material adverse effect on the business of SMC Tollways. On an annual basis, operating expenses incurred by SMC Tollways to comply with environmental laws is approximately ₱2.1 million.

ENVIRONMENTAL AND SOCIAL GOVERNANCE SUSTAINABILITY INITIATIVES

SMC Tollways Group is committed to aligning its sustainability goals of SMC. These shared objectives include establishing a circular economy by 2040, achieving net-zero emissions by 2050, uplifting 15 million people by 2030, and developing a fully sustainable and ethical supply chain by 2040.

In establishing a circular economy by 2040, the SMC Tollways Group prioritizes waste reduction and resource efficiency. This effort includes proper waste segregation, recycling initiatives, and campaigns on the avoidance of single-use plastics (SUPs). Water conservation and management are also key areas of focus, with efforts to utilize recycled water by establishing wastewater treatment facilities (WTF) and sewage treatment plants (STP) at the Skyway office and toll plazas. The "Water-For-All" initiative, rolled out to the O&M companies, aims to reduce the use of scarce water resources by 50% by 2025. Additionally, the group actively participates in the Adopt-an-Estero Program, contributing to the mitigation of water pollution in the tributaries of Manila Bay and Laguna Bay.

In pursuit of net-zero emissions by 2050, the SMC Tollways Group is gradually transitioning to energy-efficient appliances and equipment. This includes the migration to inverter air-conditioning units, LED lighting, and the installation of solar lights and panels in areas near toll plazas.

Uplifting 15 million people by 2030 is one of the central objectives for the SMC Tollways Group. This goal is being advanced through the construction of expansive and resilient road infrastructure that catalyzes trade, investment, and supports national development. The SMC Tollways Group is also actively contributing to educational advancement by participating in the Adopt-A-School Program, providing essential maintenance and supplies to schools in nearby communities. Collaborations with local government units (LGUs) and other stakeholders are further enhancing community upliftment initiatives.

Lastly, the development of a fully sustainable and ethical supply chain by 2040 is being pursued through technological innovations, such as the creation of the SMC Tollways App, which provides motorists with real-time traffic updates, improving traffic management. The SMC Tollways Group is also working on the interoperability of RFID systems to streamline operations and enhance the motorist experience.

Operation and Management

SMC SKYWAY

A Memorandum of Agreement (MOA) was made and entered into by and among SMC SKYWAY, PNCC and PSC pursuant to the ASTOA wherein the Parties have agreed among others for the successful and seamless turnover of the O&M responsibilities from PSC to a new corporation now known as SOMCO.

SOMCO as the Operator of the Skyway Project shall perform Operations and Maintenance as set by the Toll Regulatory Board, the Department of Public Works and Highways and/or other relevant government authorities, or as may be agreed upon by the Parties.

Activities to be undertaken will be Collection and remittance of the Total Toll Revenue, Road repair works & preventive maintenance, Road safety fixtures, Toll Plaza repairs, Toll Collection System operations and maintenance, TRB/Grantor mandated works.

MMSS3

Under the STOA executed with the ROP through TRB, PNCC, MMSS3 and SOMCO3, PNCC assigned its rights, interests and obligations to the operation and maintenance of Skyway Stage 3 Project to SOMCO3.

SOMCO3

SOMCO3 was incorporated in the Philippines on November 16, 2012, and was organized to engage in the business of operating and maintaining toll roads and toll road facilities, interchanges and related facilities, including the operation and management of toll collection systems, traffic control systems, and such other systems located or found within the toll roads.

SOMCO3 shall perform the Operation & Maintenance in accordance with the terms of the STOA and/or PNCC franchise, the key performance indicators stated in the minimum performance standards, and specifications of the Grantor relating to the design, construction, operation and maintenance. Pursuant to the STOA, SOMCO3 conducts the 24-hour operation of Skyway Stage 3 Project and is responsible for the physical collection of toll revenues, toll monitoring and revenue validation, establishment and implementation of rules and regulations on the highway, information service and customer service programs for motorists, and traffic management. It is accountable for the routine and periodic maintenance of the roadway, utilities, and facilities of Skyway Stage 3 Project. It is also responsible for the implementation and maintenance of the following systems and facilities provided by MMSS3:

(a) Toll collection and accounting systems;

(b) Traffic control and management systems;

(c) Toll road patrol and vehicle control communication systems;

(d) Facilities for assistance of disabled vehicles and in case of emergencies;

(e) Information service/message sign boards;

(f) Vehicle regulation facilities (e.g., weight, load, height);

(g) Communication, water, power, emergency call and lighting facilities;

(h) Emergency operations facilities;

(i) Traffic management and administration of the Project Road facilities; and

(j) Personnel and staff management, development and control.

ONGOING AND FUTURE PROJECTS

Bicutan Improvement Project

Improvement of existing roadways within the vicinity of Bicutan Interchange to address several traffic conflicts of Skyway at-grade, service road, and other adjacent establishments.

Sucat Improvement Project

Improvement of existing roadways within the vicinity of Sucat Interchange to address several traffic conflicts of Skyway at-grade, service road, and other adjacent establishments.

Skyway Project to NAIAx By-Pass Ramp

Additional lane in Skyway Project direct to NAIAx to address the build-up of traffic or bottleneck entering NAIAx from Skyway Project SB.

Skyway Widening Projects

WIDENING OF EXISTING ELEVATED ROADS

Locations	Existing (No. of Lanes)		Planned (No. of Lanes)	
	NB	SB	NB	SB
Buendia to Sucat	3	4	4	4
Sucat to Skyway Main Toll Plaza	3	2	3	3
Skyway Extension Project SB	3	2	3	3
Skyway Main Toll Plaza to Bunye	1	2	2	2

Skyway Stage 3 Project Additional On & Off-Ramps

Construction of additional on & off ramps to provide more accessible routes and cater for more motorists along Skyway Stage 3 Project. Planned ramps are the following:

1. Maria Clara Off-Ramp
2. Shaw/Sevilla On & Off Ramp
3. Quirino SB On & Off Ramp
4. Pandacan Ramps
5. Section 2A’

Moreover, an Elevated U-Turn & EDSA On-Ramp to Skyway Stage 3 Project near Magallanes and Arnaiz to Skyway Stage 3 Ramp near EDSA will also be constructed.

DESCRIPTION OF PROPERTY

The majority of the properties of SMC Tollways Group i.e., buildings, toll plazas, toll collection system form part of the service concession rights under the STOA of its subsidiaries. The transfer of ownership shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction.

The general asset description and locations of office space used in the operations owned and leased by the SMC Tollways Group are included as Appendix C of this Prospectus.

The properties included in Appendix C of this Prospectus that are owned by the SMC Tollways Group are free of liens and encumbrances.

The properties in Appendix C of this Prospectus are in good condition, ordinary wear and tear excepted.

The SMC Tollways Group is continuously evaluating available properties for sale the cost or details of which cannot be determined at this time.

MANAGEMENT

The overall management and supervision of SMC Tollways is undertaken by the Board of Directors. The executive officers and management team cooperate with the Board of Directors by preparing appropriate information and documents concerning SMC Tollways' business operations, financial condition and results of its operation for its review.

Board of Directors

As of the date of this Prospectus, the Board of Directors consists of seven (7) members, two (2) of whom are independent directors. The table below sets forth certain information regarding members of the Board of Directors:

Name	Age	Citizenship	Position
Ramon S. Ang	70	Filipino	Chairman
John Paul L. Ang	44	Filipino	Director
Aurora T. Calderon	70	Filipino	Director
Lorenzo G. Formoso III	63	Filipino	Director
Jose C. Laureta	93	Filipino	Director
Margarito B. Teves	81	Filipino	Independent Director
Martin S. Villarama, Jr.	78	Filipino	Independent Director

Ramon S. Ang is the Chairman and President of the Corporation. He is also the Chairman and Chief Executive Officer of SMC. He holds, among others, the following positions in other publicly listed companies: President and Chief Executive Officer of Top Frontier Investment Holdings, Inc., Petron Corporation; President of Ginebra San Miguel, Inc., Chairman of the Board of Directors of San Miguel Brewery Hong Kong Limited (listed on the Hong Kong Stock Exchange), Petron Malaysia Refining & Marketing Bhd. (company publicly listed in Malaysia), Eagle Cement Corporation; Chairman of the Board of San Miguel Food and Beverage, Inc. He is also the Chairman of the Board of San Miguel Brewery Inc., Chairman of the Board and Chief Executive Officer, President and Chief Operating Officer of SMC Global Power Holdings Corp., Chairman of the Board and President of San Miguel Holdings Corp., President and Chairman of San Miguel Equity Investments Inc., San Miguel Properties, Inc.; Chairman of the Board and Chief Executive Officer of SMC Asia Car Distributors Corp., Chairman of the Board of San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation, Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Philippine Diamond Hotel & Resort Inc. and SEA Refinery Corporation; President of San Miguel Northern Cement, Inc. and President and Chief Executive Officer of Northern Cement Corporation and New NAIA Infra Corp. He is the President and Chairman of the Board of SMC SLEX Inc., SMC Skyway Corporation, SMC Skyway Stage 3 Corporation, SMC Skyway Stage 4 Corporation, SMC NAIAX Corporation, Pasig River Expressway Corporation, San Miguel Aerocity Inc, and Chairman of SMC Mass Rail Transit 7 Inc. He is the Chairman, President, and Chief Executive Officer of SMC TPLEX Corporation . He is also the sole director and shareholder of Master Year Limited and the Chairman of the Board of Privado Holdings, Corp. He formerly held the following positions: Chairman of the Board of Liberty Telecoms Holdings, Inc. and Cyber Bay Corporation, President and Chief Operating Officer of PAL Holdings, Inc. and Philippine Airlines, Inc.; Director of Air Philippines Corporation; and Vice-Chairman of the Board and Director of Manila Electric Company. Mr. Ang has held directorships in various domestic and international subsidiaries of the Company in the last five years. He has a Bachelor of Science degree in Mechanical Engineering from the Far Eastern University.

John Paul L. Ang is a director of the Corporation. Mr. Ang is also the Vice Chairman, President and Chief Operating Officer of SMC, and was elected as a director of SMC on January 21, 2021 and has been a member of the Board of Directors for three (3) years. He is also the President and CEO of Eagle Cement Corporation and South Western Cement Corporation. He is a director of several subsidiaries of SMC Infrastructure, such as SMC Skyway Corporation, SMC Skyway Stage 3 Corporation, SMC Skyway Stage 4 Corporation and SMC SLEX Inc. Mr. Ang holds directorships in other listed companies namely, Petron Corporation, San Miguel Food and Beverage, Inc., and Top Frontier Investment Holdings, Inc. He is also the President and Chief Executive Officer of San Miguel Food and Beverage, Inc. since 2024, Eagle Cement Corporation since 2016, Solid North Mineral Corp., and Southwestern Cement Corporation since 2017. He is the Chairman and President of San Miguel Equity Investments, Inc. He is also the Vice Chairman of San Miguel Global Power Holdings Corp. since 2021. He is also a director of San Miguel Brewery Inc. He is the President of Armstrong Ash-fly and Logistics Company Inc. He is also a director of SMC SLEX Inc., Aerofuel Storage Management Inc., Argonbay Construction Company, Inc., Pacific Nickel Philippines, Inc., Philnico Industrial Corporation, and KB Space Holdings, Inc. Mr. Ang graduated with a degree in Bachelor of Arts Major in Interdisciplinary Studies at the Ateneo de Manila University. As a director of a number of companies including listed companies, Mr. Ang has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by SGV & Co. on September 20, 2023.

Aurora T. Calderon is a director of the Corporation. She is also a Director of SMC since 2014, and also the Senior Vice-President, Senior Executive Assistant to the Office of the Chairman and Chief Executive Officer of SMC. She holds the following positions in other publicly listed companies: Director and Treasurer of Top Frontier Investment Holdings, Inc. and Director of San Miguel Food and Beverage, Inc., Ginebra San Miguel, Inc., Petron Corporation and Petron Malaysia Refining & Marketing Bhd (a company publicly listed in Malaysia). She is also a member of the Board of Directors of SMC Global Power Holdings Corp., SMC SLEX Inc., Petron Marketing Corporation, Petron Freeport Corporation, New Ventures Realty Corporation, Las Lucas Construction and Development Corporation, Thai San Miguel Liquor Co. Ltd., San Miguel Equity Investments Inc., SMC Asia Car Distributors Corp., San Miguel Yamamura Packaging Corp., San Miguel Aerocity Inc. She is a director of several subsidiaries of SMC Infrastructure, among others, SMC Skyway Corporation, SMC Skyway Stage 3 Corporation, SMC Skyway Stage 4 Corporation, SMC TPLEX Corporation, SMC NAIAX Corporation, Pasig River Expressway Corporation, and Chairman of SMC Mass Rail Transit 7 Inc. She was formerly a Director of PAL Holdings, Inc., Philippine Airlines, Inc. Trustmark Holdings Corporation, Zuma Holdings and Management Corporation, Air Philippines Corporation, and Manila Electric Company. A certified public accountant, Ms. Calderon graduated magna cum laude from the University of the East with a degree in BS Business Administration, major in Accountancy. In addition, Ms. Calderon holds directorships in various domestic and international subsidiaries of SMC.

Lorenzo G. Formoso III is a director of the Corporation. He is the Senior Vice President and Head of the Infrastructure Business of SMC. He is also a Director and President of SMC Mass Rail Transit 7 Inc., Jethandler Asia Services, Inc., and Alloy Manila Toll Expressways, Inc., a Director of Tradens Aire Development Holdings Corp. since 2010, SMC SLEX Holdings Company Inc. since 2012, Manila North Harbour Port Inc. since 2010, SMC Skyway Stage 3 Corporation since 2015, Rapid Thoroughfares Inc. since 2010, SMC TPLEX Corporation since 2009, Luzon Cleanwater Development Corporation, Manila Toll Expressway Systems, Inc., Pasig River Expressway Corporation, and various SMC toll road companies; Chairman and Director of Intelligent E-Processes Technologies Corp., Skyway O&M Corporation, and TPLEX Operations and Maintenance Corporation. He served was the Assistant Secretary in the Department of Transportation and Communications from 2006 to 2009, and Deputy Commissioner of the Commission on Information and Communications Technology under the Office of the President from 2005 to 2006. He was the Corporate Counsel and Compliance Officer of Chikka Holdings Ltd British Virgin Islands, Chikka Private Ltd Singapore and Chikka Asia, Inc. Manila from 2000 to 2005. Mr. Formoso was also the Founding Partner of Bocobo Rondain Mendiola Cruz & Formoso from 1992 to 2000, an associate of Angara Abello Concepcion Regala & Cruz from 1990 to 1992 and an associate of Neumiller & Beardslee from 1987 to 1990. He obtained his law degree from the University of California, Davis School of Law in 1987 and was admitted to the State Bar of California in 1987 and to the Philippine Bar in 1992.

Jose C. Laureta is a director and the Corporate Secretary of the Corporation. He is also the Corporate Secretary and Compliance Officer of SMC SLEX Inc. He is also the Corporate Secretary of the various toll road subsidiaries of SMC Infrastructure, among others, SMC Skyway Corporation, Skyway O&M Corporation Manila Toll Expressway Systems, Inc., SMC Skyway Stage 3 Corporation, SMC Skyway Stage 4 Corporation, and Stage 3 Holdings Tollway Corporation. He obtained his law degree from the University of the Philippines in 1956, and his Master's Degree in Law in Yale University in 1964. He is also a faculty member of the UP College of Law.

Margarito B. Teves is an independent director of the Corporation. He is also an independent director of San Miguel Corporation, Petron Corporation, AB Capital Investment Corp., Alphaland Corporation, Alphaland Balesin Island Club, Inc., Alphaland Marina Club, Inc., The City Club at Alpahaland Makati Place, Inc., and Atok-Big Wedge Corporation. He is also the Managing Director of The Wallace Business Forum and Chairman of the Board of Think Tank Inc. and a director of Pampanga Sugar Development Co. He was Secretary of the Department of Finance of the Philippine Government from 2005 to 2010, and was previously President and Chief Executive Officer of the Land Bank of the Philippines from 2000 to 2005, among others. He holds a Master of Arts in Development Economics from the Center for Development Economics, Williams College, Massachusetts and is a graduate of the City of London College, with a degree of Higher National Diploma in Business Studies which is equivalent to a Bachelor of Science in Business Economics.

Martin S. Villarama, Jr. is an independent director of the Corporation. He currently serves as an Independent Director of Ginebra San Miguel, Inc., SMC SLEX Inc. and Eagle Cement Corporation. He is the Court-appointed liquidator of Uniwide Group of Companies and currently a member of the Board of Advisers of San Miguel Brewery Hongkong Ltd., and a member of the Association of Retired Justices of the Supreme Court of the Philippines and BIR Tennis Club. He was the 166th member of the Supreme Court and served as a Supreme Court Justice from 2009 to 2016. He started his career in the Judiciary in 1986, when he was appointed as Regional Trial Court Judge of Pasig City. He was also a lecturer at the Philippine Judicial Academy from 2007 to 2009. He obtained his Bachelor of Laws degree from the Manuel L. Quezon University (MLQU) after completing a Bachelor of Science degree in Business Administration from De La Salle University.

Senior Management

The table below sets forth the Executive Officers of SMC Tollways as of the date of this Prospectus.

Name	Age	Citizenship	Position
Ramon S. Ang	70	Filipino	Chairman and President
Raoul Eduardo C. Romulo	62	Filipino	Chief Finance Officer
Joseph N. Pineda	61	Filipino	Treasurer
Jose C. Laureta	93	Filipino	Corporate Secretary
Mary Rose S. Tan	47	Filipino	Assistant Corporate Secretary and Compliance Officer

Joseph N. Pineda is the Treasurer of the Corporation. He is the Senior Vice President, Deputy Chief Finance Officer and Head of Treasury of SMC. He is also a member of the board of directors of SMC Skyway Corporation, SMC Skyway Stage 3 Corporation, SMC Skyway Stage 4 Corporation, SMC TPLEX Corporation, SMC NAIAX Corporation, and Pasig River Expressway Corporation. He was previously Special Projects Head of SMC since 2005. Mr. Pineda has a degree of Bachelor of Arts in Economics from San Beda College and obtained units towards a Master's in Business Administration degree from De La Salle University. In addition, Mr. Pineda holds directorships in various SMC domestic and international subsidiaries.

Raoul Eduardo C. Romulo is the Chief Finance Officer of the Corporation. He is currently the Treasurer and the Chief Finance Officer of SMC SLEX Inc. and SMC Skyway Corporation. Mr. Romulo is also the Chief Finance Officer and Treasury Head of San Miguel Holdings Corp. He holds various positions in the various toll road subsidiaries of SMHC as the President of TPLEX Operations and Maintenance Corporation since 2018, Director of Manila Toll Expressway Systems, Inc., and Skyway O&M Corporation, Treasurer of SMC SLEX Holdings Company Inc. and Alloy Manila Toll Expressways, Inc. Mr. Romulo obtained a double degree in BS Marketing Management and AB Psychology from De La Salle University in 1984 and an MBA in International Finance from Fordham University Graduate School of Business in 1988.

Mary Rose S. Tan is the Assistant Corporate Secretary and Compliance Officer of the Corporation. She is also the Assistant Corporate Secretary, Assistant Vice President and Associate General Counsel of San Miguel Corporation, and she has been with the Office of the General Counsel for 18 years. She is also the Assistant Corporate Secretary of San Miguel Holdings Corp., and the Corporate Secretary of the San Miguel Aerocity Inc.; SMC Mass Rail Transit 7 Inc. SMC NAIAX Corporation; SMC TPLEX Holdings Company, Inc.; Trans Aire Development Holdings Corp.; and Luzon Clean Water Development Corporation. Atty. Tan obtained her Master of Laws degree from the University of Sydney in 2009 as an Endeavour Postgraduate Award scholar of the Australian Government. She was admitted to the Bar in 2002. She obtained her Bachelor of Laws degree from University of the Philippines in 2001 and her degree of BA Psychology from the same university in 2001.

Committees of the Board of Directors

The Company's Board of Directors appoints directors to the three Board Committees set forth below. Each member of the respective Committees named below holds office as of the date of this Prospectus and will serve until his successor is elected and qualified. The three (3) committees are: (i) Corporate Governance Committee; (ii) Audit and Risk Oversight Committee; and (iii) Related Party Transactions Committee. The attendance of a majority of its members will constitute a quorum for the committee to transact business. The committee will act only on the affirmative vote of at least a majority of the members present at a meeting at which there is a quorum.

Audit and Risk Oversight Committee

The Audit and Risk Oversight Committee of SMC Tollways shall be composed of at least three (3) directors, including the two (2) independent directors.

The Audit and Risk Oversight Committee is responsible for assisting the Board of Directors in the performance of its oversight responsibility for financial reports and financial reporting process, internal control system, audit process, and in monitoring and facilitating compliance with both the internal and financial management handbook and pertinent accounting standards, legal and regulatory requirements. It performs financial oversight management functions, specifically in the areas of managing credit, market liquidity, operational, legal and other risks of SMC Tollways, and crisis management.

The committee charter was approved by the Board on March 13, 2024.

The Audit and Risk Oversight Committee is composed of three (3) members, two (2) of whom are non-executive and independent directors. All committee members have relevant background, knowledge, skills or experience in the areas of accounting, auditing and finance. The members of the committee are Justice Martin S. Villarama, Jr. (Independent), Mr. Margarito B. Teves (Independent), and Atty. Lorenzo G. Formoso III. The chairperson of the Audit Committee is Mr. Margarito B. Teves (Independent).

Related Party Transactions Committee

The Related Party Transactions Committee of SMC Tollways shall be composed of three (3) non-executive directors, two (2) of whom should be independent directors. The chairman shall be an Independent Director.

The committee is responsible for reviewing all material related party transactions of the Company to ensure that these are not undertaken on more favorable economic terms that similar transactions with non-related parties under similar circumstances and that no resources of the Corporation are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.

The committee charter was approved by the Board on March 13, 2024.

The Related Party Transactions Committee is composed of three (3) members. The members of the committee are Justice Martin S. Villarama, Jr. (Independent), Mr. Margarito B. Teves (Independent), and Ms. Aurora T. Calderon. The Chairman of the Related Party Transactions Committee is Justice Martin S. Villarama, Jr. (Independent).

Corporate Governance Committee

The Corporate Governance Committee of SMC Tollways shall be composed of at least three (3) directors, majority of whom should be independent directors, including the Chairman.

The Corporate Governance Committee shall be responsible for assisting the Board in the performance of its corporate governance responsibilities, particularly in the implementation of the corporate governance framework, and periodically review the said framework to ensure that it remains appropriate in light of material changes to the Corporation's size, complexity, business strategy, as well as business and regulatory environments.

The committee charter was approved by the Board on March 13, 2024.

The Corporate Governance Committee is composed of three (3) directors of the Company, two (2) of whom are Independent Directors. The Corporate Governance Committee chairperson is Justice Martin S. Villarama, Jr. (Independent). The members of the committee are Mr. Margarito B. Teves (Independent), Justice Martin S. Villarama, Jr., and Aurora T. Calderon.

Corporate Governance

The Company recognizes that good governance helps the business to deliver strategy, generate and sustain shareholder value, and safeguard shareholders' rights and interests. The Company's Board of Directors, management and employees adhere to the highest standards of corporate governance as a vital component of sound business management.

The Company's Board of Directors, led by Chairman Ramon S. Ang, believes in conducting the business affairs of the Company in a fair and transparent manger in maintain the highest ethical standards in all the Company's business dealings.

Manual on Corporate Governance

Pursuant to SEC Memorandum Circular No. 24, series of 2019, or the Code of Corporate Governance for Public Companies and Registered Issuers (the "CG Code"), the Manual on Corporate Governance (the "**Manual**") of the Company was approved by the Board of Directors on March 13, 2024.

Compliance and Monitoring System

The monitoring of the implementation of the evaluation system of the Company to measure and determine the adherence to and the level of compliance of the Board of Directors and top-level management with the Manual is vested by the Board of Directors on the Compliance Officer. To ensure adherence to corporate governance principles and best practices, the Board of Directors has appointed a Compliance Officer.

Under the provisions of the Manual, the Compliance Officer is responsible for monitoring compliance by the Company with the provisions and requirements of the Manual and the rules and regulations of the relevant regulatory agencies and ensures adherence to corporate principles and best practices. The Compliance Officer must also hold the position of a Vice President or its equivalent and has direct reporting responsibilities to the

Chairman of the Board of Directors. In accordance with applicable rules and regulations of the SEC, the Compliance Officer shall certify whether the Company has substantially adopted all the provisions of the Manual on Corporate Governance.

Further, the Company may organize regular seminars or programs on Corporate Governance for directors and key officers, in accordance with SEC regulations.

Pursuant to its commitment to good governance and business practice, the Company shall continue to review and strengthen its policies and procedures, giving due consideration to developments in the area of corporate governance which it determines to be in the best interests of the Company and its stockholders.

Independent Directors

Under the implementing rules and regulations of the SRC, an independent director is defined as a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director. An independent director must satisfy the qualifications and must have none of the disqualifications of an independent director set out in the SRC and its implementing rules and regulations, the Manual, the amended articles of incorporation and amended by-laws of the Company.

The Company is required to have at least two independent directors on its Board of Directors. The Manual, in turn, requires at least two independent directors to serve on the Audit & Risk Oversight Committee of the Company and one independent director on each of the Corporate Governance Committee and Related Party Transactions Committee, who shall serve as the Chairman.

Mr. Margarito B. Teves and Hon. Martin S. Villarama, Jr. are the independent directors of the Company.

Significant Employee

The Company has no significant employee or personnel who is not an executive officer but is expected to make a significant contribution to the business.

Family Relationships

Mr. John Paul L. Ang is the eldest child of Mr. Ramon S. Ang. There are no other family relationships up to the fourth civil degree either by consanguinity or affinity among the Company's directors and/or executive officers or persons nominated or chosen by the Company to become its directors or executive officers.

Involvement of Directors and Officers in Certain Legal Proceedings

The Company is not aware that any one of the incumbent directors and executive officers and persons nominated to become a director and executive officer has been the subject of a bankruptcy petition or a conviction by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, or has been by judgment or decree found to have violated securities or commodities law and enjoined from engaging in any business, securities, commodities or banking activities for the past five years until the date of this Prospectus.

Compensation of Directors and Executive Officers

Pursuant to Article IV, Section 9 of the Company's By-Laws, the officers shall receive such remuneration as the Board of Directors may determine. A director shall not be precluded from serving the corporation in any other capacity as an officer, agent or otherwise, and receiving compensation therefore.

The officers do not receive any compensation directly from the Company.

There are no standard arrangements pursuant to which our directors are compensated, or are to be compensated, directly or indirectly, including per diem, for any services provided as a director for the last completed fiscal year and the ensuing year.

Other Arrangements

There are no other arrangements for which the directors are compensated by the Company for services other than those provided as a director.

Employment Contract

In lieu of an employment contract, the directors are elected at the annual meeting of stockholders for a one (1) year term. Any director elected in the interim will serve the remaining term until the next annual meeting.

Warrants or Options

There are no outstanding warrants or options held by the Company's President, named executive officers and all directors and officers as a group.

OWNERSHIP AND CAPITALIZATION

Security Ownership of Directors and Officers

The owners of more than 5% of the Company's voting securities as of October 31, 2024 are as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	% of Outstanding
Common	Atlantic Aurum Investments B.V. Weerdestein 97, 1083GG, Amsterdam, The Netherlands Nature of Relationship: Parent	Iñigo U. Zobel, Filipino; and Ramon S. Ang, Filipino, the President of the Company, are beneficial owners of 30.998% and 35.397%, respectively, of AAIBV.	Dutch	69,538,452	100%

As of October 31, 2024, the following are the number of shares comprising the Company's capital stock owned of record by the President/Chairman of the Board, the directors, and key officers of the Company:

Title of Class	Name	Amount and Nature of Ownership	Citizenship	Total Number of Shares and Percent to Total Outstanding Capital Stock
Common	Ramon S. Ang	1 (of record)	Filipino	1 (0.0%)
Common	John Paul L. Ang	1 (of record)	Filipino	1 (0.0%)
Common	Aurora T. Calderon	1 (of record)	Filipino	1 (0.0%)
Common	Lorenzo G. Formoso III	1 (of record)	Filipino	1 (0.0%)
Common	Jose C. Laureta	1 (of record)	Filipino	1 (0.0%)
Common	Margarito B. Teves	1 (of record)	Filipino	1 (0.0%)
Common	Martin S. Villarama, Jr.	1 (of record)	Filipino	1 (0.0%)

Except for the two (2) independent directors, each of whom holds one (1) common share, all directors are nominees of the Atlantic Aurum Investments, B.V. and hold nominee shares in trust. The beneficial ownership of the nominee shares held by such nominee directors remain with Atlantic Aurum Investments B.V.

Voting Trust Holders of 5% or More

There is no person holding more than 5% of the Company's voting securities under a voting trust agreement.

Changes in Control

The Company is not aware of any change of control or arrangement that may result in a change of control of the Company since the beginning of its last fiscal year.

MARKET PRICE AND DIVIDENDS ON THE EQUITY OF SMC TOLLWAYS AND RELATED STOCKHOLDER MATTERS

Market Information

The Company has an authorized capital stock of ₱8,000,000,000.00 comprised of 80,000,000 common shares with par value of ₱100.00 per common share. As of the date of this Prospectus, the Company has issued and outstanding 69,538,459 common shares. The common shares of the Company are neither traded in any market, nor subject to outstanding warrants to purchase, or securities convertible into common shares of the Company.

Market Price of the Company's Common Equity

The Company's common shares are not traded in any exchange.

Dividend Policy

The Company is allowed under Philippine laws to declare dividends, subject to certain requirements. These requirements include, for example, that the Company's Board of Directors is authorized to declare dividends only from its unrestricted retained earnings. Dividends may be payable in cash, shares or property, or a combination of the three, as the Board of Directors shall determine. The declaration of stock dividends is subject to the approval of shareholders holding at least two-thirds of the Company's outstanding capital stock. The Company's Board of Directors may not declare dividends which will impair its capital. The Company currently has no specific dividend policy.

SMC Tollways is subject to loan covenants in relation to declaration of dividends. Under its existing loan covenants, SMC Tollways shall not declare, make or pay any dividend, charge, fee or other distribution. The loan covenants of the Company will fall away upon redemption of its existing Corporate Notes and the issuance of the Bonds.

SMC SKYWAY

SMC SKYWAY is allowed under Philippine laws to declare dividends, subject to certain requirements. These requirements include, for example, that the Company's Board of Directors is authorized to declare dividends only from its unrestricted retained earnings. Dividends may be payable in cash, shares or property, or a combination of the three, as the Board of Directors shall determine. The declaration of stock dividends is subject to the approval of shareholders holding at least two-thirds of the Company's outstanding capital stock. The Board of Directors of SMC SKYWAY may not declare dividends which will impair its capital. SMC SKYWAY currently has no specific dividend policy. The declaration of dividends by SMC SKYWAY is not subject to any restrictive loan covenant.

Pursuant to these legal requirements, Article VII Section 7.02 of the Company's By-Laws provides that dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with law.

SMC SKYWAY is authorized to issue convertible, non-participating preferred shares which are entitled to receive dividends at the rate of 9% per annum based on the subscription price thereof. However, as of the date of this Prospectus, there are no outstanding preferred shares issued by SMC SKYWAY.

The table below sets forth the amounts of dividends declared and paid by SMC SKYWAY since 2020:

Year	Type (Please indicate if cash dividends)	Per Share Amount	Date Declared	Record Date	Payment Date
2020					
	CASH DIVIDEND	8.00	08-Jun-20	30-Jun-20	Jun-20
	CASH DIVIDEND	10.00	08-Jun-20	30-Jun-20	Sep-20
	CASH DIVIDEND	10.00	25-Nov-20	30-Nov-20	Dec-20
	CASH DIVIDEND	13.00	25-Nov-20	30-Nov-20	Mar-21
TOTAL		**41.00**			
2021					
	CASH DIVIDEND	14.00	13-May-21	31-May-21	Jun-21
	CASH DIVIDEND	16.00	13-May-21	31-May-21	Sep-21
	CASH DIVIDEND	15.00	16-Nov-21	31-Dec-21	Dec-21
	CASH DIVIDEND	19.00	16-Nov-21	30-Nov-21	Mar-22
TOTAL		**64.00**			
2022					
	CASH DIVIDEND	18.00	01-Jun-22	30-Jun-22	Jun-22
	CASH DIVIDEND	18.00	01-Jun-22	30-Jun-22	Sep-22
	CASH DIVIDEND	20.00	06-Dec-22	22-Dec-22	Dec-22
	CASH DIVIDEND	19.00	06-Dec-22	22-Dec-22	Mar-23
TOTAL		**75.00**			
2023					
	CASH DIVIDEND	19.00	16-Mar-23	31-Mar-23	Jun-23
	CASH DIVIDEND	26.00	16-Mar-23	31-Mar-23	Sep-23
	CASH DIVIDEND	26.00	04-Dec-23	11-Dec-23	Dec-23
	CASH DIVIDEND	26.00	04-Dec-23	11-Dec-23	Mar-24
TOTAL		**97.00**			
2024					
	CASH DIVIDEND	26.00	13-Mar-24	31-Mar-24	Jun-24
	CASH DIVIDEND	33.00	16-Aug-24	09-Aug-24	Sep-24
TOTAL		**59.00**			

S3HC, TROMV, and MMSS3

Dividends may be declared at the discretion of the Board of Directors and will depend upon the future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from its subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations and other factors the Board of Directors may deem relevant. S3HC, TROMV, and MMSS3 currently have no specific dividend policy.

Under its existing loan covenants, any dividend declaration by MMSS3 will be subject to adherence to a debt-to-equity ratio of not more than 70:30 and debt service coverage ratio of at least 1.2x. The declaration of dividends by either S3HC or TROMV is not subject to any financial covenant.

MMSS3 has preferred stock redeemable at the discretion of the company, non-voting, which are entitled to receive cumulative and non-participating dividends at an annual rate of 9% of the total par value of the preferred stock in the form of guaranteed dividends, subject to such other terms and conditions as may be set by its board of directors.

SOMCO

Dividends shall be paid out of the unrestricted retained earnings of the corporation which shall be payable in cash, property, or stock to all stockholders on the basis of the outstanding stock held by them, at such times and in such amounts, as the Board of Directors may determine. Pursuant to its Articles of Incorporation, no dividends shall be declared unless approved by the shareholders representing not less than 85% of the entire issued and outstanding shares at a special or annual meeting called for such purpose. SOMCO currently has no specific dividend policy. The declaration of dividends by SOMCO is not subject to any restrictive loan covenant.

Sale of Unregistered or Exempt Securities

There were no securities sold by SMC Tollways within the past three (3) years which were not registered under the SRC.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Related Party Transactions

The Company, certain subsidiaries and shareholders, associates and joint ventures purchase products and services from one another in the normal course of business. The Company requires approval of the Board of Directors for related party transactions amounting to at least ten percent (10%) of the total consolidated assets on its latest audited financial statements.

Transactions with the related parties are made at normal market prices and terms. Amount owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

	For the Six Months Ended June 30		June 30		
	2024	2023	**2024**	2023	
	Amount of Transactions		Outstanding Balance		Terms and Conditions
Trade and other receivables					
Entities under common control	**₱320,473**	₱748,611	**₱24,001**	₱73,595	30 days; noninterest-bearing, unsecured
Other Current Assets					
Entities under common control	**₱–**	₱–	**₱578**	₱617	Refundable upon termination of lease
Accounts payable and other current liabilities:					
Entities under common control	**₱7,900,582**	₱5,914,527	**₱130,511**	₱125,174	5 -30 days; noninterest-bearing, unsecured
Intermediate Parent	**181,609**	163,789	**13,588**	40,068	5 -30 days; noninterest-bearing, unsecured
			₱144,099	₱165,242	
Fair Value of Plan Assets					
Plan Assets	**₱15,910**	₱9,966	**₱115,537**	₱85,281	Under SMHC Multi-Employer Plan
Due to a Related Party	**₱–**	₱–	**₱61,844**	₱61,844	On demand, noninterest-bearing, unsecured

	For the Years Ended December 31			December 31			
	2023	2022	2021	2023	2022	2021	
	Amount of Transactions			Outstanding Balance			Terms and Conditions
Trade and other receivables							
Entities under common control	₱1,890,134	₱1,161,785	₱512,519	₱30,973	₱64,707	₱40,660	30 days; noninterest-bearing, unsecured
Other Current Assets							
Entities under common control	₱17	₱16	₱16	₱578	₱617	₱601	Refundable upon termination of lease
Accounts payable and other current liabilities:							
Entities under common control	₱12,662,243	₱10,960,403	₱8,653,699	₱210,170	₱160,283	₱472,458	5 -30 days; noninterest-bearing, unsecured
Intermediate Parent	327,578	310,766	300,000	13,588	13,588	277,518	5 -30 days; noninterest-bearing, unsecured
				₱223,758	₱173,871	₱749,976	
Fair Value of Plan Assets							
Plan Assets	₱24,912	₱28,635	₱30,263	₱98,007	₱71,417	₱47,385	Under SMHC Multi-Employer Plan

	For the Years Ended December 31			December 31			
	2023	2022	2021	2023	2022	2021	
	Amount of Transactions			Outstanding Balance			Terms and Conditions
Due to a Related Party	₱–	₱–	₱–	₱61,844	₱61,844	₱61,844	On demand, noninterest-bearing, unsecured

Trade Receivables

a. On June 14, 2023, the Group with SMC NAIAX, SMC SLEX, STAR Infrastructure Development Corporation (SIDC), Manila Toll Expressway Systems, Inc. (MATES), STAR Tollway Corporation (STC), SMC TPLEX Corporation (SMC TPLEX) and TPLEX Operations and Maintenance Corporation (TOMCO), entered into a MOA on Inter-operability of Toll Collection System to ensure the inter-operability of toll collection system and traffic operations in accordance with the TRB guidelines for seamless traffic system and improved quality of service to the motorists throughout the toll roads. Total related cash transactions amounted to ₱228.1 million, ₱653.4 million, ₱1,705.7 million, ₱987.6 million and ₱342.3 million for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021, respectively. The Group has toll receivable amounting to ₱2.0 million, ₱45.5 million, ₱2.4 million, ₱16.7 million and ₱6.4 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively.

b. SOMCO received reimbursement on expenses incurred for SMC SLEX. Total reimbursement amounted to nil, ₱6.3 million, ₱6.3 million, ₱15.5 million and nil for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, respectively. Outstanding receivable amounted to ₱17.1 million as at December 31, 2022.

c. SMC SKYWAY entered into a lease contract with other related parties as lessees, for the right to lease the advertising areas and spaces within the area of responsibility of the SMC SKYWAY at the SMMS. Total rental income amounted to ₱18.5 million, ₱14.4 million, ₱30.3 million, ₱19.7 million and ₱18.0 million for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, respectively. The outstanding rental receivable amounted to ₱7.6 million, ₱10.6 million, ₱12.6 million, ₱18.2 million and ₱18.5 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively.

d. MMSS3 entered into lease contracts with other related parties as lessees, for the right to lease the advertising areas and spaces within the area of responsibility of the Group at the Skyway Stage 3 Project. Total rental income amounted to ₱11.4 million, ₱12.0 million, ₱22.8 million, ₱24.0 million and ₱27.2 million for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, respectively. The outstanding rental receivable amounted to ₱2.9 million, ₱6.1 million, ₱4.5 million, ₱2.2 million and ₱4.3 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively.

e. SOMCO entered into an agreement with SMC NAIAX to manage, operate and maintain the toll roads and toll road facilities, interchanges, and related facilities of the entire NAIAX. Revenue from toll operation and maintenance amounted to ₱62.5 million, ₱62.5 million, ₱125.0 million, ₱115.0 million and ₱125.0 million for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, respectively. Outstanding receivable amounted to ₱11.5 million, ₱11.5 million, ₱11.5 million, ₱10.5 million and ₱11.5 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively.

Other Current Assets

The Group also entered into lease agreements with entities under common control for the lease of office and parking space. The lease agreement is for a period of one year and renewable every year thereafter unless terminated by either party. Security deposit amounting to ₱0.6 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021 will be refunded upon termination of the lease agreement.

Accounts Payable and Other Current Liabilities

Entities under Common Control

a. In relation to the interoperability arrangement between SMC SKYWAY and SLEX, total related transactions pertaining to ETC transactions amounted to ₱4,428.4 million, ₱3,349.2 million, ₱7,183.1 million, ₱6,431.7 million and ₱5,293.5 million for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021, respectively. The Group has toll payable to SMC SLEX amounting to ₱17.3 million, ₱11.8 million, ₱37.2 million, ₱43.9 million and ₱14.8 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively.

b. Pursuant to a MOA entered into by SMC SKYWAY and SMC NAIAX, the Group shall collect and remit to SMC NAIAX all toll fees collected from the ETC users of NAIA Expressway. Total related transactions amounted to ₱795.2 million, ₱653.2 million, ₱1,419.3 million, ₱1,106.5 million and ₱655.4 million for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, respectively. Outstanding payable to SMC NAIAX amounted to ₱2.5 million, ₱2.0 million, ₱3.1 million, ₱0.3 million and ₱13.9 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively.

c. Pursuant to a MOA entered into by SMC SKYWAY and SIDC dated August 20, 2018, the Group shall collect and remit to SIDC all toll fees collected from the ETC users of STAR Tollways. Total related transaction amounted to ₱891.6 million, ₱712.3 million, ₱1,490.9 million, ₱1,305.3 million and ₱1,114.7 million for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, respectively. Outstanding payable to SIDC amounted to ₱2.2 million, ₱2.3 million, ₱8.4 million, ₱5.4 million and ₱46.4 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively.

d. The Group entered into a one-year lease agreement, renewable for another year, with MATES for the lease of machineries and equipment used for construction and road repairs. Total related transaction amounted to ₱2.9 million, ₱4.8 million, ₱16.5 million, ₱29.5 million and ₱48.0 million for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, respectively. Outstanding payable to MATES amounted to ₱0.3 million, ₱1.8 million, ₱2.4 million, ₱3.0 million and ₱16.6 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively.

e. Pursuant to a MOA entered into by SMC SKYWAY and SMC TPLEX, dated February 27, 2019, the Group shall collect and remit to PIDC all toll fees collected from the ETC users of Tarlac-Pangasinan-La Union Expressway (TPLEX). Total related transaction amounted to ₱1,360.9 million, ₱843.0 million, ₱1,864.9 million, ₱1,482.1 million and ₱946.2 million for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, respectively. Outstanding payable to SMC TPLEX amounted to ₱3.0 million, ₱3.7 million, ₱6.8 million, ₱17.6 million and ₱53.4 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively.

f. The Group and Intelligent E-Processes Technologies Corp. (IETC) entered into service agreements for non-exclusive and nontransferable license to use the toll collection system, preventive and corrective maintenance of Intelligent Transportation System and RFID management and customer services. IETC charges a monthly fixed fee for the above services rendered. The agreement is valid until December 31, 2023, renewable for another term. Total related transaction amounted to ₱225.3 million, ₱125.4 million, ₱303.1 million, ₱242.7 million and ₱146.0 million for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, respectively. Outstanding payable to IETC amounted to ₱33.0 million, ₱28.6 million, ₱34.7 million, ₱25.3 million and ₱27.4 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively.

g. The Group also purchased other goods and services from various related parties. These are settled within the respective related parties' normal settlement period. Total related transactions amounted to ₱196.3 million, ₱226.6 million, ₱384.4 million, ₱362.6 million and ₱449.9 million for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, respectively. Outstanding payable for these transactions amounted to ₱72.2 million, ₱75.0 million, ₱117.6 million,

₱64.8 million and ₱300.0 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively.

h. *Intermediate Parent*
In 2021, the Group and San Miguel Holdings Corp. (SMHC) entered into a Shared Services Agreement wherein the Group agreed to pay SMHC an annual fee for the Shared Services rendered by SMHC on behalf of the Group. The Group also agreed to reimburse SMHC for all out-of-pocket expenses, incurred by SMHC in the performance of the Shared Services and all costs and expenses incurred by SMHC in rendering any service, at the request of the Group not covered by the Shared Services Agreement.

Due to a Related Party

Due to a related party pertains to liability to AAIBV which represents the transaction costs incurred in obtaining the loan facilities which were paid by a related party in behalf of the Group.

Key Management Personnel Compensation

The compensation of key management personnel for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021 follows:

	Six-Month Period Ended June 30		Years Ended December 31		
	2024	2023	2023	2022	2021
Short-term employee benefits	₱12,858	₱12,735	₱26,864	₱27,184	₱26,803
Post-employment benefits	6,071	9,242	18,483	14,752	13,025
	₱18,929	₱21,977	₱45,347	₱41,936	₱39,828

There are no share-based payments, termination benefits and other long-term benefits provided to the key management personnel of the SMC Tollways Group.

Transactions with Promoters

Apart from the purchase of SKYWAY shares from Atlantic Aurum Investments B.V. and Terramino, the Company does not have any other transactions with promoters.

LEGAL PROCEEDINGS

Neither SMC Tollways nor any of its subsidiaries is a party to nor its properties subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the issuance of the Bonds or on the results of the financials and the operations of SMC Tollways. Furthermore, neither the Company nor any of its subsidiaries have been the subject of any bankruptcy, insolvency, receivership, or similar petitions or proceedings.

SELECTED FINANCIAL INFORMATION

The summary financial and operating information of the Company presented below as at and for the period ended June 30, 2024 (with comparative figures as at December 31, 2023, 2022, and 2021 and for the period ended June 30, 2023) were derived from the consolidated financial statements of the SMC Tollways and its subsidiaries, audited by Reyes Tacandong & Co. and prepared in compliance with the Philippine Financial Reporting Standards ("**PFRS**"). The information below should be read in conjunction with the consolidated financial statements of the Company and the related notes thereto, which are included in Appendix A of this Prospectus. The historical financial condition, results of operations and cash flows of the Company are not a guarantee of its future operating and financial performance.

Consolidated Statement of Income

(Amounts in Thousands)	**For the Years Ended December 31**			**For the Six Months Ended June 30**	
	2021	**2022**	**2023**	**2023**	**2024**
REVENUE					
Revenue from toll operations	₱10,103,293	₱16,650,095	₱19,860,979	₱9,643,600	₱10,330,787
Toll operation and maintenance fee	375,000	365,000	405,000	202,500	202,500
	10,478,293	17,015,095	20,265,979	9,846,100	10,533,287
COST OF SERVICES	(3,306,026)	(4,940,209)	(5,778,992)	(2,831,789)	(2,964,116)
GROSS PROFIT	7,172,267	12,074,886	14,486,987	7,014,311	7,569,171
OPERATING EXPENSES	(1,359,470)	(954,945)	(1,119,516)	(500,583)	(564,361)
	5,812,797	11,119,941	13,367,471	6,513,728	7,004,810
OTHER INCOME (CHARGES) - Net	(3,282,550)	(4,175,222)	(3,437,154)	(1,801,943)	(1,395,389)
INCOME BEFORE INCOME TAX	2,530,247	6,944,719	9,930,317	4,711,785	5,609,421
PROVISION FOR INCOME TAX	901,091	1,305,829	1,522,803	744,001	792,524
NET INCOME	₱1,629,156	₱5,638,890	₱8,407,514	₱3,967,784	₱4,816,897

Consolidated Statement of Financial Position

(Amounts in Thousands)	**December 31**			**June 30**	
	2021	**2022**	**2023**	**2023**	**2024**
ASSETS					
Current Assets					
Cash and cash equivalents	₱13,468,109	₱11,127,279	₱10,964,076	₱12,683,916	₱11,203,569
Restricted cash	3,630,995	6,398,948	8,463,304	6,712,935	9,162,815
Trade and other receivables	93,176	208,800	183,906	215,663	186,941
Input value-added tax (VAT)	4,861,126	4,390,552	3,798,884	4,038,435	3,361,210
Other current assets	673,461	572,822	341,189	632,767	377,538
Total Current Assets	₱ 22,726,867	₱22,698,401	₱23,751,359	₱24,283,716	₱24,292,073

(Forward)

(Amounts in Thousands)	December 31			June 30	
	2021	2022	2023	2023	2024
Service concession rights	₱82,883,980	₱82,697,934	₱80,308,715	₱81,467,680	₱79,537,383
Advances to contractors	1,909,955	1,152,538	185,117	1,164,567	234,887
Property and equipment	167,583	163,196	145,349	141,822	152,808
Right-of-use (ROU) assets	2,619	9,472	6,119	7,796	4,443
Computer software	2,220	–	–	–	–
Goodwill	483,452	483,452	483,452	483,452	483,452
Net deferred tax assets	54,306	25,452	27,153	25,419	27,477
Other noncurrent assets	82,111	83,645	24,878	16,361	37,345
Total Noncurrent Assets	85,586,226	84,615,689	81,180,783	83,307,097	80,477,795
	₱108,313,093	₱107,314,090	₱104,932,142	₱107,590,813	₱104,769,868
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts payable and other current liabilities	₱9,107,709	₱7,565,033	₱4,888,806	₱7,321,432	₱4,917,180
Current portion of:					
Long-term debt - net of debt issue costs	3,929,044	6,243,086	9,135,556	7,686,346	10,177,560
Provision for resurfacing and maintenance obligation	82,333	99,510	111,883	112,253	113,803
Lease liabilities	2,229	3,142	3,414	3,276	3,557
Dividends payable	318,023	388,731	283,316	452,349	135,760
Due to a related party	61,844	61,844	61,844	61,844	61,844
Income tax payable	267,149	321,904	280,499	295,774	341,201
Total Current Liabilities	13,768,331	14,683,250	14,765,318	15,933,274	15,750,905
Noncurrent Liabilities					
Noncurrent portion of:					
Long-term debt - net of debt issue costs	63,526,784	56,579,976	46,505,921	51,990,022	40,757,737
Provision for resurfacing and maintenance obligation	120,611	142,670	152,487	146,159	159,194
Retention payable	57,413	78,592	96,576	108,557	105,063
Lease liabilities	–	5,828	2,414	4,160	603
Net retirement liabilities	71,965	55,601	76,103	55,598	74,141
Net deferred tax liabilities	443,691	419,646	398,494	409,244	385,727
Total Noncurrent Liabilities	64,220,464	57,282,313	47,231,995	52,713,740	41,482,465
Total Liabilities	₱77,988,795	₱71,965,563	₱61,997,313	₱68,647,014	₱57,233,370

(Forward)

(Amounts in Thousands)	December 31			June 30	
	2021	2022	2023	2023	2024
Equity					
Common stock	₱6,953,846	₱6,953,846	₱6,953,846	₱6,953,846	₱6,953,846
Retained earnings	32,600,781	37,308,482	44,515,546	40,688,677	48,673,569
Other comprehensive loss	(6,305)	(2,128)	(13,117)	(2,128)	(13,117)
Other equity reserves	(13,594,274)	(13,594,274)	(13,594,274)	(13,594,274)	(13,594,274)
Equity attributable to equity holders of the Parent Company	25,954,048	30,665,926	37,862,001	34,046,121	42,020,024
Non-controlling interest	4,370,250	4,682,601	5,072,828	4,897,678	5,516,474
Total Equity	30,324,298	35,348,527	42,934,829	38,943,799	47,536,498
	₱108,313,093	₱107,314,090	₱104,932,142	₱107,590,813	₱104,769,868

Consolidated Statement of Cash Flow

(Amounts in Thousands)	For the Years Ended December 31			For the Six Months Ended June 30	
	2021	2022	2023	2023	2024
Net cash provided by operating activities	₱6,804,014	₱12,471,105	₱16,363,762	₱7,773,263	₱8,906,087
Net cash used in investing activities	(7,611,593)	(1,989,655)	(1,838,152)	(154,646)	(896,465)
Net cash provided by (used in) financing activities	2,679,524	(12,833,239)	(14,686,448)	(6,059,279)	(7,776,553)
Net effect of exchange rate changes on cash and cash equivalents	6,497	10,959	(2,365)	(2,701)	6,424
Net increase (decrease) in cash and cash equivalents	1,878,442	(2,340,830)	(163,203)	1,556,637	239,493
Cash and cash equivalents at beginning of period	11,589,667	13,468,109	11,127,279	11,127,279	10,964,076
Cash and cash equivalents at end of period	₱13,468,109	₱11,127,279	₱10,964,076	₱12,683,916	₱11,203,569

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

The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at as at and for the period ended June 30, 2024 (with comparative figures as at December 31, 2023 and for the period ended June 30, 2023). All the necessary adjustments to present fairly the Group's consolidated financial position, financial performance and cash flows as at June 30, 2024 and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards (PFRS) have been omitted.

The financial information appearing in this report is presented in Philippine Peso, which is the functional currency of the Parent Company. All financial information are rounded off to the nearest thousand (000), except when otherwise indicated.

I. FINANCIAL PERFORMANCE

June 2024 vs June 2023

(Amounts in Thousands)	For the Six Months Ended June 30		Horizontal Analysis Increase/(Decrease)		Vertical Analysis	
	2024	**2023**	**Amount**	**%**	**2024**	**2023**
REVENUE FROM TOLL OPERATIONS	**₱10,330,787**	₱9,643,600	₱687,187	7%	**98%**	98%
TOLL OPERATIONS AND MAINTENANCE FEE	**202,500**	202,500	-	0%	**2%**	2%
TOTAL REVENUE	**10,533,287**	9,846,100	687,187	7%	**100%**	100%
COST OF SERVICES	**(2,964,116)**	(2,831,789)	132,327	5%	**(28%)**	(29%)
GROSS PROFIT	**7,569,171**	7,014,311	554,860	8%	**72%**	71%
OPERATING EXPENSES	**(564,361)**	(500,583)	63,778	13%	**(5%)**	(5%)
OPERATING INCOME	**7,004,810**	6,513,728	491,082	8%	**67%**	66%
CONSTRUCTION REVENUE (COSTS)						
Construction revenue	**937,359**	436,150	501,209	115%	**9%**	4%
Construction costs	**(937,359)**	(436,150)	501,209	115%	**(9%)**	(4%)
	-	-	-		**-**	-
OTHER INCOME (CHARGES)						
Interest and other financing charges	**(2,014,914)**	(2,305,016)	(290,102)	(13%)	**(19%)**	(23%)
Interest income	**555,432**	452,429	103,003	23%	**5%**	5%
Rental income	**40,289**	34,867	5,422	16%	**0%**	0%
Proceeds from insurance claims	**11,829**	-	11,829	-	**0%**	0%
Net foreign exchange gain (loss)	**6,424**	(2,701)	9,125	338%	**0%**	0%
Others – net	**5,551**	18,478	(12,927)	(70%)	**0%**	0%
	(1,395,389)	(1,801,943)	(406,554)	(23%)	**(13%)**	(18%)
INCOME BEFORE INCOME TAX	**5,609,421**	4,711,785	897,636	19%	**53%**	48%
PROVISION FOR INCOME TAX	**792,524**	744,001	48,523	7%	**8%**	8%
NET INCOME	**4,816,897**	3,967,784	849,113	21%	**46%**	40%
Net income attributable to:						
Equity holders of the Parent Company	**₱4,158,023**	3,380,195	₱777,828	23%	**39%**	34%
Non-controlling interest	**658,874**	587,589	71,285	12%	**6%**	6%
NET INCOME	**₱4,816,897**	₱3,967,784	₱849,113	21%	**46%**	40%

For six months ended June 30, 2024, SMC SKYWAY achieved an Average Daily Traffic (ADT) of 276,483, higher by 2% from June 2023 ADT of 270,376, while MMSS3 achieved an ADT of 162,635, higher by 8% from June 2023 ADT of 150,410. Volumes increased across all vehicular classes

Revenue from toll operations amounted to ₱10,331 million, an increase of 7% from ₱9,644 million in June 2023.

Cost of services posted an increase of ₱132 million mainly due to higher manpower services and RFID subscriber management fee, additional amortization of Skyway Extension and recognition of depreciation expense on machinery and equipment acquired during the year, increase in PNCC share due to higher revenues of MMSS3 and SMC SKYWAY, increase in personnel costs due to salary adjustments and related benefits, increase in insurance due to higher Industrial All Risk, money guarantee and fidelity insurance offset by lower hardware and software maintenance.

Operating expenses posted an increase of ₱64 million mainly due to increase in repairs and maintenance due to higher server and transport maintenance, office renovation and acquisition of spare parts, increase in management fees, increase in taxes and licenses due to higher revenue tax base for business permits, increase in outside services due to higher manpower services, increase in personnel costs due to higher salary adjustments and related benefits offset by the decrease in corporate communication due to lower advertising expenses, decrease in depreciation and amortization due to fully depreciated assets this period and lower seminars and training and travel and transportation.

As a result, operating income increased by 8% to ₱7,005 million from ₱6,514 million driven by higher traffic volume.

For other income and charges, the Company recorded lower interest expense and other financing charges by ₱290 million due to lower outstanding balance of the long-term debt. Interest income increased by ₱103 million due to higher placements and time deposit rates while rent income also posted an increase of ₱5 million and proceeds were collected from insurance claims amounting to ₱12 million. The group incurred a net foreign exchange gain of ₱9 million.

Income tax expense was higher by 7% as a result of higher income tax from operations and increased final taxes from interest income.

2023 vs. 2022

(Amounts in Thousands)	For the Years Ended December 31		Horizontal Analysis Increase/(Decrease)		Vertical Analysis	
	2023	2022	Amount	%	2023	2022
REVENUE FROM TOLL OPERATIONS	**₱19,860,979**	₱16,650,095	₱3,210,884	19%	**98%**	98%
TOLL OPERATIONS AND MAINTENANCE FEE	**405,000**	365,000	40,000	11%	**2%**	2%
TOTAL REVENUE	**20,265,979**	17,015,095	3,250,884	19%	**100%**	100%
COST OF SERVICES	**(5,778,992)**	(4 940,209)	838,783	17%	**(29%)**	(29%)
GROSS PROFIT	**14,486,987**	12,074,886	2,412,101	20%	**71%**	71%
OPERATING EXPENSES	**(1,119,516)**	(954,945)	164,571	17%	**(6%)**	(6%)
OPERATING INCOME	**13,367,471**	11,119,941	2,247,530	20%	**66%**	65%
CONSTRUCTION REVENUE (COSTS)						
Construction revenue	**953,695**	2,621,388	(1,667,693)	(64%)	**5%**	15%
Construction costs	**(953,695)**	(2,621,388)	(1,667,693)	(64%)	**(5%)**	(15%)
OTHER INCOME (CHARGES)						
Interest and other financing charges	**(4,510,552)**	(4,871,784)	(361,232)	(7%)	**(22%)**	(29%)
Interest income	**961,571**	303,197	658,374	217%	**5%**	2%
Rental income	**73,988**	63,955	10,033	16%	**0%**	0%
Proceeds from insurance claims	**-**	284,235	(284,235)	(100%)	**0%**	2%
Net foreign exchange gain (loss)	**(2,365)**	10,959	(13,324)	(122%)	**0%**	0%
Others – net	**40,204**	34,216	5,988	18%	**0%**	0%
	(3,437,154)	(4,175,222)	(738,068)	(18%)	**(17%)**	(25%)
INCOME BEFORE INCOME TAX	**9,930,317**	6,944,719	2,985,598	43%	**49%**	41%
PROVISION FOR INCOME TAX	**(1,522,803)**	(1,305,829)	216,974	17%	**(8%)**	(8%)
NET INCOME	**₱8,407,514**	₱5,638,890	₱2,768,624	49%	**41%**	33%

(Forward)

(Amounts in Thousands)	For the Years Ended December 31		Horizontal Analysis Increase/(Decrease)		Vertical Analysis	
	2023	**2022**	**Amount**	**%**	**2023**	**2022**
Net income attributable to:						
Equity holders of the Parent Company	**₱7,207,064**	₱4,707,701	₱2,499,363	53%	**36%**	28%
Non-controlling interest	**1,200,450**	931,189	269,261	29%	**6%**	5%
NET INCOME	**₱8,407,514**	₱5,638,890	₱2,768,624	49%	**41%**	33%

For year 2023, Skyway achieved an Annual Average Daily Traffic (AADT) of 272,383 higher by 11% from 2022 AADT of 246,340. This was 6% higher than the pre-pandemic figures of 257,052, mainly brought about by increase in traffic flow with the easing of mobility restriction to Alert Level 1 beginning March 1, 2022. Volume increased across all classes, with classes 1 and 2 posting the highest increase of 11.1% and 12.1%, respectively.

MMSS3 achieved an AADT of 154,736 higher by 28% from 2022 AADT of 120,954. Volume increased across all classes, with classes 1 and 2 registering the highest increase of 25% and 128%, respectively.

Revenue from toll operations amounted to ₱19,861 million, an increase of 19% from ₱16,650 million in 2022. This was also 101% above the pre-pandemic figures of ₱9,859 million.

Increase in operations and maintenance fee of ₱40 million was due to inflationary increment intended to cover the daily operations and administrative expenses.

Cost of services posted an increase of ₱839 million mainly due to additional amortization of Skyway Extension and recognition of depreciation expense on machinery and equipment acquired during the year, increase in government shares which is directly proportional to the increase in toll revenue, increase in personnel costs due to salary adjustments and related benefits, increase in contracted services due to higher manpower services and RFID subscriber management fee, inflationary increase in operations fee, increase in insurance due to higher All Risk, money guarantee and fidelity insurance, increase in repairs and maintenance and increase in other expenses offset by the lower consumption from prior year of fuel and oil, and decrease in utilities .

Operating expenses posted an increase of ₱165 million mainly due to increased business tax expense, higher server and transport maintenance, office renovation and acquisition of spare parts, increase in personnel cost due to salary adjustments and related benefits, increase in management fee, higher advertising expenses and increase in merchant fees due to higher ETC replenishments via credit card offset by the decrease in depreciation and amortization due to fully depreciated assets this year and lower seminars and training and travel and transportation.

As a result, operating income increased by 20% to ₱13,367 million from ₱11,120 million driven by higher traffic volume due to easing of mobility from restrictions.

For other income and charges, the Company recorded lower interest and other financing charges by ₱361 million due to lower outstanding balance of the long-term debt. Interest income increased by ₱658 million due to higher placements and time deposit rates while rent income also posted an increase of ₱10 million. However, the group incurred a net foreign exchange loss of ₱13 million.

Income tax expense was higher by 17% as a result of higher current income tax by ₱114 million and final tax by ₱132 million offset by lower deferred tax by ₱29 million.

2022 vs. 2021

(Amounts in Thousands)	For the Years Ended December 31		Horizontal Analysis Increase/(Decrease)		Vertical Analysis	
	2022	**2021**	**Amount**	**%**	**2022**	**2021**
REVENUE FROM TOLL OPERATIONS	**₱16,650,095**	₱10,103,293	₱6,546,802	65%	**98%**	96%
TOLL OPERATIONS AND MAINTENANCE FEE	**365,000**	375,000	(10,000)	(3%)	**2%**	4%
TOTAL REVENUE	**17,015,095**	10,478,293	6,536,802	62%	**100%**	100%
COST OF SERVICES	**(4,940,209)**	(3,306,026)	1,634,183	49%	**(29%)**	(32%)
GROSS PROFIT	**12,074,886**	7,172,267	4,902,619	68%	**71%**	68%
OPERATING EXPENSES	**(954,945)**	(1,359,470)	(404,525)	(30%)	**(6%)**	(13%)
OPERATING INCOME	**11,119,941**	5,812,797	5,307,144	91%	**65%**	55%
CONSTRUCTION REVENUE (COSTS)						
Construction revenue	**2,621,388**	9,101,532	(6,480,144)	(71%)	**15%**	87%
Construction costs	**(2,621,388)**	(9,101,532)	(6,480,144)	(71%)	**(15%)**	(87%)
	-	-	-		-	-
OTHER INCOME (CHARGES)						
Interest and other financing charges	**(4,871,784)**	(3,517,873)	1,353,911	38%	**(29%)**	(34%)
Interest income	**303,197**	79,867	223,330	280%	**2%**	1%
Rental income	**63,955**	47,682	16,273	34%	**0%**	0%
Proceeds from insurance claims	**284,235**	39,588	244,647	618%	**2%**	0%
Net foreign exchange gain	**10,959**	6,497	4,462	69%	**0%**	0%
Others – net	**34,216**	61,689	(27,473)	(45%)	**0%**	1%
	(4,175,222)	(3,282,550)	892,672	27%	**(25%)**	(31%)
INCOME BEFORE INCOME TAX	**6,944,719**	2,530,247	4,414,472	174%	**41%**	24%
PROVISION FOR INCOME TAX	**(1,305,829)**	(901,091)	404,738	45%	**(8%)**	(9%)
NET INCOME	**₱5,638,890**	₱1,629,156	₱4,009,734	246%	**33%**	16%
Net income attributable to:						
Equity holders of the Parent Company	**₱4,707,701**	₱1,137,684	₱3,570,017	314%	**28%**	11%
Non-controlling interest	**931,189**	491,472	439,717	89%	**5%**	**5%**
NET INCOME	**₱5,638,890**	₱1,629,156	₱4,009,734	246%	**33%**	16%

For the year 2022, Skyway achieved an Annual Average Daily Traffic (AADT) of 246,340 higher by 23% from 2021 AADT of 199,466. This was 4% lower than the pre-pandemic figures of 257,052. Volume increased across all classes, with classes 1 and 2 recording the highest increase of 26% and 15%, respectively.

MMSS3 achieved an AADT of 120,954 higher by 54% from 2021 AADT of 78,479. Volume increased across all classes, with classes 1 and 2 reporting the highest increase of 50% and 108%, respectively.

Revenue from toll operations amounted to ₱16,650 million, an increase of 65% from ₱10,103 million in 2021. This is due to the full operation of Skyway Stage 3 Project for 2022.

Cost of services posted an increase of ₱1,634 million mainly due to full year amortization of Stage 3 Project in 2022, increase in government shares which is directly proportional to the increase in toll revenue, increase in provision and resurfacing obligations, increase in actual repairs and maintenance of hardware and software related to toll concession increase in personnel costs due to salary adjustments and related benefits, increase in operations fee due to full operations of Stage 3, increase in repairs and maintenance, increase in fuel and oil, and increase in other expenses offset by the decrease in contracted services due to Skyway's one time billing paid in 2021, and decrease in travel and transportation

Operating expenses posted a decrease of ₱405 million due to lower repairs and maintenance expenses, decrease in contracted services due to rationalization of traffic and security services, lower consumption in utilities, decrease in insurance, decrease in supplies, decrease in personnel costs and decrease in other expenses offset by the increases in management fee, merchant fees, postage and communication, amortization and fuel costs.

For other income and charges, the Company recorded higher interest and other financing charges of ₱1,354 million due to MMSS3's full year recognition of interest expense from long-term loans, previously capitalized to project cost of Stage 3 in the 1st half of 2021 and higher average daily loan balance of SMC Tollways in 2022 Interest income increased by ₱223 million due to higher placements and time deposit rates, increase in proceeds of insurance claims amounting to ₱245 million while rent income also posted an increase of ₱16 million. The group incurred a net foreign exchange gain of ₱4 million.

III. FINANCIAL POSITION

June 2024 vs December 2023

(Amounts in Thousands)	June 30	December 31	Horizontal Analysis Increase/(Decrease)		Vertical Analysis	
	2024	2023	Amount	%	2024	2023
ASSETS						
Current Assets						
Cash and cash equivalents	**₱11,203,569**	₱10,964,076	₱239,493	**2%**	**11%**	10%
Restricted cash	**9,162,815**	8,463,304	699,511	**8%**	**9%**	8%
Trade and other receivables	**186,941**	183,906	3,035	**2%**	**0%**	0%
Input value-added tax (VAT)	**3,361,210**	3,798,884	(437,674)	**(12%)**	**3%**	4%
Other current assets	**377,538**	341,189	36,349	**11%**	**0%**	0%
Total Current Assets	**24,292,073**	23,751,359	540,714	**2%**	**23%**	23%
Noncurrent Assets						
Service concession rights	**79,537,383**	80,308,715	(771,332)	**(1%)**	**76%**	77%
Advances to contractors	**234,887**	185,117	49,770	**27%**	**0%**	0%
Property and equipment	**152,808**	145,349	7,459	**5%**	**0%**	0%
Right-of-use (ROU) assets	**4,443**	6,119	(1,676)	**(27%)**	**0%**	0%
Goodwill	**483,452**	483,452	-	**0%**	**0%**	0%
Net of deferred tax asset	**27,477**	27,153	324	**1%**	**0%**	0%
Other noncurrent assets	**37,345**	24,878	12,467	**50%**	**0%**	0%
Total Noncurrent Assets	**80,477,795**	81,180,783	(702,988)	**(1%)**	**77%**	77%
	₱104,769,868	₱104,932,142	(₱162,274)	**(0%)**	**100%**	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and other current liabilities	**₱4,917,180**	₱4,888,806	₱28,374	**1%**	**5%**	5%
Current portion of:						
Long-term debt - net of debt issue costs	**10,177,560**	9,135,556	1,042,004	**11%**	**10%**	9%
Provision for resurfacing and maintenance obligation	**113,803**	111,883	1,920	**2%**	**0%**	0%
Lease liabilities	**3,557**	3,414	143	**4%**	**0%**	0%
Dividends payable	**135,760**	283,316	(147,556)	**(52%)**	**0%**	0%
Due to a related party	**61,844**	61,844	-	**0%**	**0%**	0%
Income tax payable	**341,201**	280,499	60,702	**22%**	**0%**	0%
Total Current Liabilities	**₱15,750,905**	₱14,765,318	₱985,587	**7%**	**15%**	14%

(Forward)

(Amounts in Thousands)	June 30	December 31	Horizontal Analysis Increase/(Decrease)		Vertical Analysis	
	2024	2023	Amount	%	2024	2023
Noncurrent Liabilities						
Noncurrent portion of:						
Long-term debt - net of debt issue costs	**₱40,757,737**	₱46,505,921	(₱5,748,184)	**(12%)**	**39%**	44%
Provision for resurfacing and maintenance obligation	**159,194**	152,487	6,707	**4%**	**0%**	0%
Retention payable	**105,063**	96,576	8,487	**9%**	**0%**	0%
Lease liabilities	**603**	2,414	(1,811)	**(75%)**	**0%**	0%
Net retirement liabilities	**74,141**	76,103	(1,962)	**(3%)**	**0%**	0%
Net deferred tax liabilities	**385,727**	398,494	(12,767)	**(3%)**	**0%**	0%
Total Noncurrent Liabilities	**41,482,465**	47,231,995	(5,749,530)	**(12%)**	**40%**	45%
Total Liabilities	**57,233,370**	61,997,313	(4,763,943)	**(8%)**	**55%**	59%
EQUITY						
Common stock	**6,953,846**	6,953,846	-	**0%**	**7%**	7%
Retained earnings	**48,673,569**	44,515,546	4,158,023	**9%**	**46%**	42%
Other comprehensive loss	**(13,117)**	(13,117)	-	**0%**	**0%**	0%
Other equity reserves	**(13,594,274)**	(13,594,274)	-	**0%**	**(13%)**	(13%)
Equity attributable to equity holders of the Parent Company	**42,020,024**	37,862,001	4,158,023	**11%**	**40%**	36%
Non-controlling Interest	**5,516,474**	5,072,828	443,646	**9%**	**5%**	5%
Total Equity	**47,536,498**	42,934,829	4,601,669	**11%**	**45%**	41%
	₱104,769,868	₱104,932,142	(₱162,274)	**(0%)**	**100%**	100%

Total assets as of June 30, 2024 amounted to ₱104,770 million from December 31, 2023 balance of ₱104,932 million.

Cash and cash equivalents amounted to ₱11,204 million, 2% higher from ₱10,964 million in 2023 mainly due to higher toll revenue collections after payment for capital expenditures, interest expense, income tax and toll road repairs and maintenance during the period.

Restricted cash amounted to ₱9,163 million, 8% higher from ₱8,463 million in 2023 was due to higher cash balance required by loan covenants and higher toll revenue.

Trade and other receivables increased from ₱184 million to ₱187 million mainly due to higher rental receivables.

Input VAT posted a decrease of ₱438 million due to higher output VAT from toll revenue claimed against input VAT.

Other current assets increased to ₱378 million from ₱341 million due to higher prepaid taxes due to higher prepaid taxes business permits payments.

Service concession rights posted a net decrease of ₱771 million mainly due to amortization of Service concession rights.

Advances to contractor's non-current posted an increase of ₱50 million was mainly due to additional payment for contractors for the year net of recoupment.

Property and equipment posted a net increase of ₱7 million was mainly due to acquisition of various fixed assets to be used in operations.

Other noncurrent assets increased of ₱12 million was mainly due to additional miscellaneous prepaid expenses.

Accounts payable and other current liabilities increased amounting to ₱28 million was mainly due to increase in current portion of retention payable and increase in refundable toll replenishments due to higher prepaid RFID load.

Dividends payable decreased to ₱148 million was due to payment of dividends to external parties.

Income tax payable increased of ₱61 million was mainly due to higher income tax based from last year.

Long term-debt net of debt issue cost posted a net decrease of ₱4,706 million due to principal payments.

Retention payable noncurrent posted an increase of ₱8 million due to on-going construction of Skyway Extension Project.

Total Equity as of June 30, 2024 amounted to ₱47,536 million, higher by 11% from December 31, 2023 balance of ₱42,935 million, mainly due to net income amounting to ₱4,817 million.

2023 vs. 2022

(Amounts in Thousands)	For the Years Ended December 31		Horizontal Analysis Increase/(Decrease)		Vertical Analysis	
	2023	**2022**	**Amount**	**%**	**2023**	**2022**
ASSETS						
Current Assets						
Cash and cash equivalents	**₱10,964,076**	₱11,127,279	(₱163,203)	(1%)	**10%**	10%
Trade and other receivables	**183,906**	208,800	(24,894)	(12%)	**0%**	0%
Restricted cash	**8,463,304**	6,398,948	2,064,356	32%	**8%**	6%
Input value-added tax (VAT)	**3,798,884**	4,390,552	(591,668)	(13%)	**4%**	4%
Other current assets	**341,189**	572,822	(231,633)	(40%)	**0%**	1%
Total Current Assets	**23,751,359**	22,698,401	1,052,958	5%	**23%**	21%
Noncurrent Assets						
Service concession rights	**80,308,715**	82,697,934	(2,389,219)	(3%)	**77%**	77%
Advances to contractors	**185,117**	1,152,538	(967,421)	(84%)	**0%**	1%
Property and equipment	**145,349**	163,196	(17,847)	(11%)	**0%**	0%
Right-of-use (ROU) assets	**6,119**	9,472	(3,353)	(35%)	**0%**	0%
Goodwill	**483,452**	483,452	-	0%	**0%**	0%
Net of deferred tax asset	**27,153**	25,452	1,701	7%	**0%**	0%
Other noncurrent assets	**24,878**	83,645	(58,767)	(70%)	**0%**	0%
Total Noncurrent Assets	**81,180,783**	84,615,689	(3,434,906)	(4%)	**77%**	79%
	₱104,932,142	₱107,314,090	(₱2,381,948)	(2%)	**100%**	100%

(Forward)

(Amounts in Thousands)	For the Years Ended December 31		Horizontal Analysis Increase/(Decrease)		Vertical Analysis	
	2023	**2022**	**Amount**	**%**	**2023**	**2022**
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and other current liabilities	**₱4,888,806**	₱7,565,033	(₱2,676,227)	(35%)	**5%**	7%
Current portion of:						
Long-term debt - net of debt issue costs	**9,135,556**	6,243,086	2,892,470	46%	**9%**	6%
Provision for resurfacing and maintenance obligation	**111,883**	99,510	12,373	12%	**0%**	0%
Lease liabilities	**3,414**	3,142	272	9%	**0%**	0%
Dividends payable	**283,316**	388,731	(105,415)	(27%)	**0%**	0%
Due to a related party	**61,844**	61,844	-	0%	**0%**	0%
Income tax payable	**280,499**	321,904	(41,405)	(13%)	**0%**	0%
Total Current Liabilities	**14,765,318**	14,683,250	82,068	1%	**14%**	14%
Noncurrent Liabilities						
Noncurrent portion of:						
Long-term debt - net of debt issue costs	**46,505,921**	56,579,976	(10,074,055)	(18%)	**44%**	53%
Provision for resurfacing and maintenance obligation	**152,487**	142,670	9,817	7%	**0%**	0%
Retention payable	**96,576**	78,592	17,984	23%	**0%**	0%
Lease liabilities	**2,414**	5,828	(3,414)	(59%)	**0%**	0%
Net retirement liability	**76,103**	55,601	20,502	37%	**0%**	0%
Net deferred tax liabilities	**398,494**	419,646	(21,152)	(5%)	**0%**	0%
Total Noncurrent Liabilities	**47,231,995**	57,282,313	(10,050,318)	(18%)	**45%**	53%
Total Liabilities	**61,997,313**	71,965,563	(9,968,250)	(14%)	**59%**	67%
Equity						
Common stock	**6,953,846**	6,953,846	-	0%	**7%**	6%
Retained earnings	**44,515,546**	37,308,482	7,207,064	19%	**42%**	35%
Other comprehensive loss	**(13,117)**	(2,128)	10,989	516%	**0%**	0%
Other equity reserves	**(13,594,274)**	(13,594,274)	-	0%	**(13%)**	(13%)
Equity attributable to equity holders of the Parent Company	**37,862,001**	30,665,926	7,196,075	23%	**36%**	29%
Non-controlling interest	**5,072,828**	4,682,601	390,227	8%	**5%**	4%
Total Equity	**42,934,829**	35,348,527	7,586,302	21%	**41%**	33%
	₱104,932,142	₱107,314,090	(₱2,381,948)	(2%)	**100%**	100%

Total assets as of December 31, 2023 amounted to ₱104,932 million, lower by 2% from December 31, 2022 balance of ₱107,314 million.

Cash and cash equivalents in 2023 amounted to ₱10,964 million, 1% lower from ₱11,127 million in 2022 after payment for capital expenditures, interest expense, income tax and toll road repairs and maintenance during the period.

Restricted cash amounted to ₱8,463 million, 32% higher from ₱6,399 million in 2023 was due to higher cash balance required by loan covenants and higher toll revenue.

Trade and other receivables went down from ₱209 million to ₱184 million. The decrease was mainly due to lower inter-concession receivables. Inter-concession receivables are normally settled within a 30-day period. Collections of rent receivables from external parties and increase in allowance for impairment.

Input VAT posted a decrease of ₱592 million due to higher output VAT from toll revenue claimed against input VAT.

Other current assets decreased from ₱573 million to ₱341 million mainly due to amortization of deferred input VAT.

Service concession rights posted a net decrease of ₱2,389 million mainly due to amortization of concession rights.

Property and equipment posted a net decrease of ₱18 million mainly due to depreciation of fixed assets.

Non-current advances to contractors decreased by ₱967 million due to recoupment in progress billings.

Accounts payable and other current liabilities decreased amounting to ₱2,676 million was mainly due to payments to third party and released of retention payable current.

Dividends payable decreased to ₱105 million was due to payment of dividends to external parties.

Income tax payable increased of ₱41 million was mainly due to higher income tax based from last year.

Long term-debt net of debt issue cost posted a net decrease of ₱7,182 million due to principal payments.

Provision for resurfacing and maintenance obligation posted an increase of ₱22 million due to adjusted maintenance forecast

Retention payable noncurrent posted an increase of ₱18 million due to on-going construction of Skyway Extension Project.

Total Equity as of December 31, 2023 amounted to ₱42,935 million, higher by 21% from December 31, 2022 balance of ₱35,349 million mainly due to a net income of ₱8,408 million.

2022 vs. 2021

(Amounts in Thousands)	**For the Years Ended December 31**		**Horizontal Analysis Increase (Decrease)**		**Vertical Analysis**	
	2022	**2021**	**Amount**	**%**	**2022**	**2021**
ASSETS						
Current Assets						
Cash and cash equivalents	**₱11,127,279**	₱13,468,109	(₱2,340,830)	(17%)	**10%**	12%
Restricted cash	**6,398,948**	3,630,995	2,767,953	76%	**6%**	3%
Trade and other receivables	**208,800**	93,176	115,624	124%	**0%**	0%
Input value-added tax (VAT)	**4,390,552**	4,861,126	(470,574)	(10%)	**4%**	4%
Other current assets	**572,822**	673,461	(100,639)	(15%)	**1%**	1%
Total Current Assets	**22,698,401**	22,726,867	(28,466)	(0%)	**21%**	21%
Noncurrent Assets						
Service concession rights	**82,697,934**	82,883,980	(186,046)	(0%)	**77%**	77%
Advances to contractors	**1,152,538**	1,909,955	(757,417)	(40%)	**1%**	2%
Property and equipment	**163,196**	167,583	(4,387)	(3%)	**0%**	0%
Right-of-use (ROU) assets	**9,472**	2,619	6,853	262%	**0%**	0%
Computer software	**-**	2,220	(2,220)	(100%)	**0%**	0%
Goodwill	**483,452**	483,452	-	0%	**0%**	0%
Net of deferred tax asset	**25,452**	54,306	(28,854)	(53%)	**0%**	0%
Other noncurrent assets	**83,645**	82,111	1,534	2%	**0%**	0%
Total Noncurrent Assets	**84,615,689**	85,586,226	(970,537)	(1%)	**79%**	79%
	₱107,314,090	₱108,313,093	(₱999,003)	(1%)	**100%**	100%

(Forward)

(Amounts in Thousands)	For the Years Ended December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2022	**2021**	**Amount**	**%**	**2022**	**2021**
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and other current liabilities	**₱7,565,033**	₱9,107,709	(₱1,542,676)	(17%)	**7%**	8%
Current portion of:						
Long-term debt - net of debt issue costs	**6,243,086**	3,929,044	2,314,042	59%	**6%**	4%
Provision for resurfacing and maintenance obligation	**99,510**	82,333	17,177	21%	**0%**	0%
Lease liabilities	**3,142**	2,229	913	41%	**0%**	0%
Dividends payable	**388,731**	318,023	70,708	22%	**0%**	0%
Due to a related party	**61,844**	61,844	-	0%	**0%**	0%
Income tax payable	**321,904**	267,149	54,755	20%	**0%**	0%
Total Current Liabilities	**14,683,250**	13,768,331	914,919	7%	**14%**	13%
Noncurrent Liabilities						
Noncurrent portion of:						
Long-term debt - net of debt issue costs	**56,579,976**	63,526,784	(6,946,808)	(11%)	**53%**	59%
Provision for resurfacing obligation	**142,670**	120,611	22,059	18%	**0%**	0%
Retention payable	**78,592**	57,413	21,179	37%	**0%**	0%
Lease liabilities	**5,828**	-	5,828	-%	**0%**	0%
Net retirement liabilities	**55,601**	71,965	(16,364)	(23%)	**0%**	0%
Net deferred tax liabilities	**419,646**	443,691	(24,045)	(5%)	**0%**	0%
Total Noncurrent Liabilities	**57,282,313**	64,220,464	(6,938,151)	(11%)	**53%**	59%
Total Liabilities	**71,965,563**	77,988,795	(6,023,232)	(8%)	**67%**	72%
Equity						
Common stock	**6,953,846**	6,953,846	-	0%	**6%**	6%
Retained earnings	**37,308,482**	32,600,781	4,707,701	14%	**35%**	30%
Other comprehensive loss	**(2,128)**	(6,305)	(4,177)	(66%)	**0%**	0%
Other equity reserves	**(13,594,274)**	(13,594,274)	-	0%	**(13%)**	(13%)
Equity attributable to equity holders of the Parent Company	**30,665,926**	25,954,048	4,711,878	18%	**29%**	24%
Non-controlling interest	**4,682,601**	4,370,250	312,351	7%	**4%**	4%
Total Equity	**35,348,527**	30,324,298	5,024,229	17%	**33%**	28%
	₱107,314,090	₱108,313,093	(₱999,003)	(1%)	**100%**	100%

Total assets as of December 31, 2022 amounted to ₱107,314 million, lower by 1% from December 31, 2021 balance of ₱108,313 million.

Cash and cash equivalents amounted to ₱11,127 million, 17% lower from ₱13,468 million in 2021 after payment for capital expenditures, interest expense, income tax and toll road repairs and maintenance during the period.

Restricted cash amounted to ₱6,399 million, 76% higher from ₱3,631 million in 2021 was due to higher cash balance required by loan covenants and higher toll revenue.

Trade and other receivables went up to ₱209 million from ₱93 million. The increase was mainly due to higher interest receivables from 2021 to 2022 and higher toll receivables from third party and O&M fee receivable.

Input VAT posted a decreased of ₱471 million due to higher output VAT from toll revenue claimed against input VAT.

Other current assets posted a decrease of ₱101 million due to amortization of deferred input VAT.

Service concession rights posted a net decrease of ₱186 million mainly due to amortization of service concession rights.

Advances to contractors non-current posted a decrease of ₱757 million, which was mainly due to recoupment.

Accounts payable and other current liabilities decreased amounting to ₱1,543 million was mainly due to payments to third party and released of retention payable current.

Dividends payable increased to ₱71 million was mainly due to additional dividends to external parties.

Income tax payable increased of ₱55 million was mainly due to higher income tax based from last year.

Long term-debt net of debt issue cost posted a net decrease of ₱4,633 million was mainly due to principal payments.

Provision for resurfacing and maintenance obligation posted an increase of ₱39 million due to adjusted maintenance forecast

Retention payable noncurrent posted an increase of ₱21 million due to on-going construction of Skyway Extension Project.

Total Equity as of December 31, 2022 amounted to ₱35,349 million, higher by 17% from December 31, 2021 balance of ₱30,324 million, due to annual net income of ₱5,639 million.

IV. Cash Flow

(Amounts in Thousands)	**June 30**	
	2024	2023
Net cash provided by operating activities	**₱8,906,087**	₱7,773,263
Net cash used in investing activities	**(896,465)**	(154,646)
Net cash used in financing activities	**(7,776,553)**	(6,059,279)

Net cash provided by operating activities basically consists of income for the year and changes in noncash current assets, certain current liabilities and others.

Pertain to cash generated from income from operations net of movements in working capital. Increase in cash flows from operating activities is due to the increase in cash collections as a result of higher traffic in Skyway and Stage 3.

Net cash used in investing activities included the following:

(Amounts in Thousands)	**June 30**	
	2024	2023
Additions to:		
Service concession rights	**(₱937,359)**	(₱436,150)
Property and equipment	**(32,811)**	(9,108)
Additions to retention payable	**134,179**	234,973
Decrease (increase) in:		
Advances to contractors	**(49,770)**	(12,029)
Other noncurrent assets	**(12,467)**	67,284
Proceeds from disposal of property and equipment	**1,763**	384

Includes capital expenditures for service concession rights of MMSS3 and SMC SKYWAY, and property and equipment of SMC SKYWAY, SOMCO, and MMSS3. The decrease was mainly due to lower capital expenditures in June 2024 compared to 2023.

Net cash used in financing activities included the following:

(Amounts in Thousands)	June 30	
	2024	**2023**
Payments of:		
Long-term debt	**(₱4,775,456)**	(₱3,214,551)
Interest	**(1,937,008)**	(2,220,104)
Dividends to non-controlling interest	**(362,784)**	(308,894)
Lease liabilities	**(1,794)**	(1,743)
Increase in restricted cash	**(699,511)**	(313,987)

Net cash used in financing activities resulted mainly from scheduled principal payments and prepayments (cash sweep).

The effect of exchange rate changes on cash and cash equivalents amounted to a gain of ₱6 million and loss of ₱3 million on June 30, 2024 and December 31, 2023.

V. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of the previous year. Please refer to Items II “Financial Performance” and III “Financial Position” for the discussion of certain Key Performance Indicators.

Ratio	Formula	**June 30, 2024**	December 31, 2023
Liquidity			
Current ratio			
	Total Current Assets	**24,292,073**	23,751,359
	Divided by: Total Current Liabilities	**15,750,905**	14,765,318
	Current ratio	**1.5x**	1.6x
Acid test ratio			
	Total Current Assets	**24,292,073**	23,751,359
	Less: Other current assets	**(377,538)**	(341,189)
	Quick assets	**23,914,535**	23,410,170
	Divided by: Total Current Liabilities	**15,750,905**	14,765,318
	Acid test ratio	**1.5x**	1.6x
Solvency			
Debt-to-equity ratio			
	Total long-term debt	**50,935,297**	55,641,477
	Total equity	**47,536,498**	42,934,829
	Debt-to-equity ratio	**1.1x**	1.3x

Ratio	Formula	**June 30, 2024**	December 31, 2023
Asset-to-equity ratio			
	Total assets	**104,769,868**	104,932,142
	Total equity	**47,536,498**	42,934,829
	Asset-to-equity ratio	**2.2x**	2.4x
Solvency ratio			
	Net income before depreciation and amortization	**6,552,148**	11,812,372
	Total liabilities	**57,233,370**	61,997,313
	Solvency ratio	**0.1x**	0.2x
Profitability			
Return on equity			
	Net income	**4,816,897**	8,407,514
	Total equity	**47,536,498**	42,934,829
	Return on equity	**10.1%**	19.6%
Return on assets			
	Net income	**4,816,897**	8,407,514
	Total assets	**104,769,868**	104,932,142
	Return on assets	**4.6%**	8.0%
Net profit margin			
	Net income	**4,816,897**	8,407,514
	Total revenue	**10,533,287**	20,265,979
	Net profit margin	**45.7%**	41.5%

VI. Off-Balance Sheet Arrangements

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

VI. Other Matters

a. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.
b. There were no material changes in estimates of amounts reported in prior financial years.
c. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the liquidity of the Group.
d. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.
e. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual reporting date.
f. There was no material off statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period.

g. The effects of seasonality or cyclicality on the operations of the business of the Group are not material.
h. The Group's material commitments for capital expenditure projects have been approved for the current year and are still ongoing as of December 31, 2022. These consist of construction of the TR4 project and other enhancement and expansion projects. It also includes preventive replacement of equipment to ensure that the toll collection system, traffic and control surveillance system and other critical systems of tollway operations are in good working condition. These projects will continue to be funded either by internally generated funds, shareholder advances or long-term loans.
i. Effect of Ukraine-Russian War

   The ongoing conflict between Russia and Ukraine has no direct effect on the Group.

   Although traffic volume and toll revenue for the year ended December 31, 2023 have achieved the pre-pandemic levels, the extent to which the war's further impact on the Group's financials will depend on future developments and cannot be quantified yet as of March 13, 2024.

DESCRIPTION OF DEBT

Corporate Notes Facility Agreement (Loan Facility) of the Parent Company

On December 9, 2019, the Parent Company entered into a Loan Facility with local banks for a loanable amount of ₱41,200.0 million to refinance existing debt obligations and acquisition of investments for infrastructure projects. As at June 30, 2024, the loan facility was fully drawn.

The unamortized debt issue cost on the drawn loan balance amounting to ₱248.6 million, ₱339.9 million, ₱294.4 million, ₱381.4 million and ₱466.2 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively, is amortized using the effective interest rate method over the term of the loan.

The long-term debt bears interest rate of higher of a Benchmark Rate plus 1.75% per annum or a floor rate of 5.5% per annum divided by the interest premium factor, subject to repricing on the fifth year of the term. Effective interest rates are ranging from 5.75% to 6.2% in 2024, 2023, 2022 and 2021. The loan has a term of 10 years. Principal and interest are payable quarterly starting March 16, 2020.

The Parent Company, SMC SKYWAY, MMSS3 and S3HC are subject to loan covenants, such as but not limited to: (a) the Parent Company shall not declare, make or pay any dividend, charge, fee or other distribution; (b) certain financial ratios such as net debt of the Parent Company and SMC SKYWAY divided by EBITDA ratio of SMC SKYWAY, not to exceed 4.50x.

The security of the agreements includes the assignment of the rights title and interest of the Parent Company over its shareholding in SMC SKYWAY.

As at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, the Parent Company is in compliance with the covenants of the loan facility agreement except for the required net debt to EBITDA ratio in 2022 and 2021 for which the Parent Company obtained the necessary waivers. Accordingly, the loans are not reclassified to current liabilities in 2022 and 2021.

The total outstanding loan of the Parent Company with respect to the Corporate Notes will become due and demandable in the event of default, subject to relevant cure periods.

Omnibus Loan and Security Agreement (OLSA) of MMSS3

On December 15, 2014, MMSS3 entered into an Omnibus Loan and Security Agreement with various local banks for a loanable amount of up to ₱31,000.0 million. As at June 30, 2024, the Loan Facility is fully drawn.

The term of the Loan Facility is 12 years. The OLSA bears interest rate equal to the higher of the sum of the base rate and the margin or 6.25%, subject to repricing at the seventh year of the term of the loan.

The OLSA is payable in 35 unequal consecutive quarterly installments starting on the earlier of March 30, 2020 or one calendar quarter after issuance of toll operation certificate by TRB. MMSS3 may, at its option, prepay the loans in part or in full on any interest payment date after the 5th anniversary of the initial drawdown date, together with accrued interest thereon to the date of prepayment, subject to certain conditions.

The unamortized debt issue cost on the drawn loan balance amounting to ₱87.6 million, ₱136.6 million, ₱111.0 million, ₱162.9 million and ₱217.7 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively, is amortized using the effective interest rate method over the term of the loan. Effective interest rate ranges from 7.43% to 10.69% in 2024, 2023, 2022 and 2021. As a security for the timely payment, discharge, observance and performance of all the provisions of the OLSA, S3HC, acting as the Sponsor/Pledgor in the Loan Facility, grants the Security Trustee for the benefit of the Secured Parties, a continuing security interest of first priority in, all of its rights, title and interests in and to the common and preferred stock of the Group held by S3HC whether now owned or existing or hereafter acquired.

The OLSA amounting to ₱20,282.5 million, ₱24,759.6 million, ₱22,832.0 million, ₱26,686.2 million and ₱29,049.4 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively, represent syndicated project financing loans, of which corresponding service concession rights are assigned to the extent of the balance of the long-term debt.

The OLSA provides for certain general covenants and financial ratios. As at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, MMSS3 has complied with the required financial ratios.

The total outstanding loan of MMSS3 with respect to the OLSA will become due and demandable in the event of default, subject to relevant cure periods. The annual maturities of long-term debt are as follows:

	Gross Amount	Debt Issue Costs	Net
2025	₱10,294,600	₱117,040	₱10,177,560
2026	11,091,975	97,973	10,994,002
2027 and thereafter	29,884,883	121,148	29,763,735
	₱51,271,458	₱336,161	₱50,935,297

Restricted cash

OLSA

The OLSA requires the Group to open and maintain the following Security Trustee-Controlled Cash Flow Waterfall Accounts: Revenue Account, Debt Service Reserve Account and Debt Service Payment Account.

Loan Facility

The Loan Facility of the Parent Company with the creditors requires the Parent Company to maintain a bank account to hold dividends received from SMC SKYWAY for the purpose of principal and interest repayment and a separate reserve account.

Sources of restricted cash presented in the consolidated statements of financial position as follows:

	June 30		December 31		
	2024	2023	2023	2022	2021
Omnibus Loan and Security Agreement (OLSA) - MMSS3	**₱8,700,401**	₱6,204,046	₱7,985,134	₱5,871,083	₱3,070,731
Corporate Notes Facility (Loan Facility) - Parent	**462,414**	508,889	478,170	527,865	560,264
	₱9,162,815	₱6,712,935	₱8,463,304	₱6,398,948	₱3,630,995

Interest income from the restricted cash amounted to ₱264.1 million, ₱186.3 million, ₱411.2 million, ₱123.4 million and ₱9.1 million for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021, respectively.

EXTERNAL AUDIT FEES AND SERVICES

The aggregate fees billed by Reyes Tacandong & Co. amounted to ₱0.70 million, ₱0.70 million, and ₱0.68 million in 2023, 2022, and 2021 respectively. Said fees include compensation for audit services and other related services such as review and agreed-upon procedures. There were no fees paid for accounting, compliance, advisory, planning and any other form of tax. There were no other fees paid to the independent auditors other than for the above-described services.

The stockholders approve the appointment of the external auditors of the Company. The Audit and Risk Oversight Committee reviews the audit scope and coverage, strategy and results for the approval of the Board of Directors and ensures that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations. Likewise, the Audit and Risk Oversight Committee evaluates and determines any non-audit work performed by external auditors, including the fees therefor, and ensures that such work will not conflict with External Auditors' duties as such or threaten its independence.

There are no disagreements with the external auditors of the Company on accounting and financial disclosure.

INTEREST OF NAMED EXPERTS AND COUNSEL

Legal Matters

All legal opinions/matters as to Philippine law relating to the Offer will be passed upon by Picazo Buyco Tan Fider & Santos ("**Picazo Law**") for the Company and SyCip Salazar Hernandez & Gatmaitan Law Offices ("**SyCip Law**") for the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners. Picazo Law and SyCip Law have no direct or indirect ownership interest in the Company.

Picazo Law and SyCip Law may from time to time be engaged to advise in the transactions of the Company and perform legal services on the basis that Picazo Law and SyCip Law provide such services to its other clients.

Independent Auditors

The consolidated financial statements of the Company as at and for the years ended December 31, 2021, 2022, and 2023 have been audited by Reyes Tacandong & Co., independent auditors, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Prospectus.

The Audit and Risk Oversight Committee of the Company, reviews and monitors, among others, the integrity of all financial reports and ensures compliance with both internal financial management manual and pertinent accounting standards, including regulatory requirements. The Audit Committee and Risk Oversight also performs the following duties and responsibilities relating to the services of the Company's external auditors:

- Assess and monitor the (i) external auditor's professional qualifications, competence, independence and objectivity and require the external auditor to make the statements necessary under applicable auditing standards as regards its relationship and services to the Company, discussing any relationship or services which may derogate its independence or objectivity; and (ii) the effectiveness of the audit process in accordance with applicable standards.

- Obtain objective assurance from the external auditor that the conduct of the audit and the manner of the preparation of the financial statements comply with applicable auditing standards and rules of regulatory bodies, including exchanges on which the securities of the Company are listed.

- Review and approve the nature and scope of the audit plans of the external auditor, including scope, audit resources and expenses, and reporting obligations before the audit commences.

- Review the reports or communications of the external auditor and ensure that management or the Board will provide a timely response to the issues raised in such reports or communications.

- Ensure the development and implementation of policies on the engagement of an external auditor to supply non-audit work, including the fees payable therefor, and evaluate any non-audit work undertaken by the external auditor to ensure that the same does not conflict with its audit functions.

There is no arrangement that the experts and the independent counsels will receive a direct or indirect interest in the Issuer or was a promoter, underwriter, voting trustee, director, officer, or employee of the Issuer.

REGULATORY FRAMEWORK

The statements herein are based on the laws in force as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the regulatory and environmental considerations that may be relevant to the Company or the offering.

The following laws apply to corporations that construct and operate toll roads in the Philippines.

Revised Corporation Code

Republic Act No. 11232, also known as the Revised Corporation Code, was signed into law on February 20, 2019 and took effect on February 23, 2019. Among the notable amendments in the Revised Corporation Code are as follows: (i) corporations are now generally granted perpetual existence; (ii) a new section on one-person corporation was added; (iii) the requirement that at least 25% of the authorized capital stock must be subscribed, and at least 25% of the subscribed shares must be paid-up upon incorporation was removed; (iv) stockholders can now vote *in absentia*; (v) incorporators now include any person, partnership, association or corporation; and (vi) the powers of the SEC to prosecute and investigate offenses under the Revised Corporation Code has been expanded.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

PPP Code and its Implementing Rules and Regulations

Republic Act No. 11966, also known as the Public-Private Partnership (PPP) Code ("**PPP Code**") of the Philippines was signed into law on December 5, 2023 and took effect on December 23, 2023. The PPP Code codified all prior statutes, rules, and guidelines relating to the various PPP arrangements under one law and clarified all the ambiguities of the various and fragmented PPP legislations.

On March 21, 2024, the Implementing Rules and Regulations (IRR) to the PPP Code was signed, and took effect on April 6, 2024. It provides more clarity on the provisions of the PPP Code, especially with regard to (i) PPP approval requirements; (ii) terms and conditions of PPP contracts; and (iii) applicability of the provisions of the PPP Code for the new PPP projects, PPP projects which are already undergoing the approval process and for existing PPP Projects.

Registration under the Board of Investments

Under the Executive Order No. 226, otherwise known as the Omnibus Investments Code, as amended, a BOI-registered enterprise enjoy certain incentives, both financial and non-financial, provided such enterprise invests in preferred areas of investment enumerated in the Investment Priorities Plan annually prepared by the Government. However, prior to registration with the BOI, the enterprise must first satisfy the minimum equity required to finance the project applied equivalent to 25.0% of the estimated project cost, or as may be prescribed by the BOI. Such incentives include: (i) income tax holiday, (ii) exemption from taxes and duties on imported spare parts; (iii) exemption from wharfage dues and export tax, duty, impost and fees; (iv) reduction of the rates of duty on capital equipment, spare parts and accessories; (v) tax exemption on breeding stocks and genetic materials; (vi) tax credits; (vii) additional deductions from taxable income; (viii) employment of foreign nationals; simplification of customs procedure; and (x) unrestricted use of consigned equipment.

The CREATE Act, which took effect on April 11, 2021, sought to rationalize the tax incentives provided by investment promotion agencies, such as the BOI. In view of the effectivity of the CREATE Act, registered business enterprises with incentives granted prior to the effectivity of the CREATE Act shall be subject to the following rules:

(i) registered business enterprises whose projects or activities were granted only an income tax holiday prior to the effectivity of the law shall be allowed to continue to avail of the income tax holiday for the remaining period specified in the terms and conditions of their registration, provided that enterprises that have been granted the income tax holiday but have not yet availed of such incentive upon the effectivity of the law may use the income tax holiday for the period specified in the terms and conditions of their registration;

(ii) registered business enterprises whose projects or activities were granted an income tax holiday prior to the effectivity of the law and that are entitled to 5% tax on gross income earned incentive after the income tax holiday shall be allowed to avail of the 5% tax on gross income incentive subject to the ten-year limit under the CREATE Act; and

(iii) registered business enterprises currently availing of the 5% gross income earned incentive granted prior to the effectivity of the law shall be allowed to continue of such tax incentive for ten (10) years.

Local Government Code

Republic Act No. 7160, otherwise known as the Local Government Code of 1991 ("**LGC**") establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The LGC general welfare clause states that every LGU shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

The power to tax and police power is exercised by the LGU through their respective legislative bodies. Specifically, the LGU, through its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, impose real property taxes, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

Labor and Employment

The DOLE is the Philippine government agency mandated to formulate policies, implement programs and services, and serves as the policy-coordinating arm of the Executive Branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws such as the Labor Code of the Philippines and the Occupational Safety and Health Standards (which sets out, among others, the guidelines applicable to different establishments intended for the protection of every workingman against the dangers of injury, sickness or death through safe and healthful working conditions), as amended, and such other laws as specifically assigned to it or to the Secretary of the DOLE.

Occupational Safety and Health Standards Law

Republic Act No. 11058 or the Occupational Safety and Health Standards Law was signed into law in August 2018. Under this law, every employer, contractor, subcontractor, and any person who manages, controls, or supervises the work being undertaken is required, among others, to furnish the workers a place of employment free from hazardous conditions that are causing or are likely to cause death, illness or physical harm to the workers. The law also requires them to give complete job safety instructions or orientation and to inform the workers of all hazards associated with their work, health risks involved or to which they are exposed, preventive measures to eliminate or minimize the risks and steps to be taken in cases of emergency. Department Order No. 198, series of 2018 (D.O. 198) was promulgated by the DOLE to implement the provisions of the Occupational Safety and Health Standards Law. D.O. 198 classifies establishments as low, medium or high risk, and depending on the number of employees per establishment, provides for the corresponding requirements and provisions required of each employer, such as number of safety officers, occupational health officers and provision for health equipment and facilities.

Under the DOLE Labor Advisory No. 04, series of 2019 (Guide for Compliance of Establishments to D.O. 198), the establishment concerned shall be responsible for determining its own level of classification (low, medium, or high risk) based on Hazards Identification and Risk Assessment Control conducted by the company. The employer, project owner, contractor or subcontractor, if any, and any person who manages, controls or supervises the work being undertaken shall be jointly and solidarily liable for compliance with occupational safety and health standards, including the penalties imposed for any violations thereof.

Social Security System, PhilHealth and the Pag-IBIG Fund

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required under Republic Act No. 11199, the Social Security Act of 2018 to ensure coverage of employees following procedures set out by the law and the SSS. Under the said law, an employer must deduct from its employees their monthly contributions in an amount corresponding to his salary, wage, compensation or earnings during the month in accordance with the monthly salary credits, the schedule and the rate of contributions as may be determined and fixed by the Social Security Commission, pay its share of contribution and remit these to the SSS within a period set by law and/ or SSS regulations. This enables the employees or their dependents to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits and maternity-leave benefits.

The failure of the employer to comply with any of its obligations may lead to sanctions, including the imposition of a fine of not less than ₱5,000.00 nor more than ₱20,000.00, or imprisonment for not less than six years and one day nor more than 12 years, or both, at the discretion of the court. The erring employer will also be liable to the SSS for damages equivalent to the benefits to which the employee would have been entitled had his name been reported on time to the SSS and for the corresponding contributions and penalties thereon.

Employers are likewise required to ensure enrolment of its employees in a National Health Insurance Program ("**NHIP**") administered by the Philippine Health Insurance Corporation, a government corporation attached to the Department of Health tasked with ensuring sustainable, affordable and progressive social health insurance pursuant to the provisions of Republic Act No. 10606, the National Health Insurance Act of 2013.

On February 20, 2019, Republic Act No. 11223, the Universal Health Care Act, was enacted, which amended certain provisions of the National Health Insurance Act of 2013. Under the said law, all Filipino citizens are now automatically enrolled into the National Health Program. However, membership is classified into two types, direct contributors and indirect contributors. Direct contributors refer to those who have the capacity to pay premiums, are gainfully employed and are bound by an employer-employee relationship, or are self-earning, professional practitioners, migrant workers, including their qualified dependents, and lifetime members. On the other hand, indirect contributors refer to all others not included as direct contributors, as well as their qualified dependents, whose premium shall be subsidized by the national government including those who are subsidized as a result of special laws. Every member is also granted immediate eligibility for health benefit package under the program. An employer who fails or refuses to register its employees, regardless of their employment status, or to deduct contributions from its employees' compensation or remit the same to our Corporation shall be punished with a fine of not less than ₱5,000.00 multiplied by the total number of employees of the firm.

Under Republic Act No. 9679, the Home Development Mutual Fund Law of 2009, all employees who are covered by the SSS must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund. It is a national savings program as well as a fund to provide for affordable shelter financing to Filipino workers. Coverage under the HDMF is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold 2.0% of the employee's monthly compensation, up to a maximum of ₱5,000.00, and likewise make a counterpart contribution of 2.0% of the employee's monthly compensation, and remit the contributions to the HDMF. Refusal of an employer to comply, without any lawful cause or with fraudulent intent, particularly with respect to registration of employees as well as collection and remittance of contributions, is punishable by a fine of not less but not more than twice the amount involved, or imprisonment of not more than six years, or both such fine and imprisonment. When the offender is a corporation, the penalty will be imposed upon the members of the governing board and the president or general manager, without prejudice to the prosecution of related offenses under the Revised Penal Code and other laws, revocation and denial of operating rights and privileges in the Philippines and deportation when the offender is a foreigner.

The Labor Code

The Philippine Labor Code provides that, in the absence of a retirement plan provided by their employers, private-sector employees who have reached 60 years of age or more, but not beyond 65 years of age, the compulsory retirement age for private-sector employees without a retirement plan, and who have rendered at least five years of service in an establishment, may retire and receive a minimum retirement pay equivalent to one-half month's salary for every year of service, with a fraction of at least six months being considered as one whole year. For the purpose of computing the retirement pay, "one-half month's salary" shall include all of the following: fifteen days' salary based on the latest salary rate; in addition, one-twelfth of the thirteenth month pay and the cash equivalent of five days of service incentive leave pay. Other benefits may be included in the computation of the retirement pay upon agreement of the employer and the employee or if provided in a collective bargaining agreement.

Other Labor-Related Laws and Regulations

Contracting and Subcontracting

The Labor Code recognizes subcontracting arrangements, whereby a principal puts out or farms out with a contractor the performance or completion of a specific job, work or service within a definite or predetermined period, regardless of whether such job, work or service is to be performed or completed within or outside the premises of the principal. Such arrangements involve a "trilateral relationship" among: (i) the principal who decides to farm out a job, work or service to a contractor; (ii) the contractor who has the capacity to independently undertake the performance of the job, work, or service; and (iii) the contractual workers engaged by the contractor to accomplish the job, work, or service.

On March 16, 2017, the DOLE issued DOLE Department Order No. 174-17 or Rules Implementing Articles 106 to 109 of the Labor Code, as Amended ("**D.O. No 174-17**"), under the principle that non-permissible forms of contracting and subcontracting arrangements undermine the constitutional and statutory right to security of tenure of workers. D.O. No 174-17 empowered the Secretary of Labor and Employment to regulate contracting and subcontracting arrangement by absolutely prohibiting labor-only contracting, and restricting job contracting allowed under the provisions of the Labor Code. Labor-only contracting refers to arrangement where the contractor or subcontractor merely recruits, supplies or places workers to perform a job or work for a principal, and the contractor or subcontractor does not have substantial capital, or the contractor or subcontractor does not exercise the right to control over the performance of the work of the employee. D.O. No. 174-17 expressly requires the registration of contractors with the Regional Office of the DOLE where it principally operates, without which, a presumption that the contractor is engaged in labor-only contracting arises.

The Department Order provides that in the event that there is a finding that the contractor or subcontractor is engaged in labor-only contracting and other illicit forms of employment arrangements, the principal shall be deemed the direct employer of the contractor's or subcontractor's employees. Further, in the event of violation of any provision of the Labor Code, including the failure to pay wages, there exists a solidary liability on the part of the principal and the contractor for purposes of enforcing the provisions of the Labor Code and other social legislations, to the extent of the work performed under the employment contract.

DOLE Mandated Work-Related Programs

Under Republic Act No. 9165 or the Comprehensive Dangerous Drugs Act, a national drug abuse prevention program implemented by the DOLE must be adopted by private companies with 10 or more employees. For this purpose, employers must adopt and establish company policies and programs against drug use in the workplace in close consultation and coordination with the DOLE, labor and employer organizations, human resource development managers and other such private sector organizations. DOLE Department Order No. 053-03 sets out the guidelines for the implementation of Drug-Free Workplace policies and programs for the private sector.

The employer or any other person of authority, influence or moral ascendancy in a workplace also has the duty to prevent, deter, or punish the performance of gender-based sexual harassment in the workplace. In line with this, the employer or person of authority has the following responsibilities: (1) to disseminate or post a copy of the Safe Spaces Act to all persons in the workplace, (2) to provide measures to prevent gender-based sexual harassment in the workplace, (3) to create an independent internal mechanism that will investigate and address complaints of gender-based sexual harassment, and (4) to provide and disseminate a code of conduct or workplace policy which expressly reiterate the prohibition on gender-based sexual harassment. Under the Safe Spaces Act, the employer may be held liable for the non-implementation of its duties under the law and, once convicted, shall be penalized with a fine of not less than ₱5,000 nor more than ₱10,000. The employer may also be liable for not taking action on reported acts of gender-based sexual harassment committed in the workplace and, once convicted, shall be penalized with a fine of not less than ₱10,000 nor more than ₱50,000. Any action arising from the violation of the provisions of this law on gender-based sexual harassment shall prescribe in five (5) years.

Moreover, Department Order No. 102-10 requires all private workplaces to have a policy on HIV and AIDS and to implement a workplace program in accordance with the Philippines AIDS Prevention and Control Act. The workplace policies aim to manage sensitive issues, such as confidentiality of medical information and continuation of employment for HIV-positive staff, and to avoid the discrimination of any employee due to HIV/AIDS. Any HIV/AIDS-related information of workers should be kept strictly confidential and kept only on medical files, whereby access to it are strictly limited to medical personnel. Under DOLE Labor Advisory No. 22-2023, employers are encouraged to provide their employees requiring HIV/AIDS-related health services with paid leave benefit on top of existing leave benefits under existing company policy.

All private workplaces are also required to establish policies and programs on solo parenting, Hepatitis B, mental health, and tuberculosis prevention and control.

Data Privacy Act of 2012

Republic Act No. 10173 or the Data Privacy Act of 2012 is a comprehensive and strict privacy legislation aimed to protect the fundamental human right to privacy of data subjects by: (a) protecting the privacy of individuals while ensuring free flow of information; (b) regulating the collection, recording, organization, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure or destruction of personal data; and (c) ensuring that the Philippines complies with international standards set for data protection through National Privacy Commission ("**Privacy Commission**").

Intended to protect the privacy of individuals, it mandates companies to inform the individuals about how their personal information are collected and processed. It also ensures that all personal information must be (a) collected and processed with lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (b) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; and (c) discarded properly to avoid access by unauthorized third parties.

Its Implementing Rules and Regulations ("**IRR**") took effect on September 9, 2016, mandating all Philippines companies to comply with the following: (a) appointment of a Data Protection Officer; (b) conduct of a privacy impact assessment; (c) adoption of a privacy management program and privacy policy; (d) implement privacy and data protection measures; and (e) establish a breach reporting procedure. In addition, companies with at least 250 employees or access to sensitive personal information of at least 1,000 individuals are required to register their data processing systems with the Privacy Commission. The IRR, furthermore provides the only instances when data sharing is allowed, to wit: (a) data sharing is authorized by law, provided that there are adequate safeguards for data privacy and security, and processing adheres to principles of transparency, legitimate purpose and proportionality; (b) in the private sector, data sharing for commercial purposes is allowed upon (i) consent of data subject, and (ii) when covered by a data sharing agreement; (c) data collected from parties other than the data subject for purpose of research shall be allowed when the personal data is publicly available; and (d) data sharing among government agencies for purposes of public function or provision of a public service shall be covered by a data sharing agreement.

Intellectual Property Code

Under the Intellectual Property Code of the Philippines, as amended, the rights to a trademark are acquired through the registration with the Bureau of Trademarks of the Intellectual Property Office, which is the principal government agency involved in the registration of brand names, trademarks, patents and other registrable intellectual property materials.

Upon registration, the Intellectual Property Office shall issue a certificate of registration to the owner of the mark, which shall confer the right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the mark is registered. The said certificate of registration shall also serve as *prima facie* evidence of the validity of registration and the registrant's ownership of the mark. A certificate of registration shall remain in force for an initial period of ten (10) years and may be renewed for periods of ten (10) years at its expiration.

Toll Regulatory Board

The TRB was created under P.D. No. 1112 for the regulation of toll facilities and operates as an attached agency of the DOTC. Pursuant to Executive Order No. 133 s. 2013, in relation to PD No. 1112, the TRB is authorized and empowered to enter into contracts or TOA on behalf of the ROP with qualified persons or entities, for the construction, operation and maintenance of toll facilities such as but not limited to national highways, roads, bridges, and public thoroughfares. The TOA is subject to the approval of the President of the Philippines and has a fixed term not exceeding 50 years.

The TRB is also the issuing authority of the Toll Operation Certificates ("**TOC**"). The TOC is the authority granted to qualified persons, to develop, improve, upgrade, expand, rehabilitate, reconstruct, modernize and/or construct/build and operate and maintain a toll facility. The TOC has a fixed term not exceeding 50 years and may be amended, modified or revoked by the TRB whenever the public interest so requires subject to the payment of just compensation, if any is due.

The privilege to operate toll facilities in the Philippines is no longer limited by nationality restrictions, provided there is no ownership of land. Section 11, Article XII of the 1987 Constitution (the "**Constitution**") provides that a franchise, certificate, or any other form of authorization for the operation of a public utility can only be granted to Filipino citizens or corporations or associations organized under Philippine laws at least 60.0% of whose capital is owned by Filipinos. Moreover, Article XII, Section 7 of the Constitution, in relation to Article XII, Section 2 of the Constitution and Chapter 5 of Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60.0% of whose capital is owned by such citizens.

However, the operation of toll facilities is not classified as a public utility under Commonwealth Act No. 146, as amended by Republic Act No. 11659 (the "**Public Service Act**"). Section 13 of the Public Service Act provides that a public utility refers to a public service that operates, manages, or controls for public use any of the following: (i) distribution of electricity, (ii) transmission of electricity, (iii) petroleum and petroleum products pipeline transmission systems, (iv) water pipeline distribution systems and wastewater pipeline systems, (v) seaports, and (vi) public utility vehicles. In relation to the Constitution, only public utilities as listed in the Public Service Act are subject to nationality restrictions.

Any other public service not defined as a public utility, such as the operation of toll facilities, including the imposition of toll fees, are deemed as a business affected with public interest under Article XII, Sections 17 and 18 of the Constitution and are not subject to nationality restrictions, *provided* that there is no ownership of land, but shall still be regulated by the relevant administrative agency. The Constitution grants the Government the power to take over the operation of businesses affected with public interest in times of national emergency, when the public interest so requires, or in the interest of national welfare or defense, upon payment of just compensation.

In light of the latest amendments to the Public Service Act, the operation and maintenance of toll facilities is no longer a public utility and thus not subject to nationality restrictions. However, it is still deemed as a public service subject to the regulation of the TRB.

Among the operation and maintenance facilities of toll facilities which may form part of a TOC or a TOA, include: (a) For operation: (i) toll collection system, (ii) traffic control system, (iii) tollroad patrol and vehicle control with communications system, (iv) facilities for assistance of disabled vehicles and in case of emergencies, (v) information service and message sign boards, (vi) vehicle regulation facilities, (vii) telephone and lighting facilities, and, (viii) emergency operations; and (b) For maintenance (i) patrolling and inspection facility, (ii) road cleaning and obstruction control, (iii) electricity and water supply, (iv) repavement facilities, steel bridge painting, bridge strengthening, interchange improvement, parking area improvement, slope protection, pavement painting and the like, (v) disaster prevention and reaction facilities, and (vi) environmental enhancement and protection.

Aside from the power to grant an administrative franchise, the TRB is also vested with the power to issue, modify and promulgate toll rates, and upon notice and hearing, to approve or disapprove petitions for the increase thereof. The procedures for approval of initial, adjusted or periodic toll rates as well as approval of provisional toll rates are governed by the 2013 Revised Rules of Procedure of the TRB.

In line with the DOTr's policy to ensure a more efficient flow of traffic within expressways, toll facility concessionaires and operators are required to transition to a one-hundred percent electronic toll collection system. The TRB has also issued minimum performance standards which covers toll collection, monitoring of user complaints, and public relations applicable to all expressways under TRB's jurisdiction.

PNCC

The PNCC, formerly known as the Construction and Development Corporation of the Philippines, was granted under P. D. No. 1113 a legislative franchise to construct, maintain and operate toll facilities in the North Luzon and South Luzon Expressways (the "**NLEX**" and "**SLEX**" respectively), with the right to collect fees at such rates as may be fixed by the TRB. TRB and PNCC signed in October 1977, a Toll Operation Agreement ("**TOA**") on the North Luzon and SMC SLEX Inc., providing for the detailed terms and conditions for the construction, maintenance and operation of the expressway.

In 1983, PNCC was further granted a franchise over the Metro Manila Expressway (the "**MMEX**"), and all such extensions, linkages, stretches and diversions from any part of the NLEX, SLEX and MMEX. As expressly set out in P.D. 1113 and reiterated in P.D. 1894, PNCC may sell or assign its franchise thereunder granted or cede the usufruct thereof upon the President's approval. For the operation of its franchise areas, the PNCC entered into joint venture agreements with private entities as investor- concessionaires. Accordingly, a STOA was executed for each project to implement the TOA. A STOA defines the "scope of the road project coverage, the terminal date of the concession, and includes provisions on initial toll rate and a built-in formula for adjustment of toll rates, investment recovery clauses and contract termination in the event of… default."

One of the stretches referred to in PNCC's legislative franchise is the Metro Manila Skyway (the "**MMS**"), which consists of the Skyway Project, North Metro Manila Skyway, and the Central Metro Manila Skyway. For the MMS project, PNCC entered into a joint venture agreement with Citra, and created for that purpose, the SMC SKYWAY. A STOA between PNCC and SMC SKYWAY was executed on November 27, 1995, which then President Fidel V. Ramos approved on April 7, 1996.

Under the STOA, the design and the construction of the Skyway Project and the financing thereof shall be the primary and exclusive privilege, responsibility and obligation of SMC SKYWAY as investor. On the other hand, the operation and maintenance (O&M) of the same shall be the primary and exclusive privilege of PNCC, through its wholly owned subsidiary, the PSC.

On May 1, 2007, the legislative franchise of PNCC expired. With the expiration of PNCC's franchise, its assets and facilities were automatically turned over, by operation of law, and whatever participation that PNCC may have in the new authorities to construct, maintain and operate tollways, is limited to doing the same in trust for the National Government. In its *Decision* dated 19 October 2010, the Supreme Court of the Philippines in ***Francisco, Jr. vs. Toll Regulatory Board*** (G.R. Nos. 166910, 169917, 173630 & 183599), ruled that "upon the expiration of PNCC's legislative franchise on May 1, 2007, the new authorities to construct, maintain and operate tollways and toll facilities granted by the TRB pursuant to validly executed STOAs and TOCs shall begin to operate and be treated as administrative franchises or authorities."

On July 18, 2007, the STOA between PNCC and SMC SKYWAY was amended to grant SMC SKYWAY the right to nominate a qualified party to irrevocable replace PSC in the operation and maintenance of the project roads. SMC SKYWAY, PNCC and PSC then entered into a Memorandum of Agreement to turn over the O&M responsibilities for the Skyway Project from PSC to SOMCO.

Environmental Matters

Presidential Decree No. 1586 established the "Environmental Impact Statement System," which provides a regulatory framework for any project or undertaking that is either (a) classified as environmentally critical or (b) is situated in an environmentally critical area. The Department of Environment and Natural Resources ("**DENR**"), through its regional offices or through the Environmental Management Bureau (the "**EMB**"), determines whether a project is environmentally critical or located in an environmentally critical area and processes all applications for an Environmental Compliance Certificate ("**ECC**").

The law requires an entity that will undertake any such declared environmentally critical project or operate in any such declared environmentally critical area to submit an Environmental Impact Statement ("**EIS**") which is a comprehensive study of the significant impacts of a project on the environment. The EIS serves as an application for the issuance of an ECC, if the proposed project is environmentally critical or situated in an environmentally critical area; or for the issuance of a Certificate of Non-Coverage, if otherwise. An ECC is a government certification that, among others, (i) the proposed project or undertaking will not cause significant negative environmental impact; (ii) the proponent has complied with all the requirements of P.D. No. 1586 in connection with the project; and (iii) the proponent is committed to implement its approved Environmental Management Plan ("**EMP**") in the EIS. The EMP details the prevention, mitigation, compensation, contingency and monitoring measures to enhance positive impacts and minimize negative impacts and risks of a proposed project or undertaking.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents are also required to establish an Environmental Monitoring Fund ("**EMF**") when an ECC is eventually issued. The EMF is used to support the activities of the team monitoring the project proponent's compliance with ECC conditions, EMP and applicable laws, rules and regulations.

The construction of major roads and bridges are considered environmentally critical projects for which an EIS and an ECC are mandatory.

Philippine Clean Air Act of 1999

Republic Act No. 8749, otherwise known as the "Philippine Clean Air Act", provides more stringent fuel specifications over a period of time to reduce emission that pollutes the air. The Philippine Clean Air Act specifies the allowable sulfur and benzene content for gasoline and automotive diesel. The law prohibits a manufacturer, processor or trader of any fuel or additive to import, sell, offer for sale, or introduce into commerce such fuel or fuel additive unless these have been registered with the DOE. All the requirements of the said law have been implemented, starting with the phase-out of leaded gasoline in Metro Manila in April 2000 and all over the country in December 2000.

The Technical Committee on Petroleum Products and Additives sets the standards for all types of fuel and fuel related products, to improve fuel consumption for increased efficiency and reduced emissions. The committee is guided by strict time-bound and quality-specific targets under the mandate of the Philippine Clean Air Act and the DOE initiative on alternative fuels.

Philippine Clean Water Act of 2004

In 2004, Republic Act No. 9275, or the "Philippine Clean Water Act", was enacted to streamline processes and procedures in the prevention, control, and abatement of pollution in the country's water resources and provide for a comprehensive water pollution management program focused on pollution prevention. The law primarily applies to the abatement and control of water pollution from land-based sources. The EMB, in partnership with other Philippine government agencies and the respective local government units, is tasked by the Implementing Rules of the Philippine Clean Water Act to identify existing sources of water pollutants and strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law.

Oil Pollution Compensation Act of 2007

Republic Act No. 9483, otherwise known as the Oil Pollution Compensation Act of 2007, imposes strict liability on the owner of the ship for any pollution damage caused within the Philippine territory. Pollution damage is the damage caused outside the ship by contamination due to the discharge of oil from the ship, as well as the cost of preventive measures to protect it from further damage.

The law also provides that any person who has received more than 150,000 tons of “contributing oil” (as explained below) in a calendar year in all ports or terminal installations in the Philippines through carriage by sea shall pay contributions to the International Oil Pollution Compensation Fund in accordance with the provisions of the 1992 International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage. For this purpose, “oil” includes any persistent hydrocarbon mineral oil such as crude oil, fuel oil, heavy diesel oil and lubricating oil, whether carried on board a ship as cargo or in bunkers of such a ship.

TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Bonds. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Bonds and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Bonds under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Bonds in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this prospectus. The tax treatment of a holder of Bonds may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a Bondholder.

PROSPECTIVE PURCHASERS OF THE BONDS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF A BOND, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL OR FOREIGN TAX LAWS.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines," otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines.

The term "non-resident holder" means a holder of the Bonds:

- who is an individual who is neither a citizen nor a resident of the Philippines, or an entity which is a non-resident foreign corporation; and

- should an income tax treaty be applicable, whose ownership of the Bonds is not effectively connected with a fixed base or a permanent establishment in the Philippines.

Philippine Taxation

On January 1, 2018, Republic Act No. 10963, otherwise known as the "Tax Reform for Acceleration and Inclusion" Act (or the TRAIN Act), took effect. The TRAIN Act amended provisions of the Tax Code including provisions on documentary stamp tax ("**DST**"), capital gains tax, tax on interest income and other distributions, estate tax, and donor's tax.

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises bill was signed into law as Republic Act No. 11534, otherwise known as the CREATE Act. The CREATE Act serves as a follow-up to Package 1 of the Comprehensive Tax Reform Program. The main amendment of CREATE Act is the reduction of the regular corporate income tax rate for both domestic and foreign corporations from 30% to 25%. For domestic corporations, the regular corporate income tax rate may be further reduced to 20% depending on the net taxable income and total assets of such domestic corporation. In addition to the reduction of the regular corporate income tax, the rate of the MCIT was lowered to 1%, effective July 1, 2020 to June 30, 2023. However, effective July 1, 2023, the MCIT rate reverted to its previous rate of 2% based on the gross income of the corporation. Under RMC No. 36-2024, in computing the MCIT, the gross income shall be divided by 12 months to get the average monthly gross income and apply the rate of 1% for the period January 1 to June 30, 2023 and 2% for the period July 1 to December 31, 2023.

On January 22, 2024, Republic Act No. 11976 or the Ease of Paying Taxes (EOPT) Act was enacted which introduces amendments that aim to modernize tax system for easier tax compliance. The EOPT Act adopts the accrual basis of recognizing sales for both sale of goods and services in computing Value Added Tax. It also obliges the payor to deduct and withhold tax at the time an income has become payable. It also mandates a single issuance of sales document, which is an invoice. The relevant implementing rules and regulations took effect last April 27, 2024.

Taxation Of Interest

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine-sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and resident alien individuals from the Bonds is subject to income tax, which is withheld at source, at the rate of 20% based on the gross amount of interest. Generally, interest on the Bonds received by non-resident aliens engaged in trade or business in the Philippines is subject to a 20% final withholding tax ("**FWT**") while that received by non-resident aliens not engaged in trade or business is subject to a FWT rate of 25%. Interest income received by domestic corporations and resident foreign corporations from the Bonds is subject to a FWT of 20%. Interest income received by non-resident foreign corporations from the Bonds is subject to a 25% FWT. However, in the context of the bonds, interest income from foreign loans derived by non-resident foreign corporations is subject to a 20% FWT.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident holder. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 10% on interest from public issue of bonds in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

Tax-Exempt Status or Entitlement to Preferential Tax Rate

The Philippine tax authorities have prescribed a certain procedure for claiming tax treaty benefits for interest income of non-resident income earners. Under RMO No. 14- 2021, withholding agents or income payors may withhold tax on interest income payable to the non-resident income earner at the regular rate or at the applicable preferential tax rate depending on the documents submitted to the withholding agent or income payor.

In accordance with RMO No. 14-2021, as further clarified by RMC Nos. 77-2021 and 20-2022, non-resident income earner intending to avail of treaty benefits should submit to the withholding agent/income payor, prior to the payment of income for the first time, a Tax Residency Certificate ("**TRC**") duly issued by the foreign tax authority, an Application Form for Treaty Purposes on Interest ("**BIR Form 0901-I**"), and the relevant provision of the applicable tax treaty. Failure to provide the said documents may lead to withholding using the regular withholding tax rates, and not the treaty rate.

When the preferential tax rates have been applied by the withholding agent/income payor on the income earned by the non-resident income earner, the withholding agent/income payor shall file with the International Tax Affairs Division ("**ITAD**") of the BIR a Request for Confirmation ("**RFC**") on the propriety of the withholding tax rates applied on that item of income. Such RFC shall be supported by the documentary requirements set out in RMO No. 14-2021 which also includes the TRC and BIR Form 0901-I mentioned above.

The original or certified true copy of the following documents, as may be applicable, shall be submitted to the International Tax Affairs Division of the BIR when claiming the tax treaty relief:

1. General Requirements:
    a. Letter-request
    b. BIR Form No. 0901-I duly signed by the non-resident interest income earner or its/his/her authorized representative

c. Tax Residency Certificate for the relevant period, duly issued by the tax authority of the foreign country in which the Bondholder is a resident
d. Bank documents/certificate of deposit/telegraphic transfer/telex/money transfer evidencing the payment/remittance of income
e. Withholding tax return with Alphalist of Payees
f. Proof of payment of withholding tax
g. Notarized Special Power of Attorney issued by the non-resident income earner to its/his/her authorized representative(s), which shall expressly state the authority to sign the Application Form as well as to file the tax treaty relief application or request for confirmation.

2. Additional general requirements for legal persons and arrangements, and individuals:
   a. Authenticated copy of the non-resident legal person or arrangement's Articles/Memorandum of Incorporation/Association, Trust Agreement, or equivalent document confirming its establishment or incorporation, with an English translation thereof if in foreign language.
   b. Original copy of the Certificate of Non-Registration of the Bondholder or certified true copy of License to Do Business in the Philippines duly issued by the Philippine SEC for legal persons and arrangements, or original copy of the Certificate of Business Registration/Presence duly issued by the DTI for individuals.

3. Additional general requirements for fiscally transparent entities:

   a. A copy of the law of the foreign country showing that tax is imposed on the owners or beneficiaries of the foreign fiscally transparent entity;
   b. List of owners/beneficiaries of the foreign entity;
   c. Proof of ownership of the foreign entity; and
   d. Tax Residency Certificate issued by the concerned foreign tax authority to the owners or beneficiaries of the fiscally transparent entity.

4. Specific requirements

   a. Duly executed contract
   b. Bank documents/certificate of deposit/telegraphic transfer/telex/money transfer evidencing the remittance of the loan by the nonresident creditor
   c. Proof that the debt-claim in respect of which the interest is paid is not effectively connected with the permanent establishment of the foreign enterprise in the Philippines
   d. Proof that the interest rate is arm's length, if the debtor and creditor are related parties

The BIR may require additional documents during the course of its evaluation as it may deem necessary. Upon the confirmation of the entitlement to the tax treaty benefit or confirmation of the correctness of the withholding tax rates applied, the BIR will issue a certification to that effect. Any adverse ruling may be appealed to the Department of Finance within 30 days from receipt.

If the regular withholding tax rate on interest has been imposed by the withholding agent/income payor, the concerned non-resident income earner shall file a Tax Treaty Relief Application with ITAD. If the regular withholding tax rate on interest imposed by the withholding agent/income payor is higher than the rate that should have been applied, the non-resident income earner may file a claim for refund from the Philippine taxing authorities on the basis of a tax exemption or applicable tax treaty.

For claims of tax exemption, RMC No. 8-2014 mandates withholding agents/income payors to require from individuals and entities claiming tax exemption a copy of a valid, current, and subsisting tax exemption certificate or ruling before payment of the related income. The tax exemption certificate or ruling must explicitly recognize the tax exemption, as well as the corresponding exemption from imposition of withholding tax. Failure on the part of the taxpayer to present the said tax exemption certificate or ruling shall subject him to the payment of the appropriate withholding taxes due on the transaction.

Value-Added Tax

Gross receipts arising from the sale of the Bonds in the Philippines by dealers in securities shall be subject to a 12% value-added tax. The term "gross receipt" means gross selling price less acquisition cost of the Bonds sold.

Gross Receipts Tax

Bank and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax ("**GRT**") on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five (5) years or less	5%
Maturity period is more than five (5) years	1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to GRT. Gross sales of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

Maturity period is five (5) years or less	5%
Maturity period is more than five (5) years	1%

In case the maturity period of the instruments held by banks, non-bank financial intermediaries performing quasi-banking functions and non-bank financial intermediaries not performing quasi-banking functions is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds by banks and non-bank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

Documentary Stamp Tax

A DST is imposed upon the original issuance of debt instruments issued by Philippine companies, such as the Bonds, at the rate of ₱1.50 on each ₱200, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one (1) year, the DST to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The DST is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable DST on the original issue shall be paid by the Issuer for its own account.

Taxation on Sale or Other Disposition of the Bonds

Income Tax

Any gain realized from the sale, exchange or retirement of bonds will, as a rule, form part of the gross income of the sellers, for purposes of computing the relevant taxable income, which will then be subjected to the following tax rates:

Type of Bondholder	Rate
Philippine citizen (whether resident or non-resident), resident alien, and non-resident alien engaged in trade or business in the Philippines	15% - 35%

Type of Bondholder	Rate
Non-resident alien not engaged in trade or business in the Philippines	25%
Domestic corporation, in general	25%
Domestic corporation with net taxable income not exceeding ₱5 Million and total assets not exceeding ₱100 Million (excluding the land on which the particular business entity's office, plant and equipment are situated)	20%
Resident Foreign Corporation	25%
Non-resident Foreign Corporation	25%

If the bonds are sold by a seller, who is an individual and who is not a dealer in securities, who has held the bonds for a period of more than 12 months prior to the sale, only 50% of any capital gain will be recognized and included in the sellers' gross taxable income.

However, under the Tax Code, any gain realized from the sale, exchange or retirement of bonds, debentures and other certificates of indebtedness with an original maturity date of more than five (5) years (as measured from the date of issuance of such bonds, debentures or other certificates of indebtedness) shall not be subject to income tax.

Moreover, any gain arising from such sale, regardless of the original maturity date of the bonds, may be exempt from incomes tax pursuant to various income tax treaties to which the Philippines is a party, and subject to procedures prescribed by the BIR for the availment of tax treaty benefits.

Estate and Donor's Tax

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the Bonds shall be subject to an estate tax which is levied on the net estate of the deceased at 6%. For transfers through donation, the Bondholder shall be subject to donor's tax of 6% computed on the basis of the total gifts in excess of ₱250,000.00 exempt gift made during the calendar year.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor.

The estate tax and the donor's tax, in respect of the Bonds, shall not be collected (a) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the securities are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the securities exceeded the value of the consideration may be deemed a gift and may be subject to donor's taxes. However, the transfer of the Bonds made in the ordinary course of business (a transaction which is a bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

Documentary Stamp Tax

No DST is imposed on the subsequent sale or disposition of the Bonds, trading the Bonds in a secondary market or through an exchange, provided that such sale or disposition does not constitute a renewal or extension of maturity or change in terms of the Bonds or carried with it a renewal or issuance of new instruments in the name of the transferee to replace the old ones. However, if the transfer constitutes a renewal or extension of the maturity of the Bonds, DST is payable anew.

Taxation Outside the Philippines

The tax treatment of non-resident holders in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such Bondholder by reason of domicile or business activities and such holder's particular situation.

This Prospectus does not discuss the tax considerations on such non-resident holders under laws other than those of the Philippines.

APPENDIX

A. Audited Consolidated Interim Financial Statements as of June 30, 2024

B. Audited Consolidated Financial Statements as of and for the years ended December 31, 2023, 2022 and 2021

C. List of properties owned and leased by SMC Tollways Group

D. List of Material Permits and Licenses

APPENDIX A

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS201310694

COMPANY NAME

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES (A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

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

11/F, San Miguel Properties Centre, 7 St. Francis St., Mandaluyong City

Form Type	Department Requiring the Report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
corsec.mrst@sanmiguel.com.ph	(02) 8 702 - 4833	0917-1010354

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8	First Tuesday of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Mary Rose Tan	mrtan@sanmiguel.com.ph	(02) 8 632-3866	0917-8871555

CONTACT PERSON'S ADDRESS

No. 40 San Miguel Avenue, Mandaluyong City, Metro Manila Philippines

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

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

SMC TOLLWAYS CORPORATION

(formerly Atlantic Aurum Investments Philippines Corporation)

11th Floor San Miguel Properties Centre, 7 Saint Francis St., Mandaluyong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of **SMC Tollways Corporation *(formerly Atlantic Aurum Investments Philippines Corporation)*** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the six-month period ended **June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible in overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Reyes Tacandong & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, have expressed its opinion on the fairness of presentation upon completion of such audit.

RAMON S. ANG
Chairman of the Board and President

JOSEPH N. PINEDA
Treasurer

Signed this 16th day of August 2024

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY) ss.

Before me, a notary public for Mandaluyong City, Philippines, this 15 OCT 2024 personally appeared:

Name	Competent Evidence of Identity	Date/Place Issued
Ramon S. Ang	Passport No. P2247867B	May 22, 2019 DFA Manila
Joseph N. Pineda	Passport No. P7419331A	June 03, 2018 DFA NCR SOUTH

Known to me to be the same persons who executed the foregoing Statement of Management's Responsibility consisting of two (2) pages including this page on which this acknowledgment is written and that they acknowledged to me that the same is their free and voluntary act and deed and that of the principals they represent.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal at the date and place first above written.

Doc No. 272 ;
Page No. 56 ;
Book No. III ;
Series of 2024.

MICHAEL ANGELO O. LOPEZ * NOTARY PUBLIC ROLL NO. 56916 * MANDALUYONG CITY, PHILIPPINES

MICHAEL ANGELO O. LOPEZ
Commission No. 0445-23
Notary Public of Mandaluyong City
Until December 31, 2024
19th Floor San Miguel Properties Centre
No. 7 Saint Francis St. Ortigas Center, Mandaluyong City
Roll No. 56916
PTR No. 5430547; 01/08/2024; Mandaluyong City
IBP No.302224; 01/08/2024; Makati Chapter
MCLE Compliance No. VII-0007839:08/16/2024

BOA/PRC Accreditation No. 4782
April 14, 2024, valid until June 6, 2026
SEC Registration No. PP201007009

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
SMC Tollways Corporation and Subsidiaries
11/F, San Miguel Properties Centre
7 St. Francis St., Mandaluyong City
Metro Manila, Philippines

Opinion

We have audited the accompanying consolidated financial statements of SMC Tollways Corporation (a wholly-owned subsidiary of Atlantic Aurum Investments B.V.) and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021, and notes to consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782/P-019; Valid until June 6, 2026
BIR Accreditation No. 08-005144-016-2022
Valid until May 15, 2025
PTR No. 10072422
Issued January 2, 2024, Makati City

August 16, 2024
Makati City, Metro Manila

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES
(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

		June 30		December 31		
	Note	**2024**	2023	2023	2022	2021
ASSETS						
Current Assets						
Cash and cash equivalents	5	**₱11,203,569**	₱12,683,916	₱10,964,076	₱11,127,279	₱13,468,109
Restricted cash	13	**9,162,815**	6,712,935	8,463,304	6,398,948	3,630,995
Trade and other receivables	6	**186,941**	215,663	183,906	208,800	93,176
Input value-added tax (VAT)		**3,361,210**	4,038,435	3,798,884	4,390,552	4,861,126
Other current assets	7	**377,538**	632,767	341,189	572,822	673,461
Total Current Assets		**24,292,073**	24,283,716	23,751,359	22,698,401	22,726,867
Noncurrent Assets						
Service concession rights	8	**79,537,383**	81,467,680	80,308,715	82,697,934	82,883,980
Advances to contractors	11	**234,887**	1,164,567	185,117	1,152,538	1,909,955
Property and equipment	9	**152,808**	141,822	145,349	163,196	167,583
Right-of-use (ROU) assets	20	**4,443**	7,796	6,119	9,472	2,619
Computer software	9	**–**	–	–	–	2,220
Goodwill	10	**483,452**	483,452	483,452	483,452	483,452
Net deferred tax assets	21	**27,477**	25,419	27,153	25,452	54,306
Other noncurrent assets		**37,345**	16,361	24,878	83,645	82,111
Total Noncurrent Assets		**80,477,795**	83,307,097	81,180,783	84,615,689	85,586,226
		₱104,769,868	₱107,590,813	₱104,932,142	₱107,314,090	₱108,313,093
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and other current liabilities	12	**₱4,917,180**	₱7,321,432	₱4,888,806	₱7,565,033	₱9,107,709
Current portion of:						
Long-term debt - net of debt issue costs	13	**10,177,560**	7,686,346	9,135,556	6,243,086	3,929,044
Provision for resurfacing and maintenance obligation	14	**113,803**	112,253	111,883	99,510	82,333
Lease liabilities	20	**3,557**	3,276	3,414	3,142	2,229
Dividends payable	23	**135,760**	452,349	283,316	388,731	318,023
Due to a related party	18	**61,844**	61,844	61,844	61,844	61,844
Income tax payable		**341,201**	295,774	280,499	321,904	267,149
Total Current Liabilities		**₱15,750,905**	₱15,933,274	₱14,765,318	₱14,683,250	₱13,768,331

(Forward)

	Note	**June 30**		December 31		
		2024	2023	2023	2022	2021
Noncurrent Liabilities						
Noncurrent portion of:						
Long-term debt - net of debt issue costs	13	**₱40,757,737**	₱51,990,022	₱46,505,921	₱56,579,976	₱63,526,784
Provision for resurfacing and maintenance obligation	14	**159,194**	146,159	152,487	142,670	120,611
Retention payable	12	**105,063**	108,557	96,576	78,592	57,413
Lease liabilities	20	**603**	4,160	2,414	5,828	–
Net retirement liabilities	19	**74,141**	55,598	76,103	55,601	71,965
Net deferred tax liabilities	21	**385,727**	409,244	398,494	419,646	443,691
Total Noncurrent Liabilities		**41,482,465**	52,713,740	47,231,995	57,282,313	64,220,464
Total Liabilities		**57,233,370**	68,647,014	61,997,313	71,965,563	77,988,795
Equity						
Common stock		**6,953,846**	6,953,846	6,953,846	6,953,846	6,953,846
Retained earnings	15	**48,673,569**	40,688,677	44,515,546	37,308,482	32,600,781
Other comprehensive loss		**(13,117)**	(2,128)	(13,117)	(2,128)	(6,305)
Other equity reserves	2	**(13,594,274)**	(13,594,274)	(13,594,274)	(13,594,274)	(13,594,274)
Equity attributable to equity holders of the Parent Company		**42,020,024**	34,046,121	37,862,001	30,665,926	25,954,048
Non-controlling interest	23	**5,516,474**	4,897,678	5,072,828	4,682,601	4,370,250
Total Equity		**47,536,498**	38,943,799	42,934,829	35,348,527	30,324,298
		₱104,769,868	₱107,590,813	₱104,932,142	₱107,314,090	₱108,313,093

See accompanying Notes to Consolidated Financial Statements.

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES
(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands except Per Share Data)

		Six-Month Period Ended June 30		Years Ended December 31		
	Note	**2024**	2023	2023	2022	2021
REVENUE						
Revenue from toll operations	16	**₱10,330,787**	₱9,643,600	₱19,860,979	₱16,650,095	₱10,103,293
Toll operations and maintenance fees	16	**202,500**	202,500	405,000	365,000	375,000
		10,533,287	9,846,100	20,265,979	17,015,095	10,478,293
COST OF SERVICES	17	**(2,964,116)**	(2,831,789)	(5,778,992)	(4,940,209)	(3,306,026)
GROSS PROFIT		**7,569,171**	7,014,311	14,486,987	12,074,886	7,172,267
OPERATING EXPENSES	17	**(564,361)**	(500,583)	(1,119,516)	(954,945)	(1,359,470)
CONSTRUCTION REVENUE (COSTS)	8					
Construction revenue		**937,359**	436,150	953,695	2,621,388	9,101,532
Construction costs		**(937,359)**	(436,150)	(953,695)	(2,621,388)	(9,101,532)
		–	–	–	–	–
OTHER INCOME (CHARGES)						
Interest and other financing charges	13	**(2,014,914)**	(2,305,016)	(4,510,552)	(4,871,784)	(3,517,873)
Interest income	5	**555,432**	452,429	961,571	303,197	79,867
Rental income	20	**40,289**	34,867	73,988	63,955	47,682
Proceeds from insurance claims	8	**11,829**	–	–	284,235	39,588
Net foreign exchange gain (loss)		**6,424**	(2,701)	(2,365)	10,959	6,497
Others - net		**5,551**	18,478	40,204	34,216	61,689
		(1,395,389)	(1,801,943)	(3,437,154)	(4,175,222)	(3,282,550)
INCOME BEFORE INCOME TAX		**5,609,421**	4,711,785	9,930,317	6,944,719	2,530,247
PROVISION FOR (BENEFIT FROM) INCOME TAX	21					
Current		**694,609**	663,887	1,356,047	1,241,789	877,696
Final		**111,084**	90,484	192,313	60,639	15,913
Deferred		**(13,169)**	(10,370)	(25,557)	3,401	7,482
		792,524	744,001	1,522,803	1,305,829	901,091
NET INCOME		**4,816,897**	3,967,784	8,407,514	5,638,890	1,629,156
OTHER COMPREHENSIVE INCOME (LOSS)						
Not to be reclassified to profit or loss in subsequent period						
Remeasurement gain (loss) on net retirement liabilities - net of deferred tax	19	**–**	–	(18,241)	6,193	9,438
TOTAL COMPREHENSIVE INCOME		**₱4,816,897**	₱3,967,784	₱8,389,273	₱5,645,083	₱1,638,594
Net income attributable to:						
Equity holders of the Parent Company		**₱4,158,023**	₱3,380,195	₱7,207,064	₱4,707,701	₱1,137,684
Non-controlling interest		**658,874**	587,589	1,200,450	931,189	491,472
		₱4,816,897	₱3,967,784	₱8,407,514	₱5,638,890	₱1,629,156
Total comprehensive income attributable to:						
Equity holders of the Parent Company		**₱4,158,023**	₱3,380,195	₱7,196,075	₱4,711,878	₱1,142,098
Non-controlling interest		**658,874**	587,589	1,193,198	933,205	496,496
		₱4,816,897	₱3,967,784	₱8,389,273	₱5,645,083	₱1,638,594
Basic/Diluted Earnings Per Share	25	**₱59.79**	₱48.61	₱103.64	₱67.70	₱16.36

See accompanying Notes to Consolidated Financial Statements.

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES

(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands except Number of Shares and Par Value per Share)

		Six-Month Period Ended June 30		Years Ended December 31		
	Note	**2024**	2023	2023	2022	2021
COMMON STOCK - ₱100 par value						
Authorized - 80,000,000 shares						
Issued and outstanding - 69,538,459 shares		**₱6,953,846**	₱6,953,846	₱6,953,846	₱6,953,846	₱6,953,846
RETAINED EARNINGS	15					
Balance at beginning of period		**44,515,546**	37,308,482	37,308,482	32,600,781	31,463,097
Net income		**4,158,023**	3,380,195	7,207,064	4,707,701	1,137,684
Balance at end of period		**48,673,569**	40,688,677	44,515,546	37,308,482	32,600,781
OTHER COMPREHENSIVE LOSS						
Cumulative remeasurement losses on net retirement liabilities						
Balance at beginning of period		**(13,117)**	(2,128)	(2,128)	(6,305)	(10,719)
Remeasurement gain (loss) on net retirement liabilities - net of deferred tax		**–**	–	(10,989)	4,177	5,051
Change in tax rate		**–**	–	–	–	(637)
Balance at end of period		**(13,117)**	(2,128)	(13,117)	(2,128)	(6,305)
OTHER EQUITY RESERVES	2	**(13,594,274)**	(13,594,274)	(13,594,274)	(13,594,274)	(13,594,274)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**42,020,024**	34,046,121	37,862,001	30,665,926	25,954,048
NON-CONTROLLING INTEREST	23					
Balance at beginning of period		**5,072,828**	4,682,601	4,682,601	4,370,250	4,403,549
Net income		**658,874**	587,589	1,200,450	931,189	491,472
Cash dividends		**(215,228)**	(372,512)	(802,971)	(620,854)	(529,795)
Other comprehensive income - Remeasurement gain (loss) on net retirement liability - net of deferred tax		**–**	–	(7,252)	2,016	5,024
Balance at end of period		**5,516,474**	4,897,678	5,072,828	4,682,601	4,370,250
		₱47,536,498	₱38,943,799	₱42,934,829	₱35,348,527	₱30,324,298

See accompanying Notes to Consolidated Financial Statements.

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES

(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

		Six-Month Period Ended June 30		Years Ended December 31		
	Note	**2024**	2023	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax		**₱5,609,421**	₱4,711,785	₱9,930,317	₱6,944,719	₱2,530,247
Adjustments for:						
Interest and other financing charges	13	**2,014,914**	2,305,016	4,510,552	4,871,784	3,517,873
Depreciation and amortization	9	**1,735,251**	1,698,562	3,404,858	2,869,960	1,712,207
Interest income	5	**(555,432)**	(452,429)	(961,571)	(303,197)	(79,867)
Retirement expense	19	**11,486**	9,261	18,547	16,867	20,026
Net foreign exchange loss (gain)		**(6,424)**	2,701	2,365	(10,959)	(6,497)
Provision for expected credit loss (ECL) on receivable	6	**3,300**	–	8,038	333	–
Write-off of receivable	6	**(3,300)**	–	–	–	–
Loss (gain) on disposal of property and equipment	9	**(1,295)**	(384)	475	(636)	1,567
Provision for resurfacing and maintenance obligation	14	**598**	8,703	7,980	35,867	19,796
Gain on curtailment of retirement liabilities	19	**–**	–	–	–	(10,151)
Loss on lease modification	20	**–**	–	–	–	32
Operating income before working capital changes		**8,808,519**	8,283,215	16,921,561	14,424,738	7,705,233
Decrease (increase) in:						
Trade and other receivables		**(8,763)**	(2,625)	32,557	(76,861)	115,174
Input VAT		**437,674**	352,117	591,668	470,574	(214,237)
Other current assets		**(36,349)**	(59,945)	231,633	100,639	92,642
Decrease in accounts payable and other current liabilities		**(95,331)**	(457,224)	(753,154)	(1,435,778)	(90,634)
Net cash generated from operations		**9,105,750**	8,115,538	17,024,265	13,483,312	7,608,178
Income taxes paid		**(744,913)**	(780,500)	(1,581,461)	(1,247,673)	(856,058)
Interest received		**561,160**	448,191	945,870	264,101	82,157
Contributions to retirement plan	19	**(15,910)**	(9,966)	(24,912)	(28,635)	(30,263)
Net cash provided by operating activities		**8,906,087**	7,773,263	16,363,762	12,471,105	6,804,014
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to:						
Service concession rights	8	**(937,359)**	(436,150)	(953,695)	(2,621,388)	(7,738,527)
Property and equipment	9	**(32,811)**	(9,108)	(42,411)	(53,084)	(102,518)
Additions to (payments of) retention payable		**134,179**	234,973	(1,869,426)	(72,072)	(97,774)
Decrease (increase) in:						
Advances to contractors		**(49,770)**	(12,029)	967,421	757,417	334,148
Other noncurrent assets		**(12,467)**	67,284	58,767	(1,534)	(7,951)
Proceeds from disposal of property and equipment		**1,763**	384	1,192	1,006	1,029
Net cash used in investing activities		**(₱896,465)**	(₱154,646)	(₱1,838,152)	(₱1,989,655)	(₱7,611,593)

(Forward)

	Note	Six-Month Period Ended June 30 **2024**	2023	Years Ended December 31 2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments of:						
Long-term debt	13	**(₱4,775,456)**	(₱3,214,551)	(₱7,320,477)	(₱4,772,344)	(₱2,241,792)
Interest		**(1,937,008)**	(2,220,104)	(4,389,709)	(4,739,375)	(4,723,945)
Dividends to non-controlling interest		**(362,784)**	(308,894)	(908,386)	(550,146)	(438,453)
Lease liabilities	20	**(1,794)**	(1,743)	(3,520)	(3,421)	(3,268)
Increase in restricted cash		**(699,511)**	(313,987)	(2,064,356)	(2,767,953)	(2,813,018)
Proceeds from availment of long-term debt	13	**–**	–	–	–	12,900,000
Net cash provided by (used in) financing activities		**(7,776,553)**	(6,059,279)	(14,686,448)	(12,833,239)	2,679,524
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**6,424**	(2,701)	(2,365)	10,959	6,497
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**239,493**	1,556,637	(163,203)	(2,340,830)	1,878,442
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**10,964,076**	11,127,279	11,127,279	13,468,109	11,589,667
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5	**₱11,203,569**	₱12,683,916	₱10,964,076	₱11,127,279	₱13,468,109
NONCASH FINANCIAL INFORMATION						
Additions to ROU assets and lease liabilities	20	**₱–**	₱–	₱–	₱10,058	₱101
Capitalized borrowing cost on service concession rights	8	**–**	–	–	–	1,358,904
Depreciation of property and equipment capitalized to service concession rights	8	**–**	–	–	–	4,101

See accompanying Notes to Consolidated Financial Statements.

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES
(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT JUNE 30, 2024 AND 2023, DECEMBER 31, 2023, 2022 AND 2021
AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024 AND 2023 AND FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 and 2021
(Amounts in Thousands except as Otherwise Stated)

1. **Reporting Entity**

General Information

SMC Tollways Corporation (Tollways or the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 7, 2013 to deal with real and personal property of every kind and description, including securities or obligations of any corporation or association engaged in any business, including but not limited to those engaged in the logistics, tollways, infrastructure and similar businesses.

The Parent Company is a wholly-owned subsidiary of Atlantic Aurum Investments B.V. (AAIBV), a holding company incorporated in the Netherlands. The ultimate parent of the Parent Company is Top Frontier Investment Holdings, Inc., a holding company incorporated in the Philippines.

The Parent Company has a corporate life of 50 years pursuant to its articles of incorporation. However, under the Revised Corporation Code of the Philippines which took effect on February 23, 2019, the Parent Company has a perpetual corporate life.

In 2013, the Parent Company acquired a total of 87.84% interest in SMC Skyway Corporation (SMC SKYWAY) from AAIBV and Terramino Holdings, Inc. (THI), for a total consideration of ₱20,722.6 million.

In 2016, the Parent Company acquired 100% interest in Stage 3 Connector Tollway Holdings Corporation (S3CTHC) from AAIBV for a total consideration of ₱16,300.0 million. As at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, S3CTHC owns 90% of SMC Skyway Stage 3 Corporation (MMSS3).

In 2020, the Parent Company acquired a total of 53.37% interest in Toll Road Operation & Maintenance Venture Corporation (TROMV) from Padma Investment PTE. Ltd. for ₱0.1 million. The acquisition resulted to an indirect ownership of 57.88% interest in Skyway O&M Corporation (SOMCO) (see Note 2).

On March 13, 2024, the stockholders and Board of Directors (BOD) approved the plan to issue public bonds (the Bonds) with Philippine Dealing System Holdings Corp. (PDS) aggregating ₱35,000.0 million.

The principal office address of the Parent Company is at 11/F San Miguel Properties Centre, 7 St. Francis St., Mandaluyong City.

Approval of the Financial Statements

The consolidated financial statements of the Parent Company and its subsidiaries (collectively referred to as the Group) as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021 and for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021 were approved and authorized for issuance by the BOD, as endorsed and approved by the Audit Committee, on August 16, 2024.

2. Statement of Compliance and Basis of Measurement

Statement of Compliance

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

The consolidated financial statements were also prepared in compliance with the Revised Securities and Regulations Code Rule 68, for statutory filing and in relation to the Group's planned application for listing its bonds with the PDS (see Note 1).

Basis of Measurement

The consolidated financial statements of the Group are presented in Philippine Peso (Peso), which is the functional currency of the Group. All values are rounded-off to the nearest thousands (₱000), unless otherwise indicated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for provision for resurfacing and maintenance obligation, lease liabilities and retirement liabilities which are measured at the present value of the estimated amount of costs that are expected to be incurred. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of consideration received in exchange of incurring a liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Further disclosures about the assumptions made in measuring fair value are included Note 24, *Fair Value of Financial Instruments*.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries, SMC SKYWAY, S3CTHC, MMSS3, TROMV and SOMCO.

Business Combination of SMC SKYWAY, S3CTHC and MMSS3

The acquisitions by the Parent Company of the equity interests in the SMC SKYWAY, S3CTHC and MMSS3 were accounted for as group reorganization. The Group reorganization has no economic substance since there is no real alteration to the composition and/or ownership of the Parent Company over the subsidiaries. These acquisitions qualify for the common control exemption under PFRS 3, *Business Combinations* and were accounted for similar to pooling-of-interests method. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values at the stand-alone financial statements of the investee companies.

The Group elected a policy to restate the financial information in the consolidated financial statements for periods prior to the combination of the entities under common control to reflect the combination as if it had occurred from the beginning of the earliest period presented in the consolidated financial statements, regardless of the actual date of the combination. However, financial information in the consolidated financial statements for periods prior to the combination is restated only for the period that the entities were under common control.

In connection with the acquisition of shares in SMC SKYWAY from AAIBV in 2013, the Group recognized "Other equity reserves" amounting to ₱3,047.1 million upon the issuance of shares to AAIBV of the Parent Company. On the other hand, the acquisition of additional shares in SMC SKYWAY from THI in 2013 is treated as a separate transaction and is considered as an acquisition of a non-controlling interest (NCI). Accordingly, the difference between the purchase price and the NCI acquired was recognized as part of "Other equity reserves" amounting to ₱7,585.1 million.

In 2016, the acquisition of 100% interest in S3CTHC from AAIBV of the Parent Company for a total consideration of ₱16,300.0 million resulted to an equity reserve amounting to ₱2,962.1 million. The equity reserve pertains to the excess of consideration over the consolidated net assets of S3CTHC and its subsidiary, MMSS3, which was also recognized as part of "Other equity reserves" in the consolidated statements of financial position. Prior to 2016, S3CTHC has 80% interest in MMSS3 (see Note 10).

Business Combination of TROMV and SOMCO

The acquisitions by the Parent Company of the equity interests in the TROMV and SOMCO were accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree pertaining to instruments that represent present ownership interests and entitle the holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of NCI are measured at fair value unless another measurement basis is required by PFRS. Acquisition-related costs incurred are expensed and included in operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held interest is remeasured at its acquisition date fair value and any resulting gain and loss is recognized in the consolidated statements of comprehensive income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9 either in the consolidated statements of comprehensive income or as a change in other comprehensive (OCI). If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with appropriate PFRS. Contingent consideration that is classified as equity is not remeasured until it is finally settled and accounted for within equity.

If necessary information, such as fair value of assets and liabilities acquired, is not available by the end of the reporting period in which the business combination occurs, provisional amounts are used for a period not exceeding one year from the date of acquisition or the measurement period. During this period, provisional amounts recognized for a business combination may be retrospectively adjusted if relevant information has been obtained or becomes available.

In 2020, the acquisition of 53.37% interest in TROMV from Padma Investment PTE. Ltd. for a total consideration of ₱0.1 million resulted to the recognition of NCI of ₱0.2 million and goodwill of ₱4.0, and an indirect ownership of 57.88% interest in SOMCO. The indirect ownership in SOMCO resulted to the recognition of gain from bargain purchase amounting to ₱2.5 million. Gain on bargain purchase is generated when the fair value of the net assets acquired by the Group exceeds the acquisition price and is recognized in the consolidated statements of comprehensive income (see Note 10).

Subsidiaries
A subsidiary is an entity that is controlled by the Parent Company. A subsidiary is consolidated from the date on which control is transferred to the Parent Company directly or through the holding companies. Control is achieved when the Parent Company is exposed or has rights to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. A subsidiary is deconsolidated from the date on which control ceases.

The subsidiaries as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021 are as follows:

Subsidiaries	Type of Ownership	Percentage of Ownership
SMC SKYWAY	Direct	87.84
S3CTHC	Direct	100.00
MMSS3	Indirect	90.00
TROMV	Direct	53.37
SOMCO	Indirect	57.88

The financial statements of the subsidiaries are prepared for the same reporting year as that of the Parent Company using uniform accounting policies. Significant intercompany transactions and balances, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in ownership interest of a subsidiary, without a change in control, is accounted for as an equity transaction.

If the Parent Company loses control over a subsidiary, the Group: (a) derecognizes the assets and liabilities of the subsidiary; (b) derecognizes the carrying amounts of any NCI; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; and (g) reclassifies the share of components of the Parent Company previously recognized in other comprehensive income to profit or loss.

NCI

NCI represents the portion of profit or loss and net assets not attributable to the Parent Company and is presented in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

NCI represents the following interest in SMC SKYWAY, MMSS3, TROMV and SOMCO as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021 not owned, directly or indirectly, by the Parent Company.

Subsidiaries	Percentage
SMC SKYWAY	12.16
MMSS3	10.00
TROMV	46.63
SOMCO	42.12

The NCI shares in the losses of a subsidiary even if that result in a deficit balance (see Note 23).

Information about the Subsidiaries

SMC SKYWAY. SMC SKYWAY was incorporated and registered with the SEC on November 27, 1995 to design, construct and finance, pursuant to a build-and-transfer or other scheme duly approved by the appropriate Philippine authorities, toll road infrastructure projects of the Republic of the Philippines (ROP) and other entities, including but not limited to those designated as "flagship" or preferred infrastructure projects, namely: (1) the proposed Metro Manila Skyway (MMS), which is a system of elevated roadway, commencing at the end-point of the South Luzon Expressway in Alabang, Muntinlupa, and culminating at the end-point of the North Luzon Expressway in Balintawak, Caloocan City, thereby serving as an inter-connection of the above-mentioned Expressways; and (2) the proposed Metro Manila Expressway (MME).

On June 10, 1994, the Philippine National Construction Corporation (PNCC), the franchise holder for the construction, operation and maintenance (O&M) of the proposed MMS, including any and all extensions, linkages or stretches thereof, such as the proposed MMS, and PT Citra Lamtoro Gung Persada (CLGP), as joint proponents, submitted to ROP through the Toll Regulatory Board (TRB), the Joint Investment Proposal (JIP) covering not only the proposed MMS but also the planned MME. The said proposal embodied, among others, that CLGP in cooperation with PNCC committed itself to finance, design and construct the MMS in three stages, consisting of the South Metro Manila Skyway (SMMS) as Stage 1 and Stage 2, and the North Metro Manila Skyway and Central Metro Manila Skyway (collective referred to as Skyway Stage 3) as Stage 3, as well as MME as Stage 4. The JIP was approved by the TRB on November 27, 1995 and the Supplemental Toll Operation Agreement (STOA) for SMMS was executed on the same date by and among SMC SKYWAY, PNCC and the ROP acting through the TRB. Under the STOA for SMMS, the design and the construction of the SMMS and the financing thereof, shall be the primary and exclusive privilege, responsibility and obligation of SSC as investor.

On the other hand, the O&M of the SMMS shall be the primary and exclusive privilege, responsibility and obligation of PNCC, through its wholly owned subsidiary, the PNCC Skyway Corporation (PSC).

On July 18, 2007, the STOA for SMMS was amended, to cover among others, the implementation of Stage 2 of the SMMS (Stage 2); the functional and financial integration of Stage 1 of the SMMS (Stage 1) and Stage 2 upon the completion of the construction of Stage 2; and the grant of right to SMC SKYWAY to nominate to the TRB a qualified party to perform the O&M of the SMMS to replace PSC. SMC SKYWAY, PNCC and PSC then entered into a memorandum of agreement for the successful and seamless turnover of the O&M responsibilities for the SMMS from PSC to SOMCO.

The SMMS shall be owned by the ROP, without prejudice to the rights and entitlement of the investor and the operator under the STOA for SMMS. The legal transfer of ownership of the SMMS to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction. The toll revenues are shared or distributed among SMC SKYWAY, SOMCO for the O&M of SMMS, and PNCC.

The 30-year franchise period for the Integrated Stage 1 and Stage 2 commenced on April 25, 2011.

S3CTHC. S3CTHC was incorporated and registered with the SEC on February 28, 2014 to invest in shares of stock, bonds, debentures, evidence of indebtedness, and other securities or obligations of any corporation or association for whatever lawful purpose or purposes the same may have been organized, including but not limited to those engaged in the logistics, tollways, infrastructure and similar businesses.

MMSS3. MMSS3 was incorporated with the SEC on November 16, 2012 to engage in the construction of toll roads and its facilities, including Stage 3, and its linkages and extensions pursuant to a build and transfer or other scheme duly approved by ROP, except the construction of locally-funded government projects or defense related structures.

On July 8, 2013, the STOA for Stage 3 was executed by and among the ROP as the Grantor, acting by and through TRB, PNCC, MMSS3 as the Investor, and SMC Skyway Stage 3 O&M Corporation (SOMCO 3) (formerly Central Metro Manila Skyway Corporation) as the Operator, wherein MMSS3 was granted the primary and exclusive privilege, responsibility, and obligation to design and construct Stage 3, and to finance the same, while SOMCO 3 was granted the primary and exclusive privilege, responsibility, and obligation to operate and maintain Stage 3 (Project Road).

TROMV. TROMV was incorporated on October 25, 2007 primarily to engage in toll road operation and maintenance activity in the Philippines; and to purchase, own, lease, hold, acquire or otherwise accept such property real and personal or may be necessary, convenient or appropriate, for any of the foregoing purposes or activities; and likewise to engage in any and all activities and business understandings as may be necessary or incidental to accomplish the primary purpose and objective of the corporation.

SOMCO. SOMCO was incorporated and registered with the SEC on December 13, 2007, primarily to maintain and operate toll roads and toll facilities appurtenant thereto, as well as any and all such extensions, linkages or stretches as may be authorized by the TRB or other appropriate government agency.

Summarized financial information of the subsidiaries as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021 are as follows:

	June 30, 2024				
	SMC SKYWAY	**S3CTHC**	**MMSS3**	**TROMV**	**SOMCO**
Current assets	**₱5,963,584**	**₱247,127**	**₱17,294,579**	**₱224**	**₱269,504**
Noncurrent assets	**21,995,145**	**45,931,250**	**56,308,721**	**266**	**147,912**
Current liabilities	**4,019,710**	**22**	**6,640,418**	**1,064**	**115,605**
Noncurrent liabilities	**263,832**	**32,660,000**	**43,509,851**	**–**	**76,035**
Equity (capital deficiency)	**23,675,187**	**13,518,355**	**23,453,031**	**(574)**	**225,776**
Revenue	**5,474,828**	**–**	**4,412,054**	**–**	**646,405**
Net income (loss)	**3,596,047**	**5,746**	**2,187,585**	**(16)**	**12,134**
Total comprehensive income (loss)	**3,596,047**	**5,746**	**2,187,585**	**(16)**	**12,134**

	June 30, 2023				
	SMC SKYWAY	S3CTHC	MMSS3	TROMV	SOMCO
Current assets	₱4,962,404	₱236,067	₱18,507,091	₱290	₱352,088
Noncurrent assets	22,995,344	45,931,250	58,117,996	266	120,758
Current liabilities	5,793,361	–	8,547,671	–	157,221
Noncurrent liabilities	259,200	32,660,000	48,826,871	798	59,177
Equity (capital deficiency)	21,905,187	13,507,317	19,250,545	(508)	256,448
Revenue	5,252,375	–	3,965,357	–	628,368
Net income (loss)	3,446,947	4,790	1,581,237	(12)	29,890
Total comprehensive income (loss)	3,446,947	4,790	1,581,237	(12)	29,890

	December 31, 2023				
	SMC SKYWAY	S3CTHC	MMSS3	TROMV	SOMCO
Current assets	₱5,242,078	₱241,591	₱17,429,318	₱268	₱298,172
Noncurrent assets	22,419,826	45,931,250	56,565,911	266	134,147
Current liabilities	5,550,504	232	6,467,769	1,092	140,393
Noncurrent liabilities	262,335	32,660,000	46,262,014	–	78,284
Equity (capital deficiency)	21,849,065	13,512,609	21,265,446	(558)	213,642
Revenue	10,746,072	–	8,264,907	–	1,255,000
Net income (loss)	6,938,867	10,085	3,596,106	(62)	3,884
Total comprehensive income (loss)	6,930,674	10,085	3,596,138	(62)	(12,916)

	December 31, 2022				
	SMC SKYWAY	S3CTHC	MMSS3	TROMV	SOMCO
Current assets	₱3,038,144	₱231,420	₱18,604,126	₱330	₱310,658
Noncurrent assets	23,488,741	45,931,250	58,874,775	266	137,423
Current liabilities	4,746,755	146	8,461,907	1,092	161,521
Noncurrent liabilities	258,558	32,660,000	51,347,686	–	60,002
Equity (capital deficiency)	21,521,572	13,502,524	17,669,308	(496)	226,558
Revenue	9,543,972	–	6,281,068	–	1,190,055
Net income (loss)	6,473,905	3,929	1,482,283	(62)	6,082
Total comprehensive income (loss)	6,477,569	3,929	1,482,283	(62)	10,301

	December 31, 2021				
	SMC SKYWAY	S3CTHC	MMSS3	TROMV	SOMCO
Current assets	₱2,139,536	₱227,491	₱19,630,787	₱392	₱358,678
Noncurrent assets	23,174,499	45,931,250	60,027,108	266	173,543
Current liabilities	4,926,603	146	8,295,894	1,092	241,127
Noncurrent liabilities	237,876	32,660,000	55,174,976	–	74,837
Equity (capital deficiency)	20,149,556	13,498,595	16,187,025	(434)	216,257
Revenue	7,455,789	–	1,877,537	–	1,144,967
Net income (loss)	4,651,509	(93,670)	(782,458)	(252)	9,999
Total comprehensive income (loss)	4,653,183	(93,670)	(782,458)	(252)	22,937

3. Summary of Material Accounting Policy Information

Adoption of Amendments to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to PFRS effective for annual periods beginning and after January 1, 2024:

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16, *Leases*). The amendments confirm the following:

  - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale and leaseback transaction.

  - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right-of-use (ROU) assets it retains.

  A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;

  - clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

  - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and

  - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

- Supplier Finance Arrangements (Amendments to PAS 7, *Statement of Cash Flows,* and PFRS 7, *Financial Instruments: Disclosures*). The amendments introduce new disclosure objectives to provide information about the supplier finance arrangements of an entity that would enable users to assess the effects of these arrangements on the liabilities and cash flows, and the exposure to liquidity risk.

  Under the amendments, entities also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

  The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in PFRS 7 on factors an entity might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

The adoption of the amended PFRS did not materially affect the consolidated financial statements. Additional disclosures were included in the consolidated financial statements, as applicable.

Amended PFRS Issued but Not Yet Effective
Relevant new and amendments to PFRS, which are not yet effective as at June 30, 2024 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2025:

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability* – The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability. The amendments also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Earlier application is permitted.

Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

- The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

  Originally, the amendments apply prospectively for annual reporting periods beginning on or after January 1, 2016, with early adoption permitted. However, on January 13, 2016, the FSRSC decided to postpone the effective date of these amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the notes to consolidated financial statements, as applicable.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other assets and liabilities as noncurrent. Deferred tax assets and deferred tax liabilities are classified as noncurrent.

Financial Instruments

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument.

Recognition and Initial Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

Financial Assets

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at fair value through other comprehensive income (FVOCI) and (c) financial assets at FVPL. The classification of a financial asset depends on the business model of the Group and its contractual cash flow characteristics.

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group considers the contractual terms of the financial asset in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "Principal" is defined as the fair value of the financial asset on initial recognition, "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

As at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, the Group does not have financial assets measured at FVPL and FVOCI.

Financial Assets at Amortized Cost. A financial asset shall be measured at amortized cost if it meets the following conditions and is not designated as FVPL:

- it is held within a business model with the objecting of holding the financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the profit or loss when the financial asset is derecognized, modified or impaired.

As at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, cash and cash equivalents, restricted cash, trade and other receivables, security deposits (included under "Other current assets" account) and miscellaneous deposits (included under "Other noncurrent assets" account) of the Group are classified under this category (see Notes 5, 6, 7 and 13).

Financial Liabilities

Classification. The Group classifies its financial liabilities at initial recognition under the following categories: (a) financial liabilities at amortized cost and (b) financial liabilities at FVPL.

As at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, the Group does not have financial liabilities measured at FVPL.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

Debt issue costs are shown as contra account against the long-term debt and are amortized over the terms of the related borrowings using the effective interest rate method.

As at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, accounts payable and other current liabilities (excluding statutory payables), retention payable, long-term debt, dividends payable, due to a related party, and lease liabilities of the Group are classified under this category (see Notes 12, 13, 18, 20 and 23).

Impairment of Financial Assets
The Group recognizes an allowance for expected credit losses (ECL) for all financial assets at amortized costs.

ECL are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognized allowance for impairment based on either 12-month or lifetime ECL depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group recognizes lifetime ECL for receivables that do not contain significant financing component. The Group uses provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group assesses whether the financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or,
- the disappearance of an active market for that financial asset because of financial difficulties.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECL on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in profit or loss.

Classification of Financial Instrument between Liability and Equity
Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Derecognition of Financial Instruments

Financial Assets. A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the assets have expired; or

- the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" agreement; and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

Other Current Assets

This account mainly consists of prepayments, deferred input value-added tax (VAT), and advances to suppliers.

Prepayments. Prepayments are expenses paid in advance and recorded as asset before these are utilized. Prepayments are stated at cost less any impairment in value. This account comprises insurance premiums and other prepaid items. Prepayments are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred.

Deferred Input VAT. Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on the unpaid portion of availed services.

In accordance with Revenue Regulations (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) made prior to January 1, 2022 with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million made is claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million or if the purchase was made on or after January 1, 2022, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Advances to Suppliers. Advances to suppliers represent advance payments for services to be incurred in connection with the operations of the Group. These are charged to expense or capitalized to projects in the consolidated statements of financial position, upon actual receipt of services or supplies. These are considered as nonfinancial instruments as these will be applied against future billings from suppliers normally within one year.

Service Concession Arrangements
The Group accounts for its concession arrangement under the intangible asset model as it receives the right to charge users of public service. Under Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, the Group in substance, provides construction services in exchange for an intangible asset (the right to charge the users of the toll roads). During the construction of the toll road, construction revenue is recognized by reference to the percentage of completion measured on the basis of the proportion of costs incurred as of reporting date over the total estimated cost of construction. The Group estimates that the aggregate amount of the construction costs paid to the outside contractors approximates the fair value of the intangible asset. Thus, the construction revenue recognized in the consolidated statements of comprehensive income approximates the construction costs recognized.

Service Concession Rights
Service concession rights represent the construction costs, including borrowing costs during the construction period. Service concession rights are recognized initially at the fair value of the construction services. Following initial recognition, the concession right is carried at cost less accumulated amortization and any impairment losses. Subsequent expenditures or replacement of part of it, are normally recognized in profit or loss as these are incurred to maintain the expected future economic benefits embodied in the service concession rights unless it can be demonstrated that the expenditures will contribute to the increase in revenue from toll operations which meet the definition of an intangible asset.

The service concession rights are amortized using the straight-line method over the 30-year concession period. The amortization period and method are reviewed at least at each financial period-end or more frequently when an indication of impairment arises during the reporting period. Changes in the term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period and method, as appropriate, and treated as changes in accounting estimates. The amortization expense is recognized in the profit or loss in the expense category consistent with the function of the intangible assets.

The service concession rights will be derecognized upon turnover to the ROP with no consideration. There will be no gain or loss upon derecognition of the concession rights as these are expected to be fully amortized by then.

Advances to Contractors
Advances to contractors represent advance payments made for the design and construction of Skyway Stage 3 and the Alabang-Sucat Skyway Connection and Ramp Extensions (Skyway Extension) and are measured at transaction price less impairment of value, if any. These are charged capitalized to projects in the consolidated statements of financial position, upon actual receipt of services or supplies. These are considered as nonfinancial instruments as these will be applied against future billings from contractors and are classified as noncurrent assets.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation which commences when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets.

Asset Type	Number of Years
Transportation equipment	3 - 5
Machineries and equipment	10
Office equipment, furniture and fixtures	2 - 5
Building improvements	5 - 10

The remaining useful lives and depreciation method are reviewed regularly and adjusted accordingly to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the profit or loss in the period of retirement and disposal.

Construction-in-progress (CIP) represents properties under construction and is stated at cost, including cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of the property and equipment are capitalized during the construction period. CIP is not depreciated until such time that the relevant assets are completed and ready for operational use.

Investment Properties

Investment properties consist of condominium units that are held for rental and are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment properties at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and accumulated impairment loss.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment properties to owner occupied property, the cost of property for subsequent accounting is the carrying amount at the date of change in use. If an owner-occupied property becomes an investment properties, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties are derecognized when either it has been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposal. Any resulting gain or loss is credited to or charged against current operations.

Fully depreciated investment properties are retained in the accounts until it is no longer in use.

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree of the Group. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the entity's cash-generating units (CGU) or group of CGU that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the entity are assigned to those units or groups of units. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes.

Where goodwill forms part of a CGU (or group of CGU) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation in determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative exchange differences arising from the translation and goodwill is recognized in profit or loss.

Impairment of Nonfinancial Assets

At each reporting date, nonfinancial assets are reviewed to determine whether there is any indication that those assets maybe impaired. If there is an indication of possible impairment, the recoverable amount of any asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the consolidated statements of comprehensive income.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to sell), but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

The recoverable amount of an asset is the greater of its value in use or its fair value less cost to sell. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less costs of disposal.

Equity

Common Stock. Common stock represents the par value of the issued shares.

Retained Earnings. Retained earnings represents the cumulative balance of net income or loss, dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which has been restricted and are not available for any dividend declaration. Unappropriated retained earnings represent that portion which can be declared as dividends to shareholders.

Dividend Distribution. Dividends are recognized as a liability and deducted from equity when declared by the BOD and shareholders of the Parent Company. Dividends for the period that are approved after the reporting date are dealt with as an event after the reporting date.

Other Comprehensive Income (Loss). Other comprehensive income (loss) comprises items of income and expenses (including items previously presented under the consolidated statements of changes in equity) that are not recognized in profit or loss for the period in accordance with PFRS. Other comprehensive income (loss) represents the cumulative balance of remeasurement gains (losses) on net retirement liabilities and share in other comprehensive income of an associate.

Other Equity Reserves. Other equity reserves consist of the difference between the equity of SMC SKYWAY and S3CTHC attributable to the interest and the purchase price and the excess of purchase price over the net assets of NCI acquired by the Parent Company.

Earnings per Share

Basic earnings per share is calculated by dividing consolidated net income by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividend declared.

Diluted earnings per share is calculated in the same manner, adjusted for the effects of all dilutive potential common shares.

Revenue Recognition

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the performance of the Group creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the performance of the Group does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

The Group recognized revenue from contracts with customers when it has met the following specific performance obligations:

Revenue from Toll Operations. Revenue from toll operations represents the share of the Group in the toll road revenues of the SMMS. Performance obligation is satisfied when motorists have exited the toll roads. Toll fees are set and regulated by the TRB and are collected by way of cash or charged against Radio Frequency Identification (RFID) accounts. Collections from RFID accounts are made by the Group and initially accounted under "Refundable toll replenishment" and are regularly settled. This is reclassified to revenue upon consumption by the motorist.

Toll Operations and Maintenance Fees. This account consists of operations and maintenance fees for NAIAX and Skyway Stage 3 which are recognized when the related services are rendered.

Construction Revenue. Revenue is recognized by reference to the stage of completion of the construction activity at reporting date. In measuring the progress of its performance obligation over time, the Group uses input method. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Revenue from Other Sources

Interest Income. Income is recognized as it accrues using the effective interest method.

Rental Income. Income is recognized on a straight-line basis over the lease term.

Proceeds from Insurance Claims. Recovery from insurance company related to a business loss that is covered by insurance is recognized as soon as the payment by the insurance company becomes probable and the amount of the payment can be determined.

Other Income. Income is recognized when there is an incidental economic benefit that will flow to the Group through an increase in asset or reduction in liability and that can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

Cost and Expenses

Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Costs of Services. Costs of services significantly represent operations and maintenance fee, amortization of service concession rights, PNCC share, provision for resurfacing and maintenance and costs to operate and maintain toll roads and toll facilities of SMMS, Skyway Stage 3 and NAIAX. These are expensed as incurred.

Operating Expenses. Operating expenses constitute costs of administering the business and costs to operate and maintain toll roads and toll facilities. These are charged to profit or loss as incurred.

Construction Costs. Construction costs include all direct materials and labor costs and those indirect costs related to the performance of incidental services under the construction contract. Construction costs are recognized by reference to the stage of completion of the construction activity as of the reporting date. The Group assessed that the costs of subcontracted work to third parties approximates the fair value of the intangible asset acquired in exchange for the construction services. Thus, construction costs are equal to the construction revenue.

Interest Expense. Interest expense is recognized as it accrues. Interest expense includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Other Charges. Other charges are recognized as expense when incurred.

Leases
The Group assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

- the Group has the right to obtain substantially all of the economic benefits from the use of the identified asset; and

- the Group has the right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

The Group as a Lessee. The Group recognizes ROU assets and lease liabilities at the lease commencement date (i.e., the date the underlying asset is available for use). The ROU assets are initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

ROU Assets. At commencement date, the Group measures ROU assets at cost. The cost comprises:

- the amount of the initial measurement of lease liabilities;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs; and

- an estimation of costs to be incurred by the Group in dismantling and removing the underlying asset, when applicable.

The ROU assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU assets or the end of the lease term.

In addition, the ROU assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

Lease Liabilities. At commencement date, the Group measures lease liabilities at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities comprise the following:

- fixed payments, including in-substance fixed payments less any lease incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable by the lessee under residual value guarantees; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise; lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liabilities are measured at amortized cost using the effective interest method. The carrying amount of the lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liabilities are remeasured, a corresponding adjustment is made to the carrying amount of the ROU assets, or is recognized in profit or loss if the carrying amount of the ROU assets have been reduced to zero.

The Group has elected not to recognize ROU assets and lease liabilities for short-term leases (i.e., lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

The Group as a Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Borrowing Costs

Borrowing costs are capitalized as part of "Service concession rights" if they are directly attributable to the construction of the qualifying asset. Capitalization of borrowing costs commences when the activities to prepare for the assets are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalized until the asset is substantially ready for its intended use.

Borrowing costs include interest expense, amortization of debt issuance costs and other costs incurred in connection with the borrowing of funds. Borrowing costs not qualified for capitalization are expensed as incurred.

Foreign Currency Denominated Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the end of the reporting date. Exchange rate differences arising from the translation or settlement of monetary items at rates different from those at which these were initially recorded during the period are recognized in profit or loss in the period these arise.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the period such are realized.

Income Taxes

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and carryforward benefits of unused tax losses - net operating loss carry over (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of excess MCIT over RCIT and NOLCO can be utilized, except:

- where the deferred tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in OCI or directly in equity, in which case, the current and deferred tax are also recognized in OCI or directly in equity respectively.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

VAT

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from or payable to the taxation authority is recognized as "Input VAT" or included under "Accounts payable and other current liabilities" as part of "Statutory payables" account in the consolidated statements of financial position.

Employee Benefits

Short-term Employee Benefits. Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Net Retirement Liabilities. The Group has a funded, non-contributory defined benefit retirement plan covering all qualified employees. The retirement expense is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The net retirement liability or asset is the aggregate of the present value of the retirement liability and the fair value of plan assets (FVPA) on which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on the curtailments and non-routine settlements, and net interest expense or income in the consolidated statements of comprehensive income. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in the profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that the Group recognizes restructuring-related costs.

Plan assets are assets that are held by the long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can these be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement liability or asset) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the consolidated statements of comprehensive income in subsequent periods.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Related Party Relationships and Transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions with related parties are accounted for at arm's length prices or terms similar to those offered to non-related entities in an economically comparable market.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When some or all the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Provision for Resurfacing and Maintenance Obligation. Provision for resurfacing and maintenance obligation pertains to the obligation of the Group under the concession agreement to maintain the toll roads such that the toll road can deliver the specified standard of service at all times. Provision for resurfacing and maintenance obligation requires an estimation of the periodic cost, generally estimated to be every eight to ten years or the expected schedule of major maintenance to maintain the toll roads such that the toll road can deliver the specified standard of service at all times and to restore the assets to a level of serviceability during the concession term and in good condition before turnover to the Philippine Government. This is based on the best estimate of management to be the amount expected to be incurred to settle the obligation at every maintenance date discounted using a pre-tax rate that reflects the current market assessment of the time value of money. On the other hand, routine repairs and maintenance costs are expensed as incurred.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Segment Reporting
The Group's operating business are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services. Operating results of reportable segments are regularly reviewed by senior management to make decisions about resources to be allocated to the segment and assess its performance for which discrete financial information is available

The Group has one geographical segment and derives principally all its revenue from domestic operations.

Events after the Reporting Date
Events after the reporting date that provide additional information about the financial position of the Group at reporting date (adjusting events) are reflected in the consolidated financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements of the Group in accordance with PFRS requires management to exercise judgments, make estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments
In the process of applying the accounting policies of the Group, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements. The judgments are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements.

Establishing the Control over Subsidiaries. The Parent Company determined that it has control over its subsidiary by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

- The contractual arrangement with the other vote holders of the investee;

- Rights arising from other contractual agreements; and

- The Parent Company's voting rights and potential voting rights.

Management has assessed that the Parent Company has control over SMC SKYWAY, S3CTHC, MMSS3, TROMV, and SOMCO as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021 and identified these entities as subsidiaries.

Determining whether the STOA for SMMS and Stage 3 is covered under Philippine Interpretation IFRIC 12. Management has assessed that it is covered by Philippine Interpretation IFRIC 12, under the intangible asset model, with respect to the operation of the toll roads and toll facilities as it has (a) the right (license) to collect toll from toll roads users availing of a public service; (b) the grantor controls or regulates the price; (c) the Group will transfer significant residual interest of the toll roads and its facilities at the end of the STOA.

Recognizing Construction Revenue and Costs. The Group recognizes construction revenue and costs in accordance with PFRS 15, *Revenue from Contract with Customers*. It measures contract revenue at the fair value of the consideration received or receivable. The Group assessed that the costs of subcontracted work to third parties approximate the fair value of the intangible asset acquired in exchange for the construction services, thus construction revenue recognized is equal to the construction costs. Construction revenue and costs recognized in profit or loss for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021, are disclosed in Note 8.

Revenue from Contracts with Customers. The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligation* -The Group provides toll concession and operations and maintenance fee service to its customers. The Group has determined that each of the services are capable of being distinct.

- *Determining the transaction price* - The Group determined that the transaction price is in accordance with the rates published by TRB or agreed rates with the customers.

- *Determining the timing of satisfaction of the toll service and operations and maintenance services* - The Group concluded that the revenue from toll concession is recognized at a point in time and when the motorists have exited the toll roads. Meanwhile, operations and maintenance services are recognized over time or when the services are rendered.

Assessing Embedded Derivatives on Financial Instrument. The long-term debt of the Group contains embedded derivatives arising from voluntary prepayment option and interest rate floor. Under PFRS 9, the Group is required to evaluate whether the embedded derivatives meet the condition for bifurcation at loan inception.

Based on management's evaluation, the voluntary prepayment option and interest rate floor are closely related with the host contract. Accordingly, the derivative assets or liabilities are not separately identified and recognized in the consolidated financial statements.

Classifying Financial Instruments. The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

Classifying Lease Commitments - The Group as a Lessee. The Group has entered into a lease agreement with a lessor for office space and parking lots. For the Group's non-cancellable lease, the Group recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Group's incremental borrowing rate.

The carrying amount of the ROU assets and lease liabilities as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, are disclosed in Note 20.

Assessing Lease Commitments - The Group as a Lessor. The Group assessed that it retains substantially all the risks and rewards of ownership of the asset under operating lease. Noncancellable operating lease receivables are recognized as income in profit or loss on a straight-line basis over the lease term.

Rental income from lease arrangements for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021, is disclosed in Note 20.

Assessing the Extension Options of Lease Commitments. The Group's lease commitments contain extension options exercisable by the Group prior the end of the non-cancelable contract period. Where practicable, the Group seeks to include the extension options to provide operational flexibility. The Group assessed at lease commencement that it is reasonably certain that the Group will exercise the extension options. A reassessment is made whether it is reasonable certain to exercise the extension options if there is a significant event or significant change in circumstances within its control.

Determining the Classification of Property. The Group determines whether a property is classified as investment property or property and equipment:

- Investment properties comprise condominium units which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily for rental income and capital appreciation.

- Property and equipment include transportation equipment, machineries and equipment, office equipment, furniture and fixtures and building improvements. These properties and equipment are intended for operations or administrative purposes.

Evaluating the Adequacy of Tax Liabilities. The Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon the Group's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Assessing the ECL of Toll Receivables and Other Financial Assets at Amortized Cost. The allowance for ECL of toll receivables and other financial assets at amortized cost are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

ECL of Toll Receivables

The Group applies the PFRS 9 simplified approach in measuring ECL of toll receivables which uses a lifetime expected loss allowance for all toll receivables. The Group estimates ECL on receivables using a provision matrix that is based on days past due for groupings of various customer segments that have similar loss patterns. Depending on the diversity of its debtor's base, the Group uses its historical credit loss experience adjusted for forward-looking factors, as appropriate.

ECL of Other Financial Assets at Amortized Cost

The Group determines the allowance for ECL of other financial assets at amortized cost using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

Provision for ECL recognized in profit or loss for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, is disclosed in Note 6.

The carrying amounts of cash and cash equivalents, trade and other receivables, restricted cash, security deposits and miscellaneous deposits classified as financial assets as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, are disclosed in Notes 5, 6, 7 and 13.

Estimating the Useful Life of Service Concession Rights. The estimated useful life of the service concession rights is approximately 30 years from the start of operations until the end of the concession period, as provided in the amended STOA. The estimated useful life of concession rights is reviewed periodically and updated if expectations differ materially from previous estimates due to changes in the term of the STOA, pattern of consumption of future economic benefits and legal or other limitations on the use of the concession right. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances.

There is no change in the estimated useful life of service concession rights in 2024, 2023, 2022 and 2021. The carrying amount of the service concession rights as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, is disclosed in Note 8.

Estimating the Useful Lives of Property and Equipment, Computer Software and ROU assets. The Group estimates the useful lives of its property and equipment, computer software and ROU assets based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment, computer software and ROU assets based on factors that include asset utilization, internal technical evaluation, technological and environmental changes and anticipated use of the assets.

There were no changes in the estimated useful lives of property and equipment, computer software and ROU assets as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021. The carrying amounts of the property and equipment, computer software and ROU assets of the Group are disclosed in Notes 9 and 20.

Assessing the Impairment of Service Concession Rights and Other Nonfinancial Assets. The Group assesses at each reporting date whether there is an indication that the service concession rights and other nonfinancial assets may be impaired. The factors that would trigger an impairment review of service concession rights include the following, among others:

- decline in toll rates as a result of government imposition or other events;
- significant decline in number of motorists passing through the toll roads; and
- significant change in foreign exchange rate of Peso versus US dollar since this will affect the toll rate adjustments.

The factors that the Group considers important which could trigger an impairment review of other nonfinancial assets include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The recoverable value of service concession rights and other nonfinancial assets represents the higher of value-in-use or fair value less cost of disposal. Estimating the value-in-use requires the Group to make an assessment of the expected future cash flows from the use of the service concession rights and other nonfinancial assets and allows it to choose a suitable discount rate in order to calculate the present value of those cash flows.

There are no indications that the service concession rights and other nonfinancial assets may be impaired. Accordingly, no impairment loss was recognized for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021. The carrying amounts of the nonfinancial assets of the Group, which include input VAT, service concession rights, advances to contractors, property and equipment, ROU asset, computer software, other current and noncurrent assets (excluding security and miscellaneous deposits) are disclosed in Notes 7, 8, 9, 11 and 20.

Assessing the Impairment of Goodwill. The Group tests annually whether any impairment in goodwill is to be recognized, in accordance with the related accounting policy in Note 3. The recoverable amounts of CGUs have been determined based on the higher of fair value less costs of disposal and value in use calculations which require the use of estimates. Based on the impairment testing conducted, the recoverable amounts of the CGUs as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021 calculated based on value in use are greater than the corresponding carrying amounts (including goodwill) of the CGUs as at the same dates. The carrying amount of goodwill as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, is disclosed in Note 10.

Assessing the Provisions and Contingencies. The Group recognizes provisions based on estimates of whether it is probable that an outflow of resources will be required to settle an obligation. Where the final outcome of these matters is different from the amounts that were initially recognized, such differences will impact the financial performance in the current period in which such determination is made.

a. *Resurfacing and Maintenance Obligation* - The provision for resurfacing and maintenance obligation requires an estimation of the periodic cost over the expected period to restore the roads to a level of serviceability and to maintain its good condition before turnover to the Philippine Government. This is based on the best estimate of management of the amount expected to be incurred to settle the obligation, discounted using a pre-tax rate that reflects the current market assessment of the time value of money. The key assumptions used to determine the resurfacing and maintenance obligation are further explained in Note 14.

   Provision for resurfacing and maintenance obligation as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, is disclosed in Note 14.

b. *Legal Claims* - Management's assessment of the potential outcome of legal claims has been developed in consultation with its external counsels handling the defense of the Group in these matters and is based upon an analysis of potential results. The Group is a party to certain claims arising from the ordinary course of business. Based on Management's and legal counsel's assessments, the eventual liabilities from such claims are not yet determinable. Accordingly, no provisions for legal claims have been recognized in 2024, 2023, 2022 and 2021 (see Note 20).

Determining the Net Retirement Liabilities. The determination of the liability and cost of retirement expense is dependent on the selection of certain assumptions provided to actuaries in calculating such amounts. Actual results that differ from the assumptions of the Group are accumulated and recorded in OCI. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement liability.

The retirement expense recognized in the profit or loss for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021, is disclosed in Note 19. Net interest expense on net retirement liabilities recognized in the profit or loss for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021, is disclosed in Note 13. The net retirement liabilities as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, is disclosed in Note 19.

Assessing the Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets recognized by the Group as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, is disclosed in Note 21.

The unrecognized deferred tax assets of the Parent Company, S3CTHC, TROMV and MMSS3 as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, are disclosed in Note 21. Management has assessed that it is not probable that sufficient taxable profit will be available in the future against which the benefit from the deferred tax assets can be utilized (see Note 21).

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	June 30		December 31		
	2024	2023	2023	2022	2021
Cash on hand and in banks	**₱1,499,781**	₱1,675,523	₱1,977,345	₱1,655,006	₱2,061,340
Cash equivalents	**9,703,788**	11,008,393	8,986,731	9,472,273	11,406,769
	₱11,203,569	₱12,683,916	₱10,964,076	₱11,127,279	₱13,468,109

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

Interest income recognized in the consolidated statements of comprehensive income is earned from the following:

		Six-Month Period Ended June 30		Years Ended December 31		
	Note	**2024**	2023	2023	2022	2021
Cash and cash equivalents		**₱291,314**	₱266,105	₱550,360	₱179,819	₱70,815
Restricted cash	13	**264,118**	186,324	411,211	123,378	9,052
		₱555,432	₱452,429	₱961,571	₱303,197	₱79,867

Interest receivable related to this amounted to ₱49.6 million, ₱43.8 million, ₱55.3 million, ₱39.6 million and ₱0.5 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively (see Note 6).

6. Trade and Other Receivables

Trade and other receivables consist of:

		June 30		December 31		
	Note	**2024**	2023	2023	2022	2021
Receivable from Export and Industry Bank ("EIB")		**₱511,243**	₱511,243	₱511,243	₱511,243	₱511,243
Toll receivables from:						
Third parties		**162,569**	132,920	144,771	138,374	91,993
PSC		**92,470**	92,470	92,470	92,470	92,470
Related parties	18	**2,020**	45,456	2,362	16,731	6,354
Interest receivable	5	**49,553**	43,818	55,281	39,580	484
Rent receivables:						
Related parties	18	**10,523**	16,681	17,153	20,363	22,848
Third parties		**1,705**	8,482	3,373	11,009	81,254
Receivable from DPWH		**15,531**	15,531	15,531	15,531	15,531
O&M fee receivables	18	**11,458**	11,458	11,458	27,613	11,458
Others		**41,206**	40,903	41,601	39,185	42,171
		898,278	918,962	895,243	912,099	875,806
Less allowance for ECL		**(711,337)**	(703,299)	(711,337)	(703,299)	(782,630)
		₱186,941	₱215,663	₱183,906	₱208,800	₱93,176

<u>Receivable from EIB</u>

On April 27, 2012, EIB was placed under the Philippine Deposit Insurance Corporation receivership by the *Bangko Sentral ng Pilipinas.* Based on the developments affecting the EIB, SMC SKYWAY recognized full allowance for ECL as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021.

<u>Toll Receivables</u>

Toll receivables from third parties pertain to amount due from merchants for the e-load of motorists' RFID account and due from motorists from the use of toll roads through ETC system and receivable from PSC from its former operation of Stage 1 and 2. Toll receivables are unsecured, non-interest bearing and are normally collected within 30 days. Provision for ECL on toll receivables amounted to nil for the six-month period ended June 30, 2024 and 2023, ₱8.0 million, ₱0.3 million and nil for the years ended December 31, 2023, 2022 and 2021, respectively.

Rent Receivables

Rent receivables pertain to lease of advertising spaces which are unsecured, non-interest bearing and are normally collected within 10 to 30 days. SMC SKYWAY wrote-off receivable amounting to ₱3.3 million and ₱79.7 million in 2024 and 2022, respectively. The management assessed that these receivables can no longer be collected (see Note 20).

Receivable from DPWH

On October 12, 2009, SMC SKYWAY entered into a Memorandum of Agreement with the ROP, as Grantor, acting by and through DPWH wherein the Grantor shall reimburse the funds advanced by SMC SKYWAY for the right of way requirements for Stage 2 immediately after the availability of Grantor funds and the execution of a Reimbursement Agreement.

O&M Fee Receivables

O&M fee receivables pertain to the outstanding monthly fee from the agreement with SMC NAIAX Corporation (SMC NAIAX), to manage, operate and maintain the toll roads and toll road facilities, interchanges, and related facilities of the entire NAIAX. It also includes reimbursable expenses incurred for SMC SLEX Inc. (SMC SLEX). O&M fee receivables are unsecured, non-interest bearing and are normally due and demandable upon receipt of billings.

Other Receivables

Others mainly pertain to advances to third parties which were fully provided by allowance for impairment losses. It also includes advances to officers and employees which are normally settled within the next reporting period.

Movements in allowance for ECL are as follows (see Note 17):

	June 30, 2024				
	EIB	**Toll Receivables**	**Rent Receivable**	**Others**	**Total**
Balance at beginning of period	**₱511,243**	**₱176,329**	**₱–**	**₱23,765**	**₱711,337**
Provision	**–**	**–**	**3,300**	**–**	**3,300**
Write-off	**–**	**–**	**(3,300)**	**–**	**(3,300)**
Balance at end of period	**₱511,243**	**₱176,329**	**₱–**	**₱23,765**	**₱711,337**

	June 30, 2023			
	EIB	Toll Receivables	Others	Total
Balance at beginning and end of period	₱511,243	₱168,291	₱23,765	₱703,299

	December 31, 2023			
	EIB	Toll Receivables	Others	Total
Balance at beginning of year	₱511,243	₱168,291	₱23,765	₱703,299
Provision	–	8,038	–	8,038
Balance at end of year	₱511,243	₱176,329	₱23,765	₱711,337

	December 31, 2022				
	EIB	Toll Receivables	Rent Receivable	Others	Total
Balance at beginning of year	₱511,243	₱167,958	₱79,664	₱23,765	₱782,630
Provision	–	333	–	–	333
Write-off	–	–	(79,664)	–	(79,664)
Balance at end of year	₱511,243	₱168,291	₱–	₱23,765	₱703,299

	December 31, 2021				
	EIB	Toll Receivables	Rent Receivable	Others	Total
Balance at beginning and end of year	₱511,243	₱167,958	₱79,664	₱23,765	₱782,630

7. Other Current Assets

Other current assets consist of:

		June 30		December 31		
	Note	**2024**	2023	2023	2022	2021
Prepayments		**₱220,496**	₱168,079	₱122,567	₱87,841	₱39,211
Deferred input VAT		**143,699**	423,277	157,927	444,777	581,767
Advances to suppliers		**12,521**	40,289	57,187	35,607	50,172
Security deposits	18	**578**	617	578	617	601
Others		**244**	505	2,930	3,980	1,710
		₱377,538	₱632,767	₱341,189	₱572,822	₱673,461

Prepayments mainly consist of prepaid insurance which pertains to insurance premiums relating to the toll road construction and will be applied throughout the remaining term of the related contracts and prepaid taxes and licenses.

Deferred input VAT is composed of current portion of the unamortized input VAT on purchase of capital goods and unpaid portion of purchased services. Noncurrent portion of deferred input VAT are presented under "Other noncurrent assets" in the consolidated statements of financial position.

	June 30		December 31		
	2024	2023	2023	2022	2021
Current	**₱143,699**	₱423,277	₱157,927	₱444,777	₱581,767
Noncurrent	**1,640**	3,922	2,685	5,264	7,965
	₱145,339	₱427,199	₱160,612	₱450,041	₱589,732

Advances to suppliers represent advance payments on services to be incurred in connection with the operations of the Group.

Security deposits pertain to lease which are to be refunded upon termination of the agreements.

Others includes advances to officers and employees which are settled within the next reporting period through liquidation.

8. Service Concession Rights

Service concession rights consist of:

	Note	June 30, 2024				
		Stage 1	**Stage 2**	**Stage 3**	**Skyway Extension**	**Total**
Cost						
Balance at beginning of period		**₱18,721,031**	**₱10,318,329**	**₱63,122,891**	**₱10,214,459**	**₱102,376,710**
Additions		**–**	**–**	**715,822**	**221,537**	**937,359**
Balance at end of period		**18,721,031**	**10,318,329**	**63,838,713**	**10,435,996**	**103,314,069**
Accumulated Amortization						
Balance at beginning of period		**12,080,717**	**4,355,462**	**5,078,086**	**553,730**	**22,067,995**
Amortization	9	**191,547**	**172,006**	**1,047,243**	**297,895**	**1,708,691**
Balance at end of period		**12,272,264**	**4,527,468**	**6,125,329**	**851,625**	**23,776,686**
Carrying Amount		**₱6,448,767**	**₱5,790,861**	**₱57,713,384**	**₱9,584,371**	**₱79,537,383**

	Note	June 30, 2023				
		Stage 1	Stage 2	Stage 3	Skyway Extension	Total
Cost						
Balance at beginning of period		₱18,721,031	₱10,318,329	₱62,502,120	₱9,881,535	₱101,423,015
Additions		–	–	241,198	194,952	436,150
Balance at end of period		18,721,031	10,318,329	62,743,318	10,076,487	101,859,165
Accumulated Amortization						
Balance at beginning of period		11,697,623	4,011,450	3,016,008	–	18,725,081
Amortization	9	191,547	172,006	1,031,300	271,551	1,666,404
Balance at end of period		11,889,170	4,183,456	4,047,308	271,551	20,391,485
Carrying Amount		₱6,831,861	₱6,134,873	₱58,696,010	₱9,804,936	₱81,467,680

	Note	December 31, 2023				
		Stage 1	Stage 2	Stage 3	Skyway Extension	Total
Cost						
Balance at beginning of year		₱18,721,031	₱10,318,329	₱62,502,120	₱9,881,535	₱101,423,015
Additions		–	–	620,771	332,924	953,695
Balance at end of year		18,721,031	10,318,329	63,122,891	10,214,459	102,376,710
Accumulated Amortization						
Balance at beginning of year		11,697,623	4,011,450	3,016,008	–	18,725,081
Amortization	9	383,094	344,012	2,062,078	553,730	3,342,914
Balance at end of year		12,080,717	4,355,462	5,078,086	553,730	22,067,995
Carrying Amount		₱6,640,314	₱5,962,867	₱58,044,805	₱9,660,729	₱80,308,715

	Note	December 31, 2022				
		Stage 1	Stage 2	Stage 3	Skyway Extension	Total
Cost						
Balance at beginning of year		₱18,721,031	₱10,318,329	₱60,973,012	₱8,789,255	₱98,801,627
Additions		–	–	1,529,108	1,092,280	2,621,388
Balance at end of year		18,721,031	10,318,329	62,502,120	9,881,535	101,423,015
Accumulated Amortization						
Balance at beginning of year		11,314,529	3,667,438	935,680	–	15,917,647
Amortization	9	383,094	344,012	2,080,328	–	2,807,434
Balance at end of year		11,697,623	4,011,450	3,016,008	–	18,725,081
Carrying Amount		₱7,023,408	₱6,306,879	₱59,486,112	₱9,881,535	₱82,697,934

	Note	December 31, 2021				
		Stage 1	Stage 2	Stage 3	Skyway Extension	Total
Cost						
Balance at beginning of year		₱18,721,031	₱10,318,329	₱54,839,304	₱5,821,431	₱89,700,095
Additions		–	–	6,133,708	2,967,824	9,101,532
Balance at end of year		18,721,031	10,318,329	60,973,012	8,789,255	98,801,627
Accumulated Amortization						
Balance at beginning of year		10,931,435	3,323,426	–	–	14,254,861
Amortization	9	383,094	344,012	935,680	–	1,662,786
Balance at end of year		11,314,529	3,667,438	935,680	–	15,917,647
Carrying Amount		₱7,406,502	₱6,650,891	₱60,037,332	₱8,789,255	₱82,883,980

Service concession rights mainly consist of costs incurred for the construction of the toll roads. The service concession rights related to the Project Road during construction is not amortized until such time that the toll road is completed and put into operational use.

On February 1, 2020, a fire damaged a portion of Section 2B of the Skyway Stage 3 located in Pandacan, Manila. The Group determined actual loss amounting to ₱453.8 million and sold scraps amounting to ₱10.7 million. Proceeds from insurance claims amounted to ₱284.2 million and ₱39.6 million for the years ended December 31, 2022 and 2021, respectively.

On November 21, 2020, an accident occurred during the construction of the Skyway extension. Proceeds from the insurance claims amounted to ₱11.8 million in 2024.

Certain property and equipment were used in the construction of toll roads during 2021, accordingly, depreciation related to these property and equipment were capitalized as part of the additions to service concession rights amounting to ₱4.1 million in 2021 (see Note 9).

Construction Revenue and Construction Costs

The Group recognized construction revenue and construction cost amounting to ₱937.4 million, ₱436.2 million, ₱953.7 million, ₱2,621.4 million and ₱9,101.5 million for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021, respectively, in reference to the stage of completion of the construction.

Capitalized borrowing costs amounted to nil in 2024, 2023 and 2022 and ₱1,358.9 million in 2021 (see Note 13). Capitalization rate used ranges from 6.9% to 10.0% in 2021.

9. Property and Equipment, Computer Software, and Investment Properties

Property and Equipment

Property and equipment consist of:

	June 30, 2024					
	Transportation Equipment	Machineries and Equipment	Office Equipment, Furniture and Fixtures	Building Improvements	CIP	Total
Cost						
Balance at beginning of period	₱293,202	₱116,265	₱102,953	₱17,285	₱–	₱529,705
Additions	15,118	5,093	5,822	5,139	1,639	32,811
Disposal	(4,060)	–	(1,770)	–	–	(5,830)
Balance at end of period	304,260	121,358	107,005	22,424	1,639	556,686
Accumulated Depreciation						
Balance at beginning of period	184,100	98,981	89,974	11,301	–	384,356
Depreciation	14,210	5,953	3,878	843	–	24,884
Disposal	(3,592)	–	(1,770)	–	–	(5,362)
Balance at end of period	194,718	104,934	92,082	12,144	–	403,878
Carrying Amount	₱109,542	₱16,424	₱14,923	₱10,280	₱1,639	₱152,808

	June 30, 2023				
	Transportation Equipment	Machineries and Equipment	Office Equipment, Furniture and Fixtures	Building Improvements	Total
Cost					
Balance at beginning of period	₱291,346	₱98,019	₱97,287	₱15,289	₱501,941
Additions	3,253	3,597	2,258	–	9,108
Disposal	(12,147)	–	–	–	(12,147)
Balance at end of period	282,452	101,616	99,545	15,289	498,902
Accumulated Depreciation					
Balance at beginning of period	171,075	74,837	82,995	9,838	338,745
Depreciation	19,210	7,145	3,427	700	30,482
Disposal	(12,147)	–	–	–	(12,147)
Balance at end of period	178,138	81,982	86,422	10,538	357,080
Carrying Amount	₱104,314	₱19,634	₱13,123	₱4,751	₱141,822

	December 31, 2023				
	Transportation Equipment	Machineries and Equipment	Office Equipment, Furniture and Fixtures	Building Improvements	Total
Cost					
Balance at beginning of year	₱291,346	₱98,019	₱97,287	₱15,289	₱501,941
Additions	15,821	18,928	5,666	1,996	42,411
Disposal	(13,965)	(682)	–	–	(14,647)
Balance at end of year	293,202	116,265	102,953	17,285	529,705
Accumulated Depreciation					
Balance at beginning of year	171,075	74,837	82,995	9,838	338,745
Depreciation	25,323	24,826	6,979	1,463	58,591
Disposal	(12,298)	(682)	–	–	(12,980)
Balance at end of year	184,100	98,981	89,974	11,301	384,356
Carrying Amount	₱109,102	₱17,284	₱12,979	₱5,984	₱145,349

	December 31, 2022				
	Transportation Equipment	Machineries and Equipment	Office Equipment, Furniture and Fixtures	Building Improvements	Total
Cost					
Balance at beginning of year	₱274,896	₱84,233	₱86,685	₱12,238	₱458,052
Additions	25,189	13,786	10,662	3,447	53,084
Disposal/retirement	(8,739)	–	(60)	(396)	(9,195)
Balance at end of year	291,346	98,019	97,287	15,289	501,941
Accumulated Depreciation					
Balance at beginning of year	154,643	48,517	78,167	9,142	290,469
Depreciation	24,824	26,320	4,865	1,092	57,101
Disposal/retirement	(8,392)	–	(37)	(396)	(8,825)
Balance at end of year	171,075	74,837	82,995	9,838	338,745
Carrying Amount	₱120,271	₱23,182	₱14,292	₱5,451	₱163,196

	December 31, 2021				
	Transportation Equipment	Machineries and Equipment	Office Equipment, Furniture and Fixtures	Building Improvements	Total
Cost					
Balance at beginning of year	₱215,655	₱59,628	₱79,290	₱12,238	₱366,811
Additions	70,410	24,605	7,503	–	102,518
Disposals	(11,169)	–	(108)	–	(11,277)
Balance at end of year	274,896	84,233	86,685	12,238	458,052
Accumulated Depreciation					
Balance at beginning of year	130,560	37,417	74,107	8,817	250,901
Depreciation	32,690	11,100	4,134	325	48,249
Disposals	(8,607)	–	(74)	–	(8,681)
Balance at end of year	154,643	48,517	78,167	9,142	290,469
Carrying Amount	₱120,253	₱35,716	₱8,518	₱3,096	₱167,583

The CIP pertains to the renovation of toll office building in Paranaque with total estimated cost to complete amounting to ₱0.1 million and is estimated to be completed by the end 2024.

The total cost of fully depreciated property and equipment still in use amounted to ₱278.9 million, ₱194.5 million, ₱264.5 million, ₱189.3 million and ₱193.6 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively.

The Group disposed property and equipment with total cost of ₱5.8 million, ₱12.1 million, ₱14.6 million, ₱9.2 million and ₱11.3 million for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, respectively, which resulted to gain (loss) on disposal of ₱1.3 million, ₱0.4 million, (₱0.5 million), ₱0.6 million and (₱1.6 million) for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021, respectively. Gain or loss on disposal of property and equipment were presented as part of "Others" under "Other income (charges)" of the consolidated statements of comprehensive income.

Depreciation and amortization charged to cost of services and operating expenses are as follows (see Note 17):

		Six-Month Period Ended June 30		Years Ended December 31		
	Note	**2024**	2023	2023	2022	2021
Service concession rights	8	**₱1,708,691**	₱1,666,404	₱3,342,914	₱2,807,434	₱1,662,786
Property and equipment		**24,884**	30,482	58,591	57,101	48,249
ROU assets	20	**1,676**	1,676	3,353	3,205	3,040
Computer software		**–**	–	–	2,220	2,233
		1,735,251	1,698,562	3,404,858	2,869,960	1,716,308
Capitalized to service concession rights	8	**–**	–	–	–	(4,101)
		₱1,735,251	₱1,698,562	₱3,404,858	₱2,869,960	₱1,712,207

Depreciation and amortization are allocated as follows:

		Six-Month Period Ended June 30		Years Ended December 31		
	Note	**2024**	2023	2023	2022	2021
Cost of services	17	**₱1,728,390**	₱1,688,456	₱3,385,816	₱2,849,688	₱1,693,565
Operating expenses	17	**6,861**	10,106	19,042	20,272	18,642
		₱1,735,251	₱1,698,562	₱3,404,858	₱2,869,960	₱1,712,207

Computer Software

Computer software pertains to the computer software license and related consultancy service obtained by the Group pursuant to the Service Agreement.

Movements in computer software are as follows:

	June 30		December 31		
	2024	2023	2023	2022	2021
Cost					
Balance at beginning and end of period	**₱17,685**	₱17,685	₱17,685	₱17,685	₱17,685
Accumulated Amortization					
Balance at beginning of period	**17,685**	17,685	17,685	15,465	13,232
Amortization	**–**	–	–	2,220	2,233
Balance at end of period	**17,685**	17,685	17,685	17,685	15,465
Carrying Amount	**₱–**	₱–	₱–	₱–	₱2,220

The Group's computer software is fully amortized and is still being used as at June 30, 2024 and 2023, December 31, 2023 and 2022.

Investment Properties

The Group also has investment properties consisting of condominium units being leased out to third parties. The properties have been fully depreciated with a cost and accumulated depreciation of ₱249.4 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021.

The fair value of the investment properties amounted to ₱179.9 million. The fair values of the investment properties were determined by an independent appraiser in 2022. The Group did not obtain an appraisal report as at June 30, 2024 as management believes that there is no evidence that the investment properties have either significantly increased or decreased in value between the reporting dates and the appraisal report dates. The fair value of the investment properties was determined based on the published selling prices of similar properties of the same vicinity as of the reporting date for market approach. The appraisal of the properties gave due consideration to the highest and best use of the property. As defined, highest and best use is the most profitable likely use to which the property can be put. The fair value measurement for investment properties has been categorized under Level 2.

Description of valuation techniques used and key inputs to valuation on investment properties follows:

	Valuation Approach	Significant Inputs	Range (weighted average)
Condominium units	Market Approach	Average selling price per square meter (sqm)	₱72 to ₱85/sq.m
		Valuation adjustment	0% to 34%

Sensitivity Analysis. The following factors were considered in determining the market value of the subject property:

- property location and neighborhood data
- present use of the property is either commercial/residential/agricultural
- quantitative market value adjustments based on external and internal factors
- highest and best use (commercial and residential building/resort and its allied development)

Significant increase (decrease) in price per square meter would result in a significantly higher (lower) fair value measurement. Significant increase (decrease) in value adjustments would result in a lower (higher) fair value measurement.

Rental income related to the investment properties amounted to ₱1.7 million for the six-month period ended June 30, 2024 and 2023, ₱3.3 million for the years ended December 31, 2023 and 2022 and ₱3.5 million for the year ended December 31, 2021 (see Note 20). The direct expense related to the investment properties are real property taxes and association dues amounted to ₱0.9 million for the six-month period ended June 30, 2024 and 2023 and ₱1.8 million, ₱2.0 million and ₱2.1 million for the years ended December 31, 2023, 2022 and 2021, respectively.

10. **Accounting for Business Combination**

On September 5, 2014, S3CTHC subscribed to 55% interest in MMSS3 for ₱200.0 million. Prior to S3CTHC's subscription, MMSS3 was a wholly-owned subsidiary of CLGP, a company domiciled in Jakarta, Indonesia. S3CTHC and CLGP executed an agreement assigning CLGP's beneficial interest in MMSS3 to the S3CTHC equivalent to 25%. Also, on September 8, 2014, S3CTHC deposited ₱7,800.0 million to MMSS3 which is intended to be converted to common stock of MMSS3. Accordingly, the total purchase considerations transferred amounted to ₱8,000.0 million which resulted to a goodwill amounting to ₱483.4 million. None of the goodwill recognized is expected to be deductible for income tax purposes. The recoverable amount of goodwill has been determined based on the value in use computation covering the 30-year definite life of the toll concession rights in 2024, 2023, 2022 and 2021. The discount rate applied to the cash flow projections ranges from 4% to 5% on June 30, 2024 and 2023, December 31, 2023, 2022 and 2021. Management assessed that no reasonably possible change in any of the assumptions would cause the carrying amount of the related investment to exceed its recoverable amount. The carrying amount of goodwill is allocated to MMSS3.

S3CTHC has elected to measure the NCI in the acquiree at proportionate share of 20% of the fair value of the identifiable net assets. In 2019, S3CTHC subscribed additional shares issued by MMSS3 resulting to a decrease the ownership of the noncontrolling interest from 20% to 10%.

Prior to 2020, the Group has 40% equity investment of SOMCO through SMC SKYWAY or effective interest ownership of 35.14%. The total consideration of the acquisition amounting to ₱0.1 million resulted to a recognition of NCI of ₱0.2 million and goodwill of ₱4.0(see Note 2). The indirect ownership in SOMCO resulted to recognition of gain from bargain purchase amounting to ₱2.5 million. The Group believes it was able to acquire the net assets of SOMCO for less than the fair values as negotiated by the shareholders.

The calculations of value in use of goodwill are most sensitive to the following assumptions:

a. Discount rates - Discount rates were derived from the Group's weighted average cost of capital and reflect management's estimate of risks within the CGUs. This is the benchmark used by the management to assess operating performance and to evaluate future investment proposals.

b. Income growth rate - The long-term rate used to extrapolate the budget is based on average income received from in the three years preceding the beginning of the budget period.

11. **Advances to Contractors**

This account represents advance payments made to various contractors for the construction of the Stage 3 and Alabang-Sucat Skyway Connection and Ramp Extensions. These are recouped at each progress billing depending on the agreement with the contractors.

Advances to contractors amounted to ₱234.9 million, ₱1,164.6 million, ₱185.1 million, ₱1,152.5 million and ₱1,910.0 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively.

12. Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities consist of:

		June 30		December 31		
	Note	**2024**	2023	2023	2022	2021
Refundable toll replenishment		**₱2,677,152**	₱2,136,594	₱2,536,903	₱2,038,825	₱1,704,758
Payable to contractors		**937,342**	1,782,004	1,018,650	2,511,320	3,512,911
Retention payable		**431,560**	2,398,286	305,868	2,193,278	2,286,529
Statutory payables		**357,001**	392,792	417,353	192,997	288,483
Accrued interest payable	13	**228,578**	274,843	230,565	266,228	279,875
Payable to related parties	18	**144,099**	165,242	223,758	173,871	749,976
Accrued liabilities		**82,609**	120,428	95,631	130,185	212,500
Others		**58,839**	51,243	60,078	58,329	72,677
		₱4,917,180	₱7,321,432	₱4,888,806	₱7,565,033	₱9,107,709

Refundable toll replenishment pertains to advance toll payments made by RFID users. These are noninterest-bearing and applied against revenue from toll operations and are also refundable in nature as stated under the Terms and Conditions of RFID Agreement with the Group.

Payable to contractors relates to construction and development costs. These are noninterest-bearing and are paid based on a payment schedule ranging from 15 to 30 days upon receipt of the corresponding invoice.

Retention payable pertains to the amounts withheld by the Group from payments made to contractors. These are deducted as a percentage of the amount certified as due to the contractor and will be released upon completion of the construction.

Retention payable is presented as follows:

	June 30		December 31		
	2024	2023	2023	2022	2021
Current	**₱431,560**	₱2,398,286	₱305,868	₱2,193,278	₱2,286,529
Noncurrent	**105,063**	108,557	96,576	78,592	57,413
	₱536,623	₱2,506,843	₱402,444	₱2,271,870	₱2,343,942

Statutory payables consist of VAT payable, withholding taxes on compensation and expanded withholding taxes, Social Security System, Home Development Mutual Fund and Philippine Health Insurance Corporation contributions that are remitted to the government within the next reporting period.

Accrued liabilities consist mainly of utilities, outside services, taxes and repairs and maintenance expenses. These are normally settled within one year.

Other payables are normally settled within one year.

13. Long-term Debt

Long-term debt consists of:

	June 30		December 31		
	2024	2023	2023	2022	2021
Corporate Notes Facility (Loan Facility) - Parent	**₱30,652,788**	₱34,916,806	₱32,809,461	₱36,136,818	₱38,406,439
Omnibus Loan and Security Agreement (OLSA) - MMSS3	**20,282,509**	24,759,562	22,832,016	26,686,244	29,049,389
	50,935,297	59,676,368	55,641,477	62,823,062	67,455,828
Less current portion	**10,177,560**	7,686,346	9,135,556	6,243,086	3,929,044
Noncurrent portion	**₱40,757,737**	₱51,990,022	₱46,505,921	₱56,579,976	₱63,526,784

Movements in this account are as follows:

	June 30		December 31		
	2024	2023	2023	2022	2021
Principal					
Balance at beginning of period	**₱56,046,914**	₱63,367,391	₱63,367,391	₱68,139,735	₱57,481,527
Availments	**–**	–	–	–	12,900,000
Payments	**(4,775,456)**	(3,214,551)	(7,320,477)	(4,772,344)	(2,241,792)
Balance at end of period	**51,271,458**	60,152,840	56,046,914	63,367,391	68,139,735
Unamortized debt issue cost					
Balance at beginning of period	**405,437**	544,329	544,329	683,907	631,737
Amortization	**(69,276)**	(67,857)	(138,892)	(139,578)	(130,594)
Additions	**–**	–	–	–	182,764
Balance at end of period	**336,161**	476,472	405,437	544,329	683,907
	₱50,935,297	₱59,676,368	₱55,641,477	₱62,823,062	₱67,455,828

Loan Facility

On December 9, 2019, the Parent Company entered into a Loan Facility with local banks for a loanable amount of ₱41,200.0 million to refinance existing debt obligations and acquisition of investments for infrastructure projects. As at June 30, 2024, the loan facility was fully drawn.

The unamortized debt issue cost on the drawn loan balance amounting to ₱248.6 million, ₱339.9 million, ₱294.4 million, ₱381.4 million and ₱466.2 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively, is amortized using the effective interest rate method over the term of the loan.

The long-term debt bears interest rate of higher of a Benchmark Rate plus 1.75% per annum or a floor rate of 5.5% per annum divided by the interest premium factor, subject to repricing on the fifth year of the term. Effective interest rates are ranging from 5.75% to 6.2% in 2024, 2023, 2022 and 2021. The loan has a term of 10 years. Principal and interest are payable quarterly starting March 16, 2020.

The Parent Company, SMC SKYWAY, MMSS3 and S3CTHC are subject to loan covenants, such as but not limited to: (a) the Parent Company shall not declare, make or pay any dividend, charge, fee or other distribution; (b) certain financial ratios such as net debt of the Parent Company and SMC SKYWAY divided by EBITDA ratio of SMC SKYWAY, not to exceed 4.50x.

The security of the agreements includes the assignment of the rights title and interest of the Parent Company over its shareholding in SMC SKYWAY.

As at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, the Parent Company is in compliance with the covenants of the loan facility agreement except for the required net debt to EBITDA ratio in 2022 and 2021 for which the Parent Company obtained the necessary waivers. Accordingly, the loans are not reclassified to current liabilities in 2022 and 2021.

OLSA

On December 15, 2014, MMSS3 entered into a Loan Facility Agreement with various local banks for a loanable amount of up to ₱31,000.0 million. As at June 30, 2024, the Loan Facility is fully drawn.

The term of the Loan Facility is 12 years. The Loan Facility bears interest rate equal to the higher of the sum of the base rate and the margin or 6.25%, subject to repricing at the seventh year of the term of the loan.

The Loan Facility is payable in 35 unequal consecutive quarterly installments starting on the earlier of March 30, 2020 or one calendar quarter after issuance of toll operation certificate by TRB. MMSS3 may, at its option, prepay the loans in part or in full on any interest payment date after the 5th anniversary of the initial drawdown date, together with accrued interest thereon to the date of prepayment, subject to certain conditions.

The unamortized debt issue cost on the drawn loan balance amounting to ₱87.6 million, ₱136.6 million, ₱111.0 million, ₱162.9 million and ₱217.7 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively, is amortized using the effective interest rate method over the term of the loan. Effective interest rate ranges from 7.43% to 10.69% in 2024, 2023, 2022 and 2021. As a security for the timely payment, discharge, observance and performance of all the provisions of the Loan Facility, S3CTHC, acting as the Sponsor/Pledgor in the Loan Facility, grants the Security Trustee for the benefit of the Secured Parties, a continuing security interest of first priority in, all of its rights, title and interests in and to the common and preferred stock of the Group held by S3CTHC whether now owned or existing or hereafter acquired.

The loan facility amounting to ₱20,282.5 million, ₱24,759.6 million, ₱22,832.0 million, ₱26,686.2 million and ₱29,049.4 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively, represent syndicated project financing loans, of which corresponding service concession rights are assigned to the extent of the balance of the long-term debt.

The Loan Facility provides for certain general covenants and financial ratios. As at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, MMSS3 has complied with the required financial ratios.

The annual maturities of long-term debt are as follows:

	Gross Amount	Debt Issue Costs	Net
2025	₱10,294,600	₱117,040	₱10,177,560
2026	11,091,975	97,973	10,994,002
2027 and thereafter	29,884,883	121,148	29,763,735
	₱51,271,458	₱336,161	₱50,935,297

Interest and other financing charges

Interest incurred by the Group follows:

	Note	Six-Month Period Ended June 30 **2024**	2023	Years Ended December 31 2023	2022	2021
Interest on long-term debt		**₱1,935,021**	₱2,228,719	₱4,354,046	₱4,725,728	₱4,739,633
Amortization of debt issue cost		**69,276**	67,857	138,892	139,578	130,594
Interest on provision for resurfacing and maintenance obligation	14	**8,029**	7,529	14,210	3,369	3,082
Net interest cost on retirement liabilities	19	**2,462**	702	3,026	3,005	3,336
Interest on lease liabilities	20	**126**	209	378	104	132
		₱2,014,914	₱2,305,016	₱4,510,552	₱4,871,784	₱4,876,777

Accrued interest amounted to ₱228.6 million, ₱274.8 million, ₱230.6 million, ₱266.2 million and ₱279.9 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively (see Note 12).

Allocation of interest incurred follows:

	Note	Six-Month Period Ended June 30 **2024**	2023	Years Ended December 31 2023	2022	2021
Charged to profit or loss		**₱2,014,914**	₱2,305,016	₱4,510,552	₱4,871,784	₱3,517,873
Capitalized borrowing costs	8	**–**	–	–	–	1,358,904
		₱2,014,914	₱2,305,016	₱4,510,552	₱4,871,784	₱4,876,777

Restricted cash

OLSA

The OLSA requires the Group to open and maintain the following Security Trustee-Controlled Cash Flow Waterfall Accounts: Revenue Account, Debt Service Reserve Account and Debt Service Payment Account.

Loan Facility

The Loan Facility of the Parent Company with the creditors requires the Parent Company to maintain a bank account to hold dividends received from SMC SKYWAY for the purpose of principal and interest repayment and a separate reserve account.

Sources of restricted cash presented in the consolidated statements of financial position as follows:

	June 30 **2024**	2023	December 31 2023	2022	2021
Omnibus Loan and Security Agreement (OLSA) - MMSS3	**₱8,700,401**	₱6,204,046	₱7,985,134	₱5,871,083	₱3,070,731
Corporate Notes Facility (Loan Facility) - Parent	**462,414**	508,889	478,170	527,865	560,264
	₱9,162,815	₱6,712,935	₱8,463,304	₱6,398,948	₱3,630,995

Interest income from the restricted cash amounted to ₱264.1 million, ₱186.3 million, ₱411.2 million, ₱123.4 million and ₱9.1 million for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 5).

The reconciliation of the Group's liabilities arising from financing activities are presented below:

	December 31, 2023	Cash flows Availments	Cash flows Payments	Interest Expense	Noncash Item	June 30, 2024
Long-term debt	₱55,641,477	₱–	(₱4,775,456)	₱–	₱69,276	₱50,935,297
Accrued interest payable	230,565	–	(1,937,008)	2,014,914	(79,893)	228,578
Dividends to NCI	283,316	–	(362,784)	–	215,228	135,760
Lease liabilities	5,828	–	(1,794)	–	126	4,160
	₱56,161,186	₱–	(₱7,077,042)	₱2,014,914	₱204,737	₱51,303,795

	December 31, 2022	Cash flows Availments	Cash flows Payments	Interest Expense	Noncash Item	June 30, 2023
Long-term debt	₱62,823,062	₱–	(₱3,214,551)	₱–	₱67,857	₱59,676,368
Accrued interest payable	266,228	–	(2,220,104)	2,305,016	(76,297)	274,843
Dividends to NCI	388,731	–	(308,894)	–	372,512	452,349
Lease liabilities	8,970	–	(1,743)	–	209	7,436
	₱63,486,991	₱–	(₱5,745,292)	₱2,305,016	₱364,281	₱60,410,996

	December 31, 2022	Cash flows Availments	Cash flows Payments	Interest Expense	Noncash Item	December 31, 2023
Long-term debt	₱62,823,062	₱–	(₱7,320,477)	₱–	₱138,892	₱55,641,477
Accrued interest payable	266,228	–	(4,389,709)	4,510,552	(156,506)	230,565
Dividends to NCI	388,731	–	(908,386)	–	802,971	283,316
Lease liabilities	8,970	–	(3,520)	–	378	5,828
	₱63,486,991	₱–	(₱12,622,092)	₱4,510,552	₱785,735	₱56,161,186

	December 31, 2021	Cash flows Availments	Cash flows Payments	Interest Expense	Noncash Item	December 31, 2022
Long-term debt	₱67,455,828	₱–	(₱4,772,344)	₱–	₱139,578	₱62,823,062
Accrued interest payable	279,875	–	(4,739,375)	4,871,784	(146,056)	266,228
Dividends to NCI	318,023	–	(550,146)	–	620,854	388,731
Lease liabilities	2,229	10,058	(3,421)	–	104	8,970
	₱68,055,955	₱10,058	(₱10,065,286)	₱4,871,784	₱614,480	₱63,486,991

	December 31, 2020	Cash flows Availments	Cash flows Payments	Interest Expense	Noncash Item	December 31, 2021
Long-term debt	₱56,849,790	₱12,900,000	(₱2,241,792)	₱–	(₱52,170)	₱67,455,828
Accrued interest payable	264,187	–	(4,723,945)	3,517,873	1,221,760	279,875
Dividends to NCI	226,681	–	(438,453)	–	529,795	318,023
Lease liabilities	5,839	101	(3,268)	–	(443)	2,229
	₱57,346,497	₱12,900,101	(₱7,407,458)	₱3,517,873	₱1,698,942	₱68,055,955

14. Provision for Resurfacing and Maintenance Obligation

Provision for resurfacing and maintenance obligation pertains to the present value of the contractual obligation of SMC SKYWAY to restore the roads to a specified level of serviceability and to maintain these in good condition during the concession period before turnover to the Philippine Government.

Provision for resurfacing and maintenance obligation as follows:

		June 30		December 31		
	Note	**2024**	2023	2023	2022	2021
Balance at beginning of period		**₱264,370**	₱242,180	₱242,180	₱202,944	₱180,066
Provision for resurfacing and maintenance obligation	17	**598**	8,703	7,980	35,867	19,796
Accretion of interest	13	**8,029**	7,529	14,210	3,369	3,082
Balance at end of period		**272,997**	258,412	264,370	242,180	202,944
Less current portion		**113,803**	112,253	111,883	99,510	82,333
Noncurrent portion		**₱159,194**	₱146,159	₱152,487	₱142,670	₱120,611

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

	June 30		December 31		
	2024	2023	2023	2022	2021
Replacement period:					
At-grade	**8 years**	8 years	8 years	8 years	8 years
Elevated	**10 years**	10 years	10 years	10 years	12 years
Discount rate range	**6.07% to 6.82%**	6.18% to 6.30%	5.87% to 6.00%	5.21% to 6.99%	1.66% to 4.88%
Price increase	**3.55%**	5.98%	5.98%	5.80%	4.40%

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

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

15. Retained Earnings

Under the Philippine Corporation Code, stock corporations are generally prohibited from retaining surplus profits in excess of 100% of their paid up capital.

As at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, the retained earnings of the Parent Company is in excess of its paid-in capital stock by ₱25,532.3 million, ₱22,859.4 million, ₱24,934.7 million, ₱21,229.0 million and ₱19,001.1 million, respectively.

Under the Loan Facility, the Parent Company is restricted from declaring, making or paying any dividend, charge, fee or other distribution whether in cash or in kind or in respect of its share capital (see Note 13).

16. Revenue

Revenue from Contracts with Customers

Disaggregation of Group's revenue from contracts with customers is as follows:

		Six-Month Period Ended June 30		Years Ended December 31		
	Note	**2024**	2023	2023	2022	2021
Revenue recognized at a point in time -						
Revenue from toll operations		**₱10,330,787**	₱9,643,600	₱19,860,979	₱16,650,095	₱10,103,293
Revenue recognized over time:						
Construction revenue	8	**937,359**	436,150	953,695	2,621,388	9,101,532
Operations and maintenance fees		**202,500**	202,500	405,000	365,000	375,000
		1,139,859	638,650	1,358,695	2,986,388	9,476,532
		₱11,470,646	₱10,282,250	₱21,219,674	₱19,636,483	₱19,579,825

17. Cost of Services and Operating Expenses

Cost of services and operating expenses consists of:

		Six-Month Period Ended June 30		Years Ended December 31		
	Note	**2024**	2023	2023	2022	2021
Cost of Services						
Depreciation and amortization	9	**₱1,728,390**	₱1,688,456	₱3,385,816	₱2,849,688	₱1,693,565
PNCC share	20	**314,053**	295,277	606,384	514,767	331,116
Personnel costs		**292,005**	277,860	589,012	515,137	416,714
Outside services		**233,974**	180,587	408,126	345,065	357,655
Operations and maintenance fee	20	**175,164**	175,164	322,164	291,982	170,823
Repairs and maintenance		**101,148**	103,614	241,692	182,172	146,320
Insurance		**44,070**	36,220	81,678	49,378	54,095
Provision for resurfacing and maintenance obligation	14	**598**	8,703	7,980	35,867	19,796
Taxes and licenses		**156**	141	286	762	712
Others		**74,558**	65,767	135,854	155,391	115,230
		₱2,964,116	₱2,831,789	₱5,778,992	₱4,940,209	₱3,306,026

	Note	Six-Month Period Ended June 30 2024	2023	Years Ended December 31 2023	2022	2021
Operating Expenses						
Management fees	18	**₱181,609**	₱163,789	₱327,578	₱310,766	₱300,000
Taxes and licenses		**93,890**	76,867	174,139	120,325	311,636
Personnel costs		**59,117**	52,728	106,434	83,447	87,580
Repairs and maintenance		**57,935**	35,340	117,213	43,356	271,476
Outside services		**49,243**	36,044	106,434	100,375	157,947
Merchant fees		**35,878**	33,568	69,393	58,591	44,236
Entertainment, amusement and recreation		**11,581**	5,180	19,045	10,420	7,423
Corporate communication		**10,048**	18,070	66,386	51,283	38,400
Office supplies		**8,295**	5,106	17,808	17,224	22,174
Depreciation and amortization	9	**6,861**	10,106	19,042	20,272	18,642
Transportation and travel		**5,899**	5,461	11,479	11,645	9,266
Utilities		**3,379**	5,467	10,531	7,357	14,457
Provision for ECL on receivables	6	**3,300**	–	8,038	333	–
Insurance		**439**	74	321	1,309	8,967
Others		**36,887**	52,783	65,675	118,242	67,266
		₱564,361	₱500,583	₱1,119,516	₱954,945	₱1,359,470

Personnel costs are composed of the following:

	Note	Six-Month Period Ended June 30 2024	2023	Years Ended December 31 2023	2022	2021
Salaries		**₱229,114**	₱214,188	₱428,169	₱377,765	₱311,824
Employee benefits		**110,522**	107,139	248,730	203,952	172,444
Retirement expense	19	**11,486**	9,261	18,547	16,867	20,026
		₱351,122	₱330,588	₱695,446	₱598,584	₱504,294

Employee benefits represent employees' meal, transportation allowances and medical insurance, among others.

18. Related Party Transactions

Transactions with the related parties are made at normal market prices and terms. Amount owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

	Note	Six-Month Period Ended June 30 2024	2023	June 30 2024	2023	Terms and Conditions
		Amount of Transactions		Outstanding Balance		
Trade and other receivables	6					
Entities under common control		**₱320,473**	₱748,611	**₱24,001**	₱73,595	30 days; noninterest-bearing, unsecured
Other Current Assets	7					
Entities under common control		**₱–**	₱–	**₱578**	₱617	Refundable upon termination of lease

	Note	Six-Month Period Ended June 30		June 30		Terms and Conditions
		2024	2023	**2024**	2023	
		Amount of Transactions		Outstanding Balance		
Accounts payable and other current liabilities:	12					
Entities under common control		**₱7,900,582**	₱5,914,527	**₱130,511**	₱125,174	5 -30 days; noninterest-bearing, unsecured
Intermediate Parent	17	**181,609**	163,789	**13,588**	40,068	5 -30 days; noninterest-bearing, unsecured
				₱144,099	₱165,242	
Fair Value of Plan Assets	19					
Plan Assets		**₱15,910**	₱9,966	**₱115,537**	₱85,281	Under SMHC Multi-Employer Plan
Due to a Related Party		**₱–**	₱–	**₱61,844**	₱61,844	On demand, noninterest-bearing, unsecured

	Note	For the Years Ended December 31			December 31			Terms and Conditions
		2023	2022	2021	2023	2022	2021	
		Amount of Transactions			Outstanding Balance			
Trade and other receivables	6							
Entities under common control		₱1,890,134	₱1,161,785	₱512,519	₱30,973	₱64,707	₱40,660	30 days; noninterest-bearing, unsecured
Other Current Assets	7							
Entities under common control		₱17	₱16	₱16	₱578	₱617	₱601	Refundable upon termination of lease
Accounts payable and other current liabilities:	12							
Entities under common control		₱12,662,243	₱10,960,403	₱8,653,699	₱210,170	₱160,283	₱472,458	5 -30 days; noninterest-bearing, unsecured
Intermediate Parent	17	327,578	310,766	300,000	13,588	13,588	277,518	5 -30 days; noninterest-bearing, unsecured
					₱223,758	₱173,871	₱749,976	
Fair Value of Plan Assets	19							
Plan Assets		₱24,912	₱28,635	₱30,263	₱98,007	₱71,417	₱47,385	Under SMHC Multi-Employer Plan
Due to a Related Party		₱–	₱–	₱–	₱61,844	₱61,844	₱61,844	On demand, noninterest-bearing, unsecured

Trade Receivables

a. On June 14, 2023, the Group with SMC NAIAX, SMC SLEX, STAR Infrastructure Development Corporation (SIDC), Manila Toll Expressway Systems, Inc. (MATES), STAR Tollway Corporation (STC), SMC TPLEX Corporation (SMC TPLEX) and TPLEX Operations and Maintenance Corporation (TOMCO), entered into a MOA on Inter-operability of Toll Collection System to ensure the inter-operability of toll collection system and traffic operations in accordance with the TRB guidelines for seamless traffic system and improved quality of service to the motorists throughout the toll roads. Total related cash transactions amounted to ₱228.1 million, ₱653.4 million, ₱1,705.7 million, ₱987.6 million and ₱342.3 million for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021, respectively. The Group has toll receivable amounting to ₱2.0 million, ₱45.5 million, ₱2.4 million, ₱16.7 million and ₱6.4 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively.

b. SOMCO received reimbursement on expenses incurred for SMC SLEX. Total reimbursement amounted to nil, ₱6.3 million, ₱6.3 million, ₱15.5 million and nil for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, respectively. Outstanding receivable amounted to ₱17.1 million as at December 31, 2022.

c. SMC SKYWAY entered into a lease contract with other related parties as lessees, for the right to lease the advertising areas and spaces within the area of responsibility of the SMC SKYWAY at the SMMS. Total rental income amounted to ₱18.5 million, ₱14.4 million, ₱30.3 million, ₱19.7 million and ₱18.0 million for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, respectively. The outstanding rental receivable amounted to ₱7.6 million, ₱10.6 million, ₱12.6 million, ₱18.2 million and ₱18.5 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively (see Note 6).

d. MMSS3 entered into lease contracts with other related parties as lessees, for the right to lease the advertising areas and spaces within the area of responsibility of the Group at the Skyway Stage 3. Total rental income amounted to ₱11.4 million, ₱12.0 million, ₱22.8 million, ₱24.0 million and ₱27.2 million for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, respectively. The outstanding rental receivable amounted to ₱2.9 million, ₱6.1 million, ₱4.5 million, ₱2.2 million and ₱4.3 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively (see Note 6).

e. SOMCO entered into an agreement with SMC NAIAX to manage, operate and maintain the toll roads and toll road facilities, interchanges, and related facilities of the entire NAIAX. Revenue from toll operation and maintenance amounted to ₱62.5 million, ₱62.5 million, ₱125.0 million, ₱115.0 million and ₱125.0 million for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, respectively. Outstanding receivable amounted to ₱11.5 million, ₱11.5 million, ₱11.5 million, ₱10.5 million and ₱11.5 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively (see Note 6).

<u>**Other Current Assets**</u>
The Group also entered into lease agreements with entities under common control for the lease of office and parking space. The lease agreement is for a period of one year and renewable every year thereafter unless terminated by either party. Security deposit amounting to ₱0.6 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021 will be refunded upon termination of the lease agreement (see Note 20).

<u>**Accounts Payable and Other Current Liabilities**</u>

Entities under Common Control

a. In relation to the interoperability arrangement between SMC SKYWAY and SLEX, total related transactions pertaining to ETC transactions amounted to ₱4,428.4 million, ₱3,349.2 million, ₱7,183.1 million, ₱6,431.7 million and ₱5,293.5 million for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021, respectively. The Group has toll payable to SMC SLEX amounting to ₱17.3 million, ₱11.8 million, ₱37.2 million, ₱43.9 million and ₱14.8 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively.

b. Pursuant to a MOA entered into by SMC SKYWAY and SMC NAIAX, the Group shall collect and remit to SMC NAIAX all toll fees collected from the ETC users of NAIA Expressway. Total related transactions amounted to ₱795.2 million, ₱653.2 million, ₱1,419.3 million, ₱1,106.5 million and ₱655.4 million for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, respectively. Outstanding payable to SMC NAIAX amounted to ₱2.5 million, ₱2.0 million, ₱3.1 million, ₱0.3 million and ₱13.9 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively.

c. Pursuant to a MOA entered into by SMC SKYWAY and SIDC dated August 20, 2018, the Group shall collect and remit to SIDC all toll fees collected from the ETC users of STAR Tollways. Total related transaction amounted to ₱891.6 million, ₱712.3 million, ₱1,490.9 million, ₱1,305.3 million and ₱1,114.7 million for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, respectively. Outstanding payable to SIDC amounted to ₱2.2 million, ₱2.3 million, ₱8.4 million, ₱5.4 million and ₱46.4 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively.

d. The Group entered into a one-year lease agreement, renewable for another year with MATES for the lease of machineries and equipment used for construction and road repairs. Total related transaction amounted to ₱2.9 million, ₱4.8 million, ₱16.5 million, ₱29.5 million and ₱48.0 million for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, respectively. Outstanding payable to MATES amounted to ₱0.3 million, ₱1.8 million, ₱2.4 million, ₱3.0 million and ₱16.6 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively.

e. Pursuant to a MOA entered into by SMC SKYWAY and SMC TPLEX, dated February 27, 2019, the Group shall collect and remit to PIDC all toll fees collected from the ETC users of Tarlac-Pangasinan-La Union Expressway (TPLEX). Total related transaction amounted to ₱1,360.9 million, ₱843.0 million, ₱1,864.9 million, ₱1,482.1 million and ₱946.2 million for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, respectively. Outstanding payable to SMC TPLEX amounted to ₱3.0 million, ₱3.7 million, ₱6.8 million, ₱17.6 million and ₱53.4 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively.

f. The Group and Intelligent E-Processes Technologies Corp. (IETC) entered into service agreements for non-exclusive and nontransferable license to use the toll collection system, preventive and corrective maintenance of Intelligent Transportation System and RFID management and customer services. IETC charges a monthly fixed fee for the above services rendered. The agreement is valid until December 31, 2023, renewable for another term. Total related transaction amounted to ₱225.3 million, ₱125.4 million, ₱303.1 million, ₱242.7 million and ₱146.0 million for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, respectively. Outstanding payable to IETC amounted to ₱33.0 million, ₱28.6 million, ₱34.7 million, ₱25.3 million and ₱27.4 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively.

g. The Group also purchased other goods and services from various related parties. These are settled within the respective related parties' normal settlement period. Total related transactions amounted to ₱196.3 million, ₱226.6 million, ₱384.4 million, ₱362.6 million and ₱449.9 million for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021, respectively. Outstanding payable for these transactions amounted to ₱72.2 million, ₱75.0 million, ₱117.6 million, ₱64.8 million and ₱300.0 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively.

Intermediate Parent

In 2021, the Group and San Miguel Holdings Corp. (SMHC) entered into a Shared Services Agreement wherein the Group agreed to pay SMHC an annual fee for the Shared Services rendered by SMHC on behalf of the Group. The Group also agreed to reimburse SMHC for all out-of-pocket expenses, incurred by SMHC in the performance of the Shared Services and all costs and expenses incurred by SMHC in rendering any service, at the request of the Group not covered by the Shared Services Agreement.

Due to a Related Party
Due to a related party pertains to liability to AAIBV which represents the transaction costs incurred in obtaining the loan facilities which were paid by a related party in behalf of the Group.

Key Management Personnel Compensation
The compensation of key management personnel for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021 follows:

	Six-Month Period Ended June 30		Years Ended December 31		
	2024	2023	2023	2022	2021
Short-term employee benefits	**₱12,858**	₱12,735	₱26,864	₱27,184	₱26,803
Post-employment benefits	**6,071**	9,242	18,483	14,752	13,025
	₱18,929	₱21,977	₱45,347	₱41,936	₱39,828

There are no share-based payments, termination benefits and other long-term benefits provided to the key management personnel of the Group.

19. Net Retirement Liabilities

The Group joined the SMHC Multi-Employer Retirement Plan (the Plan). The Plan will provide, through a retirement fund, the payment of the benefits to each participating company's regular employees when they are retired, disabled or separated from service, or in the event of death at definite amounts to their beneficiaries. The latest actuarial valuation report is at December 31, 2023.

The following tables summarize the retirement expense recognized in the consolidated statements of comprehensive income and OCI, and retirement plan liabilities recognized in the consolidated statements of financial position.

The components of retirement expense charged to operations are as follows:

		Six-Month Period Ended June 30		Years Ended December 31		
	Note	**2024**	2023	2023	2022	2021
Retirement expense	17	**₱11,486**	₱9,261	₱18,547	₱16,867	₱20,026
Net interest expense	13	**2,462**	702	3,026	3,005	3,336
		₱13,948	₱9,963	₱21,573	₱19,872	₱23,362

Components of the net retirement liabilities recognized in the consolidated statements of financial position follows:

	June 30		December 31		
	2024	2023	2023	2022	2021
Present value of defined benefit obligation (DBO)	**₱189,269**	₱139,016	₱173,714	₱125,219	₱118,868
Fair value of plan assets (FVPA)	**(115,537)**	(85,281)	(98,007)	(71,417)	(47,385)
Effect of asset ceiling	**409**	1,863	396	1,799	482
	₱74,141	₱55,598	₱76,103	₱55,601	₱71,965

Changes in the present value of DBO are as follows:

	June 30		December 31		
	2024	2023	2023	2022	2021
Balance at beginning of period	**₱173,714**	₱125,219	₱125,219	₱118,868	₱130,665
Current service cost	**11,486**	9,261	18,547	16,867	20,026
Interest cost	**5,324**	4,536	9,073	5,979	4,721
Benefits paid	**(1,255)**	–	(3,830)	(4,129)	(9,931)
Transfer to the plan	**–**	–	7,473	58	–
Remeasurement loss (gain)	**–**	–	17,232	(12,424)	(16,462)
Gain on curtailment	**–**	–	–	–	(10,151)
Balance at end of period	**₱189,269**	₱139,016	₱173,714	₱125,219	₱118,868

Changes in the FVPA are as follows:

	June 30		December 31		
	2024	2023	2023	2022	2021
Balance at beginning of period	**₱98,007**	₱71,417	₱71,417	₱47,385	₱26,431
Contributions	**15,910**	9,966	24,912	28,635	30,263
Interest income	**2,875**	3,898	6,173	3,000	1,385
Benefits paid	**(1,255)**	–	(3,830)	(4,129)	(9,931)
Remeasurement loss	**–**	–	(8,138)	(3,532)	(763)
Transfer to the plan	**–**	–	7,473	58	–
Balance at end of period	**₱115,537**	₱85,281	₱98,007	₱71,417	₱47,385

Changes in the effect of asset ceiling are as follows:

	June 30		December 31		
	2024	2023	2023	2022	2021
Balance at beginning of period	**₱396**	₱1,799	₱1,799	₱482	₱–
Interest cost	**13**	64	126	26	–
Remeasurement loss (gain)	**–**	–	(1,529)	1,291	482
Balance at end of period	**₱409**	₱1,863	₱396	₱1,799	₱482

The cumulative amount of remeasurement loss recognized in the OCI as at June 30 and December 31 as follows:

	June 30, 2024		
	Cumulative Remeasurement Losses	**Deferred Income Tax** (see Note 21)	**Net**
Balance at beginning and end of period	**(₱25,076)**	**₱5,015**	**(₱20,061)**

	June 30, 2023		
	Cumulative Remeasurement Losses	Deferred Income Tax (see Note 21)	Net
Balance at beginning and end of period	(₱1,235)	(₱585)	(₱1,820)

	December 31, 2023		
	Cumulative Remeasurement Losses	Deferred Income Tax (see Note 21)	Net
Balance at beginning of year	(₱1,235)	(₱585)	(₱1,820)
Remeasurement loss	(23,841)	5,600	(18,241)
Balance at end of year	(₱25,076)	₱5,015	(₱20,061)

	December 31, 2022		
	Cumulative Remeasurement Gains (Losses)	Deferred Income Tax (see Note 21)	Net
Balance at beginning of year	(₱8,836)	₱823	(₱8,013)
Remeasurement gain	7,601	(1,408)	6,193
Balance at end of year	(₱1,235)	(₱585)	(₱1,820)

	December 31, 2021		
	Cumulative Remeasurement Gains (Losses)	Deferred Income Tax (see Note 21)	Net
Balance at beginning of year	(₱24,053)	₱6,602	(₱17,451)
Change in tax rate	–	(1,100)	(1,100)
Remeasurement gain (loss)	15,217	(4,679)	10,538
Balance at end of year	(₱8,836)	₱823	(₱8,013)

Amounts recognized in OCI were included within items that will not be reclassified subsequently to profit or loss. Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

The principal assumptions used to determine retirement expense and obligation are as follows:

	June 30		December 31		
	2024	2023	2023	2022	2021
Discount rate	**5.75%**	6.75%	6.12%	7.22%	5.02%
Rates of increase in compensation	**5.00%**	5.00%	5.00%	5.00%	4.00%

The sensitivity analyses below has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

		Effect to present value of DBO				
		June 30		December 31		
	Change in Basis Points	**2024**	2023	2023	2022	2021
Discount rate	+100	**(₱21,511)**	(₱16,617)	(₱19,810)	(₱13,424)	(₱13,715)
	-100	**26,162**	20,110	24,052	16,168	16,686
Salary rate	+100	**26,345**	20,233	24,094	16,372	16,691
	-100	**(22,066)**	(16,991)	(20,178)	(13,803)	(13,961)

Assumptions regarding future mortality are based on published statistics and mortality tables. The average duration of the defined benefit obligation is 12.8 years as at June 30, 2024 and 2023, December 31, 2023, 7.8 years and 11.1 years December 31, 2022 and 2021, respectively.

The expected future benefit payments are as follows:

	June 30		December 31		
	2024	2023	2023	2022	2021
Less than 1 year	**₱23,503**	₱18,023	₱19,865	₱16,180	₱14,542
More than 1 year to 5 years	**45,986**	29,817	31,174	28,460	21,629
More than 5 years to 10 years	**95,631**	89,776	98,526	81,025	62,033

Risks Associated with the Retirement Plan

- *Investment and Interest Rate Risks.* The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents, equity and debt securities. Due to the long-term nature of the plan obligation, diversifying its investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

- *Longevity and Salary Risks*. The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

As at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, plan assets consist of equity and debt securities and cash and cash equivalents. There has been no change in the Group's strategies to manage its risks from previous periods.

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	June 30, 2024
Equity securities	47.66%
Cash and cash equivalents	28.90%
Debt instruments - government bonds	22.77%
Others	0.67%
	100.00%

The Group does not expect to contribute to the plan assets in the next reporting year.

20. **Significant Contracts, Commitments and Contingencies**

<u>The Group as a Lessor</u>

The Group has cancellable lease agreements with related parties and third parties for its advertising areas and spaces at SMMS for a period of one (1) to two (2) years, renewable or extended upon mutual consent of the parties.

The Group also leases its investment properties to third party for one (1) year and is renewable upon mutual agreement of parties. The lease contracts do not provide for any contingent rent.

Sources of rental income earned are as follow:

		Six-Month Period Ended June 30		Years Ended December 31		
	Note	**2024**	2023	2023	2022	2021
Advertising spaces		**₱38,627**	₱33,205	₱70,665	₱60,620	₱44,143
Investment properties	9	**1,662**	1,662	3,323	3,335	3,539
		₱40,289	₱34,867	₱73,988	₱63,955	₱47,682

Rent receivable amounted to ₱12.2 million, ₱25.2 million, ₱20.5 million, ₱31.4 million and ₱104.1 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively. Rent receivable that were fully provided with allowance amounting to ₱3.3 million and ₱79.7 million were written off in 2024 and 2022, respectively (see Note 6).

The minimum future operating lease commitments as at June 30 and December 31 follows:

	Six-Month Period Ended June 30		Years Ended December 31		
	2024	2023	2023	2022	2021
Within one year	**₱38,481**	₱41,200	₱14,188	₱24,532	₱26,158
More than one year but less than five years	**–**	2,286	–	8,758	–
	₱38,481	₱43,486	₱14,188	₱33,290	₱26,158

The Group as Lessee

The Group entered into several lease agreements for its office and parking spaces for one year renewable for another term upon written notice provided by the Group. The lease agreements only provide a fixed rent. The Group assessed at lease commencement that it is reasonably certain that the Group will exercise extension options.

The Group recognized ROU assets and lease liabilities for its lease agreements on its office spaces because management has assessed that the Group is reasonably certain to exercise its option to extend the related lease agreements.

Security deposits amounted to ₱0.6 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021 and are to be refunded upon termination of the agreements (see Note 7). Moreover, the Group paid advance rental amounting to ₱0.6 million which will be applied as payment for the last two months of the lease period.

The balance of and movements in ROU assets as follows:

		June 30		December 31		
	Note	**2024**	2023	2023	2022	2021
Cost						
Balance at beginning of period		**₱19,492**	₱19,492	₱19,492	₱9,434	₱9,940
Additions		**–**	–	–	10,058	101
Lease modifications		**–**	–	–	–	(607)
Balance at the end of period		**19,492**	19,492	19,492	19,492	9,434
Accumulated Amortization						
Balance at beginning of period		**13,373**	10,020	10,020	6,815	3,775
Amortization	9	**1,676**	1,676	3,353	3,205	3,040
Balance at end of period		**15,049**	11,696	13,373	10,020	6,815
Carrying Amount		**₱4,443**	₱7,796	₱6,119	₱9,472	₱2,619

The balance and movements in lease liabilities as follows:

		June 30		December 31		
	Note	**2024**	2023	2023	2022	2021
Balance at beginning of period		**₱5,828**	₱8,970	₱8,970	₱2,229	₱5,839
Additions		**–**	–	–	10,058	101
Lease payments		**(1,794)**	(1,743)	(3,520)	(3,421)	(3,268)
Interest on lease liabilities	13	**126**	209	378	104	132
Lease modifications		**–**	–	–	–	(575)
Balance at end of period		**4,160**	7,436	5,828	8,970	2,229
Less current portion		**3,557**	3,276	3,414	3,142	2,229
Noncurrent portion		**₱603**	₱4,160	₱2,414	₱5,828	₱–

The minimum future lease payments as follows:

	June 30		December 31		
	2024	2023	2023	2022	2021
Within one year	**₱3,674**	₱3,570	₱3,622	₱3,520	₱2,249
More than one year but less than five years	**605**	4,279	2,450	6,072	–
	₱4,279	₱7,849	₱6,072	₱9,592	₱2,249

The amount recognized in profit or loss related to the lease agreements follows:

		Six-Month Period Ended June 30		Years Ended December 31		
	Note	**2024**	2023	2023	2022	2021
Depreciation of ROU assets	9	**₱1,676**	₱1,676	₱3,353	₱3,205	₱3,040
Interest on lease liabilities	13	**126**	209	378	104	132
Loss on lease modification		**–**	–	–	–	32
		₱1,802	₱1,885	₱3,731	₱3,309	₱3,204

PNCC Share

PNCC is entitled to a 2.5% to 3.5% share of the total toll revenues from the final operation date up to the end of the concession period. PNCC share incurred amounted to ₱314.1 million, ₱295.3 million, ₱606.4 million, ₱514.8 million and ₱331.1 million for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 17).

Outstanding payable to PNCC amounted to ₱86.9 million, ₱54.9 million, ₱57.3 million, ₱84.7 million, and ₱69.2 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively, which is included under "Accounts payable and other current liabilities" in the consolidated statements of financial position.

Operations and Maintenance Agreement

Pursuant to the STOA of MMSS3, the ROP has granted SOMCO 3 the primary and exclusive privilege, responsibility and obligation to operate and maintain the Project Road.

Moreover, the operation and maintenance of Skyway Stage 3 was subcontracted to SOMCO by SOMCO 3. This agreement is for a period of one year, renewable annually.

Operations and maintenance fees expense incurred by MMSS3 amounted to ₱175.2 million for the six-month period ended June 30, 2024 and 2023, ₱322.2 million, ₱292.0 million and ₱170.8 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 17). No outstanding payable as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021.

Revenue recognized by SOMCO amounted to ₱140.0 million, ₱140.0 million, ₱280.0 million, ₱250.0 million and ₱250.0 million for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31 2023, 2022 and 2021, respectively, which is presented under "Toll operations and maintenance fee" in the consolidated statements of comprehensive income. No outstanding receivable as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021.

Contingencies

The Group has other pending legal cases relating to its operations that are being contested by the Group and its legal counsels. The Group has availed of the exemption under PAS 37 with respect to the disclosure of further information on such cases. Management and its legal counsels have assessed that the said cases will be resolved in favor of the Group, and in the event that any of those cases will have an adverse ruling against the Group, the effect on the consolidated financial statements will not be material.

21. Income Tax

On September 15, 2015, MMSS3 was registered on a non-pioneer status with the Board of Investments (BOI) in accordance with the provisions of the Omnibus Investments Code of 1987, otherwise known as Executive Order No. 226, as a New Operator of Tollway (Skyway Stage 3).

Under its registration, MMSS3 is entitled to certain tax and nontax incentives which include, among others, Income Tax Holiday (ITH) for a period of four years from January 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

In 2018, the BOI approved its request for the amendment of the start of commercial operations and movement of ITH entitlement from January 2018 to November 2020.

In 2020, the BOI approved its request for the amendment of the start of commercial operations and movement of ITH entitlement from November 2020 to April 2021. MMSS3 started its toll operations on July 1, 2021.

ITH availment is limited only to the toll revenue of the expressway. Prior to the availment of the ITH, MMSS3 is subject to and has complied with certain requirements pursuant to the said registration.

The taxable income of the Group is subject to the RCIT rate of 25% except for TROMV, which is subject to RCIT of 20%, and minimum corporate income tax rate of 1.5%. SMC SKYWAY and MMSS3 opted to use the Optional Standard Deduction (OSD).

The net deferred tax liabilities recognized in the consolidated statements of financial position relate to the following temporary differences of SMC SKYWAY:

	June 30		December 31		
	2024	2023	2023	2022	2021
Deferred tax liabilities on:					
Fair value adjustment on service concession rights	**(₱281,089)**	(₱296,202)	(₱288,646)	(₱303,758)	(₱326,426)
Unamortized capitalizable interest cost	**(111,212)**	(117,818)	(114,515)	(121,121)	(127,728)
Unamortized cost of toll collection system (TCS)	**(34,376)**	(36,418)	(35,397)	(37,439)	(39,482)
	(426,677)	(450,438)	(438,558)	(462,318)	(493,636)
Deferred tax assets on:					
Provision for resurfacing and maintenance obligation	**40,950**	38,762	39,656	36,327	30,442
Cost of TCS for Stage 1 and 2	**–**	2,432	408	6,345	19,503
	40,950	41,194	40,064	42,672	49,945
Net deferred tax liabilities	**(₱385,727)**	(₱409,244)	(₱398,494)	(₱419,646)	(₱443,691)

The Group recognized net deferred tax assets in the consolidated statements of financial position relating to the following temporary differences of SOMCO:

	June 30		December 31		
	2024	2023	2023	2022	2021
Deferred tax assets:					
Net retirement liabilities	**₱19,009**	₱14,794	₱19,571	₱15,001	₱18,709
Excess MCIT over RCIT	**5,096**	7,673	3,371	7,673	5,231
Past service cost	**3,371**	2,952	4,211	2,779	–
Unrealized foreign exchange loss	**1**	–	–	–	–
NOLCO	**–**	–	–	–	29,682
Accruals	**–**	–	–	–	684
	27,477	25,419	27,153	25,453	54,306
Deferred tax liability -					
Unrealized foreign exchange gain	**–**	–	–	(1)	–
	₱27,477	₱25,419	₱27,153	₱25,452	₱54,306

As at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, the Group has the following temporary differences for which no deferred income tax assets were recognized in the consolidated statements of financial position of the Parent Company and other subsidiaries. Management has assessed that it is not probable that these temporary differences will result in a tax benefit when these reverse in the future.

	June 30		December 31		
	2024	2023	2023	2022	2021
NOLCO	**₱2,247,081**	₱1,745,352	₱2,005,736	₱1,478,328	₱1,284,971
Allowance for ECL	**177,833**	175,824	177,833	175,824	195,657
Unrealized foreign exchange gain	**(5,103)**	(3,372)	(3,492)	(4,048)	(1,251)
Net retirement liabilities	**(474)**	(895)	(545)	(1,100)	(718)
Net effect of PFRS16	**(71)**	(90)	(73)	(126)	(98)
Advance rent	**–**	–	298	–	–
Excess MCIT over RCIT	**–**	4,082	80	4,082	3,830
	₱2,419,266	₱1,920,901	₱2,179,837	₱1,652,960	₱1,482,391

The presentation of net deferred tax assets (liabilities) as follows:

		June 30		December 31		
	Note	**2024**	2023	2023	2022	2021
Through profit or loss		**(₱363,265)**	(₱383,240)	(₱376,356)	(₱393,609)	(₱390,208)
Through other comprehensive loss	19	**5,015**	(585)	5,015	(585)	823
		(₱358,250)	(₱383,825)	(₱371,341)	(₱394,194)	(₱389,385)

As mandated by Section 4 of Republic Act No. 11494 or the "Bayanihan to Recover as One Act" and implemented under RR No. 25-2020, the net operating loss of a business enterprise incurred for the taxable years 2020 and 2021 can be carried over as a deduction from taxable income for the next five consecutive taxable years following the year of such loss.

Details of the NOLCO of the Group which can be claimed as deduction from future taxable income are as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Expiry Year
2024	₱–	₱965,357	₱–	₱965,357	2027
2023	2,109,647	–	–	2,109,647	2026
2022	2,262,944	–	–	2,262,944	2025
2021	2,252,239	–	–	2,252,239	2026
2020	1,398,286	–	–	1,398,286	2025
	₱8,023,116	₱965,357	₱–	₱8,988,473	

Details of MCIT as follows:

Year Incurred	Beginning Balance	Incurred	Applied	Ending Balance	Expiry Year
2022	₱2,523	₱–	₱–	₱2,523	2025
2021	928	–	(80)	848	2024
	₱3,451	₱–	(₱80)	₱3,371	

The reconciliation between the statutory income tax rate on income before income tax and the effective income tax rate of the Group is as follows:

	June 30		December 31		
	2024	2023	2023	2022	2021
Income tax computed at statutory tax rate	**25.00%**	25.00%	25.00%	25.00%	25.00%
Change in unrecognized deferred tax assets	**4.27**	5.69	5.30	2.46	4.36
Tax effects of:					
Income tax holiday	**(8.63)**	(7.19)	(7.89)	(3.72)	7.52
Difference between itemized and OSD	**(6.46)**	(7.77)	(7.09)	(9.59)	(16.97)
Interest income already subjected to final tax	**(0.50)**	(0.48)	(0.48)	(0.22)	(0.15)
Nondeductible interest and other expenses	**0.45**	0.54	0.49	0.33	0.86
Nontaxable income	**–**	–	–	(1.04)	(0.01)
Expired NOLCO and MCIT	**–**	–	–	5.59	11.53
Equity in net earnings of an associate	**–**	–	–	(0.01)	(0.04)
Effect of change in tax rate	**–**	–	–	–	3.51
	14.13%	15.79%	15.33%	18.80%	35.61%

The Corporate Recovery and Tax Incentives for Enterprises Law (CREATE Law)

Under the CREATE Law, the Regular Corporate Income Tax (RCIT) of domestic corporations is at 25% or 20%, depending on the amount of total assets or total amount of taxable income or MCIT of 1% of gross income effective July 1, 2020 to June 30, 2023. Effective July 1, 2023, the MCIT rate changed back to 2%.

22. Financial Risk and Capital Management Objectives and Policies

General

The principal financial instruments of the Group comprise of cash and cash equivalents (excluding cash on hand), trade and other receivables, restricted cash, security deposits (included under "Other current assets" account), miscellaneous deposits (included under "Other noncurrent assets" account), accounts payable and other current liabilities (excluding statutory payables), retention payable, long-term debt, dividends payable, due to a related party, and lease liabilities.

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

The main risks arising from the financial instruments of the Group are interest rate risk, credit risk and liquidity risk. The BOD and management review and approve policies for managing each of these risks as summarized below.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the income before income tax or value of the financial instruments of the Group.

The long-term debt of the Group is exposed to cash flow interest rate risk since it is subject to floating interest rate. The Group regularly monitors interest rate movements and, on the basis of current and projected economic and monetary data, decides on the best alternative to take to protect it from spiraling interest costs should interest rates go up.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on long-term debt, with all other variables held constant, of the income before income tax of the Group:

	June 30			
	2024		2023	
	Change in Basis Points	**Effect on Income Before Income Tax**	Change in Basis Points	Effect on Income Before Income Tax
Increase	**+0.06**	**(₱151,989)**	+0.05	(₱133,699)
Decrease	**-0.06**	**151,989**	-0.05	133,699

	December 31					
	2023		2022		2021	
	Change in Basis Points	Effect on Income Before Income Tax	Change in Basis Points	Effect on Income Before Income Tax	Change in Basis Points	Effect on Income Before Income Tax
Increase	+0.08	(₱220,588)	+0.10	(₱349,944)	+1.48	(₱291,253)
Decrease	-0.08	220,588	-0.10	349,944	-1.48	291,253

**interest rate should not be lower than floor of 6.00%*

The assumed movement in basis points for the interest rate sensitivity analysis is based on the best estimate of expected change considering future trends of the Group, showing a significantly lower volatility than in previous years.

There is no impact on the equity of the Group other than those already affecting the consolidated statements of comprehensive income.

Credit Risk

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

Generally, the credit risk of the Group is attributable to financial assets. The Group enters into contracts only with counterparties who have low credit risk, maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. In addition, for a significant proportion of revenue, advance payment and one-time charge and deposit are received to mitigate credit risk.

The credit quality of financial assets is being managed by the Group using internal credit ratings.

The table below shows the credit quality by class of financial asset based on the rating system of the Group:

	June 30, 2024				
	Neither Past Due nor Impaired		**Past due but**		
	High Grade	**Standard Grade**	**not impaired**	**Impaired**	**Total**
Cash and cash equivalents*	**₱11,200,147**	**₱–**	**₱–**	**₱–**	**₱11,200,147**
Trade and other receivables	**–**	**171,410**	**15,531**	**711,337**	**898,278**
Restricted cash	**9,162,815**	**–**	**–**	**–**	**9,162,815**
Security deposits**	**–**	**578**	**–**	**–**	**578**
Miscellaneous deposits***	**–**	**2,206**	**–**	**–**	**2,206**
	₱20,362,962	**₱174,194**	**₱15,531**	**₱711,337**	**₱21,264,024**

**Excluding cash on hand amounting to ₱3.5 million as at June 30, 2024*
*** Included under "Other current assets" account*
****Included under "Other noncurrent assets" account*

	June 30, 2023				
	Neither Past Due nor Impaired		Past due but		
	High Grade	Standard Grade	not impaired	Impaired	Total
Cash and cash equivalents*	₱12,681,369	₱–	₱–	₱–	₱12,681,369
Trade and other receivables	–	200,132	15,531	703,299	918,962
Restricted cash	6,712,935	–	–	–	6,712,935
Security deposits**	–	617	–	–	617
Miscellaneous deposits***	–	4,213	–	–	4,213
	₱19,394,304	₱204,962	₱15,531	₱703,299	₱20,318,096

**Excluding cash on hand amounting to ₱2.5 million as at June 30, 2023*
*** Included under "Other current assets" account*
****Included under "Other noncurrent assets" account*

	December 31, 2023				
	Neither Past Due nor Impaired		Past due but		
	High Grade	Standard Grade	not impaired	Impaired	Total
Cash and cash equivalents*	₱10,961,561	₱–	₱–	₱–	₱10,961,561
Trade and other receivables	–	168,375	15,531	711,337	895,243
Restricted cash	8,463,304	–	–	–	8,463,304
Security deposits**	–	578	–	–	578
Miscellaneous deposits***	–	4,014	–	–	4,014
	₱19,424,865	₱172,967	₱15,531	₱711,337	₱20,324,700

**Excluding cash on hand amounting to ₱2.5 million as at December 31, 2023*
*** Included under "Other current assets" account*
****Included under "Other noncurrent assets" account*

	December 31, 2022				
	Neither Past Due nor Impaired		Past due but		
	High Grade	Standard Grade	not impaired	Impaired	Total
Cash and cash equivalents*	₱11,124,751	₱–	₱–	₱–	₱11,124,751
Trade and other receivables	–	193,269	15,531	703,299	912,099
Restricted cash	6,398,948	–	–	–	6,398,948
Security deposits**	–	617	–	–	617
Miscellaneous deposits***	–	4,228	–	–	4,228
	₱17,523,699	₱198,114	₱15,531	₱703,299	₱18,440,643

**Excluding cash on hand amounting to ₱2.5 million as at December 31, 2022*
*** Included under "Other current assets" account*
****Included under "Other noncurrent assets" account*

	December 31, 2021				
	Neither Past Due nor Impaired		Past due but		
	High Grade	Standard Grade	not impaired	Impaired	Total
Cash and cash equivalents*	₱13,465,447	₱–	₱–	₱–	₱13,465,447
Trade and other receivables	–	77,645	15,531	782,630	875,806
Restricted cash	3,630,995	–	–	–	3,630,995
Security deposits**	–	601	–	–	601
Miscellaneous deposits***	–	4,279	–	–	4,279
	₱17,096,442	₱82,525	₱15,531	₱782,630	₱17,977,128

**Excluding cash on hand amounting to ₱2.7 million as at December 31, 2021*
*** Included under "Other current assets" account*
****Included under "Other noncurrent assets" account*

The Group evaluates credit quality on the basis of the credit strength of the security and/or counterparty/issuer. High grade financial assets are those which collectability is assured based on past experience. Standard grade financial assets are considered moderately realizable and some accounts which would require some reminder follow-ups to obtain settlement from the counterparty. The Group determines if credit risk have increased significantly when financial assets are more than 30 days past due.

Impairment. An impairment analysis is performed at each reporting date using a provision matrix (or lifetime expected loss allowance, if simplified approach) to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

For toll receivables, the Group has adopted a lifetime expected loss allowance in estimating ECL to receivables through the use of a provisions matrix using fixed rates of credit loss provisioning based on recent historical collection rates after incorporating forward-looking information. The Group's policy in estimating ECL on other receivables are based on a 12 -month basis. Allowance for ECL amounted to ₱711.3 million, ₱703.3 million, ₱711.3 million, ₱703.3 million and ₱782.6 million as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, respectively. Management assessed that the allowance is sufficient to cover the ECL of trade and other receivables.

Generally, trade and other receivables are written off if collection cannot be made despite exhausting all extrajudicial and legal means of collection. The maximum exposure to credit risk at reporting date is the carrying value of the financial assets. The Group does not hold collateral as security.

For financial assets at amortized cost which mainly comprise of cash and cash equivalents and restricted cash, it is the Group's policy to measure ECL on these instruments on a 12-month basis. However, where there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The following are considered in the assessment:

- ECL for cash and cash equivalents (excluding cash on hand) are not significant primarily because the placements are with reputable counterparty banks that possess good credit ratings.
- For deposits, the Group considered the financial capacity of the counterparty to refund the deposit once the agreement has been terminated.

Liquidity Risk

The objective of the Group is to maintain a balance between continuity of funding and flexibility through the use of cash. The Group also monitors its risk to shortage of funds through monthly evaluation of the projected and actual cash flow information.

The following tables summarize the maturity analysis of the financial liabilities of the Group based on contractual undiscounted payments:

June 30, 2024	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**>1 Year - 2 Years**	**>2 Years - 5 Years**	**Over 5 Years**
Accounts payable and other current liabilities*	**₱4,128,619**	**₱4,128,619**	**₱4,128,619**	**₱–**	**₱–**	**₱–**
Retention payable	**536,623**	**536,623**	**431,560**	**105,063**	**–**	**–**
Dividends payable	**135,760**	**135,760**	**135,760**	**–**	**–**	**–**
Long-term debt**	**50,935,297**	**59,786,731**	**13,626,970**	**13,627,098**	**30,101,363**	**2,431,300**
Lease liabilities	**4,160**	**4,279**	**3,674**	**605**	**–**	**–**
Due to a related party	**61,844**	**61,844**	**61,844**	**–**	**–**	**–**
	₱55,802,303	**₱64,653,856**	**₱18,388,427**	**₱13,732,766**	**₱30,101,363**	**₱2,431,300**

Excluding statutory payables amounting to ₱357.0 million and retention payable amounting to ₱431.6 million.
*****Including interest payable to maturity amounting to ₱8,515.3 million.***

June 30, 2023	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Accounts payable and other current liabilities*	₱4,530,354	₱4,530,354	₱4,530,354	₱–	₱–	₱–
Retention payable	2,506,843	2,506,843	2,398,286	108,557	–	–
Dividends payable	452,349	452,349	452,349	–	–	–
Long-term debt**	59,676,368	73,054,517	11,914,942	13,690,501	39,034,952	8,414,122
Lease liabilities	7,436	7,849	3,570	4,279	–	–
Due to a related party	61,844	61,844	61,844	–	–	–
	₱67,235,194	₱80,613,756	₱19,361,345	₱13,803,337	₱39,034,952	₱8,414,122

Excluding statutory payables amounting to ₱392.8 million and retention payable amounting to ₱2,398.3 million.
*****Including interest payable to maturity amounting to ₱12,901.7 million.***

December 31, 2023	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Accounts payable and other current liabilities*	₱4,165,585	₱4,165,585	₱4,165,585	₱–	₱–	₱–
Retention payable	402,444	402,444	305,868	96,576	–	–
Dividends payable	283,316	283,316	283,316	–	–	–
Long-term debt**	55,641,477	66,661,869	13,003,107	13,467,463	35,737,245	4,454,054
Lease liabilities	5,828	6,072	3,622	2,450	–	–
Due to a related party	61,844	61,844	61,844	–	–	–
	₱60,560,494	₱71,581,130	₱17,823,342	₱13,566,489	₱35,737,245	₱4,454,054

***Excluding statutory payables amounting to ₱417.4 million and retention payable amounting to ₱305.9 million.**
****Including interest payable to maturity amounting to ₱10,615.0 million.**

December 31, 2022	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Accounts payable and other current liabilities*	₱5,178,758	₱5,178,758	₱5,178,758	₱–	₱–	₱–
Retention payable	2,271,870	2,271,870	2,193,278	78,592	–	–
Dividends payable	388,731	388,731	388,731	–	–	–
Long-term debt**	62,823,062	78,664,317	10,761,200	13,059,628	42,357,266	12,486,223
Lease liabilities	8,970	9,592	3,520	3,622	2,450	–
Due to a related party	61,844	61,844	61,844	–	–	–
	₱70,733,235	₱86,575,112	₱18,587,331	₱13,141,842	₱42,359,716	₱12,486,223

***Excluding statutory payables amounting to ₱193.0 million and retention payable amounting to ₱2,193.3 million.**
****Including interest payable to maturity amounting to ₱15,575.4 million.**

December 31, 2021	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Accounts payable and other current liabilities*	₱6,532,697	₱6,532,697	₱6,532,697	₱–	₱–	₱–
Retention payable	2,343,942	2,343,942	2,286,529	–	57,413	–
Dividends payable	318,023	318,023	318,023	–	–	–
Long-term debt**	67,455,828	87,894,045	8,727,906	10,624,526	40,392,996	28,148,617
Lease liabilities	2,229	2,249	2,249	–	–	–
Due to a related party	61,844	61,844	61,844	–	–	–
	₱76,714,563	₱97,152,800	₱17,929,248	₱10,624,526	₱40,450,409	₱28,148,617

***Excluding statutory payables amounting to ₱288.5 million and retention payable amounting to ₱2,286.5 million.**
****Including interest payable to maturity amounting to ₱20,005.9 million.**

Capital Management

The Group considers the equity in the consolidated statements of financial position as its core capital. The capital management objectives of the Group are to ensure the ability of the Group to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or do conversion of related party advances to an equity component item. The Group is not subject to any externally imposed capital requirements except for the required compliance of debt-to-equity ratio of not to exceed 70:30 with the loan covenants.

No changes were made in the objectives, policies or processes for managing capital in 2024, 2023, 2022 and 2021.

23. Non-Controlling Interest

Movements of the Group's NCI are as follows:

	June 30		December 31		
	2024	2023	2023	2022	2021
Balance at beginning of period	**₱5,072,828**	₱4,682,601	₱4,682,601	₱4,370,250	₱4,403,549
Net income attributable to NCI	**658,874**	587,589	1,200,450	931,189	491,472
Cash dividends attributable to NCI	**(215,228)**	(372,512)	(802,971)	(620,854)	(529,795)
Other comprehensive gain (loss)	**–**	–	(7,252)	2,016	5,024
Balance at end of period	**₱5,516,474**	₱4,897,678	₱5,072,828	₱4,682,601	₱4,370,250

Cash dividends declared by the SMC SKYWAY are as follows (amounts in thousands except for dividends per share):

Date Approved	Per Share	Total Amount
March 13, 2024	**₱26**	**₱1,769,925**
December 4, 2023	52	3,539,850
March 16, 2023	45	3,063,331
December 6, 2022	39	2,654,888
June 1, 2022	36	2,450,665
November 16, 2021	34	2,314,517
May 13, 2021	30	2,042,221

Total dividends paid to NCI amounted to ₱362.8 million, ₱308.9 million, ₱908.4 million, ₱550.1 million and ₱438.5 for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021, respectively. Dividends payable to NCI amounted to **₱135.8 million, ₱452.3 million, ₱283.3 million, ₱388.7 million and ₱318.0 million as at June 30, 2024** and 2023, December 31, 2023 and 2022, and 2021, respectively.

24. Fair Value of Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of the financial instruments of the Group that are carried in the consolidated financial statements.

The following methods and assumptions were used to estimate the fair value for which it is practicable to estimate such value:

	June 30			
	2024		2023	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	**₱11,203,569**	**₱11,203,569**	₱12,683,916	₱12,683,916
Restricted cash	**9,162,815**	**9,162,815**	6,712,935	6,712,935
Receivables	**186,941**	**186,941**	215,663	215,663
Security deposits*	**578**	**578**	617	617
Miscellaneous deposits**	**2,206**	**2,206**	4,213	4,213
	₱20,556,109	**₱20,556,109**	₱19,617,344	₱19,617,344

	June 30			
	2024		2023	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Liabilities				
Accounts payable and other current liabilities***	**₱4,128,619**	**₱4,128,619**	₱4,530,354	₱4,530,354
Retention payable	**536,623**	**536,623**	2,506,843	2,506,843
Long-term debt	**50,935,297**	**52,262,907**	59,676,368	61,680,283
Due to a related party	**61,844**	**61,844**	61,844	61,844
Dividends payable	**135,760**	**135,760**	452,349	452,349
Lease liabilities	**4,160**	**3,917**	7,436	6,729
	₱55,802,303	**₱57,129,670**	₱67,235,194	₱69,238,402

**Included under "Other current assets" account*

***Included under "Other noncurrent assets" account*

****Excludes statutory payables and retention payable **totaling ₱788.6 million and ₱2,791.1 million as at June 30, 2024 and 2023,** respectively.*

	December 31					
	2023		2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets						
Cash and cash equivalents	₱10,964,076	₱10,964,076	₱11,127,279	₱11,127,279	₱13,468,109	₱13,468,109
Restricted cash	8,463,304	8,463,304	6,398,948	6,398,948	3,630,995	3,630,995
Receivables	183,906	183,906	208,800	208,800	93,176	93,176
Security deposits*	578	578	617	617	601	601
Miscellaneous deposits**	4,014	4,014	4,228	4,228	4,279	4,279
	₱19,615,878	₱19,615,878	₱17,739,872	₱17,739,872	₱17,197,160	₱17,197,160
Financial Liabilities						
Accounts payable and other current liabilities***	₱4,165,585	₱4,165,585	₱5,178,758	₱5,178,758	₱6,532,697	₱6,532,697
Retention payable	402,444	402,444	2,271,870	2,271,870	2,343,942	2,343,942
Long-term debt	55,641,477	57,633,298	62,823,062	67,414,556	67,455,828	78,588,203
Due to a related party	61,844	61,844	61,844	61,844	61,844	61,844
Dividends payable	283,316	283,316	388,731	388,731	318,023	318,023
Lease liabilities	5,828	5,419	8,970	7,956	2,229	2,229
	₱60,560,494	₱62,551,906	₱70,733,235	₱75,323,715	₱76,714,563	₱87,846,938

**Included under "Other current assets" account*

***Included under "Other noncurrent assets" account*

****Excludes statutory payables and retention payable **totaling ₱723.2 million, ₱2,386.3 million and ₱2,575.0 million as at December 31,** 2023, 2022 and 2021, respectively.*

The methods and assumptions used by the Group in estimating the fair values of the foregoing financial instruments are as follows:

Cash and Cash Equivalents, Restricted Cash, Trade and Other Receivables, Accounts Payable and Other Current Liabilities, Retention Payable, Dividends Payable and Due to Parent Company. The carrying amounts approximate the fair values at reporting dates due to the short-term maturities of these financial instruments.

Security Deposits and Miscellaneous Deposits. Due to the insignificant effect of discounting the sum of future cash flows, the amount of cash given up approximates the fair value of security deposits as at reporting date. The fair value measurement for the security deposits has been categorized as Level 2 (significant observable inputs)

Lease Liabilities. The estimated fair value of the Group's lease liabilities were determined as the sum of all remaining rental payments discounted using the prevailing market rate of interest for similar types of obligations. The fair value measurement for lease liabilities have been categorized as Level 2 (significant observable input).

Long-term Debt. The fair value of the long-term debt of the Group was computed using the prevailing market rate of similar instrument (Level 2).

There are no significant transfers between levels in the fair value hierarchy. The Group does not have financial instruments carried at fair value as at June 30, 2024 and 2023, December 31, 2023, 2022, and 2021.

25. Basic/Diluted Earnings per Share

The computation of basic and diluted earnings per share is as follows (amounts in thousands except per share data):

	Six-Month Period Ended June 30		Years Ended December 31		
	2024	2023	2023	2022	2021
Net income attributable to the equity holders of the Parent Company	**₱4,158,023**	₱3,380,195	₱7,207,064	₱4,707,701	₱1,137,684
Divide by weighted average shares outstanding common shares	**69,538**	69,538	69,538	69,538	69,538
Basic/diluted earnings per share (a/b)	**₱59.79**	₱48.61	₱103.64	₱67.70	₱16.36

The Parent Company has no potential dilutive common shares for the six-month period ended June 30, 2024 and 2023 and for the years ended December 31, 2023, 2022 and 2021. Accordingly, the basic and diluted earnings per shares are stated at the same amount.

26. Segment Information

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the services produced. The operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit.

Business Segments

The Group's main businesses are as follows:

- The toll concession segments have granted the primary and exclusive privilege, responsibility and obligation to design and construct the toll roads.
- The toll operation segment has granted the primary and exclusive privilege, responsibility and obligation to operate and maintain the toll roads.
- Others include holding entities.

Geographical Segments
The Group operates and generates revenue principally in the Philippines. Consequently, geographical business information is not applicable.

Inter-segment Transactions
Segment revenue, segment expenses and operating results include transfers among business segments and among geographical segments. The transfers are accounted for at competitive market prices charged to unrelated customers for similar services. Such transfers are eliminated upon consolidation.

Management monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

On a consolidated basis, the Group's performance is evaluated based on core net income for the year. Core net income for the year is measured as consolidated net income.

The following tables present revenue and expense information and certain assets and liabilities information regarding the different business segments as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021 and for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021:

	June 30, 2024				
	Toll Concession	Toll Operation	Others	Eliminations	Total
REVENUE	₱9,886,882	₱646,405	₱1,554,696	(₱1,554,696)	₱10,533,287
COST OF SERVICES	(2,413,755)	(520,136)	–	(30,225)	(2,964,116)
GROSS PROFIT	7,473,127	126,269	1,554,696	(1,584,921)	7,569,171
OPERATING EXPENSES	(448,848)	(114,874)	(639)	–	(564,361)
CONSTRUCTION REVENUE (COSTS)					
Construction revenue	937,359	–	–	–	937,359
Construction costs	(937,359)	–	–	–	(937,359)
	–	–	–	–	–
OTHER INCOME (CHARGES) - Net					
Interest expense	(1,044,956)	(2,531)	(967,427)	–	(2,014,914)
Interest income	532,066	2,467	20,899	–	555,432
Rental income	40,289	–	–	–	40,289
Proceeds from insurance claims	11,829	–	–	–	11,829
Net foreign exchange loss (gain)	6,429	(5)	–	–	6,424
Share in net earnings of an associate	4,853	–	–	(4,853)	–
Others	863	4,688	–	–	5,551
	(448,627)	4,619	(946,528)	(4,853)	(1,395,389)
INCOME BEFORE INCOME TAX	6,575,652	16,014	607,529	(1,589,774)	5,609,421
PROVISION FOR (BENEFIT FROM) INCOME TAX					
Current	690,899	3,710	–	–	694,609
Final	106,411	493	4,180	–	111,084
Deferred	(5,290)	(323)	–	(7,556)	(13,169)
	792,020	3,880	4,180	(7,556)	792,524
NET INCOME	5,783,632	12,134	603,349	(1,582,218)	4,816,897
OTHER COMPREHENSIVE INCOME					
Not to be reclassified to profit or loss in subsequent period					
Remeasurement gain (loss) on net retirement liabilities - net of deferred tax	–	–	–	–	–
Share of other comprehensive loss of an associate	–	–	–	–	–
	–	–	–	–	–
TOTAL COMPREHENSIVE INCOME	₱5,783,632	₱12,134	₱603,349	(₱1,582,218)	₱4,816,897
SEGMENT ASSETS	₱101,562,026	₱417,415	₱116,413,112	(₱113,622,685)	₱104,769,868
SEGMENT LIABILITIES	₱54,433,811	₱191,640	₱63,455,299	(₱60,847,380)	₱57,233,370
Other Information					
Cost of services and operating expenses excluding depreciation and amortization	₱1,173,298	₱619,289	₱639	₱–	₱1,793,226
Depreciation and amortization	1,689,307	15,719	–	30,225	1,735,251
Additions to service concession rights, property and equipment and ROU assets	942,076	28,094	–	–	970,170

	June 30, 2023				
	Toll Concession	Toll Operation	Others	Eliminations	Total
REVENUE	₱9,217,732	₱628,368	₱2,690,819	(₱2,690,819)	₱9,846,100
COST OF SERVICES	(2,304,519)	(497,045)	–	(30,225)	(2,831,789)
GROSS PROFIT	6,913,213	131,323	2,690,819	(2,721,044)	7,014,311
OPERATING EXPENSES	(392,759)	(107,181)	(643)	–	(500,583)
CONSTRUCTION REVENUE (COSTS)					
Construction revenue	436,150	–	–	–	436,150
Construction costs	(436,150)	–	–	–	(436,150)
	–	–	–	–	–
OTHER INCOME (CHARGES) - Net					
Interest expense	(1,234,555)	(550)	(1,069,911)	–	(2,305,016)
Interest income	430,988	2,831	18,610	–	452,429
Rental income	34,867	–	–	–	34,867
Net foreign exchange loss (gain)	(2,700)	(1)	–	–	(2,701)
Share in net earnings of an associate	11,956	–	–	(11,956)	–
Others	4,183	14,295	–	–	18,478
	(755,261)	16,575	(1,051,301)	(11,956)	(1,801,943)
INCOME BEFORE INCOME TAX	5,765,193	40,717	1,638,875	(2,733,000)	4,711,785
PROVISION FOR (BENEFIT FROM) INCOME TAX					
Current	653,658	10,229	–	–	663,887
Final	86,196	566	3,722	–	90,484
Deferred	(2,846)	32	–	(7,556)	(10,370)
	737,008	10,827	3,722	(7,556)	744,001
NET INCOME	5,028,185	29,890	1,635,153	(2,725,444)	3,967,784
OTHER COMPREHENSIVE INCOME					
Not to be reclassified to profit or loss in subsequent period					
Remeasurement gain (loss) on net retirement liabilities - net of deferred tax	–	–	–	–	–
Share of other comprehensive loss of an associate	–	–	–	–	–
	–	–	–	–	–
TOTAL COMPREHENSIVE INCOME	₱5,028,185	₱29,890	₱1,635,153	(₱2,725,444)	₱3,967,784
SEGMENT ASSETS	₱104,582,835	₱472,847	₱118,004,462	(₱115,469,331)	₱107,590,813
SEGMENT LIABILITIES	₱63,427,102	₱216,399	₱67,730,606	(₱62,727,093)	₱68,647,014
Other Information					
Cost of services and operating expenses excluding depreciation and amortization	₱1,050,502	₱582,665	₱–	₱–	₱1,633,810
Depreciation and amortization	1,646,775	21,562	–	30,225	1,698,562
Additions to service concession rights, property and equipment and ROU assets	439,708	5,550	–	–	445,258

	December 31, 2023				
	Toll Concession	Toll Operation	Others	Eliminations	Total
REVENUE	₱19,010,979	₱1,255,000	₱5,800,210	(₱5,800,210)	₱20,265,979
COST OF SERVICES	(4,657,775)	(1,060,768)	–	(60,449)	(5,778,992)
GROSS PROFIT	14,353,204	194,232	5,800,210	(5,860,659)	14,486,987
OPERATING EXPENSES	(894,991)	(222,325)	(2,200)	–	(1,119,516)
CONSTRUCTION REVENUE (COSTS)					
Construction revenue	953,695	–	–	–	953,695
Construction costs	(953,695)	–	–	–	(953,695)
	–	–	–	–	–
OTHER INCOME (CHARGES) - Net					
Interest expense	(2,394,642)	(3,615)	(2,112,295)	–	(4,510,552)
Interest income	917,896	6,119	37,556	–	961,571
Rental income	73,988	–	–	–	73,988
Net foreign exchange loss	(2,365)	–	–	–	(2,365)
Share in net earnings of an associate	1,554	–	–	(1,554)	–
Others	5,608	34,596	–	–	40,204
	(1,397,961)	37,100	(2,074,739)	(1,554)	(3,437,154)
INCOME BEFORE INCOME TAX	12,060,252	9,007	3,723,271	(5,862,213)	9,930,317
PROVISION FOR (BENEFIT FROM) INCOME TAX					
Current	1,351,745	4,302	–	–	1,356,047
Final	183,579	1,224	7,510	–	192,313
Deferred	(10,042)	(403)	–	(15,112)	(25,557)
	1,525,282	5,123	7,510	(15,112)	1,522,803
NET INCOME	10,534,970	3,884	3,715,761	(5,847,101)	8,407,514
OTHER COMPREHENSIVE INCOME					
Not to be reclassified to profit or loss in subsequent period					
Remeasurement gain (loss) on net retirement liabilities - net of deferred tax	(1,441)	(16,800)	–	–	(18,241)
Share of other comprehensive loss of an associate	(6,720)	–	–	6,720	–
	(8,161)	(16,800)	–	6,720	(18,241)
TOTAL COMPREHENSIVE INCOME	₱10,526,809	(₱12,916)	₱3,715,761	(₱5,840,381)	₱8,389,273
SEGMENT ASSETS	₱101,657,133	₱432,319	₱117,978,938	(₱115,136,248)	₱104,932,142
SEGMENT LIABILITIES	₱58,542,622	₱218,677	₱65,624,478	(₱62,388,464)	₱61,997,313
Other Information					
Cost of services and operating expenses excluding depreciation and amortization	₱2,248,633	₱1,242,817	₱2,200	₱–	₱3,493,650
Depreciation and amortization	3,304,132	40,277	–	60,449	3,404,858
Additions to service concession rights, property and equipment and ROU assets	965,555	30,551	–	–	996,106

	December 31, 2022				
	Toll Concession	Toll Operation	Others	Eliminations	Total
REVENUE	₱15,825,040	₱1,190,055	₱4,484,699	(₱4,484,699)	₱17,015,095
COST OF SERVICES	(3,878,960)	(970,575)	–	(90,674)	(4,940,209)
GROSS PROFIT	11,946,080	219,480	4,484,699	(4,575,373)	12,074,886
OPERATING EXPENSES	(745,533)	(207,157)	(2,255)	–	(954,945)
CONSTRUCTION REVENUE (COSTS)					
Construction revenue	2,621,388	–	–	–	2,621,388
Construction costs	(2,621,388)	–	–	–	(2,621,388)
	–	–	–	–	–
OTHER INCOME (CHARGES) - Net					
Interest expense	(2,606,100)	(3,142)	(2,262,542)	–	(4,871,784)
Interest income	286,375	2,002	14,820	–	303,197
Proceeds from insurance claims	284,235	–	–	–	284,235
Rental income	63,955	–	–	–	63,955
Net foreign exchange gain	10,959	–	–	–	10,959
Share in net earnings of an associate	2,433	–	–	(2,433)	–
Others	9,025	25,191	–	–	34,216
	(1,949,118)	24,051	(2,247,722)	(2,433)	(4,175,222)
INCOME BEFORE INCOME TAX	₱9,251,429	₱36,374	₱2,234,722	(₱4,577,806)	₱6,944,719
PROVISION FOR (BENEFIT FROM) INCOME TAX					
Current	₱1,239,346	₱2,443	₱–	₱–	₱1,241,789
Final	57,274	401	2,964	–	60,639
Deferred	(1,378)	27,448	–	(22,669)	3,401
	1,295,242	30,292	2,964	(22,669)	1,305,829
NET INCOME	7,956,187	6,082	2,231,758	(4,555,137)	5,638,890
OTHER COMPREHENSIVE INCOME					
Not to be reclassified to profit or loss in subsequent period					
Remeasurement gain (loss) on net retirement liabilities - net of deferred tax	1,974	4,219	–	–	6,193
Share of other comprehensive income of an associate	1,688	–	–	(1,688)	–
	3,662	4,219	–	(1,688)	6,193
TOTAL COMPREHENSIVE INCOME	₱7,959,849	₱10,301	₱2,231,758	(₱4,556,825)	₱5,645,083
SEGMENT ASSETS	₱104,005,786	₱448,081	₱117,600,884	(₱114,740,661)	₱107,314,090
SEGMENT LIABILITIES	₱64,814,906	₱221,523	₱68,962,181	(₱62,033,047)	₱71,965,563
Other Information					
Cost of services and operating expenses excluding depreciation and amortization	₱1,886,126	₱1,136,813	₱2,255	₱–	₱3,025,194
Depreciation and amortization	2,738,367	40,919	–	90,674	2,869,960
Additions to service concession rights, property and equipment and ROU assets	2,649,120	35,410	–	–	2,684,530

	December 31, 2021				
	Toll Concession	Toll Operation	Others	Eliminations	Total
REVENUE	₱9,333,326	₱1,144,967	₱3,826,943	(₱3,826,943)	₱10,478,293
COST OF SERVICES	(2,371,907)	(934,119)	–	–	(3,306,026)
GROSS PROFIT	6,961,419	210,848	3,826,943	(3,826,943)	7,172,267
OPERATING EXPENSES	(1,058,704)	(200,704)	(100,062)	–	(1,359,470)
CONSTRUCTION REVENUE (COSTS)					
Construction revenue	9,101,532	–	–	–	9,101,532
Construction costs	(9,101,532)	–	–	–	(9,101,532)
	–	–	–	–	–
OTHER INCOME (CHARGES) - Net					
Interest expense	(1,361,340)	(3,472)	(2,153,061)	–	(3,517,873)
Interest income	69,406	1,426	9,035	–	79,867
Rental income	47,682	–	–	–	47,682
Proceeds from insurance claims	39,588	–	–	–	39,588
Net foreign exchange gain	6,493	4	–	–	6,497
Share in net earnings of an associate	4,000	–	–	(4,000)	–
Others	29,576	32,113	–	–	61,689
	(1,164,595)	30,071	(2,144,026)	(4,000)	(3,282,550)
INCOME BEFORE INCOME TAX	4,738,120	40,215	1,582,855	(3,830,943)	2,530,247
PROVISION FOR (BENEFIT FROM) INCOME TAX					
Current	876,377	1,319	–	–	877,696
Final	13,820	285	1,808	–	15,913
Deferred	(21,130)	28,612	–	–	7,482
	869,067	30,216	1,808	–	901,091
NET INCOME	₱3,869,053	₱9,999	₱1,581,047	(₱3,830,943)	₱1,629,156

(Forward)

OTHER COMPREHENSIVE INCOME					
Not to be reclassified to profit or loss in subsequent period					
Remeasurement gain (loss) on net retirement liabilities - net of deferred tax	(₱3,500)	₱12,938	₱–	₱–	₱9,438
Share of other comprehensive income of an associate	5,175	–	–	(5,175)	–
	1,675	12,938	–	(5,175)	9,438
TOTAL COMPREHENSIVE INCOME	₱3,870,728	₱22,937	₱1,581,047	(₱3,836,118)	₱1,638,594
SEGMENT ASSETS	₱104,971,930	₱532,221	₱117,645,419	(₱114,836,477)	₱108,313,093
SEGMENT LIABILITIES	₱68,635,349	₱315,964	₱71,238,472	(₱62,200,990)	₱77,988,795
Other Information					
Cost of services and operating expenses excluding depreciation and amortization	₱1,753,487	₱1,099,741	₱100,061	₱–	₱2,953,289
Depreciation and amortization	1,681,226	35,082	–	–	1,716,308
Additions to service concession rights, property and equipment and ROU assets	9,157,173	46,877	–	–	9,204,050

BOA/PRC Accreditation No. 4782
April 14, 2024, valid until June 6, 2026
SEC Registration No. PP201007009

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
SMC Tollways Corporation and Subsidiaries
11/F, San Miguel Properties Centre
7 St. Francis St., Mandaluyong City
Metro Manila, Philippines

We have audited in accordance with Philippines Standards on Auditing, the accompanying consolidated financial statements of SMC Tollways Corporation (a wholly-owned subsidiary of Atlantic Aurum Investments B.V.) and its subsidiaries (the Group) as at June 30, 2024 and 2023, December 31, 2023, 2022 and 2021, and for the six-month period ended June 30, 2024 and 2023, and for the years ended December 31, 2023, 2022 and 2021 and have issued our report dated August 16, 2024. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Schedule of Reconciliation of the Parent Company Retained Earnings Available for Dividend Declaration as at June 30, 2024
- Conglomerate map as at June 30, 2024
- Schedules as Required by Part II of the Revised Securities Regulation Code (SRC) Rule, as at June 30, 2024

The supplementary schedules are presented for purposes of complying with the Revised SRC Rule 68, and are not part of the basic consolidated financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782/P-019; Valid until June 6, 2026
BIR Accreditation No. 08-005144-016-2022
Valid until May 15, 2025
PTR No. 10072422
Issued January 2, 2024, Makati City

August 16, 2024
Makati City, Metro Manila

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES

(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

JUNE 30, 2024 AND 2023, DECEMBER 31, 2023, 2022 AND 2021

(Amounts in Thousands)

	June 30		December 31		
	2024	2023	2023	2022	2021
Total current assets	**₱24,292,073**	₱24,283,716	₱23,751,359	₱22,698,401	₱22,726,867
Divided by: Total current liabilities	**15,750,905**	15,933,274	14,765,318	14,683,250	13,768,331
Current/Liquidity ratio	**1.54:1**	1.52:1	1.61:1	1.55:1	1.65:1
Net income before depreciation and amortization	**₱6,552,148**	₱5,666,346	₱11,812,372	₱8,508,850	₱3,341,363
Divided by: Total liabilities	**57,233,370**	68,647,014	61,997,313	71,965,563	77,988,795
Solvency ratio	**0.11:1**	0.08:1	0.19:1	0.12:1	0.04:1
Total liabilities	**₱57,233,370**	₱68,647,014	₱61,997,313	₱71,965,563	₱77,988,795
Divided by: Total equity	**47,536,498**	38,943,799	42,934,829	35,348,527	30,324,298
Debt-to-equity ratio	**1.20:1**	1.76:1	1.44:1	2.04:1	2.57:1
Total assets	**₱104,769,868**	₱107,590,813	₱104,932,142	₱107,314,090	₱108,313,093
Divided by: Total equity	**47,536,498**	38,943,799	42,934,829	35,348,527	30,324,298
Asset-to-equity ratio	**2.20:1**	2.76:1	2.44:1	3.04:1	3.57:1
Net income	**₱4,816,897**	₱3,967,784	₱8,407,514	₱5,638,890	₱1,629,156
Divided by: Total assets	**104,769,868**	107,590,813	104,932,142	107,314,090	108,313,093
Return on asset	**4.60%**	3.69%	8.01%	5.25%	1.50%
Net income	**₱4,816,897**	₱3,967,784	₱8,407,514	₱5,638,890	₱1,629,156
Divided by: Total equitys	**47,536,498**	38,943,799	42,934,829	35,348,527	30,324,298
Return on equity	**10.13%**	10.19%	19.58%	15.95%	5.37%
Finance costs	**₱2,014,914**	₱2,305,016	₱4,510,552	₱4,871,784	₱3,517,873
Divided by: Income before income tax and finance costs	**7,624,335**	7,016,801	14,440,869	11,816,503	6,048,120
Interest coverage ratio	**0.26:1**	0.33:1	0.31:1	0.41:1	0.58:1
Net income	**₱4,816,897**	₱3,967,784	₱8,407,514	₱5,638,890	₱1,629,156
Divided by: Revenue	**10,533,287**	9,846,100	20,265,979	17,015,095	10,478,293
Net profit margin	**45.73%**	40.30%	41.49%	33.14%	15.55%

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES

(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

RECONCILIATION OF THE PARENT COMPANY RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE REPORTING PERIOD ENDED JUNE 30, 2024

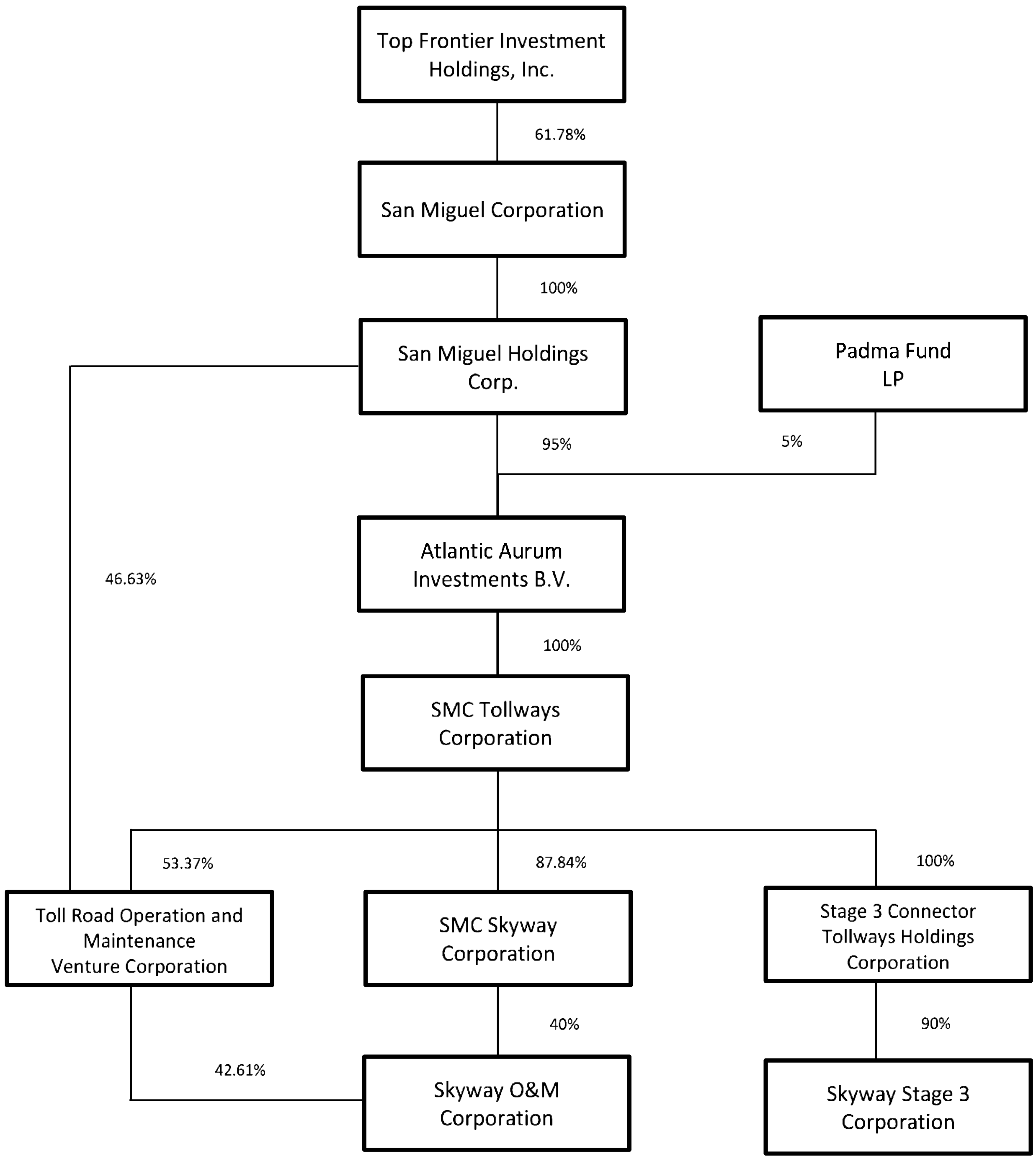
(Amounts in Thousands)

Unappropriated retained earnings, beginning of reporting period	₱31,888,562
Add: Net Income for the current period	597,623
Total retained earnings, end of the reporting period available for dividend	₱32,486,185

Under the Loan Facility Agreement with creditor banks, the Parent Company is restricted from declaring, making or paying any dividend.

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES
(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

CONGLOMERATE MAP
JUNE 30, 2024



SMC TOLLWAYS CORPORATION AND SUBSIDIARIES
(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

SEC Supplementary Schedule as Required by Part II of The Revised SRC Rule 68
JUNE 30, 2024

Table of Contents

**Indebtedness to related parties are classified as current as at June 30, 2024.*

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES
(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements
JUNE 30, 2024

			Deductions		*Ending Balance*		
Name and designation of debtor	***Balance at beginnning of year***	***Additions***	***Amounts collected***	***Reversal of write off***	***Current***	***Not current***	***Balance at end of year***
Stage 3 Connector Tollway Holdings Corporation	₱32,660,000,000	₱–	₱–	₱–	₱32,660,000,000	₱–	₱32,660,000,000
SMC Skyway Stage 3 Corporation	28,431,250,000	–	–	–	–	28,431,250,000	28,431,250,000
SMC Skyway Corporation	1,573,934,598	1,588,867,948	(3,109,391,168)	–	53,411,378	–	53,411,378
Skyway Stage 3 O&M Corporation	–	272,643	–	–	272,643	–	272,643

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES
(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

D. Long Term Debt
JUNE 30, 2024

Title of Issue and Type of Obligation	*Amount Authorized by Indenture*	*Amount shown as Current*	*Amount shown as Noncurrent*	*Total Outstanding Loans Payable*	*Interest Rate*
Corporate Notes Facility	₱41,200,000,000	₱4,867,106,314	₱25,785,681,866	₱30,652,788,180	5.75% to 6.2%
Omnibus Loan and Security Agreement	31,000,000,000	5,310,453,560	14,972,055,077	20,282,508,637	7.43% to 10.69%
	₱72,200,000,000	₱10,177,559,874	₱40,757,736,943	₱50,935,296,817	

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES
(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

G. CAPITAL STOCK
JUNE 30, 2024

				Number of shares held by		
Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related statements of financial position caption*	*Number of shares reserved for options, warrants, conversion and other rights*	*Related parties*	*Directors, officers and employees*	*Others*
Capital Stock - ₱100 par value	80,000,000	69,538,459	–	69,538,452	7	–

APPENDIX B

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 3 1 0 6 9 4

COMPANY NAME

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES (A Wholly-Owned Subsidiary of Atlantic Aurum Investments B.V.)

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

11/F, San Miguel Properties Centre, 7 St. Francis St., Mandaluyong City

Form Type	Department Requiring the Report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
corsec.mrst@sanmiguel.com.ph	(02) 8 702 - 4833	0917-1010354

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8	First Tuesday of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Mary Rose Tan	mrtan@sanmiguel.com.ph	(02) 8 632-3866	0917-8871555

CONTACT PERSON'S ADDRESS

No. 40 San Miguel Avenue, Mandaluyong City, Metro Manila Philippines

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

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

SMC TOLLWAYS CORPORATION

(formerly Atlantic Aurum Investments Philippines Corporation)

11th Floor San Miguel Properties Centre, 7 Saint Francis St., Mandaluyong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of **SMC Tollways Corporation *(formerly Atlantic Aurum Investments Philippines Corporation)*** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended **December 31, 2023, 2022, and 2021,** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible in overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Reyes Tacandong & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, have expressed its opinion on the fairness of presentation upon completion of such audit.

RAMON S. ANG
Chairman of the Board and President

JOSEPH N. PINEDA
Treasurer

Signed this 13th day of March 2024

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY) ss.

Before me, a notary public for Mandaluyong City, Philippines, this 16 OCT 2024 personally appeared:

Name	Competent Evidence of Identity	Date/Place Issued
Ramon S. Ang	Passport No. P2247867B	May 22, 2019 DFA Manila
Joseph N. Pineda	Passport No. P7419331A	June 03, 2018 DFA NCR South

Known to me to be the same persons who executed the foregoing Statement of Management's Responsibility consisting of two (2) pages including this page on which this acknowledgment is written and that they acknowledged to me that the same is their free and voluntary act and deed and that of the principals they represent.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal at the date and place first above written.

Doc No. 279 ;
Page No. 57 ;
Book No. III ;
Series of 2024.

MICHAEL ANGELO O. LOPEZ
NOTARY PUBLIC
ROLL NO. 56916
MANDALUYONG CITY, PHILIPPINES

MICHAEL ANGELO O. LOPEZ
Commission No. 0445-23
Notary Public of Mandaluyong City
Until December 31, 2024
19th Floor San Miguel Properties Centre
No. 7 Saint Francis St. Ortigas Center, Mandaluyong City
Roll No. 56916
PTR No. 5430547; 01/08/2024; Mandaluyong City
IBP No.302224; 01/08/2024; Makati Chapter
MCLE Compliance No. VII-0007839-08/16/2021

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Registration No. PP201007009

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8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
SMC Tollways Corporation and Subsidiaries
11/F, San Miguel Properties Centre
7 St. Francis St., Mandaluyong City
Metro Manila, Philippines

Opinion

We have audited the accompanying consolidated financial statements of SMC Tollways Corporation (a wholly-owned subsidiary of Atlantic Aurum Investments B.V.) and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782; Valid until April 13, 2024
BIR Accreditation No. 08-005144-016-2022
Valid until May 15, 2025
PTR No. 10072422
Issued January 2, 2024, Makati City

March 13, 2024
Makati City, Metro Manila

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES
(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

		December 31		
	Note	**2023**	2022	2021
ASSETS				
Current Assets				
Cash and cash equivalents	5	**₱10,964,076**	₱11,127,279	₱13,468,109
Trade and other receivables	6	**183,906**	208,800	93,176
Restricted cash	13	**8,463,304**	6,398,948	3,630,995
Input value-added tax (VAT)		**3,798,884**	4,390,552	4,861,126
Other current assets	7	**341,189**	572,822	673,461
Total Current Assets		**23,751,359**	22,698,401	22,726,867
Noncurrent Assets				
Service concession rights	8	**80,308,715**	82,697,934	82,883,980
Advances to contractors	11	**185,117**	1,152,538	1,909,955
Property and equipment	9	**145,349**	163,196	167,583
Right-of-use (ROU) assets	20	**6,119**	9,472	2,619
Computer software	9	**–**	–	2,220
Goodwill	10	**483,452**	483,452	483,452
Net deferred tax assets	21	**27,153**	25,452	54,306
Other noncurrent assets		**24,878**	83,645	82,111
Total Noncurrent Assets		**81,180,783**	84,615,689	85,586,226
		₱104,932,142	₱107,314,090	₱108,313,093
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and other current liabilities	12	**₱4,888,806**	₱7,565,033	₱9,107,709
Current portion of:				
Long-term debt - net of debt issue costs	13	**9,135,556**	6,243,086	3,929,044
Provision for resurfacing obligation	14	**111,883**	99,510	82,333
Lease liabilities	20	**3,414**	3,142	2,229
Dividends payable	23	**283,316**	388,731	318,023
Due to Parent Company	18	**61,844**	61,844	61,844
Income tax payable		**280,499**	321,904	267,149
Total Current Liabilities		**₱14,765,318**	₱14,683,250	₱13,768,331

(Forward)

	Note	December 31 2023	2022	2021
Noncurrent Liabilities				
Noncurrent portion of:				
Long-term debt - net of debt issue costs	13	**₱46,505,921**	₱56,579,976	₱63,526,784
Provision for resurfacing obligation	14	**152,487**	142,670	120,611
Retention payable	12	**96,576**	78,592	57,413
Lease liabilities	20	**2,414**	5,828	–
Net retirement liabilities	19	**76,103**	55,601	71,965
Net deferred tax liabilities	21	**398,494**	419,646	443,691
Total Noncurrent Liabilities		**47,231,995**	57,282,313	64,220,464
Total Liabilities		**61,997,313**	71,965,563	77,988,795
Equity				
Common shares		**6,953,846**	6,953,846	6,953,846
Retained earnings	15	**44,515,546**	37,308,482	32,600,781
Other comprehensive loss		**(13,117)**	(2,128)	(6,305)
Other equity reserves	2	**(13,594,274)**	(13,594,274)	(13,594,274)
Equity attributable to equity holders of the Parent Company		**37,862,001**	30,665,926	25,954,048
Non-controlling interest	23	**5,072,828**	4,682,601	4,370,250
Total Equity		**42,934,829**	35,348,527	30,324,298
		₱104,932,142	₱107,314,090	₱108,313,093

See accompanying Notes to Consolidated Financial Statements.

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES

(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

		Years Ended December 31		
	Note	2023	2022	2021
REVENUE				
Revenue from toll operations	16	₱19,860,979	₱16,650,095	₱10,103,293
Toll operation and maintenance fee	16	405,000	365,000	375,000
		20,265,979	17,015,095	10,478,293
COST OF SERVICES	17	(5,778,992)	(4,940,209)	(3,306,026)
GROSS PROFIT		14,486,987	12,074,886	7,172,267
OPERATING EXPENSES	17	(1,119,516)	(954,945)	(1,359,470)
CONSTRUCTION REVENUE (COSTS)	8			
Construction revenue		953,695	2,621,388	9,101,532
Construction costs		(953,695)	(2,621,388)	(9,101,532)
		–	–	–
OTHER INCOME (CHARGES) - Net				
Interest expense	13	(4,510,552)	(4,871,784)	(3,517,873)
Interest income	5	961,571	303,197	79,867
Rental income	20	73,988	63,955	47,682
Net foreign exchange gain (loss)		(2,365)	10,959	6,497
Proceeds from insurance claims	8	–	284,235	39,588
Others		40,204	34,216	61,689
		(3,437,154)	(4,175,222)	(3,282,550)
INCOME BEFORE INCOME TAX		9,930,317	6,944,719	2,530,247
PROVISION FOR (BENEFIT FROM) INCOME TAX	21			
Current		1,356,047	1,241,789	877,696
Final		192,313	60,639	15,913
Deferred		(25,557)	3,401	7,482
		1,522,803	1,305,829	901,091
NET INCOME		8,407,514	5,638,890	1,629,156
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss in subsequent period				
Remeasurement gain (loss) on net retirement liabilities - net of deferred tax	19	(18,241)	6,193	9,438
TOTAL COMPREHENSIVE INCOME		₱8,389,273	₱5,645,083	₱1,638,594
Net income attributable to:				
Equity holders of the Parent Company		₱7,207,064	₱4,707,701	₱1,137,684
Non-controlling interest		1,200,450	931,189	491,472
		₱8,407,514	₱5,638,890	₱1,629,156
Total comprehensive income attributable to:				
Equity holders of the Parent Company		₱7,196,075	₱4,711,878	₱1,142,098
Non-controlling interest		1,193,198	933,205	496,496
		₱8,389,273	₱5,645,083	₱1,638,594
Basic/Diluted Earnings Per Share	25	₱103.64	₱67.70	₱16.36

See accompanying Notes to Consolidated Financial Statements.

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES
(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands except Per Share Data and Number of Shares)

	Note	Years Ended December 31 2023	2022	2021
COMMON STOCK - ₱100 par value				
Authorized - 80,000,000 shares				
Issued and outstanding - 69,538,459 shares		**₱6,953,846**	₱6,953,846	₱6,953,846
RETAINED EARNINGS	15			
Balance at beginning of year		**37,308,482**	32,600,781	31,463,097
Net income		**7,207,064**	4,707,701	1,137,684
Balance at end of year		**44,515,546**	37,308,482	32,600,781
OTHER COMPREHENSIVE LOSS				
Cumulative remeasurement loss on net retirement liabilities				
Balance at beginning of year		**(2,128)**	(6,305)	(10,719)
Remeasurement gain (loss) on net retirement liabilities - net of deferred tax		**(10,989)**	4,177	5,051
Change in tax rate		**–**	–	(637)
Balance at end of year		**(13,117)**	(2,128)	(6,305)
OTHER EQUITY RESERVES	2	**(13,594,274)**	(13,594,274)	(13,594,274)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**37,862,001**	30,665,926	25,954,048
NON-CONTROLLING INTEREST	23			
Balance at beginning of year		**4,682,601**	4,370,250	4,403,549
Net income attributable to non-controlling interest		**1,200,450**	931,189	491,472
Cash dividends attributable to non-controlling interest		**(802,971)**	(620,854)	(529,795)
Other comprehensive income - Remeasurement gain (loss) on net retirement liability - net of deferred tax		**(7,252)**	2,016	5,024
Balance at end of year		**5,072,828**	4,682,601	4,370,250
		₱42,934,829	₱35,348,527	₱30,324,298

See accompanying Notes to Consolidated Financial Statements.

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES
(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Note	Years Ended December 31 2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱9,930,317**	₱6,944,719	₱2,530,247
Adjustments for:				
Interest expense and other financing charges	13	**4,510,552**	4,871,784	3,517,873
Depreciation and amortization	9	**3,404,858**	2,869,960	1,712,207
Interest income	5	**(961,571)**	(303,197)	(79,867)
Retirement expense	19	**18,547**	16,867	20,026
Provision for ECL on receivable	6	**8,038**	333	–
Provision for resurfacing obligation	14	**7,980**	35,867	19,796
Net foreign exchange loss (gain)		**2,365**	(10,959)	(6,497)
Loss (gain) on disposal of property and equipment	9	**475**	(636)	1,567
Gain on curtailment	19	**–**	–	(10,151)
Loss on lease modification	20	**–**	–	32
Operating income before working capital changes		**16,921,561**	14,424,738	7,705,233
Decrease (increase) in:				
Trade and other receivables		**32,557**	(76,861)	115,174
Input VAT		**591,668**	470,574	(214,237)
Other current assets		**231,633**	100,639	92,642
Decrease in accounts payable and other current liabilities		**(753,179)**	(1,435,778)	(90,634)
Net cash generated from operations		**17,024,240**	13,483,312	7,608,178
Income taxes paid		**(1,581,461)**	(1,247,673)	(856,058)
Interest received		**945,870**	264,101	82,157
Contributions to retirement plan	19	**(24,912)**	(28,635)	(30,263)
Net cash provided by operating activities		**16,363,737**	12,471,105	6,804,014
CASH FLOWS FROM INVESTING ACTIVITIES				
Payment of retention payable		**(1,869,426)**	(72,072)	(97,774)
Additions to:				
Service concession rights	8	**(953,695)**	(2,621,388)	(7,738,527)
Property and equipment	9	**(42,411)**	(53,084)	(102,518)
Decrease (increase) in:				
Advances to contractors		**967,421**	757,417	334,148
Other noncurrent assets		**58,767**	(1,534)	(7,951)
Proceeds from disposal of property and equipment		**1,192**	1,006	1,029
Net cash used in investing activities		**(₱1,838,152)**	(₱1,989,655)	(₱7,611,593)

(Forward)

	Note	2023	2022	2021
		Years Ended December 31		
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Long-term debt	13	**(₱7,320,477)**	(₱4,772,344)	(₱2,241,792)
Interest		**(4,389,684)**	(4,739,375)	(4,723,945)
Dividends to non-controlling interest		**(908,386)**	(550,146)	(438,453)
Lease liabilities	20	**(3,520)**	(3,421)	(3,268)
Increase in restricted cash		**(2,064,356)**	(2,767,953)	(2,813,018)
Proceeds from availment of long-term debt	13	**–**	–	12,900,000
Net cash provided by (used in) financing activities		**(14,686,423)**	(12,833,239)	2,679,524
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(2,365)**	10,959	6,497
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(163,203)**	(2,340,830)	1,878,442
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**11,127,279**	13,468,109	11,589,667
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	**₱10,964,076**	₱11,127,279	₱13,468,109
NONCASH FINANCIAL INFORMATION				
Additions to ROU assets and lease liabilities	20	**₱–**	₱10,058	₱101
Capitalized borrowing cost on service concession rights	8	**–**	–	1,358,904
Depreciation of property and equipment capitalized to service concession rights	8	**–**	–	4,101

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 and 2021
(Amounts in Thousands except as Otherwise Stated)

1. Reporting Entity

General Information

SMC Tollways Corporation (Tollways or the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 7, 2013 to deal with real and personal property of every kind and description, including securities or obligations of any corporation or association engaged in any business, including but not limited to those engaged in the logistics, tollways, infrastructure and similar businesses.

The Parent Company is a wholly-owned subsidiary of Atlantic Aurum Investments B.V. (AAIBV), a holding company incorporated in the Netherlands. The ultimate parent of the Parent Company is Top Frontier Investment Holdings, Inc., a holding company incorporated in the Philippines.

The Parent Company has a corporate life of 50 years pursuant to its articles of incorporation. However, under the Revised Corporation Code of the Philippines which took effect on February 23, 2019, the Parent Company has a perpetual corporate life.

In 2013, the Parent Company acquired a total of 87.84% interest in SMC Skyway Corporation (SMC SKYWAY) from AAIBV and Terramino Holdings, Inc. (THI), for a total consideration of ₱20,722.6 million.

In 2016, the Parent Company acquired 100% interest in Stage 3 Connector Tollway Holdings Corporation (S3CTHC) from AAIBV for a total consideration of ₱16,300.0 million. As at December 31, 2023, 2022 and 2021, S3CTHC owns 90% of SMC Skyway Stage 3 Corporation (MMSS3).

In 2020, the Parent Company acquired a total of 53.37% interest in Toll Road Operation & Maintenance Venture Corporation (TROMV) from Padma Investment PTE. Ltd. for ₱0.1 million. The acquisition resulted to an indirect ownership of 58.09% interest in Skyway O&M Corporation (SOMCO) (see Note 2).

On March 13, 2024, the Board of Directors (BOD) approved the plan to issue public bonds (the Bonds) with Philippine Dealing System Holdings Corp. (PDS) aggregating ₱35,000.0 million (see Note 2).

The principal office address of the Parent Company is at 11/F San Miguel Properties Centre, 7 St. Francis St., Mandaluyong City.

Approval of the Financial Statements

The consolidated financial statements of the Parent Company and its subsidiaries (collectively referred to as the Group) as at and for the years ended December 31, 2023, 2022 and 2021 were approved and authorized for issuance by the BOD, as endorsed and approved by the Audit Committee, on March 13, 2024.

2. Statement of Compliance and Basis of Measurement

Statement of Compliance

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

The consolidated financial statements were also prepared in compliance with the Revised Securities and Regulations Code Rule 68, for statutory filing and in relation to the Group's planned application for listing its bonds with the PDS.

Basis of Measurement

The consolidated financial statements of the Group are presented in Philippine Peso (Peso), which is the functional currency of the Group. All values are rounded-off to the nearest thousands (₱'000), unless otherwise indicated.

The consolidated financial statements of the Group have been prepared on a historical cost basis except for provision for resurfacing obligation and retirement liabilities which are measured at the present value of the estimated amount of costs that are expected to be incurred. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of consideration received in exchange of incurring a liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Further disclosures about the assumptions made in measuring fair value are included Note 24, *Fair Value of Financial Instruments*.

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and its subsidiaries, SMC SKYWAY, S3CTHC, MMSS3, TROMV and SOMCO.

Business Combination of SMC SKYWAY, S3CTHC and MMSS3
The acquisitions by the Parent Company of its interests in the SMC SKYWAY, S3CTHC and MMSS3 were accounted for as group reorganization. Group reorganization has no economic substance since there is no real alteration to the composition or ownership over the subsidiaries. These acquisitions qualify for the common control exemption under PFRS 3, *Business Combinations* and were accounted for similar to pooling-of-interests method. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values at the stand-alone financial statements of the investee companies.

The Group elected a policy to restate the financial information in the consolidated financial statements for periods prior to the combination of the entities under common control to reflect the combination as if it had occurred from the beginning of the earliest period presented in the consolidated financial statements, regardless of the actual date of the combination. However, financial information in the consolidated financial statements for periods prior to the combination is restated only for the period that the entities were under common control.

In connection with the acquisition of shares in SMC SKYWAY from AAIBV in 2013, the Group recognized "Other equity reserves" amounting to ₱3,047.1 million upon the issuance of shares to AAIBV of the Parent Company. On the other hand, the acquisition of additional shares in SMC SKYWAY from THI in 2013 is treated as a separate transaction and is considered as an acquisition of a non-controlling interest. Accordingly, the difference between the purchase price and the non-controlling interest acquired was recognized as part of "Other equity reserves" amounting to ₱7,585.1 million.

In 2016, the acquisition of 100% interest in S3CTHC from AAIBV of the Parent Company for a total consideration of ₱16,300.0 million resulted to an equity reserve amounting to ₱2,962.1 million. The equity reserve pertains to the excess of consideration over the consolidated net assets of S3CTHC and its subsidiary, MMSS3, which was also recognized as part of "Other equity reserves" in the consolidated statements of financial position. Prior to 2016, S3CTHC subscribed to 55% interest in MMSS3 (see Note 10).

Also in that year, S3CTHC and its non-controlling interest subscribed to 12,000,000 common stock at par value amounting to ₱1,200.0 million resulting to ₱240.0 million free shares to non-controlling interest.

Business Combination of TROMV and SOMCO
The acquisitions by the Parent Company of its interests in the TROMV and SOMCO were accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree pertaining to instruments that represent present ownership interests and entitle the holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of NCI are measured at fair value unless another measurement basis is required by PFRS. Acquisition-related costs incurred are expensed and included in operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held interest is remeasured at its acquisition date fair value and any resulting gain and loss is recognized in the consolidated statements of comprehensive income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9 either in the consolidated statements of comprehensive income or as a change in OCI. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with appropriate PFRS. Contingent consideration that is classified as equity is not remeasured until it is finally settled and accounted for within equity.

If necessary information, such as fair value of assets and liabilities acquired, is not available by the end of the reporting period in which the business combination occurs, provisional amounts are used for a period not exceeding one year from the date of acquisition or the measurement period. During this period, provisional amounts recognized for a business combination may be retrospectively adjusted if relevant information has been obtained or becomes available.

In 2020, the acquisition of 53.37% interest in TROMV from Padma Investment PTE. Ltd. for a total consideration of ₱0.1 million resulted to the recognition of non-controlling interest of ₱0.2 million and goodwill of ₱4.0, and an indirect ownership of 58.09% interest in SOMCO. The indirect ownership in SOMCO resulted to the recognition of gain from bargain purchase amounting to ₱2.5 million. Gain on bargain purchase is generated when the fair value of the net assets acquired by the Group exceeds the acquisition price and is recognized in the consolidated statements of comprehensive income (see Note 10).

Subsidiaries

A subsidiary is an entity that is controlled by the Parent Company. A subsidiary is consolidated from the date on which control is transferred to the Parent Company directly or through the holding companies. Control is achieved when the Parent Company is exposed or has rights to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. A subsidiary is deconsolidated from the date on which control ceases.

The subsidiaries as at December 31, 2023, 2022 and 2021 as follows:

Subsidiaries	Type of Ownership	Percentage of Ownership
SMC SKYWAY	Direct	87.84
S3CTHC	Direct	100.00
MMSS3	Indirect	90.00
TROMV	Direct	53.37
SOMCO	Indirect	57.88

The financial statements of the subsidiaries are prepared for the same reporting year as that of the Parent Company using uniform accounting policies. Significant intercompany transactions and balances, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in ownership interest of a subsidiary, without a change in control, is accounted for as an equity transaction.

If the Parent Company loses control over a subsidiary, the Group: (a) derecognizes the assets and liabilities of the subsidiary; (b) derecognizes the carrying amounts of any non-controlling interest; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; and (g) reclassifies the share of components of the Parent Company previously recognized in other comprehensive income to profit or loss.

Non-controlling interest
Non-controlling interest represents the portion of profit or loss and net assets not attributable to the Parent Company and is presented in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interest represents the following interest in SMC SKYWAY, MMSS3, TROMV and SOMCO as at December 31, 2023, 2022 and 2021 not owned, directly or indirectly, by the Parent Company.

The non-controlling interest shares in the losses of a subsidiary even if that result in a deficit balance (see Note 23).

Subsidiaries	Percentage
SMC SKYWAY	12.16
MMSS3	10.00
TROMV	46.63
SOMCO	42.12

Information about the Subsidiaries

SMC SKYWAY. SMC SKYWAY was incorporated and registered with the SEC on November 27, 1995 to design, construct and finance, pursuant to a build-and-transfer or other scheme duly approved by the appropriate Philippine authorities, toll road infrastructure projects of the Republic of the Philippines (ROP) and other entities, including but not limited to those designated as "flagship" or preferred infrastructure projects, namely: (1) the proposed Metro Manila Skyway (MMS), which is a system of elevated roadway, commencing at the end-point of the South Luzon Expressway in Alabang, Muntinlupa, and culminating at the end-point of the North Luzon Expressway in Balintawak, Caloocan City, thereby serving as an inter-connection of the above-mentioned Expressways; and (2) the proposed Metro Manila Expressway (MME).

On June 10, 1994, the Philippine National Construction Corporation (PNCC), the franchise holder for the construction, operation and maintenance (O&M) of the proposed MMS, including any and all extensions, linkages or stretches thereof, such as the proposed MMS, and PT Citra Lamtoro Gung Persada (CLGP), as joint proponents, submitted to ROP through the Toll Regulatory Board (TRB), the Joint Investment Proposal (JIP) covering not only the proposed MMS but also the planned MME. The said proposal embodied, among others, that CLGP in cooperation with PNCC committed itself to finance, design and construct the MMS in three stages, consisting of the South Metro Manila Skyway (SMMS) as Stage 1 and Stage 2, and the North Metro Manila Skyway and Central Metro Manila Skyway (collective referred to as Skyway Stage 3) as Stage 3, as well as MME as Stage 4. The JIP was approved by the TRB on November 27, 1995 and the Supplemental Toll Operation Agreement (STOA) for SMMS was executed on the same date by and among SMC SKYWAY, PNCC and the ROP acting through the TRB. Under the STOA for SMMS, the design and the construction of the SMMS and the financing thereof, shall be the primary and exclusive privilege, responsibility and obligation of SSC as investor. On the other hand, the O&M of the SMMS shall be the primary and exclusive privilege, responsibility and obligation of PNCC, through its wholly owned subsidiary, the PNCC Skyway Corporation (PSC).

On July 18, 2007, the STOA for SMMS was amended, to cover among others, the implementation of Stage 2 of the SMMS (Stage 2); the functional and financial integration of Stage 1 of the SMMS (Stage 1) and Stage 2 upon the completion of the construction of Stage 2; and the grant of right to SMC SKYWAY to nominate to the TRB a qualified party to perform the O&M of the SMMS to replace PSC. SMC SKYWAY, PNCC and PSC then entered into a memorandum of agreement for the successful and seamless turnover of the O&M responsibilities for the SMMS from PSC to SOMCO.

The SMMS shall be owned by the ROP, without prejudice to the rights and entitlement of the investor and the operator under the STOA for SMMS. The legal transfer of ownership of the SMMS to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction. The toll revenues are shared or distributed among SMC SKYWAY, SOMCO for the O&M of SMMS, and PNCC.

The 30-year franchise period for the Integrated Stage 1 and Stage 2 commenced on April 25, 2011.

S3CTHC. S3CTHC was incorporated and registered with the SEC on February 28, 2014 to invest in shares of stock, bonds, debentures, evidence of indebtedness, and other securities or obligations of any corporation or association for whatever lawful purpose or purposes the same may have been organized, including but not limited to those engaged in the logistics, tollways, infrastructure and similar businesses.

MMSS3. MMSS3 was incorporated with the SEC on November 16, 2012 to engage in the construction of toll roads and its facilities, including Stage 3, and its linkages and extensions pursuant to a build and transfer or other scheme duly approved by ROP, except the construction of locally-funded government projects or defense related structures.

On July 8, 2013, the STOA for Stage 3 was executed by and among the ROP as the Grantor, acting by and through TRB, PNCC, MMSS3 as the Investor, and Skyway Stage 3 O&M Corporation (SOMCO 3) (formerly Central Metro Manila Skyway Corporation) as the Operator, wherein MMSS3 was granted the primary and exclusive privilege, responsibility, and obligation to design and construct Stage 3, and to finance the same, while SOMCO 3 was granted the primary and exclusive privilege, responsibility, and obligation to operate and maintain Stage 3 (Project Road).

TROMV. TROMV was incorporated on October 25, 2007 primarily to engage in toll road operation and maintenance activity in the Philippines; and to purchase, own, lease, hold, acquire or otherwise accept such property real and personal or may be necessary, convenient or appropriate, for any of the foregoing purposes or activities; and likewise to engage in any and all activities and business understandings as may be necessary or incidental to accomplish the primary purpose and objective of the corporation.

SOMCO. SOMCO was incorporated and registered with the SEC on December 13, 2007, primarily to maintain and operate toll roads and toll facilities appurtenant thereto, as well as any and all such extensions, linkages or stretches as may be authorized by the TRB or other appropriate government agency.

Summarized financial information of the subsidiaries as at December 31, 2023, 2022 and 2021 are as follows:

	2023				
	SMC SKYWAY	**S3CTHC**	**MMSS3**	**TROMV**	**SOMCO**
Current assets	**₱5,242,078**	**₱241,591**	**₱17,429,318**	**₱268**	**₱298,172**
Noncurrent assets	**22,419,826**	**45,931,250**	**56,565,911**	**266**	**134,147**
Current liabilities	**5,550,504**	**232**	**6,467,769**	**1,092**	**140,393**
Noncurrent liabilities	**262,335**	**32,660,000**	**46,262,014**	**–**	**78,284**
Equity (capital deficiency)	**21,849,065**	**13,512,609**	**21,265,446**	**(558)**	**213,642**
Revenue	**10,746,072**	**–**	**8,264,907**	**–**	**1,255,000**
Net income (loss)	**6,938,867**	**10,085**	**3,596,106**	**(62)**	**3,884**
Total comprehensive income (loss)	**6,930,674**	**10,085**	**3,596,138**	**(62)**	**(12,916)**

	2022				
	SMC SKYWAY	S3CTHC	MMSS3	TROMV	SOMCO
Current assets	₱3,038,144	₱231,420	₱18,604,126	₱330	₱310,658
Noncurrent assets	23,488,741	45,931,250	58,874,775	266	137,423
Current liabilities	4,746,755	146	8,461,907	1,092	161,521
Noncurrent liabilities	258,558	32,660,000	51,347,686	–	60,002
Equity (capital deficiency)	21,521,572	13,502,524	17,669,308	(496)	226,558
Revenue	9,543,972	–	6,281,068	–	1,190,055
Net income (loss)	6,473,905	3,929	1,482,283	(62)	6,082
Total comprehensive income (loss)	6,477,569	3,929	1,482,283	(62)	10,301

	2021				
	SMC SKYWAY	S3CTHC	MMSS3	TROMV	SOMCO
Current assets	₱2,139,536	₱227,491	₱19,630,787	₱392	₱358,678
Noncurrent assets	23,174,499	45,931,250	60,027,108	266	173,543
Current liabilities	4,926,603	146	8,295,894	1,092	241,127
Noncurrent liabilities	237,876	32,660,000	55,174,976	–	74,837
Equity (capital deficiency)	20,149,556	13,498,595	16,187,025	(434)	216,257
Revenue	7,455,789	–	1,877,537	–	1,144,967
Net income (loss)	4,651,509	(93,670)	(782,458)	(252)	9,999
Total comprehensive income (loss)	4,653,183	(93,670)	(782,458)	(252)	22,937

3. Summary of Material Accounting Policy Information

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS.

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

- Disclosure of Accounting Policies (Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 include guidance and additional examples on the application of materiality to accounting policy disclosures.

- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments require an entity to recognize deferred tax on transactions, such as leases for the lessee and decommissioning obligations, that give rise to equal amounts of taxable and deductible temporary differences on initial recognition.

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments.

- *International Tax Reform - Pillar Two Model Rules* (Amendments to PAS 12). The amendments include a temporary, mandatory exemption from accounting for deferred taxes resulting from the introduction of the global minimum taxation and targeted disclosures in the notes for affected entities to enable users of financial statements to understand the extent to which an entity will be affected by the minimum tax, particularly before the legislation comes into force.

  The accounting exemption is to be applied immediately after publication of the amendment. The amendments relating to the notes are applicable for annual reporting periods beginning on or after January 1, 2023. Disclosures in the notes for interim reporting periods ending on or before December 31, 2023 are not required.

The adoption of the amended PFRS did not materially affect the consolidated financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as applicable.

<u>Amended PFRS Issued but Not Yet Effective</u>
Relevant amendments to PFRS, which are not yet effective as at December 31, 2023 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16, *Leases*). The amendments confirm the following:

  - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale and leaseback transaction.

- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right-of-use (ROU) assets it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

The amendments are effective for annual reporting periods beginning or after January 1, 2024, with earlier application permitted. Under PAS 8, the amendments apply retrospectively to sale and leaseback transactions entered into or after the date of initial adoption of PFRS 16.

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;

  - clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

  - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and

  - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with early application permitted.

- Supplier Finance Arrangements (Amendments to PAS 7, *Statement of Cash Flows,* and PFRS 7, *Financial Instruments: Disclosures*). The amendments introduce new disclosure objectives to provide information about the supplier finance arrangements of an entity that would enable users to assess the effects of these arrangements on the liabilities and cash flows, and the exposure to liquidity risk.

  Under the amendments, entities also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

  The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in PFRS 7 on factors an entity might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.

Effective for annual periods beginning on or after January 1, 2025:

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability* – The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability. The amendments also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Earlier application is permitted.

Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

- The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

  Originally, the amendments apply prospectively for annual reporting periods beginning on or after January 1, 2016, with early adoption permitted. However, on January 13, 2016, the FSRSC decided to postpone the effective date of these amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the notes to consolidated financial statements, as applicable.

<u>Current versus Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other assets and liabilities as noncurrent. Deferred tax assets and deferred tax liabilities are classified as noncurrent.

Financial Instruments

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument.

Recognition and Initial Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there are no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Financial Assets

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at fair value through other comprehensive income (FVOCI) and (c) financial assets at FVPL. The classification of a financial asset depends on the business model of the Group and its contractual cash flow characteristics.

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group considers the contractual terms of the financial asset in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "Principal" is defined as the fair value of the financial asset on initial recognition, "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

As at December 31, 2023, 2022 and 2021, the Group does not have financial assets measured at FVPL and FVOCI.

Financial Assets at Amortized Cost. A financial asset shall be measured at amortized cost if it meets the following conditions and is not designated as FVPL:

- it is held within a business model with the objecting of holding the financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the profit or loss when the financial asset is derecognized, modified or impaired.

As at December 31, 2023, 2022 and 2021, cash and cash equivalents, trade and other receivables, restricted cash, security deposits (included under "Other current assets" account) and miscellaneous deposits (included under "Other noncurrent assets" account) of the Group are classified under this category (see Notes 5, 6, and 7).

Financial Liabilities

Classification. The Group classifies its financial liabilities at initial recognition under the following categories: (a) financial liabilities at amortized cost and (b) financial liabilities at FVPL.

As at December 31, 2023, 2022 and 2021, the Group does not have financial liabilities measured at FVPL.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

Debt issue costs are shown as contra account against the long-term debt and are amortized over the terms of the related borrowings using the effective interest rate method.

As at December 31, 2023, 2022 and 2021, accounts payable and other current liabilities (excluding statutory payables), retention payable, long-term debt, dividends payable and due to Parent Company, and lease liabilities of the Group are classified under this category (see Notes 12, 13, 18, 20 and 23).

Impairment of Financial Assets
The Group recognizes an allowance for expected credit losses (ECL) for all financial assets at amortized costs.

ECL are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognized allowance for impairment based on either 12-month or lifetime ECL depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group recognizes lifetime ECL for receivables that do not contain significant financing component. The Group uses provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group assesses whether the financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECL on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in profit or loss.

Classification of Financial Instrument between Liability and Equity
Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Reclassification of Financial Assets
The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income (OCI).

Derivative Financial Instruments
Derivative financial instruments (including embedded derivatives) are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Any gain and loss from changes in fair value of these derivatives are recognized immediately in profit or loss, unless they are designated hedging instruments in effective cash flow hedges. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

An embedded derivative is separate from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL.

The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group first becomes a party to the contract and performs reassessment only when there is a change to the contract that significantly modified the contractual cash flows.

An entity determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flows on the contract.

If an entity is required to separate an embedded derivative from its host contract, but is unable to measure the embedded derivative on the basis of its terms and conditions (for example, because the embedded derivative is based on an unquoted equity instrument), the fair value of the embedded derivative is the difference between the fair value of the hybrid instrument and the fair value of the host contract.

The long-term debt of the Group contains embedded derivatives arising from voluntary prepayment option and interest rate floor. These embedded derivatives are assessed to be closely related to the host contract, thus were not bifurcated and separately recognized.

Derecognition of Financial Instruments

Financial Assets. A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the assets have expired; or

- the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" agreement; and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Other Current Assets

This account mainly consists of deferred input value-added tax (VAT), prepayments, and advances to suppliers.

Deferred Input VAT. Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on the unpaid portion of availed services.

In accordance with Revenue Regulations (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) made prior to January 1, 2022 with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million made is claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million or if the purchase was made on or after January 1, 2022, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Prepayments. Prepayments are expenses paid in advance and recorded as asset before these are utilized. Prepayments are stated at cost less any impairment in value. This account comprises insurance premiums and other prepaid items. Prepayments are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred.

Advances to Suppliers. Advances to suppliers represent advance payments for services to be incurred in connection with the operations of the Group. These are charged to expense or capitalized to projects in the consolidated statements of financial position, upon actual receipt of services or supplies. These are considered as nonfinancial instruments as these will be applied against future billings from suppliers normally within one year.

Service Concession Arrangements

The Group accounts for its concession arrangement under the intangible asset model as it receives the right to charge users of public service. Under Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, the Group in substance, provides construction services in exchange for an intangible asset (the right to charge the users of the toll roads). During the construction of the toll road, construction revenue is recognized by reference to the percentage of completion measured on the basis of the proportion of costs incurred as of reporting date over the total estimated cost of construction. The Group estimates that the aggregate amount of the construction costs paid to the outside contractors approximates the fair value of the intangible asset. Thus, the construction revenue recognized in the consolidated statements of comprehensive income approximates the construction costs recognized.

Service Concession Rights

Service concession rights represent the construction costs, including borrowing costs during the construction period. Service concession rights are recognized initially at the fair value of the construction services. Following initial recognition, the concession right is carried at cost less accumulated amortization and any impairment losses. Subsequent expenditures or replacement of part of it, are normally recognized in profit or loss as these are incurred to maintain the expected future economic benefits embodied in the service concession rights unless it can be demonstrated that the expenditures will contribute to the increase in revenue from toll operations which meet the definition of an intangible asset.

The service concession rights are amortized using the straight-line method over the 30-year concession period. The amortization period and method are reviewed at least at each financial year-end or more frequently when an indication of impairment arises during the reporting year. Changes in the term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period and method, as appropriate, and treated as changes in accounting estimates. The amortization expense is recognized in the profit or loss in the expense category consistent with the function of the intangible assets.

The service concession rights will be derecognized upon turnover to the ROP with no consideration. There will be no gain or loss upon derecognition of the concession rights as these are expected to be fully amortized by then.

Advances to Contractors

Advances to contractors represent advance payments made for the design and construction of Skyway Stage 3 and the Alabang-Sucat Skyway Connection and Ramp Extensions (Skyway Extension) and are measured at transaction price less impairment of value, if any. These are charged capitalized to projects in the consolidated statements of financial position, upon actual receipt of services or supplies. These are considered as nonfinancial instruments as these will be applied against future billings from contractors and are classified as noncurrent assets.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation which commences when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets.

Asset Type	Number of Years
Transportation equipment	3 - 5
Machineries and equipment	10
Office equipment, furniture, and fixtures	2 - 5
Building improvements	5 - 10

The remaining useful lives and depreciation method are reviewed regularly and adjusted accordingly to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation are credited or charged to current operations.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the profit or loss in the period of retirement and disposal.

Computer Software

Computer software is stated at cost less accumulated amortization and any impairment in value. The Group capitalizes computer software licensing costs which are being amortized using the straight-line method over 3 to 5 years, the estimated finite useful life of the software. The amortization of the computer software is included under "Depreciation and amortization" account in the consolidated statements of comprehensive income.

The remaining useful lives and amortization method are reviewed regularly to ensure that the periods and method of amortization are consistent with the expected pattern of economic benefits from the computer software.

An item of computer software is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognized.

Investment Properties
Investment properties consist of condominium units that are held for rental and is measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment properties at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and accumulated impairment loss.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment properties to owner occupied property, the cost of property for subsequent accounting is the carrying amount at the date of change in use. If an owner-occupied property becomes an investment properties, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties are derecognized when either it has been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposal. Any resulting gain or loss is credited to or charged against current operations.

Goodwill
Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree of the Group. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the entity's cash-generating units (CGU) or group of CGU that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the entity are assigned to those units or groups of units. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes.

Where goodwill forms part of a CGU (or group of CGU) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation in determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative exchange differences arising from the translation and goodwill is recognized in profit or loss.

Impairment of Nonfinancial Assets

At each reporting date, nonfinancial assets are reviewed to determine whether there is any indication that those assets maybe impaired. If there is an indication of possible impairment, the recoverable amount of any asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the consolidated statements of comprehensive income.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to sell), but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. The recoverable amount of an asset is the greater of its value in use or its fair value less cost to sell. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less costs of disposal.

Equity

Common Stock. Common stock represents the par value of the issued shares.

Retained Earnings. Retained earnings represents the cumulative balance of net income or loss, dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which has been restricted and are not available for any dividend declaration. Unappropriated retained earnings represent that portion which can be declared as dividends to shareholders.

Dividend Distribution. Dividends are recognized as a liability and deducted from equity when declared by the BOD and shareholders of the Parent Company. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Other Comprehensive Income (OCI). OCI comprises items of income and expenses (including items previously presented under the consolidated statements of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS. OCI represents the cumulative balance of remeasurement gain (loss) on net retirement liabilities and share in other comprehensive income of an associate.

Other Equity Reserves. Other equity reserves consist of the difference between the equity of SMC SKYWAY and S3CTHC attributable to the interest and the purchase price and the excess of purchase price over the net assets of non-controlling interests acquired by the Parent Company.

Earnings per Share

Basic earnings per share is calculated by dividing consolidated net income by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividend declared.

Diluted earnings per share is calculated in the same manner, adjusted for the effects of all dilutive potential common shares.

Revenue Recognition

Revenue from Contracts with Customers
Revenue from contracts with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the performance of the Group creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the performance of the Group does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

The Group recognized revenue from contracts with customers when it has met the following specific performance obligations:

Revenue from Toll Operations. Revenue from toll operations represents the share of the Group in the toll road revenues of the SMMS. Performance obligation is satisfied when motorists have exited the toll roads. Toll fees are set and regulated by the TRB and are collected by way of cash or charged against Radio Frequency Identification (RFID) accounts. Collections from RFID accounts are made by the Group and initially accounted under "Refundable toll replenishment", and are regularly settled. This is reclassified to revenue upon consumption by the motorist.

Toll Operations and Maintenance Fee. This account consists of operation and maintenance fee for NAIAX and Skyway Stage 3 which is recognized when the related services are rendered.

Construction Revenue. Revenue is recognized by reference to the stage of completion of the construction activity at reporting date. In measuring the progress of its performance obligation over time, the Group uses input method. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Revenue from Other Sources

Interest Income. Income is recognized as it accrues using the effective interest method.

Rental Income. Income is recognized on a straight-line basis over the lease term.

Proceeds from Insurance Claims. Recovery from insurance company related to a business loss that is covered by insurance is recognized as soon as the payment by the insurance company becomes probable and the amount of the payment can be determined.

Other Income. Income is recognized when there is an incidental economic benefit that will flow to the Group through an increase in asset or reduction in liability and that can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

Cost and Expense

Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Costs of Services. Costs of services significantly represent operations and maintenance fee, amortization of service concession rights, PNCC share, provision for resurfacing and maintenance and costs to operate and maintain toll roads and toll facilities of SMMS, Skyway Stage 3 and NAIAX. These are expensed as incurred.

Operating Expenses. Operating expenses constitute costs of administering the business and costs to operate and maintain toll roads and toll facilities. These are charged to profit or loss as incurred.

Construction Costs. Construction costs include all direct materials and labor costs and those indirect costs related to the performance of incidental services under the construction contract. Construction costs are recognized by reference to the stage of completion of the construction activity as of the reporting date. The Group assessed that the costs of subcontracted work to third parties approximates the fair value of the intangible asset acquired in exchange for the construction services. Thus, construction costs are equal to the construction revenue.

Interest Expense. Interest expense is recognized as it accrues. Interest expense includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Leases

The Group assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

- the Group has the right to obtain substantially all of the economic benefits from the use of the identified asset; and

- the Group has the right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

The Group as a Lessee. The Group recognizes ROU assets and lease liabilities at the lease commencement date (i.e., the date the underlying asset is available for use). The ROU assets are initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

ROU Assets. At commencement date, the Group measures ROU assets at cost. The cost comprises:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- an estimation of costs to be incurred by the Group in dismantling and removing the underlying asset, when applicable.

The ROU assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU assets or the end of the lease term.

In addition, the ROU assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

Lease Liabilities. At commencement date, the Group measures lease liabilities at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities comprise the following:

- fixed payments, including in-substance fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise; lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liabilities are measured at amortized cost using the effective interest method. The carrying amount of the lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liabilities are remeasured, a corresponding adjustment is made to the carrying amount of the ROU assets, or is recognized in profit or loss if the carrying amount of the ROU assets have been reduced to zero.

The Group has elected not to recognize ROU assets and lease liabilities for short-term leases (i.e., lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

The Group as a Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Borrowing Costs

Borrowing costs are capitalized as part of "Service concession rights" if they are directly attributable to the construction of the qualifying asset. Capitalization of borrowing costs commences when the activities to prepare for the assets are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalized until the asset is substantially ready for its intended use.

Borrowing costs include interest expense, amortization of debt issuance costs and other costs incurred in connection with the borrowing of funds. Borrowing costs not qualified for capitalization are expensed as incurred.

Foreign Currency Denominated Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the end of the reporting date. Exchange rate differences arising from the translation or settlement of monetary items at rates different from those at which these were initially recorded during the period are recognized in profit or loss in the period these arise.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the period such are realized.

Income Taxes

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and carryforward benefits of unused tax losses - net operating loss carry over (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of excess MCIT over RCIT and NOLCO can be utilized, except:

- where the deferred tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in OCI or directly in equity, in which case, the current and deferred tax are also recognized in OCI or directly in equity respectively.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

VAT

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from or payable to the taxation authority is recognized as "Input VAT" or included under "Accounts payable and other current liabilities" as part of "Statutory payables" account in the consolidated statements of financial position.

Employee Benefits

Short-term Employee Benefits. Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Net Retirement Liabilities. The Group has a funded, non-contributory defined benefit retirement plan covering all qualified employees. The retirement expense is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The net retirement liability or asset is the aggregate of the present value of the retirement liability and the fair value of plan assets (FVPA) on which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on the curtailments and non-routine settlements, and net interest expense or income in the consolidated statements of comprehensive income. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in the profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that the Group recognizes restructuring-related costs.

Plan assets are assets that are held by the long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can these be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement liability or asset) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the consolidated statements of comprehensive income in subsequent periods.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Related Party Relationships and Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When some or all the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Provision for Resurfacing and Maintenance Obligation. Provision for resurfacing and maintenance obligation pertains to the obligation of the Group under the concession agreement to maintain the toll roads such that the toll road can deliver the specified standard of service at all times. Provision for resurfacing and maintenance obligation requires an estimation of the periodic cost, generally estimated to be every eight to ten years or the expected schedule of major maintenance to maintain the toll roads such that the toll road can deliver the specified standard of service at all times and to restore the assets to a level of serviceability during the concession term and in good condition before turnover to the Philippine Government. This is based on the best estimate of management to be the amount expected to be incurred to settle the obligation at every maintenance date discounted using a pre-tax rate that reflects the current market assessment of the time value of money. On the other hand, routine repairs and maintenance costs are expensed as incurred.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Segment Reporting

The Group's operating business are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services. Operating results of reportable segments are regularly reviewed by senior management to make decisions about resources to be allocated to the segment and assess its performance for which discrete financial information is available

The Group has one geographical segment and derives principally all its revenue from domestic operations.

Events after the Reporting Date

Events after the reporting date that provide additional information about the financial position of the Group at reporting date (adjusting events) are reflected in the consolidated financial statements when material. Events after the reporting date that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements of the Group in accordance with PFRS requires management to exercise judgments, make estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgment and estimates are revised and in any future period affected.

Judgments

In the process of applying the accounting policies of the Group, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements. The judgments are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements.

Establishing the Control over Subsidiaries. The Parent Company determined that it has control over its subsidiary by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual agreements; and
- The Parent Company's voting rights and potential voting rights.

Management has assessed that the Parent Company has control over SMC SKYWAY, S3CTHC, MMSS3, TROMV, and SOMCO as at December 31, 2023, 2022 and 2021 and identified these entities as subsidiaries.

Determining whether the STOA for SMMS and Stage 3 is covered under Philippine Interpretation IFRIC 12. Management has assessed that it is covered by Philippine Interpretation IFRIC 12, under the intangible asset model, with respect to the operation of the toll roads and toll facilities as it has (a) the right (license) to collect toll from toll roads users availing of a public service; (b) the grantor controls or regulates the price; (c) the Group will transfer significant residual interest of the toll roads and its facilities at the end of the STOA.

Recognizing Construction Revenue and Costs. The Group recognizes construction revenue and costs in accordance with PFRS 15, *Revenue from Contract with Customers*. It measures contract revenue at the fair value of the consideration received or receivable. The Group assessed that the costs of subcontracted work to third parties approximate the fair value of the intangible asset acquired in exchange for the construction services, thus construction revenue recognized is equal to the construction costs. Construction revenue and costs recognized in profit or loss amounted to ₱953.7 million, ₱2,621.4 million and ₱9,101.5 million in 2023, 2022 and 2021, respectively (see Note 8).

Assessing Embedded Derivatives on Financial Instrument. The long-term debt of the Group contains embedded derivatives arising from voluntary prepayment option and interest rate floor. Under PFRS 9, the Group is required to evaluate whether the embedded derivatives meet the condition for bifurcation at loan inception.

Based on management's evaluation, the voluntary prepayment option and interest rate floor are closely related with the host contract. Accordingly, the derivative assets or liabilities are not separately identified and recognized in the consolidated financial statements.

Classifying Financial Instruments. The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

Classifying Lease Commitments - Group as a Lessee. The Group have entered into a lease agreement with a lessor for office space and parking lots. For the Group's non-cancellable lease, the Group recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Group's incremental borrowing rate.

The carrying amount of the ROU assets amounted to ₱6.1 million, ₱9.5 million and ₱2.6 million as at December 31, 2023 2022 and 2021, respectively. Lease liabilities amounted to ₱5.8 million, ₱9.0 million and ₱2.2 million as at December 31, 2023, 2022 and 2021, respectively (see Note 20).

Assessing Lease Commitments - The Group as a Lessor. The Group assessed that it retains substantially all the risks and rewards of ownership of the asset under operating lease. Noncancellable operating lease receivables are recognized as income in profit or loss on a straight-line basis over the lease term.

Rental income from lease arrangements amounted to ₱74.0 million, ₱64.0 and ₱47.7 million in 2023, 2022 and 2021, respectively (see Note 20).

Assessing the Extension Options of Lease Commitments. The Group's lease commitments contain extension options exercisable by the Group prior the end of the non-cancelable contract period. Where practicable, the Group seeks to include the extension options to provide operational flexibility. The Group assessed at lease commencement that it is reasonably certain that the Group will exercise the extension options. A reassessment is made whether it is reasonable certain to exercise the extension options if there is a significant event or significant change in circumstances within its control.

Determining the Classification of Property. The Group determines whether a property is classified as investment property or property and equipment:

- Investment properties comprise condominium units which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily for rental income and capital appreciation.

- Property and equipment include transportation equipment, machineries and equipment, office equipment, furniture and fixtures and building improvements. These properties and equipment are intended for operations or administrative purposes.

Evaluating Adequacy of Tax Liabilities. The Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Estimates and Assumptions
The key estimates and assumptions used in the consolidated financial statements are based upon the Group's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Assessing the ECL of Toll Receivables and Other Financial Assets at Amortized Cost. The allowance for ECL of toll receivables and other financial assets at amortized cost are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

ECL of Toll Receivables
The Group applies the PFRS 9 simplified approach in measuring ECL of toll receivables which uses a lifetime expected loss allowance for all toll receivables. The Group estimates ECL on receivables using a provision matrix that is based on days past due for groupings of various customer segments that have similar loss patterns. Depending on the diversity of its debtor's base, the Group uses its historical credit loss experience adjusted for forward-looking factors, as appropriate.

ECL of Other Financial Assets at Amortized Cost
The Group determines the allowance for ECL of other financial assets at amortized cost using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

Provision for ECL recognized in profit or loss amounted to ₱8.0 million, ₱0.3 million and nil in 2023, 2022 and 2021, respectively (see Note 6). The carrying amounts of financial assets are as follows:

	Note	2023	2022	2021
Cash and cash equivalents*	5	**₱10,961,561**	₱11,124,751	₱13,465,447
Trade and other receivables	6	**183,906**	208,800	93,176
Restricted cash	13	**8,463,304**	6,398,948	3,630,995
Security deposits**	7	**578**	617	601
Miscellaneous deposits***		**4,014**	4,228	4,279

**Excludes cash on hand amounting to ₱2.5 million as at December 31, 2023 and 2022 and ₱2.7 million as at December 31, 2021*
*** Included under "Other current assets" account*
****Included under "Other noncurrent assets" account*

Estimating the Useful Lives of Service Concession Rights. The estimated useful lives of the service concession rights is approximately 30 years from the start of operations until the end of the concession period, as provided in the amended STOA. The estimated useful lives of concession rights is reviewed periodically and updated if expectations differ materially from previous estimates due to changes in the term of the STOA, pattern of consumption of future economic benefits and legal or other limitations on the use of the concession right. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances.

There are no changes in the estimated useful lives of service concession rights in 2023, 2022 and 2021. The carrying amount of the service concession rights amounted to ₱80,308.7 million, ₱82,697.9 million and ₱82,884.0 million as at December 31, 2023, 2022 and 2021, respectively (see Note 8).

Estimating the Useful Lives of Property and Equipment, Computer Software and ROU assets. The Group estimates the useful lives of its property and equipment, computer software and ROU assets based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment, computer software and ROU assets based on factors that include asset utilization, internal technical evaluation, technological and environmental changes and anticipated use of the assets.

There were no changes in the estimated useful lives of property and equipment, computer software and ROU assets in 2023, 2022 and 2021. The carrying amounts of the property and equipment, computer software and ROU assets of the Group are as follows:

	Note	2023	2022	2021
Property and equipment	9	**₱145,349**	₱163,196	₱167,583
ROU assets	20	**6,119**	9,472	2,619
Computer software	9	**–**	–	2,220

Assessing the Impairment of Service Concession Rights and Other Nonfinancial Assets. The Group assesses at each reporting date whether there is an indication that the service concession rights and other nonfinancial assets may be impaired. The factors that would trigger an impairment review of service concession rights include the following, among others:

- decline in toll rates as a result of government imposition or other events;
- significant decline in number of motorists passing through the toll roads; and
- significant change in foreign exchange rate of Peso versus US dollar since this will affect the toll rate adjustments.

The factors that the Group considers important which could trigger an impairment review of other nonfinancial assets include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The recoverable value of service concession rights and other nonfinancial assets represents the higher of value-in-use or fair value less cost of disposal. Estimating the value-in-use requires the Group to make an assessment of the expected future cash flows from the use of the service concession rights and other nonfinancial assets and allows it to choose a suitable discount rate in order to calculate the present value of those cash flows.

There are no indications that the service concession rights and other nonfinancial assets may be impaired. Accordingly, no impairment loss was recognized in 2023, 2022 and 2021. The carrying amounts of the service concession rights and other nonfinancial assets of the Group are as follows:

	Note	2023	2022	2021
Input VAT		**₱3,798,884**	₱4,390,552	₱4,861,126
Service concession rights	8	**80,308,715**	82,697,934	82,883,980
Advances to contractors	11	**185,117**	1,152,538	1,909,955
Property and equipment	9	**145,349**	163,196	167,583
ROU assets	20	**6,119**	9,472	2,619
Computer software	9	**–**	–	2,220
Other current assets*	7	**340,611**	572,205	672,860
Other noncurrent assets**		**20,864**	79,417	77,832

** Excluding security deposits*
***Excluding miscellaneous deposits*

Assessing the Impairment of Goodwill. The Group tests annually whether any impairment in goodwill is to be recognized, in accordance with the related accounting policy in Note 3. The recoverable amounts of CGUs have been determined based on the higher of fair value less costs of disposal and value in use calculations which require the use of estimates. Based on the impairment testing conducted, the recoverable amounts of the CGUs as at December 31, 2023, 2022 and 2021 calculated based on value in use are greater than the corresponding carrying amounts (including goodwill) of the CGUs as at the same dates. The carrying amount of goodwill amounted to ₱483.5 million as at December 31, 2023, 2022 and 2021 (see Note 10).

Assessing the Provisions and Contingencies. The Group recognizes provisions based on estimates of whether it is probable that an outflow of resources will be required to settle an obligation. Where the final outcome of these matters is different from the amounts that were initially recognized, such differences will impact the financial performance in the current period in which such determination is made.

a. *Resurfacing and Maintenance Obligation* - The provision for resurfacing and maintenance obligation requires an estimation of the periodic cost over the expected period to restore the roads to a level of serviceability and to maintain its good condition before turnover to the Philippine Government. This is based on the best estimate of management of the amount expected to be incurred to settle the obligation, discounted using a pre-tax rate that reflects the current market assessment of the time value of money. The key assumptions used to determine the resurfacing and maintenance obligation are further explained in Note 14.

   Provision for resurfacing and maintenance obligation amounted to ₱264.4 million, ₱242.2 million and ₱202.9 million as at December 31, 2023, 2022 and 2021, respectively (see Note 14).

b. *Legal Claims* - Management's assessment of the potential outcome of legal claims has been developed in consultation with its external counsels handling the defense of the Group in these matters and is based upon an analysis of potential results. The Group is a party to certain claims arising from the ordinary course of business. Based on Management's and legal counsel's assessments, the eventual liabilities from such claims are not yet determinable. Accordingly, no provisions for legal claims have been recognized in 2023, 2022 and 2021 (see Note 20).

Determining the Net Retirement Liabilities. The determination of the liability and cost of retirement expense is dependent on the selection of certain assumptions provided to actuaries in calculating such amounts. Actual results that differ from the assumptions of the Group are accumulated and recorded in OCI. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement liability.

The retirement expense recognized in the profit or loss amounted to ₱18.5 million, ₱16.9 million and ₱20.0 million in 2023, 2022 and 2021, respectively (see Note 19). Net interest expense on net retirement liabilities recognized in the profit or loss amounted to ₱3.0 million in 2023 and 2022 and ₱3.3 million in 2021 (see Note 13). The net retirement liabilities amounted to ₱76.1 million, ₱55.6 million and ₱72.0 million as at December 31, 2023, 2022 and 2021, respectively (see Note 19).

Assessing the Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets recognized by the Group amounted to ₱67.2 million, ₱68.1 million and ₱104.3 million as at December 31, 2023, 2022 and 2021, respectively (see Note 21).

The unrecognized deferred tax assets of the Parent Company, S3CTHC, TROMV and MMSS3 amounted to ₱2,179.8 million, ₱1,653.0 million and ₱1,482.4 million as at December 31, 2023, 2022 and 2021, respectively. Management has assessed that it is not probable that sufficient taxable profit will be available in the future against which the benefit from the deferred tax assets can be utilized (see Note 21).

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2023	2022	2021
Cash on hand and in banks	**₱1,977,345**	₱1,655,006	₱2,061,340
Cash equivalents	**8,986,731**	9,472,273	11,406,769
	₱10,964,076	₱11,127,279	₱13,468,109

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

Interest income recognized in the consolidated statements of comprehensive income is earned from the following:

	Note	2023	2022	2021
Cash and cash equivalents		**₱569,026**	₱179,819	₱70,815
Restricted cash	13	**392,545**	123,378	9,052
		₱961,571	₱303,197	₱79,867

Interest receivable related to this amounted to ₱55.3 million, ₱39.6 million and ₱0.5 million as at December 31, 2023, 2022 and 2021, respectively (see Note 6).

6. Trade and Other Receivables

Trade and other receivables consist of:

	Note	2023	2022	2021
Receivable from Export and Industry Bank ("EIB")		**₱511,219**	₱511,219	₱511,219
Toll receivable from:				
Third parties		**144,771**	138,374	91,993
PSC		**92,470**	92,470	92,470
Related parties	18	**2,362**	16,731	6,354
Interest receivable	5	**55,281**	39,580	484
Rent receivables:				
Related parties	18	**17,153**	20,363	22,848
Third parties		**3,373**	11,009	81,254
Receivable from DPWH		**15,531**	15,531	15,531
O&M fee receivable	18	**11,458**	27,613	11,458
Others		**41,601**	39,185	42,171
		895,219	912,075	875,782
Less allowance for ECL		**(711,313)**	(703,275)	(782,606)
		₱183,906	₱208,800	₱93,176

Receivable from EIB

On April 27, 2012, EIB was placed under the Philippine Deposit Insurance Corporation receivership by the *Bangko Sentral ng Pilipinas*. Based on the developments affecting the bank, SMC SKYWAY recognized full allowance for ECL as at December 31, 2023, 2022 and 2021.

Toll receivable

Toll receivable from third parties pertains to amount due from merchants for the e-load of motorists' RFID account and due from motorists from the use of toll roads through ETC system and receivable from PSC from its former operation of Stage 1 and 2. Toll receivables are unsecured, non-interest bearing and are normally collected within 30 days. Provision for ECL on receivables amounted to ₱8.0 million, ₱0.3 million and nil in 2023, 2022 and 2021, respectively (see Note 17).

Rent Receivables

Rent receivables pertain to lease of advertising spaces which are unsecured, non-interest bearing and are normally collected within 10 to 30 days. In 2022, SMC SKYWAY wrote-off receivable amounting to ₱79.7 million. The management assessed that these receivables can no longer be collected
(see Note 20).

Receivable from DPWH

On October 12, 2009, SMC SKYWAY entered into a Memorandum of Agreement with the ROP, as Grantor, acting by and through DPWH wherein the Grantor shall reimburse the funds advanced by SMC SKYWAY for the right of way requirements for Stage 2 immediately after the availability of Grantor funds and the execution of a Reimbursement Agreement.

O&M Fee Receivable

O&M fee receivable pertains to the outstanding monthly fee from the agreement with SMC NAIAX Corporation (SMC NAIAX), to manage, operate and maintain the toll roads and toll road facilities, interchanges, and related facilities of the entire NAIAX. It also includes reimbursable expenses incurred for SMC SLEX Inc. (SMC SLEX).

Other Receivables

Others mainly pertain to advances to third parties which were fully provided by allowance for impairment losses. It also includes advances to officers and employees which are normally settled within the next reporting year.

Movements in allowance for ECL are as follows:

	2023			
	EIB	**Toll Receivables**	**Others**	**Total**
Balance at beginning of year	**₱511,219**	**₱168,291**	**₱23,765**	**₱703,275**
Provision	**–**	**8,038**	**–**	**8,038**
Balance at end of year	**₱511,219**	**₱176,329**	**₱23,765**	**₱711,313**

	2022				
	EIB	Toll Receivables	Rent Receivable	Others	Total
Balance at beginning of year	₱511,219	₱167,958	₱79,664	₱23,765	₱782,606
Provision	–	333	–	–	333
Write-off	–	–	(79,664)	–	(79,664)
Balance at end of year	₱511,219	₱168,291	₱–	₱23,765	₱703,275

	2021				
	EIB	Toll Receivables	Rent Receivable	Others	Total
Balance at beginning and end of year	₱511,219	₱167,958	₱79,664	₱23,765	₱782,606

7. Other Current Assets

Other current assets consist of:

	Note	**2023**	2022	2021
Deferred input VAT		**₱157,927**	₱444,777	₱581,767
Prepayments		**122,567**	87,841	39,211
Advances to suppliers		**57,187**	35,607	50,172
Security deposits	20	**578**	617	601
Others		**2,930**	3,980	1,710
		₱341,189	₱572,822	₱673,461

Deferred input VAT is composed of current portion of the unamortized input VAT on purchase of capital goods and unpaid portion of purchased services. Noncurrent portion of deferred input VAT are presented under "Other noncurrent assets" in the consolidated statements of financial position.

	2023	2022	2021
Current	**₱157,927**	₱444,777	₱581,767
Noncurrent	**4,037**	5,264	7,965
	₱161,964	₱450,041	₱589,732

Prepayments mainly consist of prepaid insurance which pertains to insurance premiums relating to the toll road construction and will be applied throughout the remaining term of the related contracts and prepaid taxes and licenses.

Advances to suppliers represent advance payments on services to be incurred in connection with the operations of the Group.

Security deposits pertain to lease which are to be refunded upon termination of the agreements.

8. Service Concession Rights

Service concession rights consist of:

		2023				
	Note	Stage 1	Stage 2	Stage 3	Skyway Extension	Total
Cost						
Balance at beginning of year		₱18,721,031	₱10,318,329	₱62,502,120	₱9,881,535	₱101,423,015
Additions		–	–	620,771	332,924	953,695
Balance at end of year		18,721,031	10,318,329	63,122,891	10,214,459	102,376,710
Accumulated Amortization						
Balance at beginning of year		11,697,623	4,011,450	3,016,008	–	18,725,081
Amortization	9	383,094	344,012	2,062,078	553,730	3,342,914
Balance at end of year		12,080,717	4,355,462	5,078,086	553,730	22,067,995
Carrying Amount		₱6,640,314	₱5,962,867	₱58,044,805	₱9,660,729	₱80,308,715

	Note	2022				
		Stage 1	Stage 2	Stage 3	Skyway Extension	Total
Cost						
Balance at beginning of year		₱18,721,031	₱10,318,329	₱60,973,012	₱8,789,255	₱98,801,627
Additions		–	–	1,529,108	1,092,280	2,621,388
Balance at end of year		18,721,031	10,318,329	62,502,120	9,881,535	101,423,015
Accumulated Amortization						
Balance at beginning of year		11,314,529	3,667,438	935,680	–	15,917,647
Amortization	9	383,094	344,012	2,080,328	–	2,807,434
Balance at end of year		11,697,623	4,011,450	3,016,008	–	18,725,081
Carrying Amount		₱7,023,408	₱6,306,879	₱59,486,112	₱9,881,535	₱82,697,934

	Note	2021				
		Stage 1	Stage 2	Stage 3	Skyway Extension	Total
Cost						
Balance at beginning of year		₱18,721,031	₱10,318,329	₱54,839,304	₱5,821,431	₱89,700,095
Additions		–	–	6,133,708	2,967,824	9,101,532
Balance at end of year		18,721,031	10,318,329	60,973,012	8,789,255	98,801,627
Accumulated Amortization						
Balance at beginning of year		10,931,435	3,323,426	–	–	14,254,861
Amortization	9	383,094	344,012	935,680	–	1,662,786
Balance at end of year		11,314,529	3,667,438	935,680	–	15,917,647
Carrying Amount		₱7,406,502	₱6,650,891	₱60,037,332	₱8,789,255	₱82,883,980

Service concession rights mainly consist of costs incurred for the construction of the toll roads. The service concession rights related to the Project Road during construction is not amortized until such time that the toll road is completed and put into operational use.

On February 1, 2020, a fire damaged a portion of Section 2B of the Skyway Stage 3 located in Pandacan, Manila. The Group determined actual loss amounting to ₱453.8 million and sold scraps amounting to ₱10.7 million. Proceeds from insurance claims amounted to nil, ₱284.2 million and ₱39.6 million in 2023, 2022 and 2021, respectively.

Depreciation of vehicles amounting to nil in 2023 and 2022 and ₱4.1 million in 2021, was capitalized as part of the additions to service concession rights (see Note 9).

Construction Revenue and Construction Costs

The Group recognized construction revenue and construction cost amounting to ₱953.7 million, ₱2,621.4 million and ₱9,101.5 million in 2023, 2022 and 2021, respectively, in reference to the stage of completion of the construction.

Capitalized borrowing costs amounted to nil in 2023 and 2022 and ₱1,358.9 million in 2021 (see Note 13). Capitalization rate used ranges from 6.9% to 10.0% in 2021.

9. Property and Equipment, Computer Software, and Investment Properties

Property and Equipment

Property and equipment consists of:

2023	Transportation Equipment	Machineries and Equipment	Office Equipment, Furniture and Fixtures	Building Improvements	Total
Cost					
Balance at beginning of year	₱291,346	₱98,019	₱97,287	₱15,289	₱501,941
Additions	15,821	18,928	5,666	1,996	42,411
Disposal	(13,965)	(682)	–	–	(14,647)
Balance at end of year	293,202	116,265	102,953	17,285	529,705
Accumulated Depreciation					
Balance at beginning of year	171,075	74,837	82,995	9,838	338,745
Depreciation	25,323	24,826	6,979	1,463	58,591
Disposal	(12,298)	(682)	–	–	(12,980)
Balance at end of year	184,100	98,981	89,974	11,301	384,356
Carrying Amount	₱109,102	₱17,284	₱12,979	₱5,984	₱145,349

2022	Transportation Equipment	Machineries and Equipment	Office Equipment, Furniture and Fixtures	Building Improvements	Total
Cost					
Balance at beginning of year	₱274,896	₱84,233	₱86,685	₱12,238	₱458,052
Additions	25,189	13,786	10,662	3,447	53,084
Disposal/retirement	(8,739)	–	(60)	(396)	(9,195)
Balance at end of year	291,346	98,019	97,287	15,289	501,941
Accumulated Depreciation					
Balance at beginning of year	154,643	48,517	78,167	9,142	290,469
Depreciation	24,824	26,320	4,865	1,092	57,101
Disposal/retirement	(8,392)	–	(37)	(396)	(8,825)
Balance at end of year	171,075	74,837	82,995	9,838	338,745
Carrying Amount	₱120,271	₱23,182	₱14,292	₱5,451	₱163,196

2021	Transportation Equipment	Machineries and Equipment	Office Equipment, Furniture and Fixtures	Building Improvements	Total
Cost					
Balance at beginning of year	₱215,655	₱59,628	₱79,290	₱12,238	₱366,811
Additions	70,410	24,605	7,503	–	102,518
Disposals	(11,169)	–	(108)	–	(11,277)
Balance at end of year	274,896	84,233	86,685	12,238	458,052
Accumulated Depreciation					
Balance at beginning of year	130,560	37,417	74,107	8,817	250,901
Depreciation	32,690	11,100	4,134	325	48,249
Disposals	(8,607)	–	(74)	–	(8,681)
Balance at end of year	154,643	48,517	78,167	9,142	290,469
Carrying Amount	₱120,253	₱35,716	₱8,518	₱3,096	₱167,583

The total cost of fully depreciated property and equipment still in use amounted to ₱264.5 million, ₱189.3 million and ₱193.6 million as at December 31, 2023, 2022 and 2021, respectively.

The Group disposed property and equipment with total cost of ₱14.6 million, ₱9.2 million and ₱11.3 million in 2023, 2022 and 2021, respectively, which resulted to gain (loss) on disposal of (₱0.5 million), ₱0.6 million and (₱1.6 million) in 2023, 2022 and 2021, respectively.

Depreciation and amortization charged to cost of services and operating expenses are as follows (see Note 17):

	Note	**2023**	2022	2021
Service concession rights	8	**₱3,342,914**	₱2,807,434	₱1,662,786
Property and equipment		**58,591**	57,101	48,249
ROU assets	20	**3,353**	3,205	3,040
Computer software		**–**	2,220	2,233
		3,404,858	2,869,960	1,716,308
Capitalized to service concession rights	8	**–**	–	(4,101)
		₱3,404,858	₱2,869,960	₱1,712,207

Depreciation and amortization is allocated as follows:

	Note	**2023**	2022	2021
Cost of services	17	**₱3,385,816**	₱2,849,688	₱1,693,565
Operating expenses	17	**19,042**	20,272	18,642
		₱3,404,858	₱2,869,960	₱1,712,207

Computer Software

Computer software pertains to the computer software license and related consultancy service obtained by the Group pursuant to the Service Agreement.

Movements in computer software are as follows:

	2023	2022	2021
Cost			
Balance at beginning and end of year	**₱17,685**	₱17,685	₱17,685
Accumulated Amortization			
Balance at beginning of year	**17,685**	15,465	13,232
Amortization	**–**	2,220	2,233
Balance at end of year	**17,685**	17,685	15,465
Carrying Amount	**₱–**	₱–	₱2,220

The Group's computer software is fully amortized and is still being used as at December 31, 2023 and 2022.

Investment Properties

The Group also has investment properties consisting of condominium units being leased out to third parties. The property has been fully depreciated with a cost and accumulated depreciation of ₱249.4 million as at December 31, 2023, 2022 and 2021.

The fair value of investment properties of the Group amounted to ₱179.9 million as at December 31, 2023, 2022 and 2021. Management has assessed that there is no significant change in the fair value of the investment properties of the Group since the latest valuation report.

Rental income related to the investment properties amounted to ₱3.3 million, ₱3.3 million and ₱3.5 million in 2023, 2022 and 2021, respectively (see Note 20). The related costs on investment properties amounted to ₱0.8 million in 2023, 2022 and 2021.

10. Accounting for Business Combination

On September 5, 2014, S3CTHC subscribed to 55% interest in MMSS3 for ₱200.0 million. Prior to S3CTHC's subscription, MMSS3 was a wholly-owned subsidiary of CLGP, a company domiciled in Jakarta, Indonesia. S3CTHC and CLGP executed an agreement assigning CLGP's beneficial interest in MMSS3 to the S3CTHC equivalent to 25%. Also, on September 8, 2014, S3CTHC deposited ₱7,800.0 million to MMSS3 which is intended to be converted to common stock of MMSS3. Accordingly, the total purchase considerations transferred amounted to ₱8,000.0 million which resulted to a goodwill amounting to ₱483.5 million. None of the goodwill recognized is expected to be deductible for income tax purposes. The recoverable amount of goodwill has been determined based on the value in use computation covering the 30 year definite life of the toll concession rights in 2023, 2022 and 2021. The discount rate applied to the cash flow projections ranges from 4% to 5% in December 31, 2023, 2022 and 2021. Management assessed that no reasonably possible change in any of the assumptions would cause the carrying amount of the related investment to exceed its recoverable amount. The carrying amount of goodwill is allocated to MMSS3.

S3CTHC has elected to measure the non-controlling interest in the acquiree at proportionate share of 20% of the fair value of the identifiable net assets.

Prior to 2020, the Group has 40% equity investment of SOMCO through SMC SKYWAY or effective interest ownership of 35.14%. The total consideration of the acquisition amounting to ₱0.1 million resulted to a recognition of non-controlling interest of ₱0.2 million and goodwill of ₱4.0 (see Note 2). The indirect ownership in SOMCO resulted to recognition of gain from bargain purchase amounting to ₱2.5 million. The Group believes it was able to acquire the net assets of SOMCO for less than the fair values as negotiated by the shareholders.

The above transactions resulted to a recognition of deferred income tax liability on the fair value adjustment amounting to ₱326.4 million (see Note 21), non-controlling interest of ₱1,960.7 million and goodwill of ₱483.5 million.

11. Advances to Contractors

This account represents advance payments made to various contractors for the construction of the Stage 3 and Alabang-Sucat Skyway Connection and Ramp Extensions. These are recouped at each progress billing depending on the agreement with the contractors.

Advances to contractors amounted to ₱185.1 million, ₱1,152.5 million and ₱1,910.0 million as at December 31, 2023, 2022 and 2021, respectively.

12. Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities consist of:

	Note	2023	2022	2021
Refundable toll replenishment		**₱2,536,903**	₱2,038,825	₱1,704,758
Payable to contractors		**1,018,650**	2,511,320	3,512,911
Statutory payables		**417,353**	192,997	288,483
Retention payable		**305,868**	2,193,278	2,286,529
Accrued interest payable	13	**230,590**	266,228	279,875
Payable to related parties	18	**223,758**	173,871	749,976
Accrued liabilities		**95,606**	130,185	212,500
Others		**60,078**	58,329	72,677
		₱4,888,806	₱7,565,033	₱9,107,709

Refundable toll replenishment pertains to advance toll payments made by RFID users. These are noninterest-bearing and applied against revenue from toll operations and are also refundable in nature as stated under the Terms and Conditions of RFID Agreement with the Group.

Payable to contractors relates to construction and development costs. These are noninterest-bearing and are paid based on a payment schedule ranging from 15 to 30 days upon receipt of the corresponding invoice.

Statutory payables consist of VAT payable, withholding taxes on compensation and expanded withholding taxes, Social Security System, Home Development Mutual Fund and Philippine Health Insurance Corporation contributions that are remitted to the government within the next reporting period.

Retention payable pertains to the amounts withheld by the Group from payments made to contractors. These are deducted as a percentage of the amount certified as due to the contractor and will be released upon completion of the construction.

Retention payable is presented as follows:

	2023	2022	2021
Current	**₱305,868**	₱2,193,278	₱2,286,529
Noncurrent	**96,576**	78,592	57,413
	₱402,444	₱2,271,870	₱2,343,942

Accrued liabilities consist mainly of utilities, outside services, taxes and repairs and maintenance expenses. These are normally settled within one year.

Other payables are normally settled within one year.

13. Long-term Debt

Long-term debt consists of:

	2023	2022	2021
Corporate Notes Facility (Loan Facility) - Parent	**₱32,809,461**	₱36,136,818	₱38,406,439
Omnibus Loan and Security Agreement (OLSA) - MMSS3	**22,832,016**	26,686,244	29,049,389
	55,641,477	62,823,062	67,455,828
Less current portion	**9,135,556**	6,243,086	3,929,044
Noncurrent portion	**₱46,505,921**	₱56,579,976	₱63,526,784

Movements in this account are as follows:

	2023	2022	2021
Principal			
Balance at beginning of year	**₱63,367,391**	₱68,139,735	₱57,481,527
Availments	**–**	–	12,900,000
Payments	**(7,320,477)**	(4,772,344)	(2,241,792)
Balance at end of year	**56,046,914**	63,367,391	68,139,735
Unamortized debt issue cost			
Balance at beginning of year	**544,329**	683,907	631,737
Amortization	**(138,892)**	(139,578)	(130,594)
Additions	**–**	–	182,764
Balance at end of year	**405,437**	544,329	683,907
	₱55,641,477	₱62,823,062	₱67,455,828

Loan Facility

On December 9, 2019, the Parent Company entered into a Loan Facility with local banks for a loanable amount of ₱41,200.0 million to refinance existing debt obligations and acquisition of investments for infrastructure projects. As of December 31, 2023, the loan facility was fully drawn.

The unamortized debt issue cost on the drawn loan balance amounting to ₱294.4 million, ₱381.4 million and ₱466.2 million as at December 31, 2023, 2022 and 2021, respectively, is amortized using the effective interest rate method over the term of the loan.

The long-term debt bears interest rate of higher of a Benchmark Rate plus 1.75% per annum or a floor rate of 5.5% per annum divided by the interest premium factor, subject to repricing on the fifth year of the term. Effective interest rates are ranging from 5.75% to 6.2% in 2023, 2022 and 2021. The loan has a term of 10 years. Principal and interest are payable quarterly starting March 16, 2020.

The Parent Company, SMC SKYWAY, MMSS3 and S3CTHC are subject to the following covenants, among others:

- There will be no business combination or reorganization except when the Parent Company, SMC SKYWAY or MMSS3 is the surviving company and it will not result in a Material Adverse Effect;

- There will be no substantial change made to the general nature of the business of the Parent Company or the Skyway Companies taken as a whole;
- The Parent Company shall not permit any security over its assets;
- The Parent Company shall not acquire a company, shares, securities, business, undertaking or any interest thereof, or incorporate a company, other than a Permitted Acquisition as provided in the loan agreement.
- The Parent Company shall not declare, make or pay any dividend, charge, fee or other distribution;
- Except as allowed under the loan agreement, the Parent Company shall not pay or allow SMC SKYWAY, MMSS3 AND S3CTHC to pay any management, advisory or other fee or to the order of any of the shareholders of the Parent Company;
- The Parent Company shall not redeem, repurchase, retire or pay any of its share capital or resolve to do;
- Except in the case of Permitted Financial Indebtedness, the Parent Company shall not incur or allow to remain outstanding financial indebtedness;
- The Parent Company shall procure that SMC SKYWAY will not issue any preferred shares unless such preferred shares will be issued to the Parent Company or to a subsidiary that is not a Ring-Fenced Subsidiary; and
- The Parent Company shall procure that MMSS3 will not issue any preferred shares unless such preferred shares will be issued to the Parent Company, S3CTHC, or to a Subsidiary that is not a Ring-Fenced Subsidiary

The security of the agreements includes the assignment of the rights title and interest of the Parent Company over its shareholding in SMC SKYWAY.

In addition, the Parent Company shall maintain the following financial ratios:

a. dividend cover ratio of not less than 1.15x

b. net debt of the Parent Company and SMC SKYWAY divided by EBITDA ratio of SMC SKYWAY, not to exceed 4.50x.

As at December 31, 2023, 2022 and 2021, the Parent Company is in compliance with the covenants of the loan facility agreement except for the required net debt to EBITDA ratio in 2022 and 2021 for which the Parent Company obtained the necessary waivers.

OLSA

On December 15, 2014, MMSS3 entered into a Loan Facility Agreement with various local banks for a loanable amount of up to ₱31,000.0 million. As at December 31, 2023, the Loan Facility is fully drawn.

The term of the Loan Facility is 12 years. The Loan Facility bears interest rate equal to the higher of the sum of the base rate and the margin or 6.25%, subject to repricing at the seventh year of the term of the loan.

The Loan Facility is payable in 35 unequal consecutive quarterly installments starting on the earlier of March 30, 2020 or one calendar quarter after issuance of toll operation certificate by TRB. MMSS3 may, at its option, prepay the loans in part or in full on any interest payment date after the 5th anniversary of the initial drawdown date, together with accrued interest thereon to the date of prepayment, subject to certain conditions.

The unamortized debt issue cost on the drawn loan balance amounting to ₱111.0 million, ₱162.9 million and ₱217.7 million as at December 31, 2023, 2022 and 2021, respectively, is amortized using the effective interest rate method over the term of the loan. Effective interest rate ranges from 7.43% to 10.69% in 2023, 2022 and 2021. As a security for the timely payment, discharge, observance and performance of all the provisions of the Loan Facility, S3CTHC, acting as the Sponsor/Pledgor in the Loan Facility, grants the Security Trustee for the benefit of the Secured Parties, a continuing security interest of first priority in, all of its rights, title and interests in and to the common and preferred stock of the Group held by S3CTHC whether now owned or existing or hereafter acquired.

Loan Covenants. The Loan Facility provides for certain general covenants, such as but not limited to:

- prohibition to make or permit any material change in the business;
- prohibition to create, incur, assume or suffer to exist any indebtedness other than permitted indebtedness;
- make prepayment (whether voluntary or involuntary), repayment or repurchase any long-term debt or any Shareholder Loan unless, in any case, allowed under any Loan Document or at the option of the Majority Lenders, unless MMSS3 makes a proportionate repayment in accordance with the agreement;
- prohibition to grant loans or make any advances to any third persons, except such loans or advances granted to the Operator (subject to the conditions in the loan agreement) or MMSS3's directors, officers and employees as part of defined company benefit plans.

In addition, MMSS3 shall maintain the following level for these financial ratios: (a) debt service coverage ratio of at least 1.1x commencing on the first calendar quarter of the year 2022 and (b) debt-to-equity ratio not to exceed 70:30 commencing on the initial drawdown date. As at December 31, 2023, 2022 and 2021, MMSS3 has complied with the required financial ratios.

The annual maturities of long-term debt are as follows:

	Gross Amount	Debt Issue Costs	Net
2024	₱9,266,000	₱130,444	₱9,135,556
2025	10,499,200	108,351	10,390,849
2026 and thereafter	36,281,714	166,642	36,115,072
	₱56,046,914	₱405,437	₱55,641,477

Interest expense

Interest incurred by the Group follows:

	Note	2023	2022	2021
Interest on long-term debt		**₱4,354,046**	₱4,725,728	₱4,739,633
Amortization of debt issue cost		**138,892**	139,578	130,594
Interest on provision for resurfacing and maintenance obligation	14	**14,210**	3,369	3,082
Net interest cost on retirement liability	19	**3,026**	3,005	3,336
Interest on lease liabilities	20	**378**	104	132
		₱4,510,552	₱4,871,784	₱4,876,777

Accrued interest amounted to ₱230.6 million, ₱266.2 million and ₱279.9 million as at December 31, 2023, 2022 and 2021, respectively (see Note 12).

Allocation of interest incurred follows:

	Note	2023	2022	2021
Charged to profit or loss		**₱4,510,552**	₱4,871,784	₱3,517,873
Capitalized borrowing costs	8	**–**	–	1,358,904
		₱4,510,552	₱4,871,784	₱4,876,777

Interest income earned from temporary investment of the long-term debt proceeds of the specific borrowing which were deducted from capitalized borrowing costs amounted to nil in 2023 and 2022 and ₱4.9 million in 2021.

Restricted cash

OLSA

The OLSA requires the Group to open and maintain the following Security Trustee-Controlled Cash Flow Waterfall Accounts: Revenue Account, Debt Service Reserve Account and Debt Service Payment Account.

Loan Facility

The Loan Facility of the Parent Company with the creditors requires the Parent Company to maintain a bank account to hold dividends received from SMC SKYWAY for the purpose of principal and interest repayment and a separate reserve account.

Sources of restricted cash presented in the consolidated statements of financial position as follows:

	2023	2022	2021
Omnibus Loan and Security Agreement (OLSA) - MMSS3	**₱7,985,134**	₱5,871,083	₱3,070,731
Corporate Notes Facility (Loan Facility) - Parent	**478,170**	527,865	560,264
	₱8,463,304	₱6,398,948	₱3,630,995

Interest income from the restricted cash amounted to ₱392.5 million, ₱123.4 million and ₱9.1 million in 2023, 2022 and 2021, respectively (see Note 5).

The reconciliation of the Group's liabilities arising from financing activities as at December 31 are presented below:

		Cash flows				
	2022	Availments	Payments	Interest Expense	Noncash Flows	2023
Long-term debt	₱62,823,062	₱–	(₱7,320,477)	₱–	₱138,892	₱55,641,477
Accrued interest payable	266,228	–	(4,389,684)	4,510,552	(156,506)	230,590
Dividends to non-controlling interest	388,731	–	(908,386)	–	802,971	283,316
Lease liabilities	8,970	–	(3,520)	–	378	5,828
	₱63,486,991	₱–	(₱12,622,067)	₱4,510,552	₱785,735	₱56,161,211

		Cash flows				
	2021	Availments	Payments	Interest Expense	Noncash Flows	2022
Long-term debt	₱67,455,828	₱–	(₱4,772,344)	₱–	₱139,578	₱62,823,062
Accrued interest payable	279,875	–	(4,739,375)	4,871,784	(146,056)	266,228
Dividends to non-controlling interest	318,023	–	(550,146)	–	620,854	388,731
Lease liabilities	2,229	10,058	(3,421)	–	104	8,970
	₱68,055,955	₱10,058	(₱10,065,286)	₱4,871,784	₱614,480	₱63,486,991

		Cash flows				
	2020	Availments	Payments	Interest Expense	Noncash Flows	2021
Long-term debt	₱56,849,790	₱12,900,000	(₱2,241,792)	₱–	(₱52,170)	₱67,455,828
Accrued interest payable	264,187	–	(4,723,945)	4,876,777	(137,144)	279,875
Dividends to non-controlling interest	226,681	–	(438,453)	–	529,795	318,023
Lease liabilities	5,839	101	(3,268)	–	(443)	2,229
	₱57,346,497	₱12,900,101	(₱7,407,458)	₱4,876,777	₱340,038	₱68,055,955

14. Provision for Resurfacing Obligation

Provision for resurfacing and maintenance obligation pertains to the present value of the contractual obligation of SMC SKYWAY to restore the roads to a specified level of serviceability and to maintain these in good condition during the concession period before turnover to the Philippine Government.

Provision for resurfacing and maintenance obligation as at December 31 as follows:

	Note	2023	2022	2021
Balance at beginning of year		**₱242,180**	₱202,944	₱180,066
Provision for resurfacing and maintenance obligation	17	**7,980**	35,867	19,796
Accretion of interest	13	**14,210**	3,369	3,082
Balance at end of year		**264,370**	242,180	202,944
Less current portion		**111,883**	99,510	82,333
Noncurrent portion		**₱152,487**	₱142,670	₱120,611

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

	2023	2022	2021
Replacement period:			
At-grade	**8 years**	8 years	8 years
Elevated	**10 years**	10 years	12 years
Discount rate range	**5.21% to 6.99%**	5.21% to 6.99%	1.66% to 4.88%
Price increase	**5.80%**	5.80%	4.40%

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

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

15. Retained Earnings

Under the Philippine Corporation Code, stock corporations are generally prohibited from retaining surplus profits in excess of 100% of their paid up capital.

As at December 31, 2023, 2022 and 2021, the retained earnings of the Parent Company is in excess of its paid-in capital stock by ₱24,934.7 million, ₱21,229.0 million and ₱19,001.1 million, respectively.

Under the Loan Facility, the Parent Company is restricted from declaring, making or paying any dividend, charge, fee or other distribution whether in cash or in kind or in respect of its share capital (see Note 13).

16. Revenue

Revenue from Contracts with Customers

Disaggregation of Group's revenue from contracts with customers is as follows:

	Note	2023	2022	2021
Revenue recognized at a point in time -				
Revenue from toll operations		**₱19,860,979**	₱16,650,095	₱10,103,293
Revenue recognized over time:				
Construction revenue	8	**953,695**	2,621,388	9,101,532
Operations and maintenance fee		**405,000**	365,000	375,000
		1,358,695	2,986,388	9,476,532
		₱21,219,674	₱19,636,483	₱19,579,825

17. Cost of Services and Operating Expenses

Cost of services and operating expenses consists of:

	Note	2023	2022	2021
Cost of Services				
Depreciation and amortization	9	**₱3,385,816**	₱2,849,688	₱1,693,565
PNCC share	20	**606,384**	514,767	331,116
Personnel costs		**589,012**	515,137	416,714
Outside services		**408,126**	345,065	357,655
Operations and maintenance fee	20	**322,164**	291,982	170,823
Repairs and maintenance		**241,692**	182,172	146,320
Insurance		**81,678**	49,378	54,095
Utilities		**74,162**	57,726	57,994
Supplies		**9,548**	11,609	10,270
Provision for resurfacing and maintenance obligation	14	**7,980**	35,867	19,796
Taxes and licenses		**286**	762	712
Others		**52,144**	86,056	46,966
		₱5,778,992	₱4,940,209	₱3,306,026
Operating Expenses				
Management fees	18	**₱327,578**	₱310,766	₱300,000
Taxes and licenses		**174,139**	120,325	311,636
Repairs and maintenance		**117,213**	43,356	271,476
Outside services		**106,434**	100,375	157,947
Personnel costs		**106,434**	83,447	87,580
Merchant fees		**69,393**	58,591	44,236
Corporate communication		**66,386**	51,283	38,400
Entertainment, amusement and recreation		**19,045**	10,420	7,423
Depreciation and amortization	9	**19,042**	20,272	18,642
Office supplies		**17,808**	17,224	22,174
Transportation and travel		**11,479**	11,645	9,266
Utilities		**10,531**	7,357	14,457
ECL on receivables	6	**8,038**	333	–
Insurance		**321**	1,309	8,967
Others		**65,675**	118,242	67,266
		₱1,119,516	₱954,945	₱1,359,470

Personnel costs are composed of the following:

	Note	2023	2022	2021
Salaries		**₱428,169**	₱377,765	₱311,824
Employee benefits		**248,730**	203,952	172,444
Retirement expense	19	**18,547**	16,867	20,026
		₱695,446	₱598,584	₱504,294

Employee benefits represent employees' meal, transportation allowances and medical insurance, among others.

18. Related Party Transactions

Transactions with the related parties are made at normal market prices and terms. Amount owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

	Note	Amount of Transactions 2023	2022	2021	Outstanding Balance 2023	2022	2021	Terms and Conditions
Trade and other receivables	6							
Entities under common control		₱1,890,134	₱1,161,785	₱512,519	₱30,973	₱64,707	₱40,660	30 days; noninterest-bearing, unsecured
Other Current Assets	7							
Entities under common control		₱17	₱16	₱16	₱578	₱617	₱601	Refundable upon termination of lease
Accounts payable and other current liabilities:	12							
Entities under common control		₱12,662,243	₱10,960,403	₱8,653,699	₱210,170	₱160,283	₱472,458	5 -30 days; noninterest-bearing, unsecured
Intermediate Parent	17	327,578	310,766	300,000	13,588	13,588	277,518	5 -30 days; noninterest-bearing, unsecured
					₱223,758	₱173,871	₱749,976	
Fair Value of Plan Assets	19							
Plan Assets		₱24,912	₱28,635	₱30,263	₱98,007	₱71,417	₱47,385	Under SMHC Multi-Employer Plan
Due to Parent Company		₱–	₱–	₱–	₱61,844	₱61,844	₱61,844	On demand, noninterest-bearing, unsecured

Trade Receivables

a. On June 14, 2023, the Group with SMC NAIAX, SMC SLEX, STAR Infrastructure Development Corporation (SIDC), Manila Toll Expressway Systems, Inc. (MATES), STAR Tollway Corporation (STC), SMC TPLEX Corporation (SMC TPLEX) and TPLEX Operations and Maintenance Corporation (TOMCO), entered into a MOA on Inter-operability of Toll Collection System to ensure the inter-operability of toll collection system and traffic operations in accordance with the TRB guidelines for seamless traffic system and improved quality of service to the motorists throughout the toll roads. Total related cash transactions amounted to ₱1,705.7 million, ₱987.6 million and ₱342.3 million in 2023, 2022 and 2021, respectively. The Group has toll receivable amounting to ₱2.4 million, ₱16.7 million and ₱6.4 million as at December 31, 2023, 2022 and 2021, respectively.

b. SOMCO received reimbursement on expenses incurred for SMC SLEX. Total reimbursement amounted to ₱6.3 million, ₱15.5 million and nil in 2023, 2022 and 2021, respectively. Outstanding receivable amounted to nil, ₱17.1 million and nil as at December 31, 2023, 2022 and 2021, respectively.

c. SMC SKYWAY entered into a lease contract with other related parties as lessees, for the right to lease the advertising areas and spaces within the area of responsibility of the SMC SKYWAY at the SMMS. Total rental income amounted to ₱30.3 million, ₱19.7 million and ₱18.0 million in 2023, 2022 and 2021, respectively. The outstanding rental receivable amounted to ₱12.6 million, ₱18.2 million and ₱18.5 million as at December 31, 2023, 2022 and 2021, respectively (see Note 6).

d. MMSS3 entered into lease contracts with other related parties as lessees, for the right to lease the advertising areas and spaces within the area of responsibility of the Group at the Skyway Stage 3. Total rental income amounted to ₱22.8 million, ₱24.0 million and ₱27.2 million in 2023, 2022 and 2021, respectively. The outstanding rental receivable amounted to ₱4.5 million, ₱2.2 million and ₱4.3 million as at December 31, 2023, 2022 and 2021, respectively (see Note 6).

e. SOMCO entered into an agreement with SMC NAIAX to manage, operate and maintain the toll roads and toll road facilities, interchanges, and related facilities of the entire NAIAX. Revenue from toll operation and maintenance amounted to ₱125.0 million, ₱115.0 million and ₱125.0 million in 2023, 2022 and 2021, respectively. Outstanding receivable amounted to ₱11.5 million, ₱10.5 million and ₱11.5 million as at December 31, 2023, 2022 and 2021, respectively (see Note 6).

Other Current Assets

The Group also entered into lease agreements with entities under common control for the lease of office and parking space. The lease agreement is for a period of one year and renewable every year thereafter unless terminated by either party. Security deposit amounting to ₱0.6 million as at December 31, 2023, 2022 and 2021 will be refunded upon termination of the lease agreement (see Note 20).

Accounts Payable and Other Current Liabilities

Entities under Common Control

a. In relation to the interoperability arrangement between SMC SKYWAY and SLEX, total related transactions pertaining to ETC transactions amounted to ₱7,183.1 million, ₱6,431.7 million and ₱5,293.5 million in 2023, 2022 and 2021, respectively. The Group has toll payable to SMC SLEX amounting to ₱37.2 million, ₱43.9 million and ₱14.8 million as at December 31, 2023, 2022 and 2021, respectively.

b. Pursuant to a MOA entered into by SMC SKYWAY and SMC NAIAX, the Group shall collect and remit to SMC NAIAX all toll fees collected from the ETC users of NAIA Expressway. Total related transactions amounted to ₱1,419.3 million, ₱1,106.5 million and ₱655.4 million in 2023, 2022 and 2021, respectively. Outstanding payable to SMC NAIAX amounted to ₱3.1 million, ₱0.3 million and ₱13.9 million as at December 31, 2023, 2022 and 2021, respectively.

c. Pursuant to a MOA entered into by SMC SKYWAY and SIDC dated August 20, 2018, the Group shall collect and remit to SIDC all toll fees collected from the ETC users of STAR Tollways. Total related transaction amounted to ₱1,490.9 million, ₱1,305.3 million and ₱1,114.7 million in 2023, 2022 and 2021, respectively. Outstanding payable to SIDC amounted to ₱8.4 million, ₱5.4 million and ₱46.4 million as at December 31, 2023, 2022 and 2021, respectively.

d. The Group entered into a one-year lease agreement, renewable for another year with MATES for the lease of machineries and equipment used for construction and road repairs. Total related transaction amounted to ₱16.5 million, ₱29.5 million and ₱48.0 million in 2023, 2022 and 2021, respectively. Outstanding payable to MATES amounted to ₱2.4 million, ₱3.0 million and ₱16.6 million as at December 31, 2023, 2022 and 2021, respectively.

e. Pursuant to a MOA entered into by SMC SKYWAY and SMC TPLEX, dated February 27, 2019, the Group shall collect and remit to PIDC all toll fees collected from the ETC users of Tarlac-Pangasinan-La Union Expressway (TPLEX). Total related transaction amounted to ₱1,864.9 million, ₱1,482.1 million and ₱946.2 million in 2023, 2022 and 2021, respectively. Outstanding payable to SMC TPLEX amounted to ₱6.8 million, ₱17.6 million and ₱53.4 million as at December 31, 2023, 2022 and 2021, respectively.

f. The Group and Intelligent E-Processes Technologies Corp. (IETC) entered into service agreements for non-exclusive and nontransferable license to use the toll collection system, preventive and corrective maintenance of Intelligent Transportation System and RFID management and customer services. IETC charges a monthly fixed fee for the above services rendered. The agreement is valid until December 31, 2022, renewable for another term. Total related transaction amounted to ₱303.1 million, ₱242.7 million and ₱146.0 million in 2023, 2022 and 2021, respectively. Outstanding payable to IETC amounted to ₱34.7 million, ₱25.3 million and ₱27.4 million as at December 31, 2023, 2022 and 2021, respectively.

g. The Group also purchased other goods and services from various related parties. These are settled within the respective related parties' normal settlement period. Total related transactions amounted to ₱384.4 million, ₱362.6 million and ₱449.9 million in 2023, 2022 and 2021, respectively. Outstanding payable for these transactions amounted to ₱117.6 million, ₱64.8 million and ₱300.0 million as at December 31, 2023, 2022 and 2021, respectively.

Intermediate Parent

In 2021, the Group and San Miguel Holdings Corp. (SMHC) entered into a Shared Services Agreement wherein the Group agreed to pay SMHC an annual fee for the Shared Services rendered by SMHC on behalf of the Group. The Group also agreed to reimburse SMHC for all out-of-pocket expenses, incurred by SMHC in the performance of the Shared Services and all costs and expenses incurred by SMHC in rendering any service, at the request of the Group not covered by the Shared Services Agreement.

Due to AAIBV

Due to AAIBV represents the transaction costs incurred in obtaining the loan facilities which were paid by a related party in behalf of the Group.

Key Management Personnel Compensation

The compensation of key management personnel for the years ended December 31, 2023, 2022 and 2021 follows:

	2023	2022	2021
Short-term employee benefits	**₱26,864**	₱27,184	₱26,803
Post-employment benefits	**18,483**	14,752	13,025
	₱45,347	₱41,936	₱39,828

There are no share-based payments, termination benefits and other long-term benefits provided to the key management personnel of the Group.

19. Net Retirement Liabilities

The Group joined the SMHC Multi-Employer Retirement Plan (the Plan). The Plan will provide, through a retirement fund, the payment of the benefits to each participating company's regular employees when they are retired, disabled or separated from service, or in the event of death at definite amounts to their beneficiaries. The latest actuarial valuation report is at December 31, 2023.

The following tables summarize the retirement expense recognized in the consolidated statements of comprehensive income and OCI, and retirement plan liabilities recognized in the consolidated statements of financial position.

The components of retirement expense charged to operations are as follows:

	Note	2023	2022	2021
Retirement expense	17	**₱18,547**	₱16,867	₱20,026
Net interest expense	13	**3,026**	3,005	3,336
		₱21,573	₱19,872	₱23,362

Components of the net retirement liabilities recognized in the consolidated statements of financial position follows:

	2023	2022	2021
Present value of defined benefit obligation (DBO)	**₱173,714**	₱125,219	₱118,868
Fair value of plan assets (FVPA)	**(98,007)**	(71,417)	(47,385)
Effect of asset ceiling	**396**	1,799	482
Balance at end of year	**₱76,103**	₱55,601	₱71,965

Changes in the present value of DBO are as follows:

	2023	2022	2021
Balance at beginning of year	**₱125,219**	₱118,868	₱130,665
Current service cost	**18,547**	16,867	20,026
Remeasurement loss (gain)	**17,232**	(12,424)	(16,462)
Interest cost	**9,073**	5,979	4,721
Benefits paid	**(3,830)**	(4,129)	(9,931)
Transfer to the plan	**7,473**	58	–
Gain on curtailment	**–**	–	(10,151)
Balance at end of year	**₱173,714**	₱125,219	₱118,868

Changes in the FVPA are as follows:

	2023	2022	2021
Balance at beginning of year	**₱71,417**	₱47,385	₱26,431
Remeasurement loss	**(8,138)**	(3,532)	(763)
Interest income	**6,173**	3,000	1,385
Benefits paid	**(3,830)**	(4,129)	(9,931)
Transfer to the plan	**7,473**	58	–
Contributions	**24,912**	28,635	30,263
Balance at end of year	**₱98,007**	₱71,417	₱47,385

Changes in the effect of asset ceiling are as follows:

	2023	2022	2021
Balance at beginning of year	**₱1,799**	₱482	₱–
Interest cost	**126**	26	–
Remeasurement loss (gain)	**(1,529)**	1,291	482
Balance at end of year	**₱396**	₱1,799	₱482

The cumulative amount of remeasurement loss recognized in the OCI as at December 31 as follows:

	2023		
	Cumulative Remeasurement Gains (Losses)	**Deferred Income Tax (see Note 21)**	**Net**
Balance at beginning of year	**(₱1,235)**	**(₱585)**	**(₱1,820)**
Remeasurement loss	**(23,841)**	**5,600**	**(18,241)**
Balance at end of year	**(₱25,076)**	**₱5,015**	**(₱20,061)**

	2022		
	Cumulative Remeasurement Gains (Losses)	Deferred Income Tax (see Note 21)	Net
Balance at beginning of year	(₱8,836)	₱823	(₱8,013)
Remeasurement gain	7,601	(1,408)	6,193
Balance at end of year	(₱1,235)	(₱585)	(₱1,820)

	2021		
	Cumulative Remeasurement Gains (Losses)	Deferred Income Tax (see Note 21)	Net
Balance at beginning of year	(₱24,053)	₱6,602	(₱17,451)
Change in tax rate	–	(1,100)	(1,100)
Remeasurement gain (loss)	15,217	(4,679)	10,538
Balance at end of year	(₱8,836)	₱823	(₱8,013)

Amounts recognized in OCI were included within items that will not be reclassified subsequently to profit or loss. Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

The principal assumptions used to determine retirement expense and obligation are as follows:

	2023	2022	2021
Discount rate	**6.12%**	7.22%	5.02%
Rates of increase in compensation	**5.00%**	5.00%	4.00%

The sensitivity analyses below has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

		Effect to present value of DBO		
	Change in Basis Points	**2023**	2022	2021
Discount rate	+100	**(₱19,810)**	(₱13,424)	(₱13,715)
	-100	**24,052**	16,168	16,686
Salary rate	+100	**24,094**	16,372	16,691
	-100	**(20,178)**	(13,803)	(13,961)

Assumptions regarding future mortality are based on published statistics and mortality tables. The average duration of the defined benefit obligation is 12.8 years, 7.8 years and 11.1 years as at December 31, 2023, 2022 and 2021, respectively.

The expected future benefit payments are as follows:

	2023	2022	2021
Less than 1 year	**₱19,865**	₱16,180	₱14,542
More than 1 year to 5 years	**31,174**	28,460	21,629
More than 5 years to 10 years	**98,526**	81,025	62,033

<u>**Risks Associated with the Retirement Plan**</u>

- *Investment and Interest Rate Risks.* The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents, equity and debt securities. Due to the long-term nature of the plan obligation, diversifying its investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

- *Longevity and Salary Risks.* The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

<u>**Asset-liability Matching Strategies**</u>

To efficiently manage the retirement plan, the Group ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

As at December 31, 2023, 2022 and 2021, plan assets consist of equity and debt securities and cash and cash equivalents. There has been no change in the Group's strategies to manage its risks from previous periods.

The Group does not expect to contribute to the plan assets in the next reporting year.

20. Significant Contracts, Commitments and Contingencies

The Group as a Lessor

The Group has cancellable lease agreements with related parties and third parties for its advertising areas and spaces at SMMS for a period of one (1) to two (2) years, renewable or extended upon mutual consent of the parties.

The Group also lease its investment properties to third party for one (1) year and is renewable upon mutual agreement of parties. The lease contracts do not provide for any contingent rent.

Sources of rental income earned are as follow:

	Note	**2023**	2022	2021
Advertising spaces		**₱70,665**	₱60,620	₱44,143
Investment properties	9	**3,323**	3,335	3,539
		₱73,988	₱63,955	₱47,682

Rent receivable amounted to ₱20.5 million, ₱31.4 million and ₱104.1 million as December 31, 2023, 2022 and 2021, respectively. Rent receivable that were fully provided with allowance amounting to ₱79.7 million were written off in 2022 (see Note 6).

The minimum future operating lease commitments as at December 31 follows:

	2023	2022	2021
Within one year	**₱14,188**	₱24,532	₱26,158
More than one year but less than 5 years	**–**	8,758	–
	₱14,188	₱33,290	₱26,158

The Group as Lessee

The Group entered into several lease agreements for its office and parking spaces for one year renewable for another term upon written notice provided by the Group. The lease agreements only provide a fixed rent. The Group assessed at lease commencement that it is reasonably certain that the Group will exercise extension options.

The Group recognized ROU assets and lease liabilities for its lease agreements on its office spaces because management has assessed that the Group is reasonably certain to exercise its option to extend the related lease agreements.

Security deposits amounted to ₱0.6 million as at December 31, 2023, 2022 and 2021 and are to be refunded upon termination of the agreements (see Note 7). Moreover, the Group paid advance rental amounting to ₱0.6 million which will be applied as payment for the last two months of the lease period.

The balance of and movements in ROU assets as follows:

	Note	2023	2022	2021
Cost				
Balance at beginning of year		₱19,492	₱9,434	₱9,940
Additions		–	10,058	101
Lease modifications		–	–	(607)
Balance at the end of year		19,492	19,492	9,434
Accumulated Amortization				
Balance at beginning of year		10,020	6,815	3,775
Amortization	9	3,353	3,205	3,040
Balance at end of year		13,373	10,020	6,815
Carrying Amount		₱6,119	₱9,472	₱2,619

The balance and movements in lease liabilities as follows:

	Note	2023	2022	2021
Balance at beginning of year		₱8,970	₱2,229	₱5,839
Additions		–	10,058	101
Lease payments		(3,520)	(3,421)	(3,268)
Interest on lease liabilities	13	378	104	132
Lease modifications		–	–	(575)
Balance at end of year		5,828	8,970	2,229
Less current portion		3,414	3,142	2,229
Noncurrent portion		₱2,414	₱5,828	₱–

The minimum future lease payments as at December 31 follows:

	2023	2022	2021
Within one year	₱3,622	₱3,520	₱2,249
More than one year but less than 5 years	2,450	6,072	–
	₱6,072	₱9,592	₱2,249

The amount recognized in profit or loss related to the lease agreements follows:

	Note	2023	2022	2021
Depreciation of ROU assets	9	₱3,353	₱3,205	₱3,040
Interest on lease liabilities	13	378	104	132
Loss on lease modification		–	–	32
		₱3,731	₱3,309	₱3,204

PNCC Share

PNCC is entitled to a 2.5% to 3.5% share of the total toll revenues from the final operation date up to the end of the concession period. PNCC share incurred amounted to ₱606.4 million, ₱514.8 million and ₱331.1 million in 2023, 2022 and 2021, respectively (see Note 17).

Outstanding payable to PNCC amounted to ₱57.3 million, ₱84.7 million, and ₱69.2 million as at December 31, 2023, 2022 and 2021, respectively, which is included under "Accounts payable and other current liabilities" in the consolidated statements of financial position.

Operations and Maintenance Agreement
Pursuant to the STOA of MMSS3, the ROP has granted SOMCO 3 the primary and exclusive privilege, responsibility and obligation to operate and maintain the Project Road.

Moreover, the operation and maintenance of Skyway Stage 3 was subcontracted to SOMCO by SOMCO 3. This agreement is for a period of one year, renewable annually.

Operations and maintenance fee expense incurred by MMSS3 amounted to ₱322.2 million, ₱292.0 million and ₱170.8 million in 2023, 2022 and 2021, respectively (see Note 17). No outstanding payable as at December 31, 2023, 2022 and 2021.

Revenue recognized by SOMCO amounted to ₱280.0 million, ₱250.0 million and ₱250.0 million in 2023, 2022 and 2021, respectively, which is presented under "Toll operations and maintenance fee" in the consolidated statements of comprehensive income. No outstanding receivable as at December 31, 2023, 2022 and 2021.

Contingencies
The Group has other pending legal cases relating to its operations that are being contested by the Group and its legal counsels. The Group has availed of the exemption under PAS 37 with respect to the disclosure of further information on such cases. Management and its legal counsels have assessed that the said cases will be resolved in favor of the Group, and in the event that any of those cases will have an adverse ruling against the Group, the effect on the consolidated financial statements will not be material.

21. Income Tax

On September 15, 2015, MMSS3 was registered on a non-pioneer status with the Board of Investments (BOI) in accordance with the provisions of the Omnibus Investments Code of 1987, otherwise known as Executive Order No. 226, as a New Operator of Tollway (Skyway Stage 3).

Under its registration, MMSS3 is entitled to certain tax and nontax incentives which include, among others, Income Tax Holiday (ITH) for a period of four years from January 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

In 2018, the BOI approved its request for the amendment of the start of commercial operations and movement of ITH entitlement from January 2018 to November 2020.

In 2020, the BOI approved its request for the amendment of the start of commercial operations and movement of ITH entitlement from November 2020 to April 2021. MMSS3 started its toll operations on July 1, 2021.

ITH availment is limited only to the toll revenue of the expressway. Prior to the availment of the ITH, MMSS3 is subject to and has complied with certain requirements pursuant to the said registration.

The taxable income of the Group is subject to the RCIT rate of 25% except for TROMV, which is subject to RCIT of 20%, and minimum corporate income tax rate of 1.5%. SMC SKYWAY and MMSS3 opted to use the Optional Standard Deduction (OSD).

The net deferred tax liabilities recognized in the consolidated statements of financial position relate to the following temporary differences of SMC SKYWAY:

	2023	2022	2021
Deferred tax liabilities on:			
Fair value adjustment on service concession rights	**(₱288,646)**	(₱303,758)	(₱326,426)
Unamortized capitalizable interest cost	**(114,515)**	(121,121)	(127,728)
Unamortized cost of toll collection system (TCS)	**(35,397)**	(37,439)	(39,482)
	(438,558)	(462,318)	(493,636)
Deferred tax assets on:			
Provision for resurfacing obligation	**39,656**	36,327	30,442
Cost of TCS for Stage 1 and 2	**408**	6,345	19,503
	40,064	42,672	49,945
Net deferred tax liabilities	**(₱398,494)**	(₱419,646)	(₱443,691)

The Group recognized net deferred tax assets in the consolidated statements of financial position relating to the following temporary differences of SOMCO:

	2023	2022	2021
Deferred tax assets:			
Net retirement liabilities	**₱19,571**	₱15,001	₱18,709
Past service cost	**4,211**	2,779	–
Excess MCIT over RCIT	**3,371**	7,673	5,231
NOLCO	**–**	–	29,682
Accruals	**–**	–	684
	27,153	25,453	54,306
Deferred tax liability - Unrealized foreign exchange gain	**–**	(1)	–
	₱27,153	₱25,452	₱54,306

As at December 31, 2023, 2022 and 2021, the Group has the following temporary differences for which no deferred income tax assets were recognized in the consolidated statements of financial position of the Parent Company and other subsidiaries. Management has assessed that it is not probable that these temporary differences will result in a tax benefit when these reverse in the future.

	2023	2022	2021
NOLCO	**₱2,005,741**	₱1,478,333	₱1,284,976
Allowance for ECL	**177,828**	175,819	195,652
Unrealized foreign exchange gain	**(3,492)**	(4,048)	(1,251)
Net retirement liabilities	**(545)**	(1,100)	(718)
Advance rent	**298**	–	–
Excess MCIT over RCIT	**80**	4,082	3,830
Net effect of PFRS16	**(73)**	(126)	(98)
	₱2,179,837	₱1,652,960	₱1,482,391

The presentation of net deferred tax assets (liabilities) as follows:

	Note	2023	2022	2021
Through profit or loss		**(₱376,356)**	(₱393,609)	(₱390,208)
Through other comprehensive loss	19	**5,015**	(585)	823
		(₱371,341)	(₱394,194)	(₱389,385)

As mandated by Section 4 of Republic Act No. 11494 or the "Bayanihan to Recover as One Act" and implemented under RR No. 25-2020, the net operating loss of a business enterprise incurred for the taxable years 2020 and 2021 can be carried over as a deduction from taxable income for the next five consecutive taxable years following the year of such loss.

Details of the NOLCO of the Group which can be claimed as deduction from future taxable income are as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Expiry Year
2023	₱–	₱2,109,647	₱–	₱2,109,647	2026
2022	2,262,944	–	–	2,262,944	2025
2021	2,252,239	–	–	2,252,239	2026
2020	1,398,286	–	–	1,398,286	2025
	₱5,913,469	₱2,109,647	₱–	₱8,023,116	

Details of MCIT as follows:

Year Incurred	Beginning Balance	Incurred	Applied	Ending Balance	Expiry Year
2022	₱2,695	₱–	(₱172)	₱2,523	2025
2021	3,869	–	(2,941)	928	2024
2020	5,191	–	(5,191)	–	2023
	₱11,755	₱–	(₱8,304)	₱3,451	

The reconciliation between the statutory income tax rate on income before income tax and the effective income tax rate of the Group is as follows:

	2023	2022	2021
Income tax computed at statutory tax rate	**25.00%**	25.00%	25.00%
Change in unrecognized deferred tax assets	**5.30**	2.46	4.36
Tax effects of:			
Income tax holiday	**(7.89)**	(3.72)	7.52
Difference between itemized and OSD	**(7.09)**	(9.59)	(16.97)
Nondeductible interest and other expenses	**0.49**	0.33	0.86
Interest income already subjected to final tax	**(0.48)**	(0.22)	(0.15)
Nontaxable income	–	(1.04)	(0.01)
Expired NOLCO and MCIT	–	5.59	11.53
Equity in net earnings of an associate	–	(0.01)	(0.04)
Effect of change in tax rate	–	–	3.51
	15.33%	18.80%	35.61%

The Corporate Recovery and Tax Incentives for Enterprises Law (CREATE Law)
Under the CREATE Law, the Regular Corporate Income Tax (RCIT) of domestic corporations is at 25% or 20%, depending on the amount of total assets or total amount of taxable income or MCIT of 1% of gross income effective July 1, 2020 to June 30, 2023. Effective July 1, 2023, the MCIT rate changed back to 2%.

22. Financial Risk and Capital Management Objectives and Policies

General
The principal financial instruments of the Group comprise of cash and cash equivalents (excluding cash on hand), trade and other receivables, restricted cash, security deposits (included under "Other current assets" account), miscellaneous deposits (included under "Other noncurrent assets" account), accounts payable and other current liabilities (excluding statutory payables), retention payable, long-term debt, dividends payable, due to Parent Company, and lease liabilities.

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

The main risks arising from the financial instruments of the Group are interest rate risk, credit risk and liquidity risk. The BOD and management review and approve policies for managing each of these risks as summarized below.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the income before income tax or value of the financial instruments of the Group.

The long-term debt of the Group is exposed to cash flow interest rate risk since it is subject to floating interest rate. The Group regularly monitors interest rate movements and, on the basis of current and projected economic and monetary data, decides on the best alternative to take to protect it from spiraling interest costs should interest rates go up.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on long-term debt, with all other variables held constant, of the income before income tax of the Group:

	2023		2022		2021	
	Change in Basis Points	Effect on Income Before Income Tax	Change in Basis Points	Effect on Income Before Income Tax	Change in Basis Points	Effect on Income Before Income Tax
Increase	+0.08	(₱220,588)	+0.10	(₱349,944)	+1.48	(₱291,253)
Decrease	-0.08	220,588	-0.10	349,944	-1.48	291,253

**interest rate should not be lower than floor of 6.00%*

The assumed movement in basis points for the interest rate sensitivity analysis is based on the best estimate of expected change considering future trends of the Group, showing a significantly lower volatility than in previous years.

There is no impact on the equity of the Group other than those already affecting the consolidated statements of comprehensive income.

Credit Risk

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

Generally, the credit risk of the Group is attributable to financial assets. The Group enters into contracts only with counterparties who have low credit risk, maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. In addition, for a significant proportion of revenue, advance payment and one-time charge and deposit are received to mitigate credit risk.

The credit quality of financial assets is being managed by the Group using internal credit ratings.

The table below shows the credit quality by class of financial asset based on the rating system of the Group:

	2023				
	Neither Past Due nor Impaired		Past due but		
	High Grade	Standard Grade	not impaired	Impaired	Total
Cash and cash equivalents*	₱10,961,561	₱–	₱–	₱–	₱10,961,561
Trade and other receivables	–	168,375	15,531	711,313	895,219
Restricted cash	8,463,304	–	–	–	8,463,304
Security deposits**	–	578	–	–	578
Miscellaneous deposits***	–	4,014	–	–	4,014
	₱19,424,865	₱172,967	₱15,531	₱711,313	₱20,324,676

**Excluding cash on hand amounting to ₱2.5 million as at December 31, 2023*
*** Included under "Other current assets" account*
****Included under "Other noncurrent assets" account*

	2022				
	Neither Past Due nor Impaired		Past due but		
	High Grade	Standard Grade	not impaired	Impaired	Total
Cash and cash equivalents*	₱11,124,751	₱–	₱–	₱–	₱11,124,751
Trade and other receivables	–	193,269	15,531	703,275	912,075
Restricted cash	6,398,948	–	–	–	6,398,948
Security deposits**	–	617	–	–	617
Miscellaneous deposits***	–	4,228	–	–	4,228
	₱17,523,699	₱198,114	₱15,531	₱703,275	₱18,440,619

**Excluding cash on hand amounting to ₱2.5 million as at December 31, 2022*
*** Included under "Other current assets" account*
****Included under "Other noncurrent assets" account*

	2021				
	Neither Past Due nor Impaired		Past due but		
	High Grade	Standard Grade	not impaired	Impaired	Total
Cash and cash equivalents*	₱13,465,447	₱–	₱–	₱–	₱13,465,447
Trade and other receivables	–	77,645	15,531	782,606	875,782
Restricted cash	3,630,995	–	–	–	3,630,995
Security deposits**	–	601	–	–	601
Miscellaneous deposits***	–	4,279	–	–	4,279
	₱17,096,442	₱82,525	₱15,531	₱782,606	₱17,977,104

**Excluding cash on hand amounting to ₱2.7 million as at December 31, 2021*
*** Included under "Other current assets" account*
****Included under "Other noncurrent assets" account*

The Group evaluates credit quality on the basis of the credit strength of the security and/or counterparty/issuer. High grade financial assets are those which collectability is assured based on past experience. Standard grade financial assets are considered moderately realizable and some accounts which would require some reminder follow-ups to obtain settlement from the counterparty. The Group determines if credit risk have increased significantly when financial assets are more than 30 days past due.

Impairment. An impairment analysis is performed at each reporting date using a provision matrix (or lifetime expected loss allowance, if simplified approach) to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

For toll receivables, the Group has adopted a lifetime expected loss allowance in estimating ECL to receivables through the use of a provisions matrix using fixed rates of credit loss provisioning based on recent historical collection rates after incorporating forward-looking information. The Group's policy in estimating ECL on other receivables are based on a 12 -month basis. Allowance for ECL amounted to ₱711.3 million, ₱703.3 million and ₱782.6 million as at December 31, 2023, 2022 and 2021, respectively. Management assessed that the allowance is sufficient to cover the ECL of trade and other receivables.

Generally, trade and other receivables are written off if collection cannot be made despite exhausting all extrajudicial and legal means of collection. The maximum exposure to credit risk at reporting date is the carrying value of the financial assets. The Group does not hold collateral as security.

For financial assets at amortized cost which mainly comprise of cash and cash equivalents and restricted cash, it is the Group's policy to measure ECL on these instruments on a 12-month basis. However, where there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The following are considered in the assessment:

- ECL for cash and cash equivalents (excluding cash on hand) are not significant primarily because the placements are with reputable counterparty banks that possess good credit ratings.
- For deposits, the Group considered the financial capacity of the counterparty to refund the deposit once the agreement has been terminated.

Liquidity Risk

The objective of the Group is to maintain a balance between continuity of funding and flexibility through the use of cash. The Group also monitors its risk to shortage of funds through monthly evaluation of the projected and actual cash flow information.

The following tables summarize the maturity analysis of the financial liabilities of the Group as at December 31 based on contractual undiscounted payments:

December 31, 2023	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Accounts payable and other current liabilities*	₱4,165,585	₱4,165,585	₱4,165,585	–	–	–
Retention payable	402,444	402,444	305,868	96,576	–	–
Dividends payable	283,316	283,316	283,316	–	–	–
Long-term debt**	55,641,477	66,661,869	13,003,107	13,467,463	35,737,245	4,454,054
Lease liabilities	5,828	6,072	3,622	2,450	–	–
Due to Parent Company	61,844	61,844	61,844	–	–	–
	₱60,560,494	₱71,581,130	₱17,823,342	₱13,566,489	₱35,737,245	₱4,454,054

**Excluding statutory payables amounting to ₱417.4 million and retention payable amounting to 305.9 million.*
***Including interest payable to maturity amounting to ₱10,615.0 million.*

December 31, 2022	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Accounts payable and other current liabilities*	₱5,178,758	₱5,178,758	₱5,178,758	₱–	₱–	₱–
Retention payable	2,271,870	2,271,870	2,193,278	78,592	–	–
Dividends payable	388,731	388,731	388,731	–	–	–
Long-term debt**	62,823,062	78,664,317	10,761,200	13,059,628	42,357,266	12,486,223
Lease liabilities**	8,970	9,592	3,520	3,622	2,450	–
Due to Parent Company	61,844	61,844	61,844	–	–	–
	₱70,733,235	₱86,575,112	₱18,587,331	₱13,141,842	₱42,359,716	₱12,486,223

**Excluding statutory payables amounting to ₱193.0 million and retention payable amounting to 2,193.3 million.*
***Including interest payable to maturity amounting to ₱15.6 billion.*

December 31, 2021	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Accounts payable and other current liabilities*	₱6,532,697	₱6,532,697	₱6,532,697	₱–	₱–	₱–
Retention payable	2,343,942	2,343,942	2,286,529	–	57,413	–
Dividends payable	318,023	318,023	318,023	–	–	–
Long-term debt**	67,455,828	78,588,203	8,672,148	10,323,855	36,605,006	22,987,194
Lease liabilities**	2,229	2,249	2,249	–	–	–
Due to Parent Company	61,844	61,844	61,844	–	–	–
	₱76,714,563	₱87,846,958	₱17,873,490	₱10,323,855	₱36,662,419	₱22,987,194

**Excluding statutory payables amounting to ₱288.5 million and retention payable amounting to 2,286.5 million.*
***Including interest payable to maturity amounting to ₱20.0 billion.*

Capital Management

The Group considers the equity in the consolidated statements of financial position as its core capital. The capital management objectives of the Group are to ensure the ability of the Group to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or do conversion of related party advances to an equity component item. The Group is not subject to any externally imposed capital requirement.

No changes were made in the objectives, policies or processes for managing capital in 2023, 2022 and 2021.

23. Non-Controlling Interest

Movement of the Group's non-controlling interests are as follows:

	2023	2022	2021
Balance at beginning of year	**₱4,682,601**	₱4,370,250	₱4,403,549
Net income attributable to non-controlling interest	**1,200,450**	931,189	491,472
Cash dividends attributable to non-controlling interest	**(802,971)**	(620,854)	(529,795)
Other comprehensive gain (loss)	**(7,252)**	2,016	5,024
Balance at end of year	**₱5,072,828**	₱4,682,601	₱4,370,250

Cash dividends declared by the SMC SKYWAY are as follows:

Date Approved	Per Share	Total Amount
December 4, 2023	**₱52**	**₱3,539,850**
March 16, 2023	**45**	**3,063,331**
December 6, 2022	39	2,654,888
June 1, 2022	36	2,450,665
November 16, 2021	34	2,314,517
May 13, 2021	30	2,042,221

Total dividends paid to NCI amounted to ₱908.4 million, ₱550.1 million and ₱438.5 million in 2023, 2022 and 2021, respectively. Dividends payable to NCI amounted to ₱283.3 million, ₱388.7 million and ₱318.0 million as at December 31, 2023, 2022 and 2021, respectively.

24. Fair Value of Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of the financial instruments of the Group that are carried in the consolidated financial statements.

The following methods and assumptions were used to estimate the fair value for which it is practicable to estimate such value:

	2023		2022		2021	
	Carrying amount	**Fair value**	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets						
Cash and cash equivalents	**₱10,964,076**	**₱10,964,076**	₱11,127,279	₱11,127,279	₱13,468,109	₱13,468,109
Restricted cash	**8,463,304**	**8,463,304**	6,398,948	6,398,948	3,630,995	3,630,995
Receivables	**183,906**	**183,906**	208,800	208,800	93,176	93,176
Security deposits*	**578**	**578**	617	617	601	601
Miscellaneous deposits**	**4,014**	**4,014**	4,228	4,228	4,279	4,279
	₱19,615,878	**₱19,615,878**	₱17,739,872	₱17,739,872	₱17,197,160	₱17,197,160

	2023		2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial Liabilities						
Accounts payable and other current liabilities***	₱4,165,585	₱4,165,585	₱5,178,758	₱5,178,758	₱6,532,697	₱6,532,697
Retention payable	402,444	402,444	2,271,870	2,271,870	2,343,942	2,343,942
Long-term debt	55,641,477	60,681,581	62,823,062	67,414,556	67,455,828	78,588,203
Due to Parent Company	61,844	61,844	61,844	61,844	61,844	61,844
Dividends payable	283,316	283,316	388,731	388,731	318,023	318,023
Lease liabilities	5,828	5,419	8,970	7,956	2,229	2,229
	₱60,560,494	₱65,600,189	₱70,733,235	₱75,323,715	₱76,714,563	₱87,846,938

**Included under "Other current assets" account*
***Included under "Other noncurrent assets" account*
****Excludes statutory payables and retention payable totaling ₱723.2 million, ₱2,386.3 million and ₱2,575.0 million as at December 31, 2023, 2022 and 2021, respectively.*

The methods and assumptions used by the Group in estimating the fair values of the foregoing financial instruments are as follows:

Cash and Cash Equivalents, Restricted Cash, Trade and Other Receivables, Accounts Payable and Other Current Liabilities, Retention Payable, Dividends Payable and Due to Parent Company. The carrying amounts approximate the fair values at reporting dates due to the short-term maturities of these financial instruments.

Security Deposits and Miscellaneous Deposits. Due to the insignificant effect of discounting the sum of future cash flows, the amount of cash given up approximates the fair value of security deposits as at reporting date. The fair value measurement for the security deposits has been categorized as Level 2 (significant observable inputs)

Lease Liabilities. The estimated fair value of the Group's lease liabilities were determined as the sum of all remaining rental payments discounted using the prevailing market rate of interest for similar types of obligations. The fair value measurement for lease liabilities have been categorized as Level 2 (significant observable input).

Long-term Debt. The fair value of the long-term debt of the Group was computed using the prevailing market rate of similar instrument (Level 2).

There are no significant transfers between levels in the fair value hierarchy.

25. Basic/Diluted Earnings per Share

The computation of basic and diluted earnings per share is as follows:

	2023	2022	2021
Net income attributable to the holders of the Parent Company	**₱7,207,064**	₱4,707,701	₱1,137,684
Divide by weighted average shares outstanding common shares	**69,538**	69,538	69,538
Basic/diluted earnings per share (a/b)	**₱103.64**	₱67.70	₱16.36

The Parent Company has no potential dilutive common shares. Accordingly, the basic and diluted earnings per shares are stated at the same amount.

26. Segment Information

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the services produced. The operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit.

<u>Business Segments</u>
The Group's main businesses are as follows:

- The toll concession segments have granted the primary and exclusive privilege, responsibility and obligation to design and construct the toll roads.
- The toll operation segment has granted the primary and exclusive privilege, responsibility and obligation to operate and maintain the toll roads.
- Others include holding entities.

<u>Geographical Segments</u>
The Group operates and generates revenue principally in the Philippines. Consequently, geographical business information is not applicable.

<u>Inter-segment Transactions</u>
Segment revenue, segment expenses and operating results include transfers among business segments and among geographical segments. The transfers are accounted for at competitive market prices charged to unrelated customers for similar services. Such transfers are eliminated upon consolidation.

Management monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

On a consolidated basis, the Group's performance is evaluated based on core net income for the year. Core net income for the year is measured as consolidated net income.

The following tables present revenue and expense information and certain assets and liabilities information regarding the different business segments as at and for the years ended December 31, 2023, 2022 and 2021:

	2023				
	Toll Concession	Toll Operation	Others	Eliminations	Total
REVENUE	₱19,010,979	₱1,255,000	₱5,800,210	(₱5,800,210)	₱20,265,979
COST OF SERVICES	(4,657,775)	(1,060,768)	-	(60,449)	(5,778,992)
GROSS PROFIT	14,353,204	194,232	5,800,210	(5,860,659)	14,486,987
OPERATING EXPENSES	(894,991)	(222,325)	(2,200)	-	(1,119,516)
CONSTRUCTION REVENUE (COSTS)					
Construction revenue	953,695	-	-	-	953,695
Construction costs	(953,695)	-	-	-	(953,695)
	-	-	-	-	-
OTHER INCOME (CHARGES) - Net					
Interest expense	(2,394,642)	(3,615)	(2,112,295)	-	(4,510,552)
Interest income	917,896	6,119	37,556	-	961,571
Rental income	73,988	-	-	-	73,988
Net foreign exchange loss	(2,365)	-	-	-	(2,365)
Share in net earnings of an associate	1,554	-	-	(1,554)	-
Others	5,608	34,596	-	-	40,204
	(1,397,961)	37,100	(2,074,739)	(1,554)	(3,437,154)
INCOME BEFORE INCOME TAX	12,060,252	9,007	3,723,271	(5,862,213)	9,930,317
PROVISION FOR (BENEFIT FROM) INCOME TAX					
Current	1,351,745	4,302	-	-	1,356,047
Final	183,579	1,224	7,510	-	192,313
Deferred	(10,042)	(403)	-	(15,112)	(25,557)
	1,525,282	5,123	7,510	(15,112)	1,522,803
NET INCOME	10,534,970	3,884	3,715,761	(5,847,101)	8,407,514
OTHER COMPREHENSIVE INCOME					
Not to be reclassified to profit or loss in subsequent period					
Remeasurement gain (loss) on net retirement liabilities - net of deferred tax	(1,441)	(16,800)	-	-	(18,241)
Share of other comprehensive loss of an associate	(6,720)	-	-	6,720	-
	(8,161)	(16,800)	-	6,720	(18,241)
TOTAL COMPREHENSIVE INCOME	₱10,526,809	(₱12,916)	₱3,715,761	(₱5,840,381)	₱8,389,273
SEGMENT ASSETS	₱101,657,133	₱432,319	₱117,978,938	(₱115,136,248)	₱104,932,142
SEGMENT LIABILITIES	₱58,542,622	₱218,677	₱65,624,478	(₱62,388,464)	₱61,997,313
Other Information					
Cost of services and operating expenses excluding depreciation and amortization	₱2,248,633	₱1,242,817	₱2,200	₱-	₱3,493,650
Depreciation and amortization	3,304,132	40,277	-	60,449	3,404,858
Additions to service concession rights, property and equipment and ROU assets	965,555	30,551	-	-	996,106

	2022				
	Toll Concession	Toll Operation	Others	Eliminations	Total
REVENUE	₱15,825,040	₱1,190,055	₱4,484,699	(₱4,484,699)	₱17,015,095
COST OF SERVICES	(3,878,960)	(970,575)	-	(90,674)	(4,940,209)
GROSS PROFIT	11,946,080	219,480	4,484,699	(4,575,373)	12,074,886
OPERATING EXPENSES	(745,533)	(207,157)	(2,255)	-	(954,945)
CONSTRUCTION REVENUE (COSTS)					
Construction revenue	2,621,388	-	-	-	2,621,388
Construction costs	(2,621,388)	-	-	-	(2,621,388)
	-	-	-	-	-
OTHER INCOME (CHARGES) - Net					
Interest expense	(2,606,100)	(3,142)	(2,262,542)	-	(4,871,784)
Interest income	286,375	2,002	14,820	-	303,197
Proceeds from insurance claims	284,235	-	-	-	284,235
Rental income	63,955	-	-	-	63,955
Net foreign exchange gain	10,959	-	-	-	10,959
Share in net earnings of an associate	2,433	-	-	(2,433)	-
Others	9,025	25,191	-	-	34,216
	(1,949,118)	24,051	(2,247,722)	(2,433)	(4,175,222)
INCOME BEFORE INCOME TAX	₱9,251,429	₱36,374	₱2,234,722	(₱4,577,806)	₱6,944,719

(Forward)

	2022				
	Toll Concession	Toll Operation	Others	Eliminations	Total
PROVISION FOR (BENEFIT FROM) INCOME TAX					
Current	₱1,239,346	₱2,443	₱–	₱–	₱1,241,789
Final	57,274	401	2,964	–	60,639
Deferred	(1,378)	27,448	–	(22,669)	3,401
	1,295,242	30,292	2,964	(22,669)	1,305,829
NET INCOME	7,956,187	6,082	2,231,758	(4,555,137)	5,638,890
OTHER COMPREHENSIVE INCOME					
Not to be reclassified to profit or loss in subsequent period					
Remeasurement gain (loss) on net retirement liabilities - net of deferred tax	1,974	4,219	–	–	6,193
Share of other comprehensive income of an associate	1,688	–	–	(1,688)	–
	3,662	4,219	–	(1,688)	6,193
TOTAL COMPREHENSIVE INCOME	₱7,959,849	₱10,301	₱2,231,758	(₱4,556,825)	₱5,645,083
SEGMENT ASSETS	₱104,005,786	₱448,081	₱117,600,884	(₱114,740,661)	₱107,314,090
SEGMENT LIABILITIES	₱64,814,906	₱221,523	₱68,962,181	(₱62,033,047)	₱71,965,563
Other Information					
Cost of services and operating expenses excluding depreciation and amortization	₱1,886,126	₱1,136,813	₱2,255	₱–	₱3,025,194
Depreciation and amortization	2,738,367	40,919	–	90,674	2,869,960
Additions to service concession rights, property and equipment and ROU assets	2,649,120	35,410	–	–	2,684,530

	2021				
	Toll Concession	Toll Operation	Others	Eliminations	Total
REVENUE	₱9,333,326	₱1,144,967	₱3,826,943	(₱3,826,943)	₱10,478,293
COST OF SERVICES	(2,371,907)	(934,119)	–	–	(3,306,026)
GROSS PROFIT	6,961,419	210,848	3,826,943	(3,826,943)	7,172,267
OPERATING EXPENSES	(1,058,704)	(200,704)	(100,062)	–	(1,359,470)
CONSTRUCTION REVENUE (COSTS)					
Construction revenue	9,101,532	–	–	–	9,101,532
Construction costs	(9,101,532)	–	–	–	(9,101,532)
	–	–	–	–	–
OTHER INCOME (CHARGES) - Net					
Interest expense	(1,361,340)	(3,472)	(2,153,061)	–	(3,517,873)
Interest income	69,406	1,426	9,035	–	79,867
Rental income	47,682	–	–	–	47,682
Proceeds from insurance claims	39,588	–	–	–	39,588
Net foreign exchange gain	6,493	4	–	–	6,497
Share in net earnings of an associate	4,000	–	–	(4,000)	–
Others	29,576	32,113	–	–	61,689
	(1,164,595)	30,071	(2,144,026)	(4,000)	(3,282,550)
INCOME BEFORE INCOME TAX	4,738,120	40,215	1,582,855	(3,830,943)	2,530,247
PROVISION FOR (BENEFIT FROM) INCOME TAX					
Current	876,377	1,319	–	–	877,696
Final	13,820	285	1,808	–	15,913
Deferred	(21,130)	28,612	–	–	7,482
	869,067	30,216	1,808	–	901,091
NET INCOME	3,869,053	9,999	1,581,047	(3,830,943)	1,629,156
OTHER COMPREHENSIVE INCOME					
Not to be reclassified to profit or loss in subsequent period					
Remeasurement gain (loss) on net retirement liabilities - net of deferred tax	(3,500)	12,938	–	–	9,438
Share of other comprehensive income of an associate	5,175	–	–	(5,175)	–
	1,675	12,938	–	(5,175)	9,438
TOTAL COMPREHENSIVE INCOME	₱3,870,728	₱22,937	₱1,581,047	(₱3,836,118)	₱1,638,594
SEGMENT ASSETS	₱104,971,930	₱532,221	₱117,645,419	(₱114,836,477)	₱108,313,093
SEGMENT LIABILITIES	₱68,635,349	₱315,964	₱71,238,472	(₱62,200,990)	₱77,988,795
Other Information					
Cost of services and operating expenses excluding depreciation and amortization	₱1,753,487	₱1,099,741	₱100,061	₱–	₱2,953,289
Depreciation and amortization	1,681,226	35,082	–	–	1,716,308
Additions to service concession rights, property and equipment and ROU assets	9,157,173	46,877	–	–	9,204,050

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
SMC Tollways Corporation and Subsidiaries
11/F, San Miguel Properties Centre
7 St. Francis St., Mandaluyong City
Metro Manila, Philippines

We have audited in accordance with Philippines Standards on Auditing, the accompanying consolidated financial statements of SMC Tollways Corporation (a wholly-owned subsidiary of Atlantic Aurum Investments B.V.) and its subsidiaries (the Group) as at and for the years ended December 31, 2023, 2022 and 2021 and have issued our report dated March 13, 2024. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Schedule of Reconciliation of the Parent Company Retained Earnings Available for Dividend Declaration as at December 31, 2023
- Conglomerate map as at December 31, 2023
- Schedules as Required by Part II of the Revised Securities Regulation Code (SRC) Rule, as at December 31, 2023

The supplementary schedules are presented for purposes of complying with the Revised SRC Rule 68, and are not part of the basic consolidated financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782; Valid until April 13, 2024
BIR Accreditation No. 08-005144-016-2022
Valid until May 15, 2025
PTR No. 10072422
Issued January 2, 2024, Makati City

March 13, 2024
Makati City, Metro Manila

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES

(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2023, 2022 and 2021

(Amounts in Thousands)

	2023	2022	2021
Total current assets	**₱23,751,359**	₱22,698,401	₱22,726,867
Divided by: Total current liabilities	**14,765,318**	14,683,250	13,768,331
Liquidity ratio	**1.61:1**	1.55:1	1.65:1
Net income before depreciation and amortization	**₱11,812,372**	₱8,508,850	₱3,341,363
Divided by: Total liabilities	**61,997,313**	71,965,563	77,988,795
Solvency ratio	**0.19:1**	0.12:1	0.04:1
Total liabilities	**₱61,997,313**	₱71,965,563	₱77,988,795
Divided by: Total equity	**42,934,829**	35,348,527	30,324,298
Debt-to-equity ratio	**1.44:1**	2.04:1	2.57:1
Total assets	**₱104,932,142**	₱107,314,090	₱108,313,093
Divided by: Total equity	**42,934,829**	35,348,527	30,324,298
Asset-to-equity ratio	**2.44:1**	3.04:1	3.57:1
Net income	**₱8,407,514**	₱5,638,890	₱1,629,156
Divided by: Total assets	**104,932,142**	107,314,090	108,313,093
Return on asset	**8.01%**	5.25%	1.50%
Net income	**₱8,407,514**	₱5,638,890	₱1,629,156
Divided by: Total equity	**42,934,829**	35,348,527	30,324,298
Return on equity	**19.58%**	15.95%	5.37%
Finance costs	**₱4,510,552**	₱4,871,784	₱3,517,873
Divided by: Income before income tax and finance costs	**14,440,869**	11,816,503	6,048,120
Interest coverage ratio	**0.31:1**	0.41:1	0.58:1
Net income	**₱8,407,514**	₱5,638,890	₱1,629,156
Divided by: Revenue	**20,265,979**	17,015,095	10,478,293
Net profit margin	**41.49%**	33.14%	15.55%

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES

(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

RECONCILIATION OF THE PARENT COMPANY RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2023

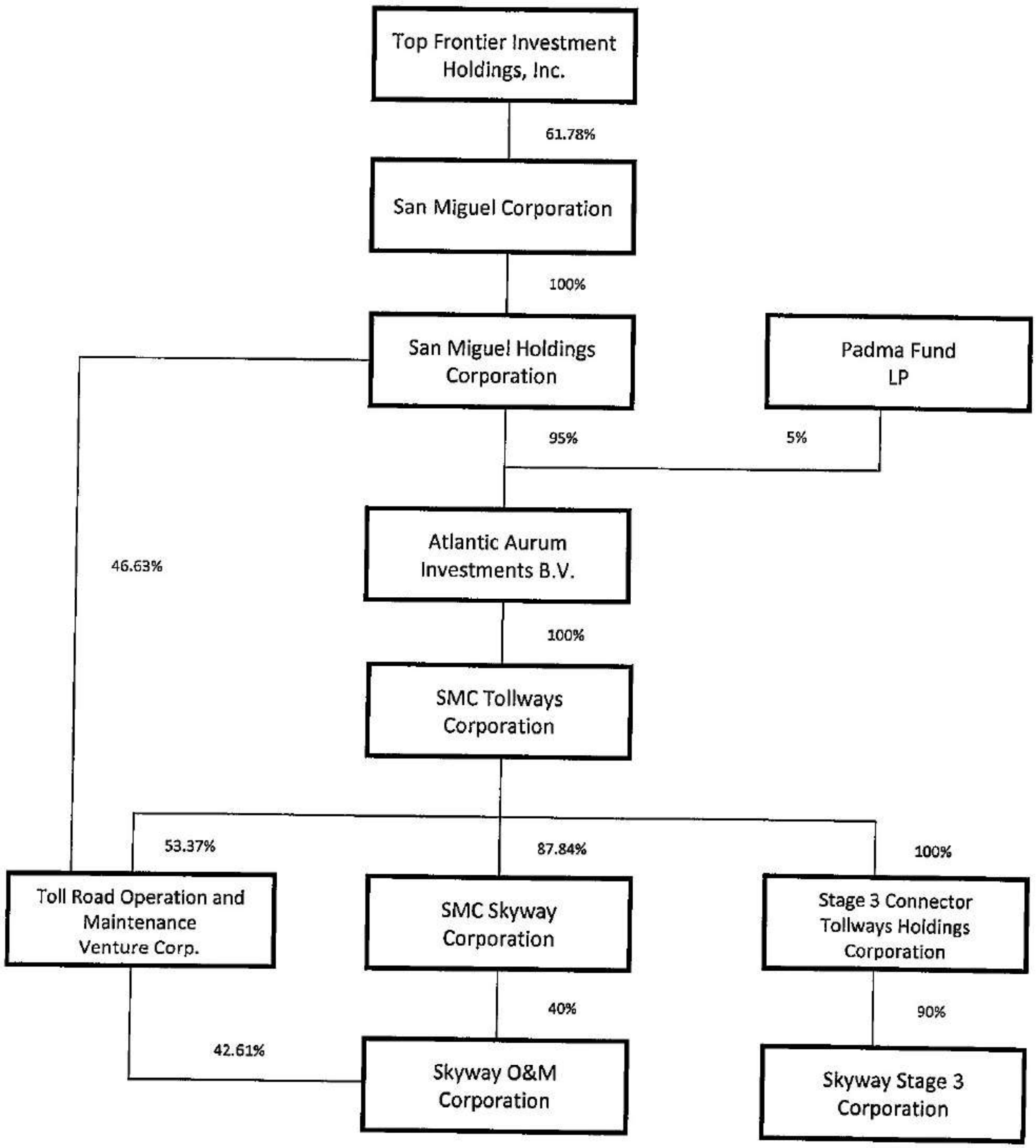
(Amounts in Thousands)

Unappropriated retained earnings, beginning of reporting period	₱28,182,828
Add: Net Income for the current year	3,705,734
Total retained earnings, end of the reporting period available for dividend	₱31,888,562

Under the Loan Facility Agreement with creditor banks, the Parent Company is restricted from declaring, making or paying any dividend.

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES
(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

CONGLOMERATE MAP
DECEMBER 31, 2023



SMC TOLLWAYS CORPORATION AND SUBSIDIARIES
(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

SEC Supplementary Schedule as Required by Part II of The Revised SRC Rule 68
DECEMBER 31, 2023

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**Indebtedness to related parties are classified as current as at December 31, 2023.*

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES
(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements
DECEMBER 31, 2023

Name and designation of debtor	Balance at beginnning of year	Additions	Deductions		Ending Balance		Balance at end of year
			Amounts collected	Reversal of write off	Current	Not current	
Stage 3 Connector Tollway Holdings Corporation	₱32,660,000,000	₱–	₱–	₱–	₱32,660,000,000	₱–	₱32,660,000,000
SMC Skyway Stage 3 Corporation	28,431,250,000	8,955,060	–	–	8,955,060	28,431,250,000	28,440,205,060
SMC Skyway Corporation	1,136,123,696	5,819,449,462	(5,381,638,560)	–	1,573,934,598	–	1,573,934,598

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES
(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

D. Long Term Debt
DECEMBER 31, 2023

Title of Issue and Type of Obligation	*Amount Authorized by Indenture*	*Amount shown as Current*	*Amount shown as Noncurrent*	*Total Outstanding Loans Payable*	*Interest Rate*
Corporate Notes Facility	₱41,200,000,000	₱4,034,524,689	₱28,774,936,165	₱32,809,460,854	5.75% to 6.2%
Omnibus Loan and Security Agreement	31,000,000,000	5,101,031,385	17,730,984,711	22,832,016,096	7.43% to 10.69%
	₱72,200,000,000	₱9,135,556,074	₱46,505,920,876	₱55,641,476,950	

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES
(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

G. CAPITAL STOCK
DECEMBER 31, 2023

				Number of shares held by		
Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related statements of financial position caption*	*Number of shares reserved for options, warrants, conversion and other rights*	*Related parties*	*Directors, officers and employees*	*Others*
Capital Stock - ₱100 par value	80,000,000	69,538,459	–	69,538,452	7	–

APPENDIX C

	Address	Rented / Owned	Condition	Monthly Rental (In PhP)	Expiry of Lease Contract	Terms of Renewal / Options
Office Space	Toll Operations Building, Doña Soledad Avenue, Brgy. Don Bosco, Parañaque City	Owned	Good			
Office Space	21st to 24th Floors One Magnificent Mile-CITRA Building, San Miguel Avenue, Ortigas Center 1605 Pasig City	Owned	Good			
Office Space	Unit D - 18th Floor of the JMT Corporate Condominium ADB Avenue, Ortigas Center Pasig City	Rented	Good	297,586.65	October 31, 2025	Renewable

APPENDIX D

A. SMC Tollways Corporation

Name of Permit/ License	Issuing Agency	Issue Date	Validity Period	Expiry Date
Certificate of Incorporation ("COI")	Securities and Exchange Commission ("SEC")	June 7, 2013	N/A	N/A
Latest Certificate of Filing of Amended Articles of Incorporation ("AOI")	SEC	April 5, 2021	N/A	N/A
Business Permit	City of Mandaluyong	January 24, 2024	Year 2024	31 December 2024
Certificate of Registration	Bureau of Internal Revenue ("BIR")	July 2013	N/A	N/A

B. SMC Skyway Corporation

Name of Permit/ License	Issuing Agency	Issue Date	Validity Period	Expiry Date
COI	SEC	November 27, 1995	N/A	N/A
Latest Certificate of Filing of AOI	SEC	February 22, 2021	N/A	N/A
Final Operation Certificate covering the Integrated Stages 1 and 2 of the South Metro Manila Skyway	Toll Regulatory Board ("TRB")	April 25, 2011	until end of concession period	
Business Permit	City of Mandaluyong	January 17, 2024	Year 2024	31 December 2024
Business Permit	City of Parañaque	January 17, 2024	Year 2024	31 December 2024
Business Permit	City of Muntinlupa	January 19, 2024	Year 2024	31 December 2024
Business Permit	City of Pasay	January 17, 2024	Year 2024	31 December 2024
Business Permit	City of Taguig	January 19, 2024	Year 2024	31 December 2024

Name of Permit/ License	Issuing Agency	Issue Date	Validity Period	Expiry Date
Storage License	National Telecommunication Commission	November 8, 2023	Year 2024	8 November 2024
Environmental Compliance Certificate ("ECC")	Department of Environment and Natural Resources ("DENR")	not indicated		N/A
Certificate of Registration	BIR	June 16, 1998	N/A	N/A

C. **SMC Skyway Stage 3 Corporation**

Name of Permit/ License	Issuing Agency	Issue Date	Validity Period	Expiry Date
COI	SEC	November 16, 2012	N/A	N/A
Latest Certificate of Filing of AOI	SEC	March 2, 2021	N/A	N/A
Business Permit	Office of the Mayor, Mandaluyong City	January 12, 2024	Year 2024	31 December 2024
	Office of the Mayor, City of Pasig	February 7, 2024	Year 2024	31 December 2024
ECC	DENR	July 23, 2012 (with amendments on March 21, 2018 and June 22, 2021)	N/A	N/A
Toll Operation Permit	TRB	July 1, 2021	until end of concession period	
Certificate of Registration	BIR	November 13, 2013	N/A	N/A

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