

26 December 2024

**Philippine Dealing & Exchange Corp.**

29th Floor, BDO Equitable Tower,  
8751 Paseo de Roxas, Makati City

Attention: **ATTY. SUZY CLAIRE R. SELLEZA**  
*Head - Issuer Compliance and Disclosure Department*

Re: SMC Tollways Fixed Rate Bonds Series A due 2030  
SMC Tollways Fixed Rate Bonds Series B due 2031  
SMC Tollways Fixed Rate Bonds Series C due 2034  
Quarterly Report (SEC Form 17-Q)

Gentlemen:

In compliance with the Philippine Dealing & Exchange Corp. ("PDEX") guidelines, please find enclosed copy of our disclosure to Securities and Exchange Commission on December 26, 2024.

Very truly yours,

  
**RAOUL EDUARDO C. ROMULO**  
*Corporate Information Officer*

# COVER SHEET

C S 2 0 1 3 1 0 6 9 4  
S.E.C. Registration

Number

S M C T O L L W A Y S C O R P O R A T I O N  
( F O R M E R L Y : A T L A N T I C A U R U M  
I N V E S T M E N T S P H I L I P P I N E S  
C O R P O R A T I O N )

(Company's Full Name)

1 1 F S A N M I G U E L P R O P E R T I E S  
C E N T R E , 7 S T. F R A N C I S S T.  
M A N D A L U Y O N G C I T Y

Business Address : No. Street City / Town / Province )

Atty. Mary Rose S. Tan

Contract Person

(632) 8632-3000

Company Telephone

Number

1 2

Month  
Day

3 1

Day

Fiscal Year  
Meeting

1 7 - Q

FORM TYPE

(amended)

0 5

Month

Annual

1<sup>st</sup>  
Tuesday

Secondary License Type, If Applicable

Dept. Requiring This Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be Accomplished by SEC Personnel Concerned

File Number

Document I.D.

LCU

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2024
2. Commission identification number CS201310694
3. BIR Tax Identification No. 008-547-087
4. Exact name of issuer as specified in its charter SMC TOLLWAYS CORPORATION
5. Province, country or other jurisdiction of incorporation or organization  
METRO MANILA, PHILIPPINES
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office Postal Code  
11<sup>th</sup> Floor, San Miguel Properties Centre, 1550  
7 St. Francis Street, Mandaluyong City
8. Issuer's telephone number, including area code (632) 8702 - 4900
9. Former name, former address and former fiscal year, if changed since last report N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA  
Amount of Debt Outstanding (as of December 5, 2024)

	<u>Amount</u>	<u>Interest Rate</u>
<b>Series A</b>	P10.6 Billion	6.4783%
<b>Series B</b>	5.9 Billion	6.7026%
<b>Series C</b>	<u>18.5 Billion</u>	6.9331%
<b>Total</b>	P35.0 Billion	

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

Yes [ ] No [✓]

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

N/A

12. Indicate by check mark whether the registrant:

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

Yes [✓] No [ ]

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

Yes [✓] No [ ]

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements.

The unaudited consolidated financial statements of SMC Tollways Corporation ("SMC Tollways" or "Parent Company") and its subsidiaries (collectively, the "Group") as of and for the period ended September 30, 2024 (with comparative figures as of December 31, 2023 and for the period ended September 30, 2023) and Selected Notes to Consolidated Financial Statements is hereto attached as **Annex "A"**.

### Item 2. Management's Discussion and Analysis of Financial Position and Financial Performance.

The information required by Part III, Paragraph (A)(2)(b) of "Annex C, as amended" is attached hereto as **Annex "B"**.

## PART II – OTHER INFORMATION

SMC Tollways may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C, which otherwise be required to be filed with respect to such information, or in a subsequent report on Form 17-Q. **NONE**

## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **SMC TOLLWAYS CORPORATION**

Signature and Title:  **RAOUL EDUARDO C. ROMULO**  
Senior Vice President, Chief Finance Officer  
and Treasury Head

Signature and Title:  **CRISALLIE D. GERONIMO**  
Senior Manager - Comptrollership

Date: December 26, 2024



## Annex "A"

### SMC TOLLWAYS CORPORATION AND SUBSIDIARIES (A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Amounts in Thousands)

		September 30	December 31
		2024	2023
	Note	Unaudited	Audited
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		P10,746,337	P10,964,076
Restricted cash		9,491,943	8,463,304
Trade and other receivables		248,792	183,906
Input value-added tax (VAT)		3,307,696	3,798,884
Other current assets		175,727	341,189
Total Current Assets		23,970,495	23,751,359
<b>Noncurrent Assets</b>			
Service concession rights	5	79,184,858	80,308,715
Advances to contractors		240,425	185,117
Property and equipment	6	207,883	145,349
Right-of-use (ROU) assets		3,605	6,119
Goodwill		483,452	483,452
Net of deferred tax asset		23,244	27,153
Other noncurrent assets		21,644	24,878
Total Noncurrent Assets		80,165,111	81,180,783
		P104,135,606	P104,932,142
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities		P5,132,662	P4,888,806
Current portion of:			
Long-term debt - net of debt issue costs		10,284,244	9,135,556
Provision for resurfacing and maintenance obligation		113,803	111,883
Lease liabilities		3,310	3,414
Dividends payable		-	283,316
Due to a related party		61,844	61,844
Income tax payable		333,100	280,499
Total Current Liabilities		15,928,963	14,765,318
<b>Noncurrent Liabilities</b>			
Noncurrent portion of:			
Long-term debt - net of debt issue costs		37,825,777	46,505,921
Provision for resurfacing and maintenance obligation		159,194	152,487
Retention payable		91,113	96,576
Lease liabilities		-	2,414
Net retirement liabilities		73,523	76,103
Net deferred tax liabilities		341,813	398,494
Total Noncurrent Liabilities		38,491,420	47,231,995
Total Liabilities		P54,420,383	P61,997,313

(Forward)

	September 30	December 31
	2024	2023
	Unaudited	Audited
<b>Equity</b>		
Common stock	<b>₱6,953,846</b>	₱6,953,846
Retained earnings	<b>50,791,627</b>	44,515,546
Other comprehensive loss	<b>(13,293)</b>	(13,117)
Other equity reserves	<b>(13,594,274)</b>	(13,594,274)
Equity attributable to equity holders of the		
Parent Company	<b>44,137,906</b>	37,862,001
Non-controlling interest	<b>5,577,317</b>	5,072,828
Total Equity	<b>49,715,223</b>	42,934,829
	<b>₱104,135,606</b>	₱104,932,142

*See accompanying Management Discussion and Analysis, and Selected Notes to the Consolidated Financial Statements.*

**CERTIFIED CORRECT:**

  
**CRISALLIE D. GERONIMO**

Senior Manager - Comptrollership

**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)**

		Periods Ended September 30	
	Note	2024 Unaudited	2023 Unaudited
<b>REVENUE</b>			
Revenue from toll operations		<b>₱15,373,011</b>	₱14,666,762
Toll operations and maintenance fees		<b>303,750</b>	303,750
		<b>15,676,761</b>	14,970,512
<b>COST OF SERVICES</b>		<b>(4,413,776)</b>	(3,785,946)
<b>GROSS PROFIT</b>		<b>11,262,985</b>	11,184,566
<b>OPERATING EXPENSES</b>		<b>(767,645)</b>	(870,206)
<b>CONSTRUCTION REVENUE (COSTS)</b>			
Construction revenue		<b>1,441,997</b>	608,365
Construction costs		<b>(1,441,997)</b>	(608,365)
		<b>-</b>	-
<b>OTHER INCOME (CHARGES)</b>			
Interest expense and other financing charges		<b>(2,959,601)</b>	(3,449,996)
Interest income		<b>860,529</b>	705,810
Rental income		<b>62,447</b>	53,946
Others – net		<b>25,757</b>	15,165
		<b>(2,010,868)</b>	(2,675,075)
<b>INCOME BEFORE INCOME TAX</b>		<b>8,484,472</b>	7,639,285
<b>INCOME TAX EXPENSE</b>		<b>1,215,497</b>	1,207,190
<b>NET INCOME</b>		<b>7,268,975</b>	6,432,095
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱7,268,975</b>	₱6,432,095
<hr/>			
Net income and total comprehensive income attributable to:			
Equity holders of the Parent Company		<b>₱6,276,081</b>	₱5,499,407
Non-controlling interest		<b>992,894</b>	932,688
		<b>₱7,268,975</b>	₱6,432,095
Basic and Diluted Earnings Per Share	7	<b>₱90.25</b>	₱79.08

*See accompanying Management Discussion and Analysis, and Selected Notes to the Consolidated Financial Statements.*

**CERTIFIED CORRECT:**

  
**CRISALLIE D. GERONIMO**

Senior Manager - Comptrollership



**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)**

	<b>Periods Ended September 30</b>	
	<b>2024</b>	<b>2023</b>
<b>COMMON STOCK - ₱100 par value</b>		
Authorized - 80,000,000 shares		
Issued and outstanding - 69,538,459 shares	<b>₱6,953,846</b>	<b>₱6,953,846</b>
<b>RETAINED EARNINGS</b>		
Balance at beginning of period	<b>44,515,546</b>	<b>37,308,747</b>
Net income	<b>6,276,081</b>	<b>5,499,407</b>
Balance at end of period	<b>50,791,627</b>	<b>42,808,154</b>
<b>OTHER COMPREHENSIVE LOSS</b>		
<i>Cumulative remeasurement loss on net retirement liabilities</i>		
Balance at beginning and end of period	<b>(13,293)</b>	<b>(1,819)</b>
<b>OTHER EQUITY RESERVES</b>	<b>(13,594,274)</b>	<b>(13,594,274)</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	<b>44,137,906</b>	<b>36,165,907</b>
<b>NON-CONTROLLING INTEREST</b>		
Balance at beginning of period	<b>5,072,828</b>	<b>4,682,601</b>
Net income	<b>992,894</b>	<b>932,688</b>
Cash dividends	<b>(488,405)</b>	<b>(372,512)</b>
Balance at end of period	<b>5,577,317</b>	<b>5,242,777</b>
	<b>₱49,715,223</b>	<b>₱41,408,684</b>

*See accompanying Management Discussion and Analysis, and Selected Notes to the Consolidated Financial Statements.*

**CERTIFIED CORRECT:**

  
**CRISALLIE D. GERONIMO**  
 Senior Manager - Comptrollership



**SMC TOLLWAYS CORPORATION AND SUBSIDIARIES**  
**(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Amounts in Thousands)**

		Periods Ended September 30	
	Note	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		<b>₱8,484,472</b>	<b>₱7,639,285</b>
Adjustments for:			
Interest expense and other financing charges		<b>2,959,601</b>	<b>3,449,996</b>
Depreciation and amortization	6	<b>2,565,453</b>	<b>2,093,301</b>
Interest income		<b>(860,529)</b>	<b>(705,810)</b>
Retirement expense		<b>16,073</b>	<b>12,652</b>
Net foreign exchange gain		<b>(1,949)</b>	<b>37</b>
Provision for ECL on receivable		<b>3,000</b>	<b>-</b>
Write-off of receivable		<b>(3,000)</b>	<b>-</b>
Gain on disposal of property and equipment		<b>(1,295)</b>	<b>(479)</b>
Provision for resurfacing obligation		<b>8,627</b>	<b>-</b>
Operating income before working capital changes		<b>13,170,453</b>	<b>12,488,982</b>
Decrease (increase) in:			
Trade and other receivables		<b>(54,812)</b>	<b>35,277</b>
Input VAT		<b>491,188</b>	<b>214,932</b>
Other current assets		<b>165,461</b>	<b>423,109</b>
Increase (decrease) in accounts payable and accrued expenses		<b>199,954</b>	<b>(2,981,326)</b>
Net cash generated from operations		<b>13,972,244</b>	<b>10,180,974</b>
Income tax paid		<b>(1,207,508)</b>	<b>(1,200,470)</b>
Interest received		<b>870,603</b>	<b>696,036</b>
Contributions to retirement plan		<b>(10,720)</b>	<b>-</b>
Net cash provided by operating activities		<b>13,624,619</b>	<b>9,676,540</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Service concession rights		<b>(1,401,834)</b>	<b>(647,293)</b>
Property and equipment		<b>(102,303)</b>	<b>(31,920)</b>
Decrease (increase) in:			
Advances to contractors		<b>(55,308)</b>	<b>985,521</b>
Other noncurrent assets		<b>6,009</b>	<b>65,516</b>
Additions to (payment of) retention payable		<b>(5,463)</b>	<b>10,567</b>
Proceeds from disposal of property and equipment		<b>1,295</b>	<b>479</b>
Net cash provided by (used in) investing activities		<b>(1,557,604)</b>	<b>382,870</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of:			
Long-term debt		<b>(7,635,978)</b>	<b>(5,259,724)</b>
Interest		<b>(2,845,898)</b>	<b>(3,331,999)</b>
Dividends to non-controlling interest		<b>(771,721)</b>	<b>(646,839)</b>
Lease liabilities		<b>(2,518)</b>	<b>(2,518)</b>
Increase in restricted cash		<b>(1,028,639)</b>	<b>(1,207,406)</b>
Cash used in financing activities		<b>(₱12,284,754)</b>	<b>(₱10,448,486)</b>

(Forward)

	Periods Ended September 30	
Note	2024	2023
NET EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	(P1,949)	(P37)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(217,739)	(389,113)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,964,076	11,127,279
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P10,746,337	P10,738,166

*See accompanying Management Discussion and Analysis, and Selected Notes to the Consolidated Financial Statements.*

**CERTIFIED CORRECT:**

  
**CRISALLIE D. GERONIMO**  
 Senior Manager - Comptrollership

**SMC TOLLWAYS CORPORATION AND SUBSIDIARIES**  
**SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts in Thousands, Except Per Share Data)**

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**1. Reporting Entity**

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).

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**2. Material Accounting Policy Information**

The interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting* and do not include all the information required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements as at June 30, 2024.

The interim consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on December 11, 2024.

The interim consolidated financial statements are presented in Philippine peso and all financial information are rounded off to the nearest thousands (₱000), except when otherwise indicated.

The principal accounting policies adopted in the preparation of the interim consolidated financial statements of the Group are consistent with those followed in the most recent audited consolidated financial statements, except for the changes in accounting policies as explained below.

The Financial and Sustainability Reporting Standards Council (FSRSC) approved the adoption of a number of new and amendments to standards as part of Philippine Financial Reporting Standards (PFRS).



### *Adoption of Amendments to Standards*

The Group has adopted the following amendments to PFRS effective January 1, 2024 and accordingly, changed its accounting policies in the following areas:

- 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 asset 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, *Presentation of Financial Statements*). 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 amendments to standards did not have a material effect on the interim consolidated financial statements.



### *New and Amendments to Standards Not Yet Adopted*

A number of new and amendments to standards are effective for annual reporting periods beginning after January 1, 2024 and have not been applied in preparing the interim consolidated financial statements. None of these are expected to have a significant effect on the interim consolidated financial statements.

The Group will adopt the following new and amendments to standards on the respective effective dates:

- PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4, *Insurance Contracts*, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard applies to all insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

PFRS 17 aims to increase transparency and to reduce diversity in the accounting for insurance contracts. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and simplified approach (the premium allocation approach) mainly for short-duration contracts.

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the International Accounting Standards Board (IASB).

PFRS 17 is effective for annual reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

- Lack of Exchangeability (Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*). The amendments clarify that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

When a currency is not exchangeable, an entity needs to estimate a spot rate. The objective in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how to estimate the spot exchange rate to meet the objective and an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments require new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements, including the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process, and risks to the entity because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. Comparative information is not restated and the effect of initially applying the amendments are adjusted to the opening balance of retained earnings, or to the cumulative amount of translation differences if the entity uses a presentation currency other than its functional currency.

- Classification and Measurement of Financial Instruments (Amendments to PFRS 9, *Financial Instruments*, and PFRS 7, *Financial Instruments: Disclosures*). The amendments clarify that financial assets and financial liabilities are recognized and derecognized on the settlement date, except for regular way purchases or sales of financial assets and financial liabilities that meet the conditions for an exception. The exception allows entities to elect to derecognize certain financial liabilities settled through an electronic payment system before the settlement date.

The amendments also provide guidelines for assessing the contractual cash flow characteristics of financial assets that include environmental, social, and governance-linked features and other similar contingent features.

Entities are required to disclose additional information about financial assets and financial liabilities with contingent features, and equity instruments classified at fair value through other comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted.

- PFRS 18, *Presentation and Disclosure in Financial Statements*, replaces PAS 1, *Presentation of Financial Statements*. The new standard introduces the following key requirements:
  - Entities are required to classify all income and expenses into five categories in the statement of income: operating, investing, financing, income tax, and discontinued operations. Subtotals and totals are presented in the statement of income for operating profit or loss, profit or loss before financing and income taxes, and profit or loss.
  - Management-defined performance measures are disclosed in a single note to the financial statements.
  - Enhanced guidance is provided on how to group information in the financial statements. Additionally, entities are required to use the operating profit or loss subtotal as the starting point for the statement of cash flows when presenting cash flows from operating activities under the indirect method.

PFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with retrospective application required. Early adoption 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.



### 3. Segment Information

#### Operating Segments

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.

The Group's performance is evaluated on a consolidated basis based on its core net income for the year, which 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 periods ended September 30, 2024 and September 30, 2023:

	Toll Concession		Toll Operation		Others		Eliminations		Consolidated	
	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023
<b>Revenue</b>										
External revenue	₱15,373,011	₱14,666,762	₱303,750	₱303,750					₱15,676,761	₱14,970,512
Inter-segment revenue	-	-	₱64,963	₱45,599	₱3,527,963	₱2,690,819	₱4,192,926	(₱3,336,418)	-	-
<b>Total revenue</b>	<b>₱15,373,011</b>	<b>₱14,666,762</b>	<b>₱968,713</b>	<b>₱949,349</b>	<b>₱3,527,963</b>	<b>₱2,690,819</b>	<b>₱4,192,926</b>	<b>(₱3,336,418)</b>	<b>₱15,676,761</b>	<b>₱14,970,512</b>
<b>Result</b>										
Segment result	₱10,469,292	₱10,278,015	₱33,241	₱37,051	₱3,520,769	₱2,690,112	(3,527,963)	(₱2,690,819)	₱10,495,339	₱10,314,360
Interest expense and other financing charges									(2,959,601)	(3,449,996)
Interest income									860,529	705,810
Rental income									62,447	53,946
Net foreign exchange gain									1,949	37
Others - net									23,809	15,128
Income tax expense									(1,215,497)	(1,207,190)
<b>Net Income</b>									<b>₱7,268,975</b>	<b>₱6,432,095</b>

	Toll Concession		Toll Operation		Others		Eliminations		Consolidated	
	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023
<b>Other Information</b>										
Segment assets	₱100,964,467	₱102,942,580	₱435,594	₱213,708	₱116,372,599	₱71,809,775	(₱60,886,165)	(₱71,350,803)	₱103,431,542	₱103,977,269
Investments in and advances to associates									-	-
Goodwill									483,448	483,448
Other assets									197,372	362,068
Deferred tax assets									23,244	27,153
<b>Consolidated Total Assets</b>									<b>₱104,135,606</b>	<b>₱104,932,142</b>
Segment liabilities	₱33,762,084	₱39,543,411	₱198,759	₱218,676	₱32,560,772	₱154,788	(₱60,886,165)	(₱34,245,860)	₱5,635,450	₱5,671,015
Long-term debt									48,110,020	55,641,477
Lease liabilities									-	5,828
Income and other taxes payable									333,100	280,499
Deferred tax liabilities									341,813	398,494
<b>Consolidated Total Liabilities</b>									<b>₱54,420,383</b>	<b>₱61,997,313</b>

#### 4. Related Party Disclosures

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.

	Amount of Transactions	Outstanding Balance	Terms and Conditions
<b>Trade and other receivables</b>			
<i>Entities under common control</i>			
September 30, 2024	₱475,746	₱29,308	30 days; noninterest-bearing, unsecured
December 31, 2023	1,890,134	30,973	
<b>Other Current Assets</b>			
<i>Entities under common control</i>			
September 30, 2024	₱-	₱578	Refundable upon termination of lease
December 31, 2023	₱17	₱578	
<b>Accounts payable and other current liabilities</b>			
<i>Entities under common control</i>			
September 30, 2024	₱11,950,808	₱323,973	5 -30 days; noninterest-bearing, unsecured
December 31, 2023	12,661,243	210,170	
<i>Intermediate Parent</i>			
September 30, 2024	272,413	49	5-30 days; noninterest-bearing, unsecured
December 31, 2023	327,578	13,588	
<b>Fair Value of Plan Assets</b>			
<i>Plan Assets</i>			Under SMHC Multi-Employer Plan
September 30, 2024	₱-	₱98,007	
December 31, 2023	24,912	98,007	
<b>Due to a Related Party</b>			
September 30, 2024	₱-	₱61,844	On-demand, noninterest-bearing, unsecured
December 31, 2023	-	61,844	



### **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 339.8 million and 1,705.7 million on September 30, 2024 and December 31, 2023, respectively. The Group has toll receivable amounting to 5.0 million and 2.4 million as at September 30, 2024 and December 31, 2023, respectively.
- b. SOMCO received reimbursement on expenses incurred for SMC SLEX. Total reimbursement amounted to nil and 6.3 million in September 30, 2024 and December 31, 2023, respectively. No outstanding receivables as at September 30, 2024 and December 31, 2023, 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 South Metro Manila Skyway (SMMS). Total rental income amounted to 25.9 million and 30.3 million in September 30, 2024 and December 31, 2023, respectively. The outstanding rental receivable amounted to 7.8 million and 12.6 million as at September 30, 2024 and December 31, 2023, 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. Total rental income amounted to 16.4 million and 22.8 million in September 30, 2024 and December 31, 2023, respectively. The outstanding rental receivable amounted to 5.1 million and 4.5 million as at September 30, 2024 and December 31, 2023, respectively.
- e. SOMCO agreed 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 93.8 million and 125.0 million on September 30, 2024 and December 31, 2023, respectively. Outstanding receivable amounted to 11.5 million and 11.5 million as at September 30, 2024 and December 31, 2023, 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 September 30, 2024 and December 31, 2023, respectively, and 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 6,738.8 million and 7,183.1 million on September 30, 2024 and December 31, 2023, respectively. The Group has toll payable to SMC SLEX amounting to 33.0 million and 37.2 million as at September 30, 2024 and December 31, 2023, 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 NAIAX Expressway. Total related transactions amounted to 1,185.2 million and 1,419.3 million on September 30, 2024 and December 31, 2023, respectively. Outstanding payable to SMC NAIAX amounted to 6.2 million and 3.1 million as at September 30, 2024 and December 31, 2023, 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 1,338.0 million and 1,490.9 million on September 30, 2024 and December 31, 2023, respectively. Outstanding payable to SIDC amounted to 5.7 million and 8.4 million as at September 30, 2024 and December 31, 2023, 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 3.6 million and 16.5 million on September 30, 2024 and December 31, 2023, respectively. Outstanding payable to MATES amounted to 0.3 million and 2.4 million as at September 30, 2024 and December 31, 2023, 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 SMC TPLEX all toll fees collected from the ETC users of Tarlac-Pangasinan-La Union Expressway (TPLEX). Total related transaction amounted to 1,977.8 million, and 1,864.9 million on September 30, 2024 and December 31, 2023, respectively. Outstanding payable to SMC TPLEX amounted to 8.5 million and 6.8 million as at September 30, 2024 and December 31, 2023, 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, 2024, renewable for another term. Total related transaction amounted to 325.3 million and 303.1 million on September 30, 2024 and December 31, 2023, respectively. Outstanding payable to IETC amounted to 40.4 million and 34.7 million as at September 30, 2024 and December 31, 2023, 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 382.1 million and 384.4 million on September 30, 2024 and December 31, 2023, respectively. Outstanding payable for these transactions amounted to 229.8 million and 117.6 million as at September 30, 2024 and December 31, 2023, 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 represents the transaction costs incurred in obtaining the loan facilities which were paid by a related party in behalf of the Group.

There were no known transactions with parties that fall outside the definition "related parties" under PAS 24, *Related Party Disclosures*, but with whom SMC Tollways Corporation or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.



## 5. Service Concession Rights

Service concession rights consist of:

September 30, 2024						
Note	Stage 1	Stage 2	Stage 3	Skyway Extension	Total	
<b>Cost</b>						
Balance at beginning of period	₱18,721,031	₱10,318,329	₱63,122,892	₱10,214,459	₱102,376,710	
Additions	-	-	1,026,951	374,883	1,401,834	
Balance at end of period	18,721,031	10,318,329	64,149,842	10,589,342	103,778,544	
<b>Accumulated Amortization</b>						
Balance at beginning of period	12,080,722	4,355,460	5,078,085	553,731	22,067,998	
Amortization 6	287,321	258,009	1,528,096	452,262	2,525,688	
Balance at end of period	12,368,043	4,613,469	6,606,181	1,005,993	24,593,686	
<b>Carrying Amount</b>	<b>₱6,352,988</b>	<b>₱5,704,860</b>	<b>₱57,543,661</b>	<b>₱9,583,349</b>	<b>₱79,184,858</b>	

2023						
Note	Stage 1	Stage 2	Stage 3	Skyway Extension	Total	
<b>Cost</b>						
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	
<b>Accumulated Amortization</b>						
Balance at beginning of year	11,697,623	4,011,450	3,016,008	—	18,725,081	
Amortization 6	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	
<b>Carrying Amount</b>	<b>₱6,640,314</b>	<b>₱5,962,867</b>	<b>₱58,044,805</b>	<b>₱9,660,729</b>	<b>₱80,308,715</b>	

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.

### Construction Revenue and Construction Costs

The Group recognized construction revenue and construction costs amounting to ₱1,442 million and ₱953.7 for the periods ended September 30, 2024, and December 31, 2023, respectively, in reference to the stage of completion of the construction.

## 6. Property and Equipment

Property and equipment consist of:

September 30, 2024 and December 31, 2023

September 30, 2024					
	Transportation Equipment	Machineries and Equipment	Office Equipment, Furniture and Fixtures	Building Improvements	Total
<b>Cost</b>					
Balance at beginning of period	P293,202	P116,265	P102,953	P17,285	P529,705
Additions	40,43	43,928	7,990	9,952	102,303
Disposal	(4,060)	-	(1,770)	-	(5,830)
Balance at end of period	329,575	160,193	109,173	27,237	626,178
<b>Accumulated Depreciation</b>					
Balance at beginning of period	184,101	98,981	89,974	11,304	384,360
Depreciation	22,715	9,771	5,938	1,341	39,765
Disposal	(4,060)	-	(1,770)	-	(5,830)
Balance at end of period	202,756	108,752	94,142	12,644	418,295
<b>Carrying Amount</b>	<b>P126,819</b>	<b>P51,441</b>	<b>P15,031</b>	<b>P14,592</b>	<b>P207,883</b>

December 31, 2023					
	Transportation Equipment	Machineries and Equipment	Office Equipment, Furniture and Fixtures	Building Improvements	Total
<b>Cost</b>					
Balance at beginning of year	P291,346	P98,019	P97,287	P15,289	P501,941
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
<b>Accumulated Depreciation</b>					
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
<b>Carrying Amount</b>	<b>P109,102</b>	<b>P17,284</b>	<b>P12,979</b>	<b>P5,984</b>	<b>P145,349</b>

The total cost of fully depreciated property and equipment still in use amounted to P287.7 million, and P264.5 million as at September 30, 2024 and December 31, 2023, respectively.

The Group disposed property and equipment with total cost of P5.8 million and P 9.2 million for the period ended September 30, 2024 and December 31, 2023, respectively, which resulted to gain (loss) on disposal of P1.3 million and (P0.5 million) for the period ended September 30, 2024 and December 31, 2023, 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 were as follows:

	2024	2023
Service concession rights	<b>₱2,525,688</b>	₱2,046,075
Property and equipment	<b>37,250</b>	44,711
ROU assets	<b>2,515</b>	2,515
	<b>₱2,565,453</b>	₱2,093,301

Depreciation and amortization is allocated as follows:

	2024	2023
Cost of services	<b>₱2,557,888</b>	₱2,078,909
Operating expenses	<b>7,565</b>	14,391
	<b>₱2,565,453</b>	₱2,093,301

## 7. Basic and Diluted Earnings per Share

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

For the purpose of computing diluted EPS, the net income for the period attributable to equity holders of the Parent Company and the weighted-average number of issued and outstanding common shares during the period are adjusted for the effect of all potential dilutive debt or equity instruments.

The computation of basic and diluted earnings per share is as follows (amounts in thousands except per share data):

	2024	2023
Net income attributable to the holders of the Parent Company	<b>₱6,276,081</b>	₱5,499,407
Divide by weighted average shares outstanding common shares	<b>69,538</b>	69,538
Basic and diluted earnings per share	<b>₱90.25</b>	₱79.08

The Parent Company has no potentially dilutive common shares for the period ended September 30, 2024, and 2023. Accordingly, the basic and diluted earnings per shares are stated at the same amount.

## 8. Financial Risk and Capital Management Objectives and Policies

### Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest Rate Risk
- Credit Risk
- Liquidity Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents (excluding cash on hand), restricted cash, security deposits (included under "Other current assets" account), miscellaneous deposits (included under "Other noncurrent assets" account), retention payable, long-term debt, dividends payable, due to a related party, and lease liabilities. These financial instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, and accounts payables and other current liabilities (excluding statutory payables) arise directly from and are used to facilitate its daily operations.

The BOD has the 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 analyze the risk faced by the Group, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD constituted the Audit and Risk Oversight Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: (a) quality and integrity of the consolidated financial statements and financial reporting process and the systems of internal accounting and financial controls; (b) performance of the internal auditors; (c) annual independent audit of the consolidated financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; (d) compliance with tax, legal and regulatory requirements, including the disclosure control and procedures; (e) evaluation of management's process to assess and manage the enterprise risk issues; and (f) fulfillment of the other responsibilities set out by the BOD.

The Audit and Risk Oversight Committee shall prepare such reports as may be necessary to document the activities of the committee in the performance of its functions and duties. Such reports shall be included in the annual report of the Group and other corporate disclosures as may be required by the Securities and Exchange Commission (SEC).

The Audit and Risk Oversight Committee also oversees how management monitors compliance with the risk management policies and procedures of the Group and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Internal Audit assists the Audit and Risk Oversight Committee in monitoring and evaluating the effectiveness of the risk management and governance processes of the Group. Internal Audit undertakes both regular and special reviews of risk management control and procedures, the results of which are reported to the Audit and Risk Oversight Committee.

#### **Interest Rate Risk**

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

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:

	<b>September 30, 2024</b>		<b>December 31, 2023</b>	
	<b>Change in Basis Points</b>	<b>Effect on Income Before Income Tax</b>	<b>Change in Basis Points</b>	<b>Effect on Income Before Income Tax</b>
Increase	<b>+0.06</b>	<b>(P151,989)</b>	<b>+0.08</b>	<b>(P220,588)</b>
Decrease	<b>-0.06</b>	<b>P151,989</b>	<b>-0.08</b>	<b>220,588</b>

*\*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 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 is the risk of financial loss to the Group when a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade and other receivables.

The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk. In addition, for a significant proportion of revenue, advance payment and one-time charge and deposit are received to mitigate credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

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:

September 30, 2024					
	Neither Past Due nor Impaired		Past due but not impaired		Total
	High Grade	Standard Grade		Impaired	
Cash in banks and cash equivalents*	P10,743,031	P -	P -	P -	P10,743,031
Trade and other receivables	-	235,044	13,748	711,337	960,129
Restricted cash	9,491,943	-	-	-	9,491,943
Security deposits**	-	578	-	-	578
Miscellaneous deposits***	-	6,856	-	-	6,856
	P20,234,974	P242,478	P13,748	P711,337	P21,202,537

\*Excluding cash on hand amounting to P3.3 million as at September 30, 2024

\*\* Included under "Other current assets" account

\*\*\*Included under "Other noncurrent assets" account

December 31, 2023					
	Neither Past Due nor Impaired		Past due but not impaired		Total
	High Grade	Standard Grade		Impaired	
Cash and cash equivalents*	P10,961,561	P -	P -	P -	P10,961,561
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
	P19,424,865	P172,967	P15,531	P711,337	P20,324,700

\*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

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 P711.3 million as at September 30, 2024 and December 31, 2023. 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**

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall due under normal and stress circumstances.

The Group's objectives to manage its liquidity risk are as follows: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The table below summarize the maturity profile of the Group's financial liabilities based on contractual undiscounted payments used for liquidity management:

September 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	P4,939,717	P4,939,717	P4,939,717	P -	P -	P -
Retention payable	559,380	559,380	468,267	91,113	-	-
Long-term debt**	48,110,020	51,453,211	11,940,623	12,427,865	15,488,699	11,596,025
Lease liabilities	3,310	3,310	3,310	3,310	-	-
Due to Parent Company	61,844	61,844	61,844	-	-	-
	<b>P53,674,271</b>	<b>P57,017,462</b>	<b>P17,410,451</b>	<b>P12,522,288</b>	<b>P15,488,699</b>	<b>P11,596,025</b>

\*Excluding statutory payables amounting to P371.1 million and retention payable amounting to P468 million.

\*\*Including interest payable to maturity amounting to P3,042 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*	P4,165,585	P4,165,585	P4,165,585	P –	P –	P –
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	–	–	–
	P60,560,494	P71,581,130	P17,823,342	P13,566,489	P35,737,245	P4,454,054

\*Excluding statutory payables amounting to P417.4 million and retention payable amounting to 305.9 million.

\*\*Including interest payable to maturity amounting to P10,615 million.

### **Capital Management**

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders, issue new shares or do conversion of related party advances to an equity component item.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Group's business, operation and industry.

The Group is not subject to externally imposed capital requirements except for the required compliance of debt-to-equity ratio of not to exceed 70:30 with the loan covenants.

## **9. Financial Assets and Financial Liabilities**

*Recognition and Initial Measurement.* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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 the instrument.

A financial asset (unless a trade receivable without a significant financing component) or financial liability is initially measured at a fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as at FVPL, includes transaction costs. A trade receivable without a significant financing component is initially measured at transaction price.

### **Financial Assets**

The Group classifies its financial assets, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Group for managing the financial assets.

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.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

As at September 30, 2024 and December 31, 2023, the Group does not have financial assets measured at FVPL and FVOCI.

*Financial Assets at Amortized Cost.* A financial asset is measured at amortized cost if it meets both of 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. Gains and losses are recognized in the profit or loss when the financial asset is derecognized, modified or impaired.

As at September 30, 2024 and December 31, 2023, 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.



### Financial Liabilities

The Group determines the classification of its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

As at September 30, 2024 and December 31, 2023, the Group does not have financial liabilities measured at FVPL.

*Other Financial Liabilities.* This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense and other financing charges" account in the consolidated statements of comprehensive income. Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized or impaired or through the amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized the consolidated statements of comprehensive income.

As at September 30, 2024 and December 31, 2023, 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.

### **Impairment of Financial Assets**

The Group recognizes an allowance for expected credit losses (ECL) on 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 the consolidated statements of comprehensive income.

#### **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.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

The table below presents a comparison by category of the carrying amounts and fair values of the Group's financial instruments:

	September 30, 2024		December 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial Assets</b>				
Cash and cash equivalents	P10,746,337	P10,746,337	P10,964,076	P10,964,076
Restricted cash	9,491,943	9,491,943	8,463,304	8,463,304
Trade and other receivables	248,792	248,792	183,906	183,906
Security deposits*	578	578	578	578
Miscellaneous deposits**	6,856	6,856	4,014	4,014
	<b>P20,494,506</b>	<b>P20,494,506</b>	<b>P19,615,878</b>	<b>P19,615,878</b>



	September 30, 2024		December 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial Liabilities</b>				
Accounts payable and other current liabilities***	P4,471,451	P4,471,451	P4,165,585	P4,165,585
Retention payable	559,380	559,380	402,444	402,444
Long-term debt	48,110,020	48,110,020	55,641,477	55,641,477
Due to Parent Company	61,844	61,844	61,844	61,844
Dividends payable	-	-	283,316	283,316
Lease liabilities	3,310	3,310	5,828	5,828
	<b>P53,206,005</b>	<b>P53,206,005</b>	<b>P60,560,494</b>	<b>P60,560,494</b>

\*Included under "Other current assets" account

\*\*Included under "Other noncurrent assets" account

\*\*\*Excludes statutory payables and retention payable totaling P839.1 million and P723.3 million as at September 30, 2024 and December 31, 2023, respectively.

### Offsetting 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.

### 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 rights 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 the 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 is 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.

## 10. Events After the Reporting Date

Subsequent events after the registration of bonds last September 24, 2024, are as follows:

- On December 5, 2024, SMC Tollways received the net proceeds from the issuance of P34.98 billion.
- On December 6, 2024, the Company prepaid its existing Corporate Notes Facility amounting to P29.33 billion.
- Payment of documentary stamp tax of P262.50 million relating to the issuance was made on December 12, 2024.



No further events occurred during the reporting period until board approval meetings apart from those previously mentioned.

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## **11. Other Matters**

### **a. Commitments**

The outstanding purchase commitments of the Group amounted to ₱5,286.9 million and ₱5,326.1 as at September 30, 2024 and December 31, 2023.

These consist mainly of construction, acquisition, upgrade or repair, and capital expenditures of fixed assets and ongoing infrastructure projects needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

- b.** There were 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.
- c.** There were no material changes in estimates of amounts reported in prior financial years.
- d.** Certain accounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.

## Annex "B"

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE

#### INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated statements of financial statements of SMC Tollways Corporation ("SMC Tollways" or "Parent Company") and its subsidiaries (collectively referred to as the "Group") as at and for the period ended September 30, 2024 (with comparative figures as at December 31, 2023 and for the period ended September 30, 2023). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at September 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.

#### **I. 2024 SIGNIFICANT TRANSACTIONS**

##### **Events After the Reporting Date**

Subsequent events after the registration of bonds last September 24, 2024, are as follows:

- On December 5, 2024, SMC Tollways received the net proceeds from the issuance of ₱34.98 billion.
- On December 6, 2024, the Company prepaid its existing Corporate Notes Facility amounting to ₱29.33 billion.
- Payment of documentary stamp tax of ₱262.50 million relating to the issuance was made on December 12, 2024.

No further events occurred during the reporting period until board approval meetings apart from those previously mentioned.

#### **II. FINANCIAL PERFORMANCE**

##### **2024 vs 2023**

(Amounts in Thousands)	September 30		Horizontal Analysis Increase/(Decrease)		Vertical Analysis	
	2024	2023	Amount	%	2024	2023
REVENUE FROM TOLL OPERATIONS	₱15,373,011	₱14,666,762	₱706,249	5%	98%	98%
TOLL OPERATIONS AND MAINTENANCE FEE	303,750	303,750	-	0%	2%	2%
TOTAL REVENUE	15,676,761	14,970,512	706,249	5%	100%	100%
COST OF SERVICES	(4,413,776)	(3,785,946)	627,830	17%	(28%)	(25%)
GROSS PROFIT	11,262,985	11,184,566	78,419	1%	72%	75%
OPERATING EXPENSES	(767,645)	(870,206)	(102,561)	(12%)	(5%)	(6%)
CONSTRUCTION REVENUE (COSTS)						
Construction revenue	1,441,997	608,365	833,632	137%	9%	4%
Construction costs	(1,441,997)	(608,365)	(833,862)	(137%)	(9%)	(4%)
	-	-	-		-	-
OTHER INCOME (CHARGES)						
Interest expense and other financing charges	(2,959,601)	(3,449,996)	(490,395)	(14%)	(19%)	(23%)
Interest income	860,529	705,810	154,719	22%	5%	5%
Rental income	62,447	53,946	8,501	16%	0%	0%
Proceeds from insurance claims	11,829	-	11,829	100%	0%	0%
Others - net	13,928	15,165	(1,237)	6%	0%	0%
	(2,010,868)	(2,675,075)	(664,207)	(25%)	(13%)	(18%)
INCOME BEFORE INCOME TAX	8,484,472	7,639,285	845,187	11%	54%	51%
INCOME TAX EXPENSE	1,215,497	1,207,190	8,307	1%	8%	8%
NET INCOME	₱7,268,975	₱6,432,095	₱836,880	13%	46%	43%



(Amounts in Thousands)	September 30		Horizontal Analysis Increase/(Decrease)		Vertical Analysis	
	2024	2023	Amount	%	2024	2023
Net income attributable to:						
Equity holders of the Parent Company	₱6,276,081	₱5,499,407	₱776,674	14%	40%	37%
Non-controlling interest	992,894	932,688	60,206	8%	6%	6%
<b>NET INCOME</b>	<b>₱7,268,975</b>	<b>₱6,432,095</b>	<b>₱836,880</b>	<b>13%</b>	<b>46%</b>	<b>43%</b>

For the nine months ended September 30, 2024, volumes increased across all vehicular classes. SMC Skyway Corporation ("SMC SKYWAY") achieved an Average Daily Traffic (ADT) of 275,016, higher by 1% from 271,074 in September 2023, while SMC Skyway Stage 3 Corporation ("MMSS3") achieved an ADT of 160,206, higher by 5% from 152,111 in September 2023.

Total revenue amounted to ₱15,676.8 million, a 5% increase from ₱14,970.5 million in the same period last year.

Consolidated cost of services posted an increase of ₱627.8 million or 17% mainly due to additional amortization of Skyway Extension and recognition of depreciation expense on machinery and equipment acquired during the period, increase in PNCC share due to higher revenues of SMC SKYWAY and MMSS3, increase in personnel costs due to salary adjustments and related benefits, higher manpower services and RFID subscriber management fee, and increase in insurance expense due to higher Industrial All Risk, money guarantee and fidelity insurance. These were offset by lower hardware and software maintenance fees.

Consolidated operating expenses recorded a 12% decrease of ₱102.6 million mainly due to lower taxes and licenses, decrease in outside services due to lower manpower services, lower representation expense due to lesser external meetings, decrease in cost of utilities due to lower consumption of power and water, lower insurance expense, seminars & trainings and other expenses. These were offset by the increase in management fees due to inflationary increase, increase in professional fees due to legal fees for the Manila RPT case and increase in personnel costs due to salary adjustments and related benefits.

For other income and charges, the Group recorded lower interest expense and other financing charges by ₱490.4 million due to lower outstanding balance of the long-term debt. Interest income increased by ₱154.7 million due to higher funds available for placements and higher interest rates. Rental income also posted an increase of ₱8.5 million. For the period, there were also proceeds from insurance claims amounting to ₱11.8 million.

Income tax expense was slightly higher by ₱8.3 million as a result of higher income tax from operations and increased final taxes from interest income.

### 2023 vs. 2022

(Amounts in Thousands)	September 30		Horizontal Analysis Increase/(Decrease)		Vertical Analysis	
	2023	2022	Amount	%	2023	2022
<b>REVENUE FROM TOLL OPERATIONS</b>	<b>₱14,666,762</b>	<b>₱11,879,002</b>	<b>₱2,787,760</b>	<b>23%</b>	<b>98%</b>	<b>98%</b>
<b>TOLL OPERATIONS AND MAINTENANCE FEE</b>	<b>303,750</b>	<b>273,750</b>	<b>30,000</b>	<b>11%</b>	<b>2%</b>	<b>2%</b>
<b>TOTAL REVENUE</b>	<b>14,970,512</b>	<b>12,152,752</b>	<b>2,817,760</b>	<b>23%</b>	<b>100%</b>	<b>100%</b>
<b>COST OF SERVICES</b>	<b>(3,785,946)</b>	<b>(3,626,201)</b>	<b>(159,746)</b>	<b>4%</b>	<b>(25%)</b>	<b>-30%</b>
<b>GROSS PROFIT</b>	<b>11,184,566</b>	<b>8,526,551</b>	<b>2,658,015</b>	<b>31%</b>	<b>75%</b>	<b>70%</b>
<b>OPERATING EXPENSES</b>	<b>(870,206)</b>	<b>(548,401)</b>	<b>(321,805)</b>	<b>59%</b>	<b>(6%)</b>	<b>-5%</b>
<b>CONSTRUCTION REVENUE (COSTS)</b>	<b>608,365</b>	<b>1,269,711</b>	<b>(661,345)</b>	<b>(52%)</b>	<b>4%</b>	<b>10%</b>
Construction revenue	608,365	1,269,711	(661,345)	52%	(4%)	-10%
Construction costs	-	-	-	-	-	-
<b>OTHER INCOME (CHARGES)</b>	<b>(3,449,996)</b>	<b>(3,696,796)</b>	<b>246,800</b>	<b>(7%)</b>	<b>(23%)</b>	<b>30%</b>
Interest expense and other financing charges	705,810	149,446	556,364	372%	(19%)	(4%)
Interest income	53,946	40,525	13,421	33%	0%	0%
Rental income	-	130,000	(130,000)	(100%)	0%	(24%)
Proceeds from insurance claims	15,165	18,461	(3,296)	15%	0%	0%
Others - net	(2,675,075)	(3,358,363)	683,288	(21%)	(18%)	(28%)
<b>INCOME BEFORE INCOME TAX</b>	<b>7,639,285</b>	<b>4,619,787</b>	<b>3,019,498</b>	<b>66%</b>	<b>51%</b>	<b>38%</b>
<b>INCOME TAX EXPENSE</b>	<b>1,207,190</b>	<b>935,259</b>	<b>271,931</b>	<b>29%</b>	<b>8%</b>	<b>8%</b>
<b>NET INCOME</b>	<b>₱6,432,095</b>	<b>₱3,684,528</b>	<b>₱2,747,567</b>	<b>75%</b>	<b>43%</b>	<b>30%</b>



(Amounts in Thousands)	September 30		Horizontal Analysis Increase/(Decrease)		Vertical Analysis	
	2023	2022	Amount	%	2023	2022
Net income attributable to:						
Equity holders of the Parent Company	₱5,499,407	₱3,042,102	₱2,457,305	26%	39%	25%
Non-controlling interest	932,688	642,426	290,262	11%	4%	5%
<b>NET INCOME</b>	<b>₱6,432,095</b>	<b>₱3,684,528</b>	<b>₱2,747,567</b>	<b>23%</b>	<b>43%</b>	<b>30%</b>

For the nine months ended September 30, 2023, volumes increased across all classes. SMC Skyway achieved an ADT of 271,074, 26% higher from 189,559 in 2022. This was 5% 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.

MMSS3 achieved an ADT of 152,111, 35% higher from 112,934 in 2022.

Revenue from toll operations amounted to ₱14,666.8 million, an increase of 23% from ₱11,965.2 million in the corresponding period in 2022.

The increase in toll operations and maintenance fee of ₱30.0 million was due to inflationary increment intended to cover the daily operations and administrative expenses.

Consolidated cost of services posted an increase of ₱159.7 million or 4% mainly due to the following items: additional amortization of Skyway Extension and recognition of depreciation expense on machinery and equipment acquired during the period, increase in PNCC 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 payment for professional fees.

Consolidated operating expenses posted an increase of ₱321.8 million or 59% mainly due to increase in 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.

For other income and charges, the Group recorded lower interest and other financing charges by ₱246.8 million due to lower outstanding balance of the long-term debt. Interest income increased by ₱556.4 million due to higher funds available for placements and higher interest rates. Rental income also posted an increase of ₱13.4 million.

Income tax expense was higher by ₱271.9 million or 29% as a result of higher income tax from operations and increased final taxes from interest income.

### III. FINANCIAL POSITION

#### 2024 vs 2023

(Amounts in Thousands)	September 30	December 31	Horizontal Analysis Increase/(Decrease)		Vertical Analysis	
	2024	2023	Amount	%	2024	2023
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	P10,746,337	P10,964,076	(P217,739)	(2%)	10%	10%
Restricted cash	9,491,943	8,463,304	1,028,639	12%	9%	8%
Trade and other receivables	248,792	183,906	64,886	35%	0%	0%
Input VAT	3,307,696	3,798,884	(491,188)	(13%)	3%	4%
Other current assets	175,727	341,189	(165,461)	(48%)	0%	0%
Total Current Assets	23,970,495	23,751,359	219,136	1%	23%	23%
<b>Noncurrent Assets</b>						
Service concession rights	79,184,858	80,308,715	(1,123,857)	(1%)	76%	77%
Advances to contractors	240,425	185,117	55,308	30%	0%	0%
Property and equipment	207,883	145,349	62,534	43%	0%	0%
ROU assets	3,605	6,119	(2,514)	(41%)	0%	0%
Goodwill	483,452	483,452	-	0%	0%	0%
Net of deferred tax asset	23,244	27,153	(3,909)	(14%)	0%	0%
Other noncurrent assets	21,644	24,878	(3,234)	(13%)	0%	0%
Total Noncurrent Assets	80,165,111	81,180,783	(1,015,672)	(1%)	77%	78%
	P104,135,606	P104,932,142	(P796,536)	(1%)	100%	100%
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Accounts payable and other current liabilities	P5,132,662	P4,888,806	P243,856	5%	5%	5%
Current portion of:						
Long-term debt - net of debt issue costs	10,284,244	9,135,556	1,148,688	13%	10%	9%
Provision for resurfacing and maintenance obligation	113,803	111,883	1,920	2%	0%	0%
Lease liabilities	3,310	3,414	(104)	(3%)	0%	0%
Dividends payable	-	283,316	(283,316)	(100%)	0%	0%
Due to a related party	61,844	61,844	-	0%	0%	0%
Income tax payable	333,100	280,499	52,601	19%	0%	0%
Total Current Liabilities	15,928,963	14,765,318	1,163,645	8%	15%	14%
<b>Noncurrent Liabilities</b>						
Noncurrent portion of:						
Long-term debt - net of debt issue costs	37,825,777	46,505,921	(8,680,144)	(19%)	36%	44%
Provision for resurfacing and maintenance obligation	159,194	152,487	6,707	4%	0%	0%
Retention payable	91,113	96,576	(5,463)	(6%)	0%	0%
Lease liabilities	-	2,414	(2,414)	(100%)	0%	0%
Net retirement liabilities	73,523	76,103	(2,580)	(3%)	0%	0%
Net deferred tax liabilities	341,813	398,494	(56,681)	(14%)	0%	0%
Total Noncurrent Liabilities	38,491,420	47,231,995	(8,740,576)	(19%)	37%	45%
Total Liabilities	54,420,383	61,997,313	(7,576,930)	(12%)	52%	59%
<b>EQUITY</b>						
Common stock	6,953,846	6,953,846	-	-	7%	7%
Retained earnings	50,791,627	44,515,546	6,276,081	14%	49%	42%
Other comprehensive loss	(13,293)	(13,117)	176	1%	0%	0%
Other equity reserves	(13,594,274)	(13,594,274)	-	0%	(13%)	(13%)
Equity attributable to equity holders of the						
Parent Company	44,137,906	37,862,001	6,275,905	17%	42%	36%
Non-controlling Interest	5,577,317	5,072,828	443,646	9%	5%	5%
Total Equity	49,715,223	42,934,829	6,719,551	16%	48%	41%
	P104,135,606	P104,932,142	(P796,536)	(1%)	100%	100%



Total assets as of September 30, 2024 amounted to ₱104,136.6 million from ₱104,932.1 million in December 31, 2023.

Cash and cash equivalents amounted to ₱10,746.3 million, 2% lower from ₱10,964.1 million in 2023 due to increase in capital expenditures for the period.

Restricted cash amounted to ₱9,491.9 million, 12% higher from ₱8,463.3 million in 2023 due to higher cash balance required by loan covenants and higher toll revenue.

Trade and other receivables increased from ₱183.9 million to ₱248.8 million mainly due to higher credit card transactions.

Input VAT posted a decrease of ₱491.2 million or 13% due to higher output VAT from toll revenue claimed against input VAT.

Other current assets decreased to ₱175.7 million from ₱341.2 million due to lower advances to contractors to be applied within one-year.

Service concession rights posted a net decrease of ₱1,123.9 million or 1% due to amortization of service concession rights.

Non-current portion of advances to contractors posted an increase of ₱55.3 million or 30% due to additional payment for contractors for the period, net of recoupment.

Property and equipment posted a net increase of ₱62.5 million or 43% due to acquisition of various fixed assets to be used in operation.

Other noncurrent assets decreased by ₱3.2 million or 13% due to amortization of miscellaneous prepaid expenses.

Accounts payable and other current liabilities increased by ₱243.9 million or 5% due to increase in the current portion of retention payable and increase in refundable toll replenishments due to a higher prepaid RFID load.

Dividends payable decreased by ₱283.3 million due to the payment of dividends.

Income tax payable increased by ₱52.6 million or 19% due to higher income tax compared to last year.

Current and non-current portion of long term-debt - net of debt issue cost, posted a net decrease of ₱7,531.5 million due to principal payments.

Total equity as of September 30, 2024 amounted to ₱49,715.2 million, higher by 16% from December 31, 2023 balance of ₱42,934.8 million, mainly due to the net income generated for the period.

**2023 vs. 2022**

(Amounts in Thousands)	September 30	December 31	Horizontal Analysis		Vertical Analysis	
	2023	2022	Increase/(Decrease) Amount	%	2023	2022
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	₱10,738,166	₱11,127,279	(₱389,113)	-3%	10%	10%
Trade and other receivables	163,748	208,800	(45,052)	-22%	8%	0%
Restricted cash	7,606,354	6,398,948	1,207,406	19%	0%	6%
Input VAT	4,175,620	4,390,552	(214,932)	-5%	4%	4%
Other current assets	149,713	572,822	(423,109)	-74%	0%	1%
Total Current Assets	22,833,601	22,698,401	135,200	1%	23%	21%
<b>Noncurrent Assets</b>						
Service concession rights	81,225,474	82,697,934	(1,472,460)	(2%)	77%	77%
Advances to contractors	167,017	1,152,538	(985,521)	(86%)	0%	1%
Property and equipment	221,568	163,196	58,373	36%	0%	0%
ROU assets	6,958	9,472	(2,514)	(27%)	0%	0%
Goodwill	483,452	483,452	-	0%	0%	0%
Net of deferred tax asset	24,146	25,452	(8,492)	(26%)	0%	0%
Other noncurrent assets	18,129	83,645	(65,519)	(78%)	0%	0%
Total Noncurrent Assets	82,146,744	84,615,689	(2,476,133)	(3%)	78%	79%
	₱104,980,345	₱107,314,090	(₱2,340,957)	(2%)	100%	100%
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Accounts payable and other current liabilities	₱4,605,111	₱7,565,033	(₱2,958,930)	(39%)	5%	7%
Current portion of:						
Long-term debt - net of debt issue costs	8,410,424	6,243,086	2,167,338	35%	9%	6%
Provision for resurfacing and maintenance obligation	99,510	99,510	-	0%	0%	0%
Lease liabilities	3,344	3,142	202	6%	0%	0%
Dividends payable	114,404	388,731	(274,327)	(71%)	0%	0%
Due to parent company	61,844	61,844	-	0%	0%	0%
Income tax payable	343,299	321,904	21,395	7%	0%	0%
Total Current Liabilities	13,637,936	14,683,250	(1,045,316)	(7%)	14%	14%
<b>Noncurrent Liabilities</b>						
Noncurrent portion of:						
Long-term debt - net of debt issue costs	49,258,840	56,579,976	(7,321,136)	(13%)	44%	53%
Provision for resurfacing and maintenance obligation	142,670	142,670	-	0%	0%	0%
Retention payable	89,159	78,592	10,567	13%	0%	0%
Lease liabilities	3,310	5,828	(2,518)	(43%)	0%	0%
Net retirement liability	55,215	55,601	(388)	(1%)	0%	0%
Net deferred tax liabilities	384,530	419,646	(35,116)	(8%)	0%	0%
Total Noncurrent Liabilities	49,933,725	57,282,313	(7,348,590)	(13%)	45%	53%
Total Liabilities	63,571,661	71,965,563	(8,393,928)	(12%)	59%	67%
<b>Equity</b>						
Common stock	6,953,846	6,953,846	-	0%	7%	6%
Retained earnings	42,808,154	37,308,482	5,515,856	15%	42%	35%
Other comprehensive gain (loss)	(1,819)	(2,128)	(13,573)	(115%)	0%	0%
Other equity reserves	(13,594,274)	(13,834,274)	240,000	2%	(13%)	(13%)
Equity attributable to equity holders of the Parent Company						
	36,165,907	30,425,926	5,742,283	19%	36%	28%
Non-controlling interest	5,242,776	4,682,601	310,687	6%	5%	4%
Total Equity	41,408,683	35,348,527	6,052,970	17%	41%	33%
	₱104,980,345	₱107,314,090	(₱2,340,957)	(2%)	100%	100%

Total assets as of September 30, 2023, amounted to ₱104,980.3 million, lower by 2% from the December 31, 2022 balance of ₱107,314.1 million.

Cash and cash equivalents amounted to ₱10,738.2 million, 3% lower than ₱11,127.3 million in 2022 due to increase in capital expenditures for the period.

Restricted cash amounted to ₱7,606.4 million, 19% higher than ₱6,398.9 million in 2022, due to higher cash balance required by loan covenants and higher toll revenue.

Trade and other receivables went down from ₱208.8 million to ₱163.7 million. The decrease was mainly due to collections of rent receivables from external parties, higher allowance for impairment, and lower inter-concession receivables. Inter-concession receivables are normally settled within 30 days.



Input VAT posted a decrease of ₱214.9 million due to higher output VAT from toll revenue claimed against input VAT.

Other current assets decreased from ₱572.8 million to ₱149.7 million mainly due to amortization of deferred input VAT.

Service concession rights posted a net decrease of ₱1,472.5 million mainly due to amortization of concession rights.

Property and equipment posted a net increase of ₱58.4 million mainly due to additional purchase of various equipment.

Non-current advances to contractors decreased by ₱985.5 million due to recoupment in progress billings.

Accounts payable and other current liabilities decreased amounting to ₱2,958.9 million was mainly due to payments to third party and released of retention payable current.

Dividends payable decreased to ₱274.3 million was due to payment of dividends to external parties.

Income tax payable increased of ₱21.4 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 ₱5,153.8 million due to principal payments.

Retention payable noncurrent posted an increase of ₱10.6 million due to on-going construction of Skyway Extension Project.

Total Equity as of September 30, 2023 amounted to ₱41,408.7 million, higher by 17% from December 31, 2022 balance of ₱35,348.5 million mainly due to a net income of ₱6,432.1 million.

#### IV. SOURCES AND USES OF CASH

A brief summary of cash flow movement is shown below:

(Amounts in Thousands)	September 30	
	2024	2023
Net cash provided by operating activities	₱13,624,619	₱9,676,540
Net cash flows used in investing activities	(1,557,604)	382,870
Net cash used in financing activities	(12,284,754)	(10,448,486)

Net cash provided by operating activities consists of income for the year and changes in noncash current assets, certain current liabilities and others working capital items.

It also pertains 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 includes the following:

(Amounts in Thousands)	September 30	
	2024	2023
Additions to:		
Service concession rights	(P1,401,834)	(P647,293)
Property and equipment	(102,303)	(31,920)
Additions (payments) to retention payable	(5,463)	10,567
Decrease (increase) in:		
Advances to contractors	(55,308)	985,521
Other noncurrent assets	6,009	65,516
Proceeds from disposal of property and equipment	1,295	479

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 payment to advances from contractors.

Net cash used in financing activities included the following:

(Amounts in Thousands)	September 30	
	2024	2023
Payments of:		
Long-term debt	(P7,635,978)	(P5,259,724)
Interest	(2,845,898)	(3,331,999)
Dividends to noncontrolling interest	(771,721)	(646,839)
Lease liabilities	(2,518)	(2,518)
Increase in restricted cash	(1,028,639)	(1,207,406)

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 P2 million.



## 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	30-Sep-24	31-Dec-23
<b>Liquidity</b>			
<b>Current ratio</b>			
	Total Current Assets	23,970,495	23,751,359
	Divided by: Total Current Liabilities	15,928,963	14,765,318
	Current ratio	1.5x	1.6x
<b>Acid test ratio</b>			
	Total Current Assets	23,970,495	23,751,359
	Less: Other current assets	-175,728	-341,189
	Quick assets	23,794,768	23,410,170
	Divided by: Total Current Liabilities	15,750,905	14,765,318
	Acid test ratio	1.5x	1.6x
<b>Solvency</b>			
<b>Debt-to-equity ratio</b>			
	Total long-term debt	48,110,020	55,641,477
	Total equity	49,715,224	42,934,829
	Debt-to-equity ratio	1.0x	1.3x
<b>Asset-to-equity ratio</b>			
	Total assets	104,135,606	104,932,142
	Total equity	49,715,224	42,934,829
	Asset-to-equity ratio	2.1x	2.4x
<b>Solvency ratio</b>			
	Net income before depreciation and amortization	9,839,320	11,812,372
	Total liabilities	54,420,383	61,997,313
	Solvency ratio	0.2x	0.2x
<b>Profitability</b>			
<b>Return on equity</b>			
	Net income	7,268,521	8,407,514
	Total equity	49,715,224	42,934,829
	Return on equity	14.62%	19.60%

Ratio	Formula	30-Sep-24	31-Dec-23
<b>Return on assets</b>			
	Net income	7,268,521	8,407,514
	Total assets	104,135,606	104,932,142
	Return on assets	6.98%	8.00%
<b>Net profit margin</b>			
	Net income	7,268,521	8,407,514
	Total revenue	15,676,761	20,265,979
	Net profit margin	46.36%	41.50%

## VI. OTHER MATTERS

### a. Commitments

The outstanding purchase commitments of the Group amounted to ₱5,286.9 million as at September 30, 2024.

These consist mainly of construction, acquisition, upgrade or repair, and capital expenditure of fixed assets and ongoing infrastructure projects needed for normal business operations of the business and will be funded by available cash, short-term loans, and long-term debt.

- b. There were no known trends, demands, commitments, events, or uncertainties that would materially impact the Group's liquidity. The Group does not anticipate any cash flow or liquidity issues within the next 12 months. Furthermore, the Group was not in default or breach in any material respect concerning any note, loan, lease, or other indebtedness or financing arrangements requiring payments. All trade payables have been settled within the stated trade terms.
- c. No known events would trigger a direct or contingent financial obligation material to the Group, including any defaults or acceleration of obligations. Since the last reporting date, there have been no changes in contingent liabilities or contingent assets. Additionally, there are no material contingencies, events, or transactions that are significant to understanding the current interim period.
- d. There were no known trends, events, or uncertainties that have had or are reasonably expected to have a favorable or unfavorable impact on net sales, revenues, or income from continuing operation.
- e. There are no significant elements of income or loss that did not arise from continuing operations.
- f. The effects of seasonality or cyclicity on the operations of the business of the Group are not material.
- g. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), or other relationships created by the Group with unconsolidated entities or other persons during the reporting period, except for the outstanding derivative transactions entered by the Group as at and for the period ended September 30, 2024.