SMC INFRASTRUCTURE
TOLLWAYS
SMC TOLLWAYS CORPORATION

11/F San Miguel Properties Centre,
7 St. Francis St., Mandaluyong City 1550
Metro Manila, Philippines

10 April 2025

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

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

Re: *SEC Form 20-IS (Definitive Information Statement for Annual Stockholders' Meeting)*

Gentlemen:

In compliance with the Philippine Dealing & Exchange Corp. ("PDEX") guidelines, please find enclosed copy of our disclosure to the Securities and Exchange Commission on 10 April 2025.

Very truly yours,

SHAINA ANELLA B. RAMIREZ
Deputy Corporate Information Officer

COVER SHEET

C S 2 0 1 3 1 0 6 9 4

S.E.C. Registration Number

SMC TOLLWAYS CORPORATION (FORMERLY: ATLANTIC AURUM INVESTMENTS PHILIPPINES CORPORATION)

(Company's Full Name)

11F SAN MIGUEL PROPERTIES CENTRE, 7 ST. FRANCIS ST. MANDALUYONG CITY

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

Atty. Mary Rose S. Tan

Contract Person

(632) 8632-3000

Company Telephone Number

1	2	3	1

Month Day

Fiscal Year

Form 20-IS
(Definitive)

FORM TYPE
(amended)

0	5	1st Tuesday

Month Day

Annual Meeting

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

LCU

Document I.D.

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [√] Definitive Information Statement

2. Name of Registrant as specified in its charter **SMC TOLLWAYS CORPORATION**

3. Province, country or other jurisdiction of incorporation or organization **Philippines**

4. SEC Identification Number **CS201310694**

5. BIR Tax Identification Code **008-547-087**

6. Address of principal office Postal Code

   11th Floor San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City 1550

7. Registrant's telephone number, including area code **(02) 8702 4833**

8. Date, time and place of the meeting of security holders

   Tuesday, May 6, 2025, at 3:25 p.m., via remote communication

9. Approximate date on which the Information Statement is first to be sent or given to security holders

   April 10, 2025

10. ***In case of Proxy Solicitations:*** **N/A**

   *Name of Person Filing the Statement/Solicitor:*____________________________________

   *Address and Telephone No.:*____

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding	
	Amount	Interest Rate
Series A	₱10.6 Billion	6.4783%
Series B	5.9 Billion	6.7026%
Series C	18.5 Billion	6.9331%
Total	₱35.0 Billion	

12. Are any or all of registrant's securities listed in a Stock Exchange?

    Yes [ ] No [√] The debt securities are registered in the Philippine Dealing & Exchange Corp.

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    N/A

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11/F San Miguel Properties Centre,
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Metro Manila, Philippines

April 10, 2025

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
May 6, 2025

The Annual Meeting of the Stockholders of **SMC TOLLWAYS CORPORATION** will be held on **May 6, 2025 (Tuesday) at 3:25 p.m.** which will be presided by the Chairman at the principal office of the Corporation. Stockholders are requested to attend through online videoconferencing.

The Agenda of the Meeting is as follows:

1. Certification of Notice and Quorum
2. Approval of the Minutes of the Annual Stockholders' Meeting held on May 9, 2024
3. Report to Stockholders
4. Approval of the 2024 Audited Financial Statements
5. Re-election of Independent Director
6. Election of the Board of Directors
7. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

Mary Rose S. Tan
Assistant Corporate Secretary and
Compliance Officer

11/F San Miguel Properties Centre,
7 St. Francis St., Mandaluyong City 1550
Metro Manila, Philippines

**RATIONALE AND BRIEF DISCUSSION OF THE AGENDA
OF THE 2025 ANNUAL STOCKHOLDERS' MEETING**

1. Certification of Notice and Quorum

   a. Call to Order

      The Chairman of the Board of Directors (or the Chairman of the meeting, as the case may be) (the "Chairman") will call the meeting to order.

   b. Notice and quorum

      The Corporate Secretary (or the Secretary of the meeting, as the case may be) (the "Secretary") will certify the date when the written notice of the 2025 Annual Stockholders' Meeting was sent to the stockholders.

      The Corporate Secretary will also certify the presence of a quorum, which under the Company's Amended By-laws, consists of at least fifty percent (50%) plus one share of the outstanding capital stock being present or represented at the meeting.

   c. Voting and voting procedure

      A stockholder may vote the number of common shares held in his name in the Company's stock and transfer book as of April 14, 2025. Holders of common shares have the right to vote on all matters requiring stockholders' approval, and are entitled to vote at the meeting by submission of the ballots or proxies in accordance with the procedure set forth in the Notice.

      Every stockholder entitled to vote shall be entitled to one (1) vote for each share of stock registered in his name in the books of the Company, on all items on the Agenda except for the election of directors, as set forth in the next paragraph.

      With respect to the election of directors, a stockholder may vote such number of common shares for as many persons as there are directors to be elected or he may cumulate said common shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his common shares shall equal, or he may distribute them on the same principle as among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of common shares owned by him as indicated in the books of the Company multiplied by the total number of directors to be elected.

      The total number of votes that may be cast by a stockholder of the Company computed as follows: number of common shares held on record as of record date multiplied by seven (7) directors.

      The counting of votes shall be done by the Corporate Secretary or Assistant Corporate Secretary, as the case may be.

2. Approval of the Minutes of the Annual Stockholders' Meeting held on July 12, 2024.

   A copy of the Minutes of the Annual Stockholders' Meeting held on July 12, 2024 is included in this Preliminary Information Statement (attached as "**Exhibit 6**") and is available for viewing in the Company's website www.smctollways.com.ph The stockholders will be requested to approve the Minutes of the 2024 Annual Stockholders' Meeting.

3. Report to Stockholders

   The Management of the Company shall deliver the report of the performance of the Company as of 31 December 2024 to the stockholders. A copy of the same will also be furnished to the stockholders prior to the stockholders' meeting.

4. Approval of the 2024 Audited Financial Statements

11/F San Miguel Properties Centre,
7 St. Francis St., Mandaluyong City 1550
Metro Manila, Philippines

The Management of the Company will also deliver the financial reports and financial statements of the Company as of 31 December 2024 and present the same for the approval of the stockholders of the Company.

5. Re-election of Independent Director

Pursuant to Section 2.2.1.6.2 of the Manual on Corporate Governance, the Board's Independent Directors shall serve for a maximum cumulative term of nine (9) years. Upon reaching this limit, an Independent Director should be perpetually barred from re-election in the Corporation, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Corporation needs to retain an Independent Director who has served for nine (9) years, the Board shall provide meritorious justifications and seek stockholders' approval during the annual stockholders' meeting.

6. Election of the Board of Directors

Pursuant to the Company's Manual on Corporate Governance, the Corporate Governance Committee pre-screened and evaluated the qualifications of the nominees.

The seven (7) nominees as set out in this Information Statement will be submitted for election to the Board of Directors by the stockholders at the 2025 Annual Stockholders' Meeting. The profiles of the nominees, as well as the certification of their qualifications are provided in this Information Statement.

7. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers

The acts and proceedings of the Board of Directors and corporate officers since the 2024 Annual Stockholders' Meeting, as reflected in the minutes of the meetings, are set out in this Information Statement. The acts of management and corporate officers were taken in furtherance of the conduct of the business of the Company and in the implementations of the matters approved by the Board of Directors. The relevant disclosures relating thereto were submitted to the SEC and the Philippine Dealing & Exchange Corp and are posted on the Company's website www.smctollways.com.ph.

8. Appointment of External Auditors

The Audit and Risk Oversight Committee shall endorse the re-appointment of Reyes Tacandong & Co. as the external auditor of the Company for the year 2025. The relevant background and description on the extent of the audit services, tax advisory, and other related services rendered by the external auditor, including their fees, are provided in this Preliminary Information Statement.

The stockholders will be requested to approve the re-appointment of Reyes Tacandong & Co. for the year ended 31 December 2025.

9. Other Matters

The Chairman will inquire whether there are other relevant matters and concerns to be discussed. The Chairman shall accordingly respond to other matters that may be raised by the stockholders.

10. Adjournment

Upon determination that there are no other relevant matters to be discussed, the meeting will be adjourned on motion duly made and seconded.

Appendix 1

PROCEDURE FOR THE 2025 ANNUAL STOCKHOLDERS' MEETING OF SMC TOLLWAYS CORPORATION THROUGH VIDEO CONFERENCE

1. The Chairman shall preside over the 2025 Annual Stockholders' Meeting at its principal office.
2. Stockholders of record as of April 14, 2025 who intend to attend the meeting through video conference are requested to notify the Company by email to corsec.mrst@sanmiguel.com.ph by May 2, 2025.
3. Only the stockholders who have notified the Company of their intention to participate through video conferencing as above-described and have been validated to be stockholders of record of the Company will be considered in computing stockholder attendance at the meeting.
4. On May 2, 2025, the Assistant Corporate Secretary shall inform the stockholders of the password for the online videoconferencing either by email and/or SMS.
5. On May 6, 2025 at 3:00 p.m., the stockholders participating via online videoconferencing may enter through the password provided.
6. Votes of all stockholders will be cast through ballots or proxies submitted on or before May 6, 2025. A sample of the ballot and proxy is included in this Information Statement.
7. All ballots and proxies should be received by the Corporate Secretary on or before May 6, 2025 by email sent to corsec.mrst@sanmiguel.com.ph or by mail sent to the Office of the Corporate Secretary at the 11/F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City.
8. For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its corporate secretary's certification stating the representative's authority to represent the corporation in the meeting.
9. The nominees for election to the Board were submitted in writing to the Board of Directors through the Corporate Secretary. The Corporate Governance Committee was tasked to pre-screen and evaluate the qualifications of the nominees in accordance with the Amended Manual on Corporate Governance of the Company.
10. The voting procedure for all items in the Agenda, including the election of the members of the Board, are set out in this Information Statement.
11. Stockholders may send their questions and/or comments during the meeting, or prior thereto by email to corsec.mrst@sanmiguel.com.ph. Questions and comments may also be written in the space provided in the sample ballot/proxy form.
12. The proceedings of the meeting will be recorded.

Should you have questions or requests for clarification on the procedure for the 2025 Annual Stockholders' Meeting, please email them to corsec.mrst@sanmiguel.com.ph.

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11/F San Miguel Properties Centre,
7 St. Francis St., Mandaluyong City 1550
Metro Manila, Philippines

ANNUAL STOCKHOLDERS' MEETING
6 May 2025
3:25 p.m. via video conference
("2025 Annual Stockholders' Meeting")

Please mark as applicable:

☐ **Vote by ballot:** The undersigned stockholder of SMC TOLLWAYS CORPORATION (the "Company") casts his/her vote on the agenda items for the 2025 Annual Stockholders' Meeting, as expressly indicated with the "X" below in this ballot.

☐ **Vote by proxy:** The undersigned stockholder of the Company hereby appoints ____________________________ or, in his/her/its absence, the Chairman of the meeting, as attorney and proxy, to represent and vote all the shares registered in his/her/its name at the 2025 Annual Stockholders' Meeting and any of its adjournment(s), as fully as the undersigned can do if present and voting in person, ratifying all action taken on matters that may properly come before such meeting or its adjournment(s). The undersigned directs the proxy to vote on the agenda items which have been expressly indicated with "X" below. If the undersigned fails to indicate his/her/its vote on the agenda items specified below, his/her/its proxy shall vote in accordance with the recommendation of Management. Management recommends a "FOR ALL" vote for proposal 1, and a "FOR" vote for proposals 2 through 6.

PROPOSAL	**ACTION**			
	VOTE FOR ALL	WITHHOLD FOR ALL	VOTE ONLY FOR	FULL DISCRETION OF PROXY FORM (IF FORM USED AS PROXY)
1. Election of Directors				
The nominees are: a. Ramon S. Ang b. John Paul L. Ang c. Aurora T. Calderon d. Lorenzo G. Formoso III e. Jose C. Laureta f. Margarito B. Teves (*Independent Director)* g. Martin S. Villarama, Jr. (*Independent Director*)			a. b. c. d. e. f. g.	
	FOR	AGAINST	ABSTAIN	
2. Approval of the Minutes of the 2024 Annual Stockholders' Meeting				
3. Approval of the Report to Stockholders				
4. Approval of the 2024 Audited Financial Statements				
5. Re-election of Independent Director				
6. Ratification of all Acts and Proceedings of the Board of Directors and Corporate Officers				
7. Appointment of External Auditor for 2025				

Signed this ____ day of ____________ 2025 at ___________________.

________________________________ ________________________________
Printed Name of Stockholder Signature of Stockholder/Authorized Signatory

11/F San Miguel Properties Centre,
7 St. Francis St., Mandaluyong City 1550
Metro Manila, Philippines

Questions/Comments to the Board of Directors and/or Management

____

____

NOTE: This ballot/proxy should be received by the Office of the Corporate Secretary on or before May 6, 2025 by e-mail sent to corsec.mrst@sanmiguel.com.ph or by mail sent to the Office of the Corporate Secretary at 11/F San Miguel Properties Centre. This ballot/proxy, when properly executed, will be voted in the manner as marked/directed herein by the stockholder. If no direction is made in the proxy, such proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting as recommended by the management or the Board of Directors. A stockholder giving a proxy has the power to revoke it either in an instrument in writing duly presented to and recorded with the Corporate Secretary at least five (5) days prior to the 2025 Annual Stockholders' meeting. Notarization of this proxy is not required. For an individual, his/her ballot/proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by a certification issued by its corporate secretary setting the representative's authority to represent the corporation in the 2025 Annual Stockholders' Meeting ("Secretary's Certificate"). Validation of ballots and proxies will be on May 7, 2025 at 3:00 p.m. at the above-mentioned address of the Office of the Corporate Secretary. For ballots, proxies and Secretary's Certificates sent to the Office of the Corporate Secretary via email, the hard copies of the ballots, proxies, and notarized Secretary's Certificate should be immediately sent to the Office of the Corporate Secretary as soon as reasonably possible.

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders.

The annual stockholders meeting of **SMC Tollways Corporation** (the "Company" or "SMC Tollways") will be held on **May 6, 2025**, at **3:25 p.m.** via remote communication. The procedure and further details of attendance are set forth in Annex "A" of the Notice and Agenda to the Annual Stockholders' Meeting.

The complete mailing address of the principal office of the registrant, or SMC SLEX Inc. (the "Company"), is **11th Floor San Miguel Properties Centre, 7 St. Francis Street, Ortigas Center, Mandaluyong City, Metro Manila, Philippines**.

The information statement is first to be sent to the stockholders on April 10, 2025. The information statement, together with its attachments will be available at the Company's website.

YOU ARE NOT REQUESTED TO SEND US A PROXY.

Revocability of Proxies

A person giving a proxy may revoke it at any time before it is exercised. A proxy may be revoked through any of the following means: (1) filing with the Corporate Secretary, at least ten (10) working days before the scheduled meeting, a written notice revoking it; or (2) attending the meeting and voting in person. Mere attendance at the meeting will not automatically revoke a proxy.

Item 2. Dissenters' Right of Appraisal

Under Section 80, Title X of the Revised Corporation Code of the Philippines ("RCC"), stockholders who dissent from and vote against the listed corporate actions may demand payment of the fair value of their shares as of the day prior to the date on which the vote was taken for such corporate action ("Right of Appraisal"). The corporate matters or actions to be presented for approval at the annual meeting of the stockholders are not among those corporate actions that entitles dissenting stockholders to exercise the Right of Appraisal.

SOLICITATION INFORMATION

The Company is not soliciting proxies. A proxy from is provided to the stockholders of the Company and included in this Information Statement.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director or officer of the Company, or any of their associates, at any time since the beginning of the last fiscal year, has any substantial interest, direct or indirect, by security holdings or otherwise, in the matters to be acted upon in the meeting, other than their election to office.

None of the incumbent directors has informed the Company in writing of an intention to oppose the action to be taken by the Company at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Class of securities entitled to vote

As of April 10, 2025, the Company has only one (1) class of security consisting of 69,538,459 issued and outstanding common shares of stock, all of which are entitled to vote. Of the total issued and outstanding common shares of stock, one hundred percent (100%) is owned by Atlantic Aurum Investments B.V. ("AAIBV"), a company incorporated in the Netherlands.

The activity undertaken by the Company is not among those listed in the 12th Regular Foreign Investment Negative List which restricts foregin ownership.

(b) Determination of security holders entitled to vote

The record date for the determination of security holders entitled to vote is April 14, 2025. Only stockholders of record at the close of business on April 14, 2025 will be entitled to vote at the meeting.

A stockholder entitled to vote at the meeting has the right to vote in person or by proxy, one (1) vote for each share of stock registered in his name in the books of the Company. However, with respect to the election of directors in accordance with Section 23 of the RCC, a stockholder may vote the number of common shares held in his name in the Company's stock and transfer books as of **April 14, 2025**, and may vote such number of common shares for as many persons as there are directors to be elected or he may cumulate said common shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his common shares shall equal, or he may distribute them on the same principle as among many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of common shares owned by him as shown in the books of the Company multiplied by the total number of directors to be elected.

(c) Election of directors and cumulative voting rights

The Company has seven (7) Board seats, two (2) of which are for the independent directors, who are nominated and elected pursuant to the requirements of the Manual on Corporate Governance of the Company.

In accordance with the Company's By-Laws, all proxies must be in the hands of the Secretary before the time set for the meeting. No solicitations are made for the election of directors.

(d) Information required by Part IV paragraph (C) of "Annex C" to the extent known by the persons on whose behalf the solicitation is made

(C) Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

Below is the entity who is known to the Company to be directly or indirectly the record and/or beneficial owner of more than five percent (5%) of the Company's issued and outstanding common shares as of April 10, 2025:

Title of class	Name, Address of Record Owner and Relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Atlantic Aurum Investments B.V. Weerdestein 97, 1083 GG, Amsterdam Parent of Isssuer	Beneficial and record owner	Dutch	69,538,459 [1]	1000%

[1]Inclusive of five (5) shares held by its individual nominees and two (2) shares hled by the Independent Directors to qualify them to the Board of Directors.

The table below shows all the stockholders of record of the Company, including the stockholders holding one (1) qualifying share each as of Apri 10, 2025:

Title of class	Name, address of record owner and relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Atlantic Aurum Investments B.V. Weerdestein 97, 1083 GG, Amsterdam Parent of Issuer	Beneficial and record owner	Dutch	69,538,459	1000%
Common	Ramon S. Ang	Record owner [1]	Filipino	1	nil

	671 Notre Dame St. Wack Wack Subdivision, Mandaluyong City Stockholder/Director				
Common	John Paul L. Ang 780 Harvard St. Wack Wack Village, Mandaluyong City Stockholder/Director	Record owner [1]	Filipino	1	nil
Common	Aurora T. Calderon 27 Carrot Street, Valle Verde 5, Pasig City Stockholder/Director	Record owner [1]	Filipino	1	nil
Common	Lorenzo G. Formoso III Unit 5 Two Dover View 620 Lee Street, Mandaluyong City Stockholder/Director	Record owner [1]	Filipino	1	nil
Common	Jose C. Laureta 5 Mapayapa Street, UP Village, Diliman, Quezon City Stockholder/Director	Record owner [1]	Filipino	1	nil
Common	Margarito B. Teves 411 Ambuklao St., Ayala Alabang Village, Muntinlupa City Stockholder/Independent Director	Record owner [1]	Filipino	1	nil
Common	Martin S. Villarama, Jr. 22 Golden St., Gloria 1 Subdivision, Tandang Sora, Quezon City Stockholder/Independent Director	Record owner [1]	Filipino	1	nil

[1]Qualifying share to qualify the stockholder for election to the Board of Directors; held in trust for AAIBV.

The natural persons authorized to vote the shares of AAIBV are Ramon S. Ang or Lorenzo G. Formoso III.

(2) Security Ownership of Management

None of the individual directors, executive officers and nominees of the Company beneficially own any of the Company's issued and outstanding common shares, nor do any of them have the right to acquire beneficial ownership. The individual common shares registered in the names of the directors of the Company are all qualifying shares, and are held by them in trust for the nominating principal shareholder as of April 10, 2025, as follows:

Title of class	Name of Director	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Ramon S. Ang	One (1) share held in trust for AAIBV (direct)	Filipino	nil
Common	John Paul L. Ang	One (1) share held in trust for AAIBV (direct)	Filipino	nil
Common	Aurora T. Calderon	One (1) share held in trust for AAIBV (direct)	Filipino	nil
Common	Lorenzo G. Formoso III	One (1) share held in trust for AAIBV (direct)	Filipino	nil
Common	Jose C. Laureta	One (1) share held in trust for AAIBV (direct)	Filipino	nil
Common	Margarito B. Teves	Independent director; one (1) qualifying share taken from AAIBV (direct)	Filipino	nil
Common	Martin S. Villarama, Jr.	Independent director; one (1) qualifying share taken from AAIBV (direct)	Filipino	nil
	Aggregate number of shares	Seven (7)		

(3) Voting Trust Holders

There are no voting trust holders of any common shares that are registered in the books of the Company.

(4) Changes in Control

There are no arrangements which may result in a change in control of the Company.

Item 5. Directors and Executive Officers

(A) Directors, Executive Officers, Promoters and Control Persons

(1) Directors, including Independent Directors, and Executive Officers, with the required information

The names of the incumbent Directors, independent Directors, and executive officers of the Company, ages, citizenship, directorships in other reporting companies and positions as of April 10, 2025, all of whom are nominees for re-election as directors at the stockholders' meeting are as follows:

Name	Age	Citizenship	Position
Ramon S. Ang	71	Filipino	Chairman and President
John Paul L. Ang	45	Filipino	Director
Aurora T. Calderon	70	Filipino	Director
Lorenzo G. Formoso III	63	Filipino	Director
Jose C. Laureta	93	Filipino	Director
Margarito B. Teves	81	Filipino	Independent Director
Martin S. Villarama, Jr.	79	Filipino	Independent Director

Ramon S. Ang, Filipino, 71, was appointed as Chairman and President of the Company, repsectively on June 24, 2013 and December 14, 2020. He is also the Chairman and Chief Executive Officer of SMC. He has been a director of the Company since June 7, 2013. He also holds, among others, the following positions in other listed companies: President and Chief Executive Officer of Top Frontier Investment Holdings, Inc. and Petron Corporation; Chairman of San Miguel Food and Beverage, Inc., San Miguel Brewery Hong Kong Limited (listed on the Hong Kong Stock Exchange) and Petron Malaysia Refining & Marketing Bhd. (company publicly listed in Malaysia); and President of Ginebra San Miguel, Inc. He is also the Chairman of public companies Eagle Cement Corporation and San Miguel Brewery Inc.; Chairman and Chief Executive Officer, President and Chief Operating Officer of San Miguel Global Power Holdings Corp.; Chairman and President of San Miguel Holdings Corp. and San Miguel Properties, Inc.; Chairman and Chief Executive Officer of SMC Asia Car Distributors Corp., Chairman of San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation, Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Philippine Diamond Hotel & Resort Inc., SEA Refinery Corporation, and San Miguel Equity Investments Inc.; Vice Chairman of Northern Cement Corporation; and Director of New NAIA Infra Corp. He is the Chairman and President of SMC SLEX Inc., SMC Skyway Corporation, SMC Skyway Stage 3 Corporation, SMC Skyway Stage 4 Corporation, SMC NAIAX Corporation, Pasig River Expressway Corporation, and San Miguel Aerocity Inc.; Chairman of SMC Mass Rail Transit 7 Inc. and; Chairman, President, and Chief Executive Officer of SMC TPLEX Corporation. He is also the sole director and shareholder of Master Year Limited (Cayman Islands) and the Chairman of the Board and President of Privado Holdings, Corp. Mr. Ang has a Bachelor's Degree in Mechanical Engineering from the Far Eastern University and a Doctorate in Business Engineering, Honoris Causa, from the same university.

John Paul L. Ang, Filipino, 45, has been a director of the Company since September 10, 2024. Mr. Ang holds, among others, the following positions in other listed companies: President and Chief Operating Officer of SMC (since June 11, 2024); President and Chief Executive Officer of San Miguel Food and Beverage, Inc. (since June 5, 2024); and director of Top Frontier Investment Holdings, Inc. (since July 9, 2021) and Petron Corporation (since March 9, 2021). He is also the President and Chief Executive Officer of Eagle Cement Corporation and South Western Cement Corporation; and President of Lucky Nine Properties, Inc., Mabini Properties Inc., San Miguel Equity Investments, Inc., and Clariden Holdings, Inc. Mr. Ang is likewise a director of SMC Skyway Corporation, SMC Skyway Stage 3 Corporation, SMC Skyway Stage 4 Corporation, SMC SLEX Inc., San Miguel Aerocity Inc., SMC Bulacan Water Services Corporation, Aerofuel Storage Management Inc., Argonbay Construction Company, Inc., and KB Space Holdings, Inc. He is the Chairman, President and Chief Executive Officer of Southern Concrete Industries Inc.; Chairman and President of Prima Lumina Gold Mining Corp.; and Vice Chairman of San Miguel Global Power Holdings Corp. He is also a director of San Miguel Brewery Inc. Mr. Ang holds a Bachelor of Arts Degree from Ateneo de Manila University.

Aurora T. Calderon, Filipino, 70, has been a director of the Company since June 24, 2013 and a member of the Company's Audit and Risk Oversight Committee, Corporate Governance Committee, and Related Party Transactions Committee. She is the Senior Vice President, Senior Executive Assistant to the Office of the Chairman and Chief Executive Officer of SMC. She holds the following positions in other publicly listed companies: Director and Treasurer of Top Frontier Investment Holdings, Inc.; and Director of San Miguel Food and Beverage, Inc., Ginebra San Miguel, Inc., San Miguel Brewery Hong Kong Limited (listed in the Hong Kong Stock Exchange), Petron Corporation, and Petron Malaysia Refining & Marketing Bhd (a company publicly listed in Malaysia). She is also the Chairman and President of Ruzena Estates Development Corporation; Director and Treasurer of SMC Asia Car Distributors Corp.; Director of SMC Global Power Holdings Corp., SMC SLEX Inc., Petron Marketing Corporation, Petron Freeport Corporation, New Ventures Realty Corporation, Las Lucas Construction and Development Corporation, Thai San Miguel Liquor Company Limited, San Miguel Equity Investments Inc., San Miguel Yamamura Packaging Corporation, and San Miguel Aerocity Inc. She is a likewise a Director of several subsidiaries of SMC Infrastructure, among others, SMC Skyway Corporation, SMC Skyway Stage 3 Corporation, SMC Skyway Stage 4 Corporation, SMC NAIAX Corporation, and Pasig River Expressway Corporation. A certified public accountant, Ms. Calderon graduated *magna cum laude* from the University of the East with a degree in BS Business Administration, major in Accountancy. She finished her Masters in Business Administration at Ateneo de

Manila University (without thesis). In addition, Ms. Calderon holds directorships in various domestic and international subsidiaries of SMC.

Lorenzo G. Formoso III, Filipino, 63, has been a director of the Company since December 14, 2020 and member of the Company's Audit and Risk Oversight Committee. He is a Senior Vice President and Head of the Infrastructure Business of SMC. He is also the Chairman of Intelligent E-Processes Technologies Corp., Skyway O&M Corporation, TPLEX Operations and Maintenance Corporation, and Star Tollway Corporation; President and Chief Operating Officer of Aerofuel Storage Management Inc; President of Jethandler Asia Services, Inc. and SMC Mass Rail Transit 7 Inc. He is also a Director of Trans Aire Development Holdings Corp., SMC SLEX Holdings Company Inc., Manila North Harbour Port Inc., SMC Skyway Stage 3 Corporation, SMC Skyway Stage 4 Corporation, SMC TPLEX Corporation, Luzon Clean Water Development Corporation, Manila Toll Expressway Systems, Inc., Pasig River Expressway Corporation, and various other toll road companies under SMC Infrastructure. Atty. Formoso served as Assistant Secretary in the Department of Transportation and Communications from 2006 to 2009, and Deputy Commissioner of the Commission on Information and Communications Technology under the Office of the President from 2005 to 2006. He holds a Bachelor of Art Degree in Philosophy from the University of the Philippines and obtained his law degree from the University of California, Davis School of Law. Atty. Formoso was admitted to the State Bar of California in 1987 and to the Philippine Bar in 1992.

Jose C. Laureta, Filipino, 93, has been a director and Corporate Secretary of the Company since June 24, 2013. He holds the following positions in the various toll road subsidiaries of SMC Infrastructure: Corporate Secretary and Compliance Officer of SMC SLEX Inc. and Corporate Secretary of SMC Skyway Corporation, Skyway O&M Corporation, Manila Toll Expressway Systems, Inc., SMC Skyway Stage 3 Corporation, SMC Skyway Stage 4 Corporation, SMC Skyway 3 O&M Corp., and SMC Skyway 4 O&M Corp. Atty. Laureta holds a Bachelor's Degree in Liberal Arts and Sciences from the University of the Philippines and a Bachelor of Laws Degree from the same university. He is also a graduate of the Master of Laws Program at Yale University.

Margarito B. Teves, Filipino, 81, has been an Independent Director of the Company since June 24, 2013, as well as the Chairman of the Company's Audit and Risk Oversight Committee, and member of its Corporate Governance Committee and Related Party Transactions Committees. He is likewise an Independent Director of SMC, Petron Corporation, Alphaland Corporation, Alphaland Balesin Island Club, Inc., The City Club at Alphaland Makati Place, Inc., and Atok-Big Wedge Corporation; and a Director of Pampanga Sugar Development Co. He was previously an Independent Director of AB Capital Securities, Inc., AB Capital Investment Corp. and Alphaland Marina Club, Inc.; Managing Director of The Wallace Business Forum; and Chairman of Think Tank Inc. He also served as Secretary of the Department of Finance of the Philippine Government from 2005 to 2010. Mr. Teves holds a Master of Arts in Development Economics from the Center for Development Economics, Williams College, Massachusetts and is a graduate of the City of London College, with a degree of Higher National Diploma in Business Studies which is equivalent to a Bachelor of Science in Business Economics.

Martin S. Villarama, Jr., Filipino, 79, has been an independent director of the Company since November 16, 2021, as well as the Chairman of the Company's Corporate Governance Committee and Related Party Transactions Committees, and member of its Audit and Risk Oversight Committee. He currently serves as an Independent Director of SMC SLEX Inc., Eagle Cement Corporation, and Ginebra San Miguel, Inc. He is an Advisor of San Miguel Brewery Hongkong Ltd. and a member of the Association of Retired Justices of the Supreme Court of the Philippines. Atty. Villarama is a retired Associate Justice of the Supreme Court of the Philippines (from 2009 to 2016). He started his career in the Judiciary in 1986, when he was appointed as Regional Trial Court Judge of Pasig City. He obtained his Bachelor of Laws Degree from the Manuel L. Quezon University after completing a Bachelor's Degree in Business Administration from De La Salle University.

Key Officers

Joseph N. Pineda, Filipino, 61, has been the Treasurer of the Company since June 24, 2013. He was a director of the Company from June 7, 2013 until September 10, 2024. He is currently the Senior Vice President, Deputy Chief Finance Officer and Treasurer of SMC. He is also the Chairman of SMC Shipping and Lighterage Corporation and Fiesta Pacific Asia Inc.; President of Process Synergy, Inc. and San Miguel Integrated Logistics Services, Inc.; and Treasurer of San Miguel Holdings Corp., SMC Consolidated Power Corporation, SMC Stock Transfer Service Corporation, and SMITS, Inc.; and Director of SMC TPLEX Holdings Company, Inc., San Miguel Aerocity Inc., Sea Refinery Corporation, Anchor Insurance Brokerage Corp., and San Miguel Equity Investments Inc. Mr. Pineda holds a Bachelor of Arts Degree in Economics from San Beda College and took Masters in Business Administration units in De La Salle University.

Raoul Eduardo C. Romulo, Filipino, 62, has been the Chief Finance Officer of the Company since December 14, 2020. He is currently the Treasurer and the Chief Finance Officer of SMC SLEX Inc. and SMC Skyway Corporation; and the Chief Finance Officer and Treasury Head of San Miguel Holdings Corp. He also holds several positions in the various toll road subsidiaries of SMC Infrastructure: President of TPLEX Operations and Maintenance Corporation; Director of Manila Toll Expressway Systems, Inc., and Skyway O&M Corporation; and Treasurer of

SMC SLEX Holdings Company Inc. and Alloy Manila Toll Expressways, Inc. Mr. Romulo holds a double degree in BS Marketing Management and AB Psychology from De La Salle University and a Masters in Business Administration in International Finance from Fordham University Graduate School of Business.

Mary Rose S. Tan, Filipino, 48, has been the Assistant Corporate Secretary and Compliance Officer of the Company since June 24, 2013. She is also the Assistant Corporate Secretary, Assistant Vice President and Associate General Counsel of SMC. She is also the Assistant Corporate Secretary of San Miguel Holdings Corp. and New NAIA Infra Corp.; Corporate Secretary of San Miguel Aerocity Inc., SMC Mass Rail Transit 7 Inc., SMC NAIAX Corporation, SMC TPLEX Holdings Company, Inc., Trans Aire Development Holdings Corp., and Luzon Clean Water Development Corporation. Atty. Tan holds a Bachelor of Arts Degree in Psychology and a Bachelor of Laws Degree both from the University of the Philippines. She obtained her Master of Laws Degree from the University of Sydney in 2009 as an Endeavour Postgraduate Award scholar of the Australian Government. Atty. Tan was admitted to the the Philippine Bar in 2002.

Term of Office

Pursuant to the Company's Amended By-Laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office for a term of one (1) year and until the election and qualification of their successors, unless he resigns, dies or is removed prior to such election.
The nominees for election to the Board of Directors on May 6, 2025 are as follows:

1. Ramon S. Ang
2. John Paul L. Ang
3. Aurora T. Calderon
4. Lorenzo G. Formoso III
5. Jose C. Laureta
6. Margarito B. Teves
7. Martin S. Villarama, Jr.

Independent Directors

The independent directors of the Company in 2024 are Margarito B. Teves and Martin S. Villarama, Jr.

Margarito B. Teves was first elected to the Board of Directors as an independent director on June 7, 2013, and was re-elected on each annual stockholders' meeting thereafter held on May 6, 2014, November 24, 2015, October 25, 2017, November 20, 2018, October 8, 2019, August 14, 2020, May 4, 2021, July 4, 2022, May 31, 2023, and July 12, 2024. He has served

Martin S. Villarama, Jr. was elected to the Board of Directors as an independent director to fill the vacancy created by the death of Reynaldo David on December 13, 2020, at the special meeting of the Board of Directors held on November 16, 2021. He was re-elected on each annual stockholders' meeting thereafter held on July 4, 2022, May 31, 2023, and July 12, 2024, and has served for a cumulative term of

The two (2) independent directors possess all the qualifications and none of the disqualifications under the law and the Manual on Corporate Governance. The certifications on qualification executed by the independent directors of the Company, Margarito B. Teves and Martin S. Villarama, Jr. are attached hereto as **Exhibit "1"** and **Exhibit "2"**, respectively. The certifications are compliant with the substantive requirements prescribed under SEC Memorandum Circular No. 5, s. 2017, a copy of which is attached as **Exhibit "3"**.

Independent directors are subject to a cumulative term limit of nine (9) years, under SEC Memorandum Circular No. 4, s. 2017. Martin S. Villarama, Jr. is still within the prescribed term limit, while the Board will provide the required justification for the retention of Margarito B. Teves, and shall seek stockholders' approval during the stockholders' meeting. Attached as **Exhibit "4"** is a copy of SEC Memorandum Circular No. 4, s. 2017.

Required Certifications and Consents of Government Agencies (where applicable)

None of the directors are connected with government offices. Attached as **Exhibit "5"** is the Certification of the Corporate Secretary of the Company attesting to the foregoing.

Nominees for Election to the Board of Directors for the year 2025 - 2026

All the nominees for election to the Board of Directors satisfy the mandatory requirements specified under the provisions of Section 1, Article II of the Company's Amended By-Laws, and possess all the qualifications and none of the disqualifications under the Company's Manual on Corporate Governance and applicable rules and regulations, including the new Code of Corporate Governance for Publicly-Listed Companies and new rules on term limits of independent directors of the SEC.

As prescribed by the Manual on Corporate Governance, the Corporate Governance Committee of the Company screens each nominee for compliance with the qualifications of a director, through a review of their respective curriculum vitae and other relevant information provided by the nominating stockholder. The following are the Chairman and members of the Corporate Governance Committee of the Company:

- Martin S. Villarama, Jr. (Independent Director) – Chairman
- Margarito B. Teves (Independent Director) – Member
- Aurora T. Calderon (Director) – Member

AAIBV has nominated its respective incumbent nominee-directors for re-election for the year 2025. Below are the nominees to the Board of Directors of the Company:

- Ramon S. Ang
- John Paul L. Ang
- Aurora T. Calderon
- Lorenzo G. Formoso III
- Jose C. Laureta

Nominees for Independent Directors

- Margarito B. Teves
- Martin S. Villarama, Jr.

The independent directors were nominated by AAIBV, through its proxy/authorized representative, Ramon S. Ang. The independent directors do not have any personal or professional relationship with AAIBV or Ramon S. Ang.

The above enumerated nominees will be confirmed by the Corporate Governance Committee prior to the annual stockholders meeting as continuing to possess all of the qualifications and none of the disqualifications for directors under the Manual on Corporate Governance, as contained in the summaries of their personal information presented above discussion, under the heading Incumbent Directors and Officers.

Re-Election of Independent Director

Under Section 2.2.1.6.2 of the Manual on Corporate Governance, the Board's Independent Directors shall serve for a maximum cumulative term of nine (9) years. Upon reaching this limit, an Independent Director should be perpetually barred from re-election as such in the Corporation, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Corporation needs to retain an Independent Director who has served for nine (9) years, the Board shall provide meritorious justifications and seek shareholders' approval during the annual shareholders' meeting.

Margarito B. Teves has been serving the Company as an independent director for the last eleven (11) years. The Company's Corporate Governance Committee has noted his independence and made an initial determination that he possesses all the qualifications and none of the disqualifications to act as independent director of the Company, in accordance with Section 2.2.1.6.1[1] of the Manual on Corporate Governance of the Company.

The Company's Corporate Governance Committee meeting will be held on May 6, 2025 with respect to the screening of all the nominee directors, including the matter of re-election of Margarito B. Teves in compliance with the guideline set forth in Section 2.2.1.6.1 of the Manual on Corporate Governance and the guidelines on the nomination of independent directors prescribed in SRC Rule 38. Upon a meritorious finding, the matter of re-election of Margarito B. Teves as independent director of the Company shall be approved and endorsed for the vote of the stockholders of the Company.

Serving as an independent director, Margarito B. Teves has brought high standards of corporate governance to the Company and objectively contributed providing his insights to the Audit and Risk

[1] Section 2.2.1.6.2 of the Manual on Corporate Governance provides that: "The Board's Independent Directors shall serve for a maximum cumulative term of nine (9) years. Upon reaching this limit, an Independent Director should be perpetually barred from re-election as such in the Corporation, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Corporation needs to retain an Independent Director who has served for nine (9) years, the Board shall provide meritorious justifications and seek shareholders' approval during the annual shareholders' meeting."

Oversight Committee which he chairs, the Related Party Transactions Committee and the Corporate Governance Committee where he is a member, and to the Board of Directors of the Company based on his years of experience and expertise. Being familiar with the mission, vision and corporate values of the Company, the presence of Margarito B. Teves has enhanced these values by her sustained advisory relationship with the Company, especially with respect to the protection of the interest of its minority stockholders and other stakeholders.

On the basis of the foregoing, it is evident that the independence of Margarito B. Teves has not been diminished nor impaired by his long service of a member of the Board of Directors of the Company. He can continue acting as an independent director with the same zeal, diligence and vigor as when he was first elected.

(2) Significant Employees

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

(3) Family Relationships

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

(4) Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of the Company have been the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the date of this Information Statement.

The Company is not a party to, nor is any of its properties the subject of, any significant pending legal proceeding that could be expected to have a material adverse effect on the Company or its business, financial condition and results of operations.

(D) Certain Relationships and Related Transactions

(1) Directors, including Independent Directors, and Executive Officers, with the required information

There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) that are not in the ordinary course of business of the Company. No related party transactions were entered into by any director in 2024 that required review by the Related Party Transactions Committee and further approval by the Board in accordance with the policies of the Company. There have been no complaints, disputes or problems regarding related party transactions of the Company. The Company observes an arm's length policy in its dealings with related parties.

Directors are required to disclose their business interests, interests in transactions that may come before the Company, or any other conflict of interests. In this regard, directors accomplish a Full Business Interest Disclosure ("FBID") form on an annual basis as part of the process to determine whether they have all the qualifications and none of the disqualifications to be a director of the Company pursuant to the Company's By-laws and Manual on Corporate Governance. The refusal to fully disclose the extent of his business interest or comply with disclosure requirements as required under the SRC and its Implementing Rules and Regulations is a ground for the temporary disqualification of a director. In this regard, all incumbent and nominee directors of the Company have accomplished the FBID form and the Corporate Governance Committee has determined that they have all the qualifications and none of the disqualifications to be a director of the Company.

On the other hand, the Human Resources group of the Company ensures the implementation of the Company's policy against conflict of interests and the misuse of inside and proprietary information throughout the organization. Employees are required to promptly disclose any business and family-related interest or involvement, which, by nature, may directly or indirectly conflict with the interests of the Company to ensure that such potential conflicts of interest are surfaced and brought to the attention of management for resolution.

Intermediate Parent Company

As of December 31, 2024, Atlantic Aurum Investments B.V. owns and controls 69,538,4529 common shares comprising 100% of the issued and outstanding capital stock of the Company entitled to vote.

Disagreement of Directors and Executive Officers

None of the directors has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of stockholders because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Board Attendance

The directors' attendance in meetings of the Board, and Committees since the 2024 Annual Stockholders' Meeting up to 31 December 2024 are set forth in **Exhibit "6".**

Board Appraisals, Criteria and Procedures

The Company recognizes that in order to sustain good corporate governance within the organization, the same sound culture must be upheld and cultivated from the top. It is therefore of paramount importance to monitor the governance structure and performance of the Board of Directors and top management according to their roles, responsibilities and accountabilities.

The Board of Directors approved a policy to conduct an annual self-assessment exercise through a questionnaire to be given to each director at the last regular meeting for the year, for the purpose of evaluating the performance of the Board that year and the effectiveness of the Company's governance processes, and seeking ways to improve such performance.

The assessment criteria includes the structure, efficiency, and effectiveness of the Board, participation and engagement of each director, contribution of each member director to their respective Committees, and the performance of management. The criteria also reflects the specific duties, responsibilities and accountabilities of each party assessed as provided in the Company's By-laws, Manual on Corporate Governance, Board Committee Charters and governing policies.

The questionnaire allows the director to provide comments and suggestions to further enrich the assessment process. In case clarification is needed on this policy and the performance assessment exercise, the Board addresses their queries to the Compliance Officer.

The Compliance Officer facilitates the process of distributing the annual self-rating form to the directors, and the collation of the results of the assessment. The Compliance Officer reports the same to the Board at a subsequent meeting prior to the annual stockholders' meeting. The self-rating form may be amended by the Compliance Officer as deemed necessary, provided the same remains compliant with sound corporate governance standards.

Item 6. Compensation of Directors and Executive Officers

Executive Compensation

From the years 2022 to 2024, the executive officers of the Company do not receive any compensation from the Company.

Standard Arrangements on Directors' Compensation

The executive officers are not covered by standard employment contracts and employees' retirement plan and can be terminated upon appropriate notice. Other than reasonable per diem, the directors of the Company have not received and do not receive any salary or compensation for their services as directors. There are no other special arrangements pursuant to which any director was compensated. There is no compensatory plan or arrangement for the termination, resignation, or retirement of a member of the Board

Warrants or Options Outstanding

There are no warrants or options held by any of the directors or executive officers of the Company.

Other Arrangements

Except as described above, there are no other arrangements pursuant to which any of the directors and executive officers of the Company were compensated, or is to be compensated, directly or indirectly.

Item 7. Independent Public Accountants

The auditing firm of Reyes Tacandong & Co. ("RT & Co.") will be recommended as the external auditor for the year ended 31 December 2024. RT & Co. was unanimously approved by the Board of Directors during its meeting held on March 12, 2025, and will recommend the appointment to the stockholders at the annual stockholders' meeting.

RT & Co. audited the financial statements of the Company as of the years ended December 31, 2022, 2023 and 2024.

The aggregate fees billed by RT & Co. for the years 2022, 2023 and 2024 are shown below:

	Amount in Pesos		
	2022	**2023**	**2024**
Audit and Audit Related Fees	700,000	700,000	800,000

SMC Tollways has not engaged the independent auditors to render non-audit services.

SMC Tollways had no disagreements with the external auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

The Audit and Risk Oversight Committee has an existing policy to review and to pre-approve the audit and non-audit services rendered by the independent auditors. It does not allow SMC Tollways to engage the independent auditors for certain non-audit services expressly prohibited by SEC regulations to be performed by an independent auditor for its audit clients. This is to ensure that the independent auditors maintain the highest level of independence from the Company, both in fact and appearance.

The members of the Audit and Risk Oversight Committee are as follows:

- Margarito B. Teves (independent director) – Chairman
- Martin S. Villarama, Jr. (independent director) - Member
- Lorenzo G. Formoso (director) – Member

Item 8. Compensation Plans

No action will be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. <u>ISSUANCE AND EXCHANGE OF SECURITIES</u>

Item 9. Authorization or Issuance of Securities Other than for Exchange

No action is to be taken with respect to the authorization or issuance of any securities of any kind or for any transaction.

Item 10. Modification or Exchange of Securities

No action is to be taken with respect to the modification of any class of securities of the registrant, or the issuance or authorization for issuance of one class of securities of the registrant in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

On April 10, 2025, the Company filed with the SEC its Annual Report for the year ended December 31, 2024 under SEC Form 17-A, which Annual Report also contains the Company's Management Discussion and Analysis and the Sustainability Report. The Company undertakes to provide without charge to each stockholder, upon its written request, a copy of the Annual Report. Requests for copies of the Annual Report can be directed to the following:

Name:	**Raoul Eduardo C. Romulo**
Designation:	Chief Finance Officer
Address :	11/F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City

At the discretion of Management, however, a charge may be made for exhibits, provided such charge is limited to reasonable expenses incurred by the Company in furnishing such exhibits.

A copy of the Annual Report under SEC Form 17-A, which contains the Management Discussion and Analysis and the Sustainability Report, is attached as **Exhibit "10"** of this Information Statement. A copy of the audited financial statements of the Company as of December 31, 2024 is attached as **Exhibit "11"** of this Information Statement.

Other information required to be disclosed under the relevant Parts of Annex C, which are not contained in the discussions above and in the Management Discussion and Analysis are contained in the Annual Report is discussed below:

Brief description of the general nature and scope of business of the Company

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

On June 27, 2013, the Company acquired 34,386,487 shares representing 50.51% of the outstanding capital stock of SMC Skyway Corporation (formerly: Citra Metro Manila Tollways Corporation) ("SMC Skyway"). On September 30, 2013, the Company entered into a share purchase agreement with Terramino Holdings Inc. ("THI") for the acquisition of 25,409,475 shares in SMC Skyway representing 37.33% of the outstanding capital stock of SMC Skyway.

Stage 3 Connector Holdings Corporation ("S3HC") was incorporated as a stock corporation on February 28, 2014 under the laws of the Republic of the Philippines, as a holding company for logistics, tollways, infrastructure and similar businesses. S3HC, a 100% owned subsidiary of the Company, has an ownership interest of 90% in MMSS3.

In 2016, the Company acquired 100% interest in S3HC from Atlantic Aurum Investments BV ("AAIBV"). S3HC is the parent company of SMC Skyway Stage 3 Corporation ("MMSS3"). MMSS3 was incorporated on November 16, 2012 with the primary purpose to finance, design and construct the Skyway Stage 3 Project under a Build-Transfer-Operate (BTO) scheme with the Philippine government.

SMC Skyway was incorporated as a stock corporation on November 27, 1995 under the laws of the Republic of the Philippines, as a joint venture between PT Citra Lamtoro Gung Persada ("Citra") and the Philippine National Construction Corporation ("PNCC") with the primary and exclusive responsibility and privilege of financing, designing, and constructing, under a BTO scheme, the Skyway Project, an elevated expressway from Alabang, Muntinlupa City to Buendia, Makati City and to rehabilitate the at-grade section from Magallanes, Makati City to Alabang, Muntinlupa City with a total length of 29.33 kilometers. Stages 1 and 2 of the Skyway Project, which have been in operation since December 1998 and December 2010, respectively, are now being operated and maintained by Skyway O&M Corporation ("SOMCO"). SMC Skyway holds 40% of the outstanding capital stock of SOMCO.

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

Skyway Stage 1 & 2

Stage 1 of the Skyway Project consists of the construction of a 9.02-kilometer elevated road from Bicutan, Parañaque City to the Makati Central Business District, as well as the rehabilitation of the 13.43-kilometer section of the South Luzon Expressway from Alabang to Magallanes. The Skyway STOA was amended in 2007 to include Stage 2 of the Skyway Project. This portion of the project covers 6.88 kilometers of an elevated expressway from Bicutan to Alabang, extending the 9.02-kilometer elevated toll road from Makati to Bicutan. Stage 2 involved the construction of six (6) travel lanes, with four (4) lanes at the Sucat Ramp Toll Plaza leading westward to Dr. A. Santos Avenue. The Sucat-Alabang Section, on the other hand, has four (4) travel lanes from Sucat going down to the two-lane slip ramps leading to the South Luzon Tollway in front of Hillsborough Subdivision.

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

Skyway Stage 3

MMSS3 was granted the right to finance, design and construct an elevated expressway that will link the South and North Luzon Expressway, from Buendia, Makati City to NLEX-Balintawak, Quezon City with a total length of 17.93 kilometers. MMSS3 started its operations in July 2021 and is being operated and maintained by SMC Skyway 3 O&M Corp. ("SOMCO3"). Under the terms of the STOA, MMSS3 holds the 30-year concession right to design, finance and construct the Skyway Stage 3 Project, an elevated roadway with a total length of approximately 17.93 km from Buendia Avenue in Makati to NLEX-Balintawak, Quezon City and is connected to the existing Skyway Project. The Skyway Stage 3 Project inter-connects the northern and southern cities of Metro Manila to help decongest major thoroughfares within the National Capital Region, stimulate the growth of trade and tourism in Luzon, outside of Metro Manila and provide direct employment and indirect jobs during the construction.

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

Market Price of and Dividends

The Company has an authorized capital stock of ₱8,000,000,000.00 comprised of 80,000,000 common shares with par value of ₱100.00 per common share. As of December 31, 2024, the Company has issued and outstanding 69,538,459 common shares. The common shares of the Company are neither traded in any market, nor subject to outstanding warrants to purchase, or securities convertible into common shares of the Company.

<u>Stockholders</u>

As of December 31, 2024, the Company has eight (8) stockholders, one (1) of which is the principal corporate/juridical entity shareholder, and seven (7) of whom are individuals with one (1) qualifying share each.

The tables showing the current juridical and natural stockholders are in Part 1(B), Item 4(d) above.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

The Company is not undertaking any merger, consolidation, acquisition or similar matters.

Item 13. Acquisition or Disposition of Property

The Company is not acquiring or discposing of any property.

Item 14. Restatement of Accounts

No action is to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

D. <u>OTHER MATTERS</u>

Item 15. Action with Respect to Reports

The approval of the following will be considered and acted upon at the meeting:

1. Minutes of the Annual Stockholders' Meeting held on July 12, 2024 confirming that the minutes contains a true and accurate record of the proceedings. Copies of the Minutes is attached as **Exhibit "7"** and is available for viewing on the Company's website. The said Minutes contain the following information, among others, as required under Section 49 of the RCC:
   (i) Voting and vote tabulation procedures used the meeting
   (ii) Opportunity given to stockholders to ask questions;
   (iii) The matters discussed and resolutions reached;
   (iv) A record of the voting results for each agenda item; and
   (v) A list of the directors, officers and stockholders who attended the meeting.
2. Report to Stockholders
3. Approval of the 2024 Audited Financial Statements
4. Re-election of Independent Director
5. Election of the Board of Directors
6. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
7. Appointment of External Auditor

Item 16. Matters Not Required to be Submitted

No action is to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, Bylaws or Other Documents

No action is to be taken with respect to any amendment of the Company's charter, by-laws or other documents as to which information is not required above.

Item 18. Other Proposed Action

No action is to be taken with respect to any matter not specifically referred to above.

Item 19. Voting Procedures

The vote required for the approval of the minutes of the annual stockholders' meeting, report to stockholders, ratification of acts and proceedings of the board of directors and corporate officers, audited financial statements, and appointment of the external auditor is the affirmative vote of stockholders owning at least a majority of the issued and outstanding capital stock.

With respect to the election of directors, as discussed in Item 4(c) above, each registered stockholder is entitled to cumulative voting (as set out in pages 2 and 4 of this Definitive Information Statement) which shall be adopted. Each stockholder will cast its vote to elect its respective nominees to the Board, provided that the same have been pre-screened and confirmed by the Corporate Governance Committee. The Corporate Secretary or Assistant Corporate Secretary shall be responsible for counting and recording the votes cast.

COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

The evaluation by the Company to measure and determine the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance is vested by the Board of Directors on the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual.

The Board of Directors of the Corporation approved and adopted its Manual on Corporate Governance, in compliance with the requirement in SEC Memorandum Circular No. 24, series of 2019, attached as **Exhibit "8"** to render public companies and registered issuers compliant with the provisions of the 2019 Code of Corporate Governance for Public Companies Registered Issuers, issued on December 19, 2019. The Board also approved all acts required to render the Corporation compliant with the Manual, such as, but not limited to, the creation of the Board committee charters, and approval of the Code of Business Conduct and Ethics prescribed under the 2019 Code and embodied in the Manual.

The Company is also continuing its previous practices on good corporate governance, namely: (a) vetting of the qualifications of the directors and key officers; (b) ensuring attendance of the directors in the Board meetings and in the meetings of various committees in which they are members, by proper scheduling of the meetings; (c) scheduling of corporate governance seminars and training to ensure attendance by the directors and key officers; and (d) establishment of and adherence to appropriate standard operating procedures to ensure that proper operational controls are in place.

The Company has also complied with the requirement to maintain a website in accordance with format prescribed by the SEC, as directed under SEC Memorandum Circular No. 2, s. 2018, attached as **Exhibit "9"**.

Pursuant to SEC Memorandum Circular No. 13, series of 2021, the Annual Corporate Governance Report (ACGR) of the Company for the period January to December 2024 will be filed with the SEC on or before June 30, 2025.

<u>EXHIBITS</u>

EXHIBIT	DESCRIPTION OF DOCUMENT (copies only)
1	Certification on qualification of Independent Director Margarito B. Teves
2	Certification on qualification of Independent Director Martin S. Villarama, Jr.
3	SEC Memorandum Circular No. 5, s. 2017
4	SEC Memorandum Circular No. 4, s. 2017
5	Certification of the Corporate Secretary of the Company attesting to the directors who are not and who are connected with any government agency
6	Board Attendance Summary for 2024
7	Draft Minutes of the Annual Stockholders' Meeting held on July 12, 2024
8	SEC Memorandum Circular No. 24, s. 2019
9	SEC Memorandum Circular No. 2, s. 2018
10	Annual Report under SEC Form 17-A containing the Management Discussion and Analysis and Sustainability Report of the Company filed with the SEC on April 10, 2025.
11	Audited Financial Statements of the Company as of December 31, 2024 as filed with the Bureau of Internal Revenue on April 8, 2025.

PART II.

INFORMATION REQUIRED IN A PROXY FORM

N/A – Proxies are not being solicited

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Mandaluyong City on April 10, 2025.

SMC TOLLWAYS CORPORATION
(Registrant)

By:

Mary Rose S. Tan
Assistant Corporate Secretary and Compliance Officer

EXHIBIT “1”

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY)S.S

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MARGARITO B. TEVES**, Filipino, of legal age, and a resident of 411 Ambuklao Street, Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **SMC TOLLWAYS CORPORATION** (the “Corporation”) and have been its independent director since June 24, 2013.

2. I am affiliated with the following companies or organizations:

Company	Position/Relationship	Period of Service
SMC Tollways Corporation	Independent Director	June 24, 2013 to present
San Miguel Corporation	Independent Director	June 14, 2012 to present
Petron Corporation	Independent Director	May 20, 2014 to present
GBF New Power Group Inc	Independent Director	August 2024- Present
P.J. Lhuillier Group of Companies	Member, Strategic Committee	February 2015 to present
Alphaland Balesin Island Club, Inc.	Independent Director	2012 to present
Alphaland Corporation	Independent Director	May 26, 2011 to present
Atok-Big Wedge Co., Inc.	Independent Director	2011 to present
The City Club at Alphaland Makati Place, Inc.	Independent Director	2011 to present
Pampanga Sugar Development Co.	Director	July 2011 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and regulations and other issuances of the Securities and Exchange Commission (“SEC”).

4. Other than as disclosed in Item 2 above, I am not in any way related to any director/officer/substantial shareholder of the Corporation and its subsidiaries and affiliates.

5. I disclose that I am the subject of the following criminal/administrative investigations or proceedings:

Offense Charged/Investigated	Tribunal or Agency Involved	Status
A legal suit between private parties for qualified theft and/or estafa. I was included only because I was the *former*	Office of the City Prosecutor (Manila)	Based on Mr. Teves’ information request from Landbank while there published reports, the complaint did not prosper. No subpoena was received by Mr Teves and

President of Land Bank.		considering the length of the time that had passed, this is reasonably considered *finis. This will no longer be included in next certification.*
Republic Act No. 3019. I was included only because I was the former *ex officio* Chairman of Land Bank (as DOF Secretary)	Sandiganbayan	Case dismissed by the Third Division on June 14, 2024, a decision that has attained finality. *This will no longer be included in next certification.*

6. I am neither in government service nor affiliated with a government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its implementing rules and regulations, the Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Further Affiant sayeth none.

Done this 21 MAR 2025 2025 at Mandaluyong City.

MARGARITO B. TEVES
Affiant

SUBSCRIBED AND SWORN to before me this 21 MAR 2025 2025 at Mandaluyong City, affiant exhibiting to me his Passport Number P4425969B issued on January 16, 2020 at DFA-NCR South.

Doc. No.: 449;
Page No.: 91;
Book No.: III;
Series of 2025.

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

CARLO MAGNO C. CABALLA
Commission No. 0576-24
Notary Public of Mandaluyong City
Until December 31, 2025
19th Floor San Miguel Properties Centre
No. 7 Saint Francis St. Ortigas Center, Mandaluyong City
Roll No. 73331
PTR No. 3272662; 01/08/2025; Mandaluyong City
IBP No.512417; 01/09/2025; Rizal Chapter
MCLE Compliance No. VIII-0015357:04/14/2028

EXHIBIT "2"

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY)S.S

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MARTIN S. VILLARAMA, JR.**, Filipino, of legal age, and a resident of 22 Golden Street, Gloria 1 Subdivision, Tandang Sora, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **SMC TOLLWAYS CORPORATION** (the "Corporation") and have been its independent director since November 16, 2021.

2. I am affiliated with the following companies or organizations:

Company	Position/Relationship	Period of Service
SMC Tollways Corporation	Independent Director	2021 to Present
SMC SLEX Inc.	Independent Director	2021 to Present
Eagle Cement Corporation	Independent Director	2017 to Present
San Miguel Brewery HongKong Ltd.	Member, Board of Advisors	2017 to Present
Association of Retired Justices of the Supreme Court of the Philippines (ARJJSCP)	Member	2016 to Present
BIR Tennis Club, Agham Road, Quezon City	Member	1983 to Present
Supreme Court of the Philippines	Associate Justice	2009 to 2016
Court of Appeals	Associate Justice	1998 to 2009
Philippine Judicial Academy	Lecturer	2007 to 2009

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and regulations and other issuances of the Securities and Exchange Commission ("SEC").

4. Other than as disclosed in Item 2 above, I am not in any way related to any director/officer/substantial shareholder of the Corporation and its subsidiaries and affiliates.

5. I am co-respondent in a case for Theft entitled "Jimmy N. Gow, representing Uniwide Group of Companies, et. al. vs. Martin S. Villarama, Jr, et. al." before the Parañaque City Prosecutor's Office docketed as "NPS NO. XV-12-INV-21-B-0221" to which I filed my Counter-Affidavit on April 19, 2021. Upon verification of its status on September 30, 2024, I learned that the case was already DISMISSED way back on October 28, 2021.

6. I had resigned, with Court approval, as Court Appointed Liquidator of the Uniwide Group of Companies effective July 7, 2023.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I am neither in government service nor affiliated with a government agency or government-owned and controlled corporation.

9. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Further Affiant sayeth none.

Done this 21 MAR 2025 2025 at Mandaluyong City.

MARTIN S. VILLARAMA, JR.
Affiant

SUBSCRIBED AND SWORN to before me this 21 MAR 2025 2025 at Mandaluyong City, affiant exhibiting to me his Senior Citizen's ID No. 82935 issued by the OSCA Quezon City on January 10, 2008 and Tax Identification Card No. 124-314-240.

Doc. No.: 450;
Page No.: 91;
Book No.: III;
Series of 2025.

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

CARLO MAGNO C. CABALLA
Commission No. 0576-24
Notary Public of Mandaluyong City
Until December 31, 2025
19th Floor San Miguel Properties Centre
No. 7 Saint Francis St. Ortigas Center, Mandaluyong City
Roll No. 73331
PTR No. 3272662; 01/08/2025; Mandaluyong City
IBP No.512417; 01/09/2025; Rizal Chapter
MCLE Compliance No. VIII-0015357;04/14/2028

Securities and Exchange Commission
PHILIPPINES

EXHIBIT "3"

SEC MEMORANDUM CIRCULAR NO. 5
Series of 2017

TO	:	**ALL INDEPENDENT DIRECTORS**
SUBJECT	:	**CERTIFICATE OF QUALIFICATION**
DATE	:	07 March 2017

To promote full disclosure of the qualifications of independent directors to hold said position, the Commission in its *en banc* meeting on 02 March 2017 resolved to update the pro forma Certification required from all independent directors.

The Certification shall include, among others, disclosure of any pending criminal or administrative investigation or proceedings, positions held in Government-Owned and Controlled Corporations and the required written permission or consent from the head of Department/Agency [for those in government service].

The Certification shall be submitted together with the companies' Information Statements (SEC Form 20-IS) and before the election of the independent director.

This Memorandum Circular shall take effect immediately.

Pasay City, Philippines, 10 March 2017.

For the Commission:

TERESITA J. HERBOSA
Chairperson

Published:
Phil. Daily Inquirer, March 16, 2017
Manila Standard, March 16, 2017

CERTIFICATION OF INDEPENDENT DIRECTOR

I, ____________________, Filipino, of legal age and a resident of ________________, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of ________________________ and have been its independent director since ____________ (where applicable).

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of ________________________, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of _(covered company and its subsidiaries and affiliates)_ other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the _(head of the agency/department)_ to be an independent director in ____________________, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of ____________________ of any changes in the abovementioned information within five days from its occurrence.

Done, this _______ day of _________, at ________________.

____
Affiant

SUBSCRIBED AND SWORN to before me this ____ day of __________ at _____________, affiant personally appeared before me and exhibited to me his/her _________________________ issued at _________________________ on ____________________.

Doc. No. ______;
Page No. ______;
Book No. ______;
Series of ______;

EXHIBIT "4"

Securities and Exchange Commission PHILIPPINES

SEC MEMORANDUM CIRCULAR NO. 4
Series of 2017

TO	:	**REGISTERED ISSUERS, PUBLIC AND MUTUAL FUND COMPANIES**
SUBJECT	:	**TERM LIMIT OF INDEPENDENT DIRECTORS**
DATE	:	09 March 2017

To promote and reinforce board independence and to be consistent with recognized regional best practice, the Commission in its *en banc* meeting on 09 March 2017 resolved to amend its rules on the term limit of independent directors as follows:

1. A company's independent director shall serve for a maximum cumulative term of nine (9) years;

2. After which, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify as a non-independent director;

3. In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting; and

4. Reckoning of the cumulative nine-year term is from 2012.

This Memorandum Circular shall take effect immediately.

All past resolutions or circulars of the Commission that are inconsistent with this Circular shall be deemed repealed or modified accordingly.

Pasay City, Philippines, 10 March 2017.

For the Commission:

T. J. H.

TERESITA J. HERBOSA
Chairperson

Published:
Phil. Daily Inquirer, March 16, 2017
Manila Standard, March 16, 2017

EXHIBIT "5"

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY) S.S.

SECRETARY'S CERTIFICATE

I, **MARY ROSE S. TAN**, of legal age, Filipino, with office address at 40 San Miguel Avenue, Mandaluyong City, being the duly elected and incumbent Assistant Corporate Secretary of **SMC TOLLWAYS CORPORATION** (the "Corporation"), a corporation organized and existing under the laws of the Philippines, with principal office at 11/F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City, Metro Manila, under oath, do hereby state that:

1. Pursuant to the Articles of Incorporation of the Corporation, the Corporation has seven (7) seats in the Board of Directors. The current directors of the Corporation are as follows:

   - Ramon S. Ang – Director
   - John Paul L. Ang – Director
   - Aurora T. Calderon – Director
   - Lorenzo G. Formoso III – Director
   - Jose C. Laureta – Director
   - Margarito B. Teves – Independent Director
   - Martin S. Villarama, Jr. – Independent Director

   The aforementioned directors are nominees for election as directors at the annual stockholders' meeting of the Corporation for the year 2025.

2. Pursuant to the By-Laws of the Corporation, the Corporation has appointed a Chairman, President, Treasurer, Chief Finance Officer, Corporate Secretary and Assistant Corporate Secretary to serve as officers of the Corporation. The incumber key officers of the Corporation are as follows:

   - Ramon S. Ang – Chairman and President
   - Joseph N. Pineda – Treasurer
   - Raoul Eduardo C. Romulo – Chief Finance Officer
   - Jose C. Laureta – Corporate Secretary
   - Mary Rose S. Tan – Assistant Corporate Secretary

3. To the best of my knowledge, none of the directors or officers of the Corporation are currently employed by, or hold any position with, any agency or instrumentality of the government of the Republic of the Philippines;

4. This Certification is based on the records maintained by the Corporation and is accurate to the best of my knowledge.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, I hereto affix my signature this 8th day of April 2025 at Mandaluyong City.

MARY ROSE S. TAN
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this 8th day of April 2025 at Mandaluyong City, affiant exhibiting to me her Philippine Passport No. P6179528B issued on 26 January 2021, at DFA NCR Central.

Doc. No. 56;
Page No. 13;
Book No. III;
Series of 2025.

IRENE M. CIPRIANO
Commission No. 0221-24
Notary Public for Mandaluyong City
Until December 31, 2025
SMC, 40 San Miguel Ave., Mandaluyong City
Roll of Attorneys No. 45955
PTR No. 3272758; 01/08/2025; Mandaluyong City
IBP Lifetime Member No. 09482; 01/05/11; Q.C.
MCLE Compliance No. VIII-0008465; 05/07/24; Pasig Cit

IRENE M. CIPRIANO
NOTARY PUBLIC
ROLL NO. 45955
MANDALUYONG CITY, PHILIPPINES

EXHIBIT “6”

BOARD OF DIRECTORS ATTENDANCE SUMMARY 2024

Director’s Names	December 11 RM BD	December 11 AROC	September 10 SM BD	September 10 CGC	July 12 OM	March 13 RM BD
Ramon S. Ang	x	N/A	✓	N/A	✓	✓
John Paul L. Ang*	x	N/A	✓	N/A	N/A	N/A
Aurora T. Calderon	✓	✓	✓	✓	✓	✓
Lorenzo G. Formoso III	✓	✓	✓	N/A	x	x
Joseph N. Pineda**	N/A	N/A	N/A	✓	✓	✓
Jose C. Laureta	✓	N/A	✓	N/A	✓	✓
Margarito B. Teves	✓	✓	✓	✓	✓	✓
Martin S. Villarama, Jr.	✓	✓	✓	✓	✓	✓

**Mr. John Paul L. Ang was elected director on September 10, 2024.*
***Mr. Joseph N. Pineda resigned effective September 10, 2024.*

LEGEND:

AROC – Audit and Risk Oversight Committee Meeting
ASM – Annual Stockholders’ Meeting
CGC – Corporate Governance Committee Meeting
OM – Organizational Meeting of the Board of Directors
RM BD – Regular Meeting of the Board of Directors
SM BD – Special Meeting of the Board of Directors

EXHIBIT “7”

MINUTES OF THE ANNUAL STOCKHOLDERS’ MEETING
OF

SMC TOLLWAYS CORPORATION

Held on 12 July 2024 (Friday), at 11:00 a.m.
(via Zoom videoconferencing)

PRESENT:

Atlantic Aurum Investments B.V. (By Proxy)

Ramon S. Ang
Aurora T. Calderon
Joseph N. Pineda
Jose C. Laureta
Margarito B. Teves
Martin S. Villarama, Jr.

APOLOGIES:

Lorenzo G. Formoso III

ALSO PRESENT:

Ferdinand K. Constantino
Raoul Eduardo C. Romulo
Crisallie D. Geronimo
Shaina Anella B. Ramirez
Mary Rose S. Tan
- -

I. CALL TO ORDER

Mr. Ramon S. Ang, the Chairman of the Board, called the stockholders’ meeting to order and presided over the same. Atty. Jose C. Laureta, the Corporate Secretary, recorded the minutes of the proceedings.

II. CERTIFICATION OF QUORUM

Stockholders representing at least majority of the outstanding capital stock of the Corporation being present, the Corporate Secretary certified that a quorum existed for the valid transaction of business.

III. APPROVAL OF THE MINUTES OF THE ANNUAL STOCKHOLDERS’ MEETING HELD ON 31 MAY 2023

Upon motion duly made and seconded, the Minutes of the Annual Stockholders’ Meeting held on 31 May 2023 was unanimously approved by the stockholders.

IV. APPROVAL OF THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

Upon motion duly made and seconded, the Audited Financial Statements of the Corporation as of 31 December 2023 was unanimously approved by the stockholders.

V. RATIFICATION OF ALL ACTS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND CORPORATE OFICERS

Upon motion duly made and seconded, the following resolution was unanimously approved by the stockholders:

> "**RESOLVED**, as it is hereby resolved, that all acts, resolutions and proceedings of the Board of Directors and corporate officers of the Corporation, since the Annual Stockholders' Meeting on 31 May 2023 until the date of this meeting be approved, confirmed and ratified."

VI. ELECTION OF THE BOARD OF DIRECTORS

The stockholders proceeded to elect the members of the Board of Directors of the Corporation. The following were nominated:

Chairman:	Mr. Ramon S. Ang
Members:	Ms. Aurora T. Calderon
	Mr. Joseph N. Pineda
	Atty. Lorenzo G. Formoso III
	Atty. Jose C. Laureta
	Mr. Margarito B. Teves
	Justice Martin S. Villarama, Jr.

There being no other nominees, the above-named persons were unanimously elected by the stockholders as members of the Board of Directors of the Corporation.

VII. APPOINTMENT OF EXTERNAL AUDITORS

Upon motion duly made and seconded, the stockholders unanimously appointed the auditing firm of **Reyes Tacandong & Co.** as external auditors of the Corporation for the calendar year 2024, under such terms and conditions as may be deemed appropriate by the Board of Directors.

VIII. ADJOURNMENT

There being no other matters to be discussed, the stockholders' meeting was adjourned.

ATTESTED BY:

RAMON S. ANG
Chairman

Certified Correct:

MARY ROSE S. TAN
Assistant Corporate Secretary

EXHIBIT "8"

Securities and Exchange Commission
PHILIPPINES

SEC MEMORANDUM CIRCULAR NO. 24
Series of 2019

TO	:	**PUBLIC COMPANIES AND REGISTERED ISSUERS**
SUBJECT	:	**CODE OF CORPORATE GOVERNANCE FOR PUBLIC COMPANIES AND REGISTERED ISSUERS**

To promote the development of a strong corporate governance culture and keep abreast with recent developments in corporate governance best practices, the Commission, pursuant to its regulatory power under Section 179(d) of Republic Act No. 11232 otherwise known as the Revised Corporation Code of the Philippines, resolved to adopt the Code of Corporate Governance for Public Companies and Registered Issuers ("CG Code for PCs and RIs").

(1) The CG Code for PCs and RIs supersedes the following SEC Memorandum Circulars:

a) SEC Memorandum Circular No. 6, Series of 2009 (Revised Code of Corporate Governance);
b) SEC Memorandum Circular No. 9, Series of 2014 (Amendment to the Revised Code of Corporate Governance; and
c) SEC Memorandum Circular No. 4, Series of 2017 (Term Limits of Independent Directors).

The aforementioned Memorandum Circulars shall remain in effect for other covered companies, when applicable.

(2) All other relevant Memorandum Circulars on corporate governance shall remain in force and effect until further notice.

(3) All public companies and registered issuers shall submit a new Manual on Corporate Governance within six (6) months from the effectivity of this Memorandum Circular.

(4) Notwithstanding the issuance of the CG Code for PCs and RIs, public companies and registered issuers shall submit a Compliance Officer Certification on the extent of the company's compliance with Revised Code of Corporate Governance and Corporate Secretary Certification on record of attendance in board meetings for the covered year 2019 on or before 30 January 2020.

This Memorandum Circular shall take effect fifteen (15) days after its publication in two (2) newspapers of general circulation in the Philippines.

Pasay City, Philippines, 19 December 2019.

For the Commission:

EMILIO B. AQUINO
Chairperson

Published:
Manila Bulletin, December 28, 2019
Manila Standard, December 28, 2019

CODE OF CORPORATE GOVERNANCE FOR PUBLIC COMPANIES AND REGISTERED ISSUERS

INTRODUCTION

1. The Code of Corporate Governance for Public Companies and Registered Issuers is the next in the series of Corporate Governance Codes for different types of corporations under the supervision of the Securities and Exchange Commission. It is rooted in the same Corporate Governance principles provided in the Code of Corporate Governance for Publicly-Listed Companies with the same intention of raising the corporate governance standards of Philippine corporations consistent with the G20/OECD[1] Principles of Corporate Governance and other internationally recognized corporate governance principles.

2. The Code will adopt the "comply or explain" approach. This approach combines voluntary compliance with mandatory disclosure. Companies do not have to comply with the Code, but they must state in their annual corporate governance reports whether they comply with the Code provisions, identify any areas of non-compliance, and explain the reasons for non-compliance.

3. The Code is arranged as follows: Principles, Recommendations and Explanations.

   The **Principles** can be considered as high-level statements of corporate governance good practice and are applicable to all companies.

   The **Recommendations** are the objective criteria that are intended to identify the specific features of corporate governance good practices that are recommended for companies covered by this Code.

   The **Explanations** strive to provide companies with additional information on the recommended best practice.

4. This Code does not, in any way, prescribe a "one size fits all" framework. It is designed to allow companies some flexibility in establishing their corporate governance practices. Larger companies would generally be expected to follow most of the Code's provisions. Smaller companies may decide that the costs of some of the provisions outweigh the benefits, or are less relevant in their case. Hence, the Principle of Proportionality is considered in the application of the provisions of this Code.

5. Definition of Terms:

   Board of Directors – the governing body elected by the shareholders/members that exercises the corporate powers of a corporation, conducts all its business and controls its properties. For purposes of this Code, reference to Board of Directors and/or Directors shall also include reference to Board of Trustees and/or Trustees, respectively, in applicable cases.

[1] Organisation for Economic Co-operation and Development

Corporate Governance – the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their shareholders/members and other stakeholders.

Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the board of directors and Senior Management accountable for ensuring ethical behavior and reconciling long-term customer satisfaction with shareholder/member value to the benefit of all stakeholders and society.

Its purpose is to maximize the organization's long-term success, thereby creating sustainable value for its shareholders/members, other stakeholders and the nation.

Enterprise Risk Management – a process, effected by an entity's Board of Directors, Management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.[2]

Executive director – a director who has executive responsibility of day-to-day operations of a part or the whole of the corporation.

Independent director – a person who is independent of Management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

Internal control – a process designed and effected by the entity's Board of Directors/ Trustees, Senior Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management of corporate information; and compliance with applicable laws, regulations, and the organization's policies and procedures.

Management – a group of executives given the authority by the Board of Directors/ Board of Trustees to implement the policies it has laid down in the conduct of the business of the corporation.

Members – the members of non-stock corporations.

Non-executive director – a director who has no executive responsibility and does not perform any work related to the day-to-day operations of the corporation.

Non-Proprietary Right – an interest, participation or privilege over a specific property of a corporation that allows the holder to use such property under certain terms and conditions. The holder, however, shall not be entitled to dividends from the corporation or to its assets upon its liquidation.

Proprietary Right – an interest, participation or privilege in a corporation which gives the holder the right to use the facilities and to receive dividends or earnings

[2] Committee of Sponsoring Organizations of the Treadway Commission (COSO Framework).

from the corporation. Upon the liquidation of the corporation, the holder shall have proportionate ownership rights over its assets.

Public Company – a company with assets of at least Fifty Million Pesos (Php50,000,000.00) and having two hundred (200) or more shareholders holding at least one hundred (100) shares each of equity securities.

Registered Issuer – a company that: (1) issues proprietary and/or non-proprietary shares/certificates; (2) issues equity securities to the public that are not listed in an Exchange; or (3) issues debt securities to the public that are required to be registered to the SEC, whether or not listed in an Exchange.

Related parties - covers the covered entity's directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, and other persons if these persons have control, joint control or significant influence over the covered entity. It also covers the covered entity's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party.

Related Party Transactions – a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

Significant Influence - The power to participate in the financial and operating policy decisions of the company but has no control or joint control of those policies.

Stakeholders – any individual, organization or society at large who can either affect and/or be affected by the company's strategies, policies, business decisions and operations, in general. This includes, among others, non-proprietary certificate holders, customers, creditors, employees, suppliers, investors, as well as the government and the community in which the company operates.

THE BOARD'S GOVERNANCE RESPONSIBILITIES

1. ESTABLISHING A COMPETENT BOARD

Principle

The company should be headed by a competent, working board to foster the long-term success of the corporation, and to sustain its competitiveness and growth in a manner consistent with its corporate objectives and the long-term best interests of its shareholders/members and other stakeholders.

Recommendation 1.1

The Board should be composed of directors with a collective working knowledge, experience or expertise that is relevant to the company's industry/sector. The Board should always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

Explanation

Competence can be determined from the collective knowledge, experience and expertise of each director that is relevant to the industry/sector that the company is in. A Board with the necessary knowledge, experience and expertise can properly perform its tasks and functions. In this regard, the Board sets qualification standards for its members to facilitate the selection of potential nominees for board seats, and to serve as a benchmark for the evaluation of its performance.

Recommendation 1.2

The Board should be headed by a competent and qualified Chairperson.

Explanation

The roles and responsibilities of the Chairperson should be contained in the Board Charter. These include, among others, the following:

a. Makes certain that the meeting's agenda focuses on strategic matters, including the overall risk appetite of the corporation, taking into account the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;

b. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;

c. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;

d. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;

e. Assures the conduct of proper orientation for first-time directors and continuing training opportunities for all directors; and

f. Makes sure that performance of the Board is evaluated at least once a year and discussed or followed up on if necessary.

Recommendation 1.3

The Company should have a policy on the training of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors.

Explanation

The orientation program for first-time directors and relevant annual continuing training for all directors aim to promote effective board performance and continuing qualification of the directors in carrying out their duties and responsibilities.

The orientation program ensures that new members are appropriately apprised of their duties and responsibilities, before beginning their directorships, and throughout their tenure. The orientation program covers SEC-mandated topics on corporate governance and includes an introduction to the company's business, Articles of Incorporation and By-laws, and Code of Business Conduct and Ethics.

The annual continuing training program, on the other hand, makes certain that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the company. The training can be on any matter relevant to the company, which could include training on audit, internal controls, risk management, sustainability and strategy. It is encouraged that companies assess their own training and development needs in determining the coverage of their continuing training program. For corporate governance trainings, the trainings can be conducted by SEC Accredited Institutional Training Providers.

It is suggested that the orientation program for first-time directors, in any company, be for at least eight (8) hours, while the annual continuing training be for at least four (4) hours.

Recommendation 1.4

The Board should have a policy on board diversity.

Explanation

Having a board diversity policy is a move to avoid groupthink and ensure that optimal decision-making is achieved. Groupthink is a mode of thinking in which individual members of small cohesive groups tend to accept a viewpoint or conclusion that represents a perceived group consensus, whether or not the group members believe it to be valid, correct, or optimal. Groupthink reduces the efficiency of collective problem solving within such groups.[3]

[3]Schmidt, Anna (2016), Encyclopædia Britannica, Inc. *Groupthink*. Retrieved from Encyclopædia Britannica Website, https://www.britannica.com/science/groupthink, last accessed 27 August 2019.

A board diversity policy is not limited to gender diversity. It also includes diversity in age, ethnicity, culture, skills, competence and knowledge. On gender diversity policy, a good example is to increase the number of female directors, including female independent directors (IDs).

Recommendation 1.5

The Board should ensure that it is assisted in its duties by a Corporate Secretary, who should be a separate individual from the Compliance Officer. The Corporate Secretary should not be a member of the Board of Directors and should annually attend a training on corporate governance.

Explanation

The Corporate Secretary is primarily responsible to the corporation and its shareholders/members, and not to the Chairperson or President of the Company and has, among others, the following duties and responsibilities:

a. Assists the Board and the Board committees in the conduct of their meetings (i.e. agenda setting, preparation of annual schedule of meetings and board calendar);

b. Safekeeps and preserves the integrity of the minutes of the meetings of the Board, Board committees and shareholders/members, as well as other official records of the corporation;

c. Keeps abreast of relevant laws, regulations, all governance issuances, industry developments and operations of the corporation, and advises the Board and the Chairperson on all relevant issues as they arise;

d. Works fairly and objectively with the Board, Management and shareholders/members and contributes to the flow of information between the Board and Management, the Board and its committees, and the Board and its shareholders/members as well as other stakeholders;

e. Advises on the establishment of board committees and their terms of reference;

f. Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five (5) working days before the date of the meeting, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

g. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;

h. Performs all required administrative functions;

i. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and

j. Performs such other duties and responsibilities as may be provided by the Board and the Commission.

Recommendation 1.6

The Board should ensure that it is assisted in its duties by a Compliance Officer, who should have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation. The Compliance Officer should not be a member of the Board of Directors and should annually attend a training on corporate governance.

Explanation

The Compliance Officer is a member of the company's Management team in charge of the compliance function. Similar to the Corporate Secretary, he is primarily liable to the corporation and its shareholders/members, and not to the Chairperson or President of the company. He has, among others, the following duties and responsibilities:

a. Ensures proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);

b. Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;

c. Reports to the Board if violations are found and recommends the imposition of appropriate disciplinary action;

d. Ensures the integrity and accuracy of all documentary and electronic submissions as may be allowed under SEC rules and regulations;

e. Appears before the SEC when summoned in relation to compliance with this Code and other relevant rules and regulations;

f. Collaborates with other departments within the company to properly address compliance issues, which may be subject to investigation;

g. Identifies possible areas of compliance issues and works towards the resolution of the same;

h. Ensures the attendance of board members and key officers to relevant trainings; and

i. Performs such other duties and responsibilities as may be provided by the Board and SEC.

2. ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

Principle

The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles of incorporation and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to shareholders/members and other stakeholders.

Recommendation 2.1

The Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and all shareholders/members and all other stakeholders.

Explanation

There are two key elements of the fiduciary duty of board members: the duty of care and the duty of loyalty. The duty of care requires board members to act on a fully informed basis, in good faith, and with due diligence and care. The duty of loyalty is also of central importance; the board member should act in the interest of the company and all its shareholders/members, and not those of the controlling group or any other stakeholder. The fiduciary duty of the board is to promote the value of the corporation. The board must exercise their business judgment in considering and reconciling the interests of various stakeholders - including shareholders.

Recommendation 2.2

The Board should oversee the development of and approve the company's business and strategy, and monitor its implementation, in order to sustain the company's long-term viability and strength.

Explanation

Sound strategic policies and objectives translate to the company's proper identification and prioritization of its goals and guidance on how best to achieve them. This creates optimal value to the corporation.

Recommendation 2.3

The Board should be responsible for ensuring and adopting an effective succession planning program for directors, key officers and Management to ensure the continuous and consistent growth of the company. This should include adopting a retirement policy for directors and key officers.

Explanation

The smooth and efficient transition of company leadership to highly competent and qualified individuals is the goal of succession planning. It is the Board's responsibility to implement a process of appointing competent, professional, honest and highly motivated Management officers who can add value to the company. A good succession plan is linked to the documented roles and responsibilities for each position, and should start in objectively identifying the key knowledge, skills, and abilities required for the position.

Recommendation 2.4

The Board should align the remuneration of key officers and board members with the long-term interests of the company/organization. In doing so, it should formulate and adopt a policy specifying the relationship between remuneration and performance. In this regard, no director or trustee should participate in the determination of his own per diem or compensation.

Explanation

Companies are able to attract and retain the services of qualified and competent individuals if the level of remuneration is sufficient, in line with the business and risk strategy, objectives, values and measures are incorporated to prevent conflicts of interest. Remuneration policies promote a sound risk culture and encourage employees to act in the long-term interest of the company as a whole, rather than for themselves or their business lines only. Moreover, it is good practice for the Board to formulate and adopt a policy specifying the relationship between remuneration and performance, which includes specific financial and non-financial metrics to measure performance.
Key considerations in determining proper compensation include the following: (1) the level of remuneration is commensurate to the responsibilities of the role; (2) no director or trustee should participate in the determination of his own per diem or compensation; and (3) remuneration pay-out schedules should be sensitive to risk outcomes over a multi-year horizon.

For employees in control functions (e.g., risk, compliance and internal audit), their remuneration is determined independently from any business line being overseen, and their performance measures are based principally on the achievement of their objectives.

Recommendation 2.5

The Board should have a formal and transparent board nomination and election policy that should include how it accepts nominations from its shareholders/members and reviews the qualifications of nominated candidates. The policy should also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement/removal of a director/trustee. In addition, its process of identifying the quality of directors should be aligned with the strategic direction of the company.

Explanation

It is the Board's responsibility to develop a policy on board nomination and election. A formal and transparent nomination and election policy clearly provides for the procedures on how the Board accepts nominations and encourages shareholders'/members' participation.

The nomination and election process also includes the review and evaluation of the qualifications of all persons nominated to the Board, including whether candidates: (1) possess the knowledge, skills, experience, and particularly in the case of non-executive directors (NEDs), the independence of mind given their responsibilities to the Board and in light of the entity's business and risk profile; (2) have a record of integrity and good repute; (3) have sufficient time to carry out their responsibilities; and (4) have the ability to promote a smooth interaction between board members. The process includes monitoring of the qualifications of the directors.

The following may be considered as grounds for the permanent disqualification of a director:

a. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that: (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or

(c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC, Bangko Sentral ng Pilipinas (BSP) or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company or as an affiliated person of any of them; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

   The disqualification should also apply if (a) such person is the subject of an order of the SEC, BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Revised Corporation Code of the Philippines, Securities Regulation Code or any other law administered by the SEC or BSP, or under any rule or regulation issued by the Commission or BSP; (b) such person has otherwise been restrained to engage in any activity involving securities and banking; or (c) such person is the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

c. Any person convicted by final judgment or order by a court, or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

d. Any person who has been adjudged by final judgment or order of the SEC, BSP, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law, rule, regulation or order administered by the SEC or BSP;

e. Any person judicially declared as insolvent;

f. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority for acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated above;

g. Conviction by final judgment of an offense punishable by imprisonment for more than six years, or a violation of the Revised Corporation Code of the Philippines and Securities Regulation Code committed within five years prior to the date of his election or appointment; and

h. Other grounds as the SEC may provide pursuant to the provisions of the Revised Corporation Code of the Philippines, Securities Regulation Code and other related laws.

In addition, the following may be grounds for temporary disqualification of a director:

a. Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any 12-month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification should apply for purposes of the succeeding election;

b. Dismissal, termination or removal for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification should be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal, termination or removal;

c. If the beneficial equity ownership of an independent director (ID) in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an ID is lifted if the limit is later complied with; and

d. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

Recommendation 2.6

The Board should have the overall responsibility in ensuring that there is a policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy should include the appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.

Explanation

Ensuring the integrity of related party transactions (RPTs) is an important fiduciary duty of the director. It is the Board's role to initiate policies and measures geared towards promotion of transparency, prevention of abuse, and protection of the interest of all shareholders/members. One such measure is requiring material RPTs to be approved by at least two-thirds (2/3) of the Board, with majority of the independent directors approving the transaction, in accordance with the provisions of the Revised Corporation Code of the Philippines, SEC issuances and other related laws. Other measures include ensuring that transactions occur at market prices, at arm's-length basis and under conditions that protect the rights of all shareholders/members.

The following are suggestions for the content of the RPT Policy:

- Identification of related parties;
- Coverage of RPT policy;
- Guidelines in ensuring arm's-length terms;
- Identification and prevention or management of potential or actual conflicts of interest which may arise;
- Adoption of materiality thresholds, as well as internal limits for individual and aggregate exposures;
- Approval of material RPTs based on the company's materiality threshold;
- Disclosure requirement of material RPTs;
- Self-assessment and periodic review of policy;
- Whistle-blowing mechanisms; and
- Restitution of losses and other remedies for abusive RPTs.

In addition, the company is given the discretion to set their materiality threshold at a level where omission or misstatement of the transaction could pose a significant risk to the company and influence its economic decision. The SEC may direct a company to reduce its materiality threshold or amend excluded transactions if the SEC deems that the threshold or exclusion is inappropriate considering the company's size, risk profile, and risk management systems.

Depending on the materiality threshold, approval of Management, the Board or the shareholders may be required. In cases where the Board and/or shareholders'/members' approval is required, it is good practice for interested directors and/or shareholders/members, respectively, to abstain and let the disinterested parties decide.

Recommendation 2.7

The Board should be primarily responsible for approving the selection and assessing the performance of the Management led by the Chief Executive Officer (CEO) or his equivalent, and control functions led by their respective heads (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive, as may be applicable).

Explanation

It is the responsibility of the Board to appoint a competent Management team at all times, monitor and assess the performance of the Management team based on established performance standards that are consistent with the company's strategic objectives, and conduct a regular review of the company's policies with the management team. In the selection process, fit and proper standards are to be applied on key personnel and due consideration is given to integrity, technical expertise and experience in the company's business, either current or planned.

Recommendation 2.8

The Board should establish an effective performance evaluation framework, which includes the standard or criteria for assessment, that will ensure that the Management, including the Chief Executive Officer or his equivalent, and personnel's performance is at par with the standards set by the Board and Senior Management.

Explanation

Results of performance evaluation is oftentimes linked to other human resource activities such as training and development, remuneration, and succession planning. These form part of the assessment of the continuing qualification, fitness, and propriety of the Management, and personnel in carrying out their respective duties and responsibilities.

Recommendation 2.9

The Board should oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential/actual conflicts of interest of board members, management, and shareholders/members. The Board should also adopt an Internal Audit Charter.

Explanation

In the performance of the Board's oversight responsibility, the minimum internal control mechanisms include overseeing the implementation of the key control functions, such as risk management, compliance and internal audit, and reviewing the corporation's human resource policies, conflict of interest situations, compensation program for employees and Management succession plan.

Recommendation 2.10

The Board should oversee that a sound Enterprise Risk Management framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework should guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

Explanation

Risk management policy is part and parcel of a corporation's business strategy. The Board is responsible for defining the company's level of risk tolerance and providing oversight over its risk management policies and procedures.

Recommendation 2.11

The Board should have a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter should serve as a guide to the directors in the performance of their functions and should be made publicly available.

Explanation

The Board Charter guides the directors on how to discharge their functions. It provides the standards for evaluating the performance of the Board. The Board Charter also contains the roles and responsibilities of the Chairperson.

3. ESTABLISHING BOARD COMMITTEES

Principle

Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, compliance and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all the board committees should be contained in their respective board committee charters.

Recommendation 3.1

The Board should establish board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities. The Board committees should be composed only of board members.

Explanation

Board committees such as the Audit Committee, Corporate Governance Committee, and Board Risk Oversight Committee are necessary to support the Board in the effective performance of its functions. The establishment of the same, or any other committees that the company deems necessary, allows for concentration of focus in specific issues and leads to a better management of the Board's workload. The type of board committees to be established by a company would depend on its size, risk profile, nature and complexity of operations. However, if the committees are not established, the functions of these committees may be carried out by the whole board or by any other committee.

Recommendation 3.2

The Board should establish an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The committee should be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairperson, should be independent directors. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairperson of the Audit Committee should not be the Chairperson of the Board or of any other committees.

Explanation

The Audit Committee is responsible for overseeing the Senior Management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The Audit Committee has the following duties and responsibilities, among others:

a. Recommends the approval of the Internal Audit (IA) Charter, which formally defines the responsibilities, powers and authority of the IA Department, the audit plan of the IA Department, as well as oversees the implementation of the IA Charter;

b. Through the IA Department, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to: (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;

c. Oversees the IA Department, and recommends the appointment and removal of an IA head as well as his qualifications, and grounds for appointment and removal. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services, if applicable;

d. Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;

e. Monitors the Management's responsiveness to the Internal Auditor's findings and recommendations;

f. Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to identify proper coverage and minimize duplication of efforts;

g. Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid and the corporation's overall consultancy expenses. The Audit Committee should disallow any non-audit work that will conflict with the duties of an External Auditor or may pose a threat to his independence[4]. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;

h. Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:

    - Any change/s in accounting policies and practices
    - Areas where a significant amount of judgment has been exercised
    - Significant adjustments resulting from the audit
    - Going concern assumptions
    - Compliance with accounting standards
    - Compliance with tax, legal and regulatory requirements

i. Reviews the recommendations in the External Auditor's management letter;

j. Performs oversight functions over the corporation's Internal and External Auditors and ensures their independence and unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions taking into consideration relevant Philippine professional and regulatory requirements;

k. Coordinates, monitors and facilitates compliance with laws, rules and regulations;

l. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the shareholders;

m. Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, the Related Party Registry is updated to capture subsequent changes in relationships with counterparties (from non-related to related and vice versa);

n. In case of the absence of a Related Party Transactions (RPTs) Committee, evaluates all RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied;

o. In case of the absence of an RPT Committee:

[4]As defined under the Code of Ethics for Professional Accountants.

- Determines any potential reputational risk issues that may arise as a result of or in connection with RPTs. In evaluating RPTs, the Committee takes into account, among others, the following:

    1. The related party's relationship to the company and interest in the transaction;
    2. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
    3. The benefits to the corporation of the proposed RPT;
    4. The availability of other sources of comparable products or services; and
    5. An assessment of whether the proposed RPT is undertaken on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.

- Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on potential and/or actual conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties;

- Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;

- Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process;

- Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures; and

p. Performs the functions of the Board Risk Oversight Committee, as provided under Recommendations 3.4, in the absence thereof.

q. Meets internally and with the Board at least once every quarter without the presence of the CEO or other Management team members, and periodically meets with the head of the IA.

Recommendation 3.3

The Board should establish a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to the Nomination and Remuneration Committee. It should be composed of at least three (3) directors, majority of whom should be independent directors, including the Chairperson.

Explanation

The Corporate Governance Committee (CG Committee) is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions, among others:

a. Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity of operations and business strategy, as well as its business and regulatory environments;

b. Oversees the periodic performance evaluation of the Board and its committees as well as the executive management, and conducts an annual evaluation of the said performance;

c. Ensures that the results of the Board evaluation are discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;

d. Recommends the continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;

e. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;

f. Proposes and plans relevant trainings for the members of the Board;

g. Determines the nomination and election process for the company's directors and defines the general profile of board members that the company may need, and ensures that appropriate knowledge, competencies and expertise that complement the existing skills of the Board are adopted as standards and criteria for nomination and election; and

h. Establishes a formal and transparent procedure for determining the remuneration of directors and officers that is consistent with the corporation's culture and business strategy as well as the business environment in which it operates.

The establishment of a Corporate Governance Committee does not preclude companies from establishing separate Remuneration or Nomination Committees, if they deem desirable or necessary.

Recommendation 3.4

Subject to a corporation's size, risk profile, nature and complexity of operations, the Board should establish a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management System to ensure its functionality and effectiveness. The BROC should be composed of at least three (3) directors, the majority of whom should be independent directors, including the Chairperson. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.

Explanation

The establishment of a Board Risk Oversight Committee (BROC) is particularly recommended for issuers of debt securities and for companies with a high risk profile.

Enterprise Risk Management (ERM) is integral to an effective corporate governance process and the achievement of a company's value creation objectives. Thus, the BROC has the responsibility to assist the Board in ensuring that there is an effective and integrated risk management process in place. With an integrated approach, the Board and top management will be in a position to make well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities.

The BROC has the following duties and responsibilities, among others:

a. Develops a formal ERM plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals and objectives, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;

b. Oversees the implementation of the ERM plan through a Management Risk Oversight Committee. The BROC conducts regular discussions on the company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;

c. Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROC revisits defined risk management strategies, looks for emerging or changing material exposures, and keeps abreast of significant developments that seriously impact the likelihood of harm or loss;

d. Advises the Board on its risk appetite levels and risk tolerance limits;

e. Reviews at least annually the company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and major events which may have occurred in the company;

f. Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;

g. Oversees the Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and

h. Reports to the Board on a regular basis, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

Recommendation 3.5

All established committees should have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters should provide the standards for evaluating the performance of the Committees and its members.

Explanation

The Committee Charter clearly defines the roles, accountabilities, powers and authority of each committee to avoid any overlapping functions, which aims at having a more effective board for the company. This can also be used as basis for the assessment of committee performance.

4. FOSTERING COMMITMENT

Principle

To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

Recommendation 4.1

The directors should attend and actively participate in all meetings of the Board, Committees, and shareholders/members in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the directors should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

Explanation

A director's commitment to the company is evident in the amount of time he dedicates to performing his duties and responsibilities, which includes his presence in all meetings of the Board, Committees and shareholders/members. In this way, the director is able to effectively perform his duty to the company and its shareholders/members.

The absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency is a ground for disqualification in the succeeding election, unless the absence is due to illness, death in the immediate family, serious accident or other unforeseen or fortuitous events.

Recommendation 4.2

The non-executive directors of the Board should not concurrently serve as directors to more than ten (10) public companies and/or registered issuers. However, the maximum concurrent directorships shall be five (5) public companies and/or registered issuers if the director also sits in at least three (3) publicly-listed companies.

Explanation

Being a director necessitates a commitment to the corporation. Hence, there is a need to set a limit on board directorships. This ensures that the members of the board are able to sufficiently prepare for meetings, effectively commit themselves to perform their roles and responsibilities, and regularly update their knowledge and enhance their skills. A maximum number of board directorships is recommended since sitting on the board of too many companies may interfere with the optimal performance of board members, in that they may not be able to contribute enough time to keep abreast of the corporation's operations and to attend and actively participate during meetings.

Recommendation 4.3

A director should notify the Board where he is an incumbent director before accepting a directorship in another company.

Explanation

The Board expects a director to devote sufficient time and attention to his duties and responsibilities. Hence, it is important that a director notifies his incumbent Board before accepting a directorship in another company. This is for the company to be able to assess if his present responsibilities and commitment to the company will be affected and if the director can still adequately provide what is expected of him.

5. REINFORCING BOARD INDEPENDENCE

Principle

The Board should endeavor to exercise an objective and independent judgment on all corporate affairs.

Recommendation 5.1

The Board should be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to carry out proper checks and balances.

Explanation

The right combination of non-executive directors (NEDs), which include independent directors, and executive directors, ensures that no director or small group of directors can dominate the decision-making process. Further, a board composed of a majority of NEDs assures protection of the company's interest over the interest of the individual shareholders.

Recommendation 5.2

The Board should have at least two (2) independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher.

Explanation

The presence of independent directors (IDs) in the Board ensures the exercise of independent judgment on corporate affairs and proper oversight of managerial performance, including prevention of conflict of interests and balancing of competing demands of the corporation. There is increasing global recognition that more IDs in the Board lead to more objective decision-making, particularly in conflict of interest situations. In addition, experts have recognized that there are varying opinions on the optimal number of IDs in the board. However, the ideal number ranges from one-third to a substantial majority.

Recommendation 5.3

The Board should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.

Explanation

The independent directors (IDs) need to possess a good general understanding of the industry that the company engages in. Further, it is worthy to note that independence and competence should go hand-in-hand. It is therefore important that the non-executive directors, including IDs, possess the qualifications and stature that would enable them to effectively and objectively participate in the deliberations of the Board.

An ID refers to a person who, ideally:

a. Is not, or has not been a senior officer or employee of the covered company unless there has been a change in the controlling ownership of the company;

b. Is not, and has not been in the two (2) years immediately preceding the election, a director of the covered company; a director, officer, employee of the covered company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the covered company's substantial shareholders and its related companies;

c. Has not been appointed in the covered company, its subsidiaries, associates, affiliates or related companies as Chairperson "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within two (2) years immediately preceding his election;

d. Is not an owner of more than two percent (2%) of the outstanding shares of the covered company, its subsidiaries, associates, affiliates or related companies;

e. Is not a relative of a director, officer, or substantial shareholder of the covered company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;

f. Is not acting as a nominee or representative of any director of the covered company or any of its related companies;

g. Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal shareholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;

h. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the covered company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the two (2) years immediately preceding the date of his election;

i. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the covered company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment within the two (2) years immediately preceding the date of his election;

j. Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial shareholders; and

k. Is not employed as an executive officer of another company where any of the covered company's executives serve as directors.

Related companies, as used in this section, refer to (a) the covered entity's holding/parent company; (b) its subsidiaries; and (c) subsidiaries of its holding/parent company.

Recommendation 5.4

The Board's independent directors should serve for a maximum cumulative term of nine (9) years. After which, the independent director should be perpetually barred from re-election as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders'/members' approval during the annual shareholders'/members' meeting.

Explanation

Service in a board for a long duration may impair a director's ability to act independently and objectively. Hence, the tenure of an Independent Director (ID) is set to a cumulative term of nine (9) years. The IDs who have served for nine (9) years may continue as a non-independent director of the company. Reckoning of the cumulative nine-year term is from 2012.

Any term beyond nine (9) years for an ID is subjected to particularly rigorous review, taking into account the need for progressive change in the Board to ensure an appropriate balance of skills and experience. However, the shareholders/members may, in exceptional cases, choose to re-elect an ID who has served for nine (9) years. In such instances, the Board must provide a meritorious justification for the re-election and seek shareholders'/members' approval during the annual shareholders'/members' meeting.

Recommendation 5.5

The positions of Chairperson of the Board and Chief Executive Officer or its equivalent position, should be held by separate individuals and each should have clearly defined responsibilities.

Explanation

To avoid conflict or a split board and to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making, it is recommended that the positions of Chairperson and Chief Executive Officer (CEO) be held by different individuals. This type of organizational structure facilitates effective decision making and good governance. In addition, the division of responsibilities and accountabilities between the Chairperson and CEO is clearly defined and delineated and disclosed in the Board Charter.

The CEO has the following roles and responsibilities, among others:

a. Implements the corporation's strategic plan on the direction of the business;

b. Communicates and implements the corporation's vision, mission, values and overall strategy as formulated by the board and promotes any organization or stakeholder change in accordance with the same;

c. Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;

d. Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;

e. Directs, evaluates and guides the work of the key officers of the corporation;

f. Manages the corporation's resources prudently and ensures a proper balance of the same;

g. Provides the Board with timely information and interfaces between the Board and the employees;

h. Builds the corporate culture and motivates the employees of the corporation; and

i. Serves as the link between internal operations and external stakeholders.

The roles and responsibilities of the Chairperson are provided under Recommendation 1.2.

Recommendation 5.6

The Board should designate a lead director among the independent directors if the Chairperson of the Board is not independent, including if the positions of the Chairperson of the Board and Chief Executive Officer or its equivalent are held by one person.

Explanation

In cases where the Chairperson is not independent and where the roles of Chair and CEO are combined, putting in place proper mechanisms ensures independent views and perspectives. More importantly, it prevents abuse of power and authority, and potential and/or actual conflict of interest. A suggested mechanism is the appointment of a strong "lead director" among the independent directors. This lead director has sufficient authority to lead the Board in cases where management has clear conflicts of interest.

The functions of the lead director include, among others, the following:

a. Serves as an intermediary between the Chairperson and the other directors when necessary;
b. Convenes and chairs meetings of the NEDs; and
c. Contributes to the performance evaluation of the Chairperson, as required.

Recommendation 5.7

A director with a material or potential interest in any transaction affecting the corporation should fully disclose his adverse interest, abstain from taking part in the deliberations for the same and recuse from voting on the approval of the transaction.

Explanation

The abstention of a director from participating in a meeting when related party transactions, self-dealings or any transactions or matters on which he has a material interest are taken up ensures that he has no influence over the outcome of the deliberations. The fundamental principle to be observed is that a director does not use his position to profit or gain some benefit or advantage for himself and/or his related interests.

Recommendation 5.8

The non-executive directors should have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation. The meetings should be chaired by the lead independent director, if applicable.

Explanation

The non-executive directors (NEDs) are expected to constructively scrutinize the Management's performance, particularly in meeting the company's goals and objectives. Further, it is their role to satisfy themselves on the integrity of the corporation's internal control and effectiveness of the risk management systems. This role can be better performed by the NEDs if they are provided access to the external auditor and heads of the IA, compliance and risk functions, as well as to other key officers of the company without any executive directors present. If the company has a lead independent director, he should lead and preside over the meeting.

6. ASSESSING BOARD PERFORMANCE

Principle

The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

Recommendation 6.1

The Board should conduct an annual self-assessment of its performance, including the performance of the Chairperson, individual members and committees.

Explanation

Board assessment helps the directors to thoroughly review their performance and understand their roles and responsibilities. The periodic review and assessment of the Board's performance as a body, the board committees, the individual directors, and the Chairperson show how the aforementioned should perform their responsibilities effectively. In addition, it provides a means to assess a director's attendance at board and committee meetings, participation in boardroom discussions and manner of voting on material issues.

Recommendation 6.2

The Board should have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system should allow for a feedback mechanism from the shareholders/members.

Explanation

Disclosure of the criteria, process and individual and collective results of the assessment ensures transparency and allows shareholders and other stakeholders to determine if the directors are performing their responsibilities to the company. Companies are given the discretion to determine the assessment criteria and process, which should be based on the mandates, functions, roles and responsibilities provided in the Board and Committee Charters. In establishing the criteria, attention is given to the values, principles and skills required by the company. The Corporate Governance Committee oversees the evaluation process.

7. STRENGTHENING BOARD ETHICS

Principle

Board directors are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

Recommendation 7.1

The Board should adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of board members.

The Code should be properly disseminated to all the members of the Board. It should also be disclosed and made available to the public through the company website.

Explanation

A Code of Business Conduct and Ethics formalizing ethical values is an important tool to instill an ethical corporate culture that pervades throughout the company, especially on the board level. The main responsibility to create and design a Code of Business Conduct and Ethics suitable to the needs of the company and the culture by which it operates lies with the Board.

Recommendation 7.2

The Board should ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.

Explanation

The Board has the primary duty to make sure that the internal controls are in place to ensure each board member's compliance with the Code of Business Conduct and Ethics. This includes the creation of efficient communication channels, which aid and encourage employees, customers, suppliers and creditors to raise concerns on potential unethical/unlawful behavior of board members without fear of retribution.

DISCLOSURE AND TRANSPARENCY

8. ENHANCING COMPANY DISCLOSURE POLICIES AND PROCEDURES

Principle 8

The Board should establish corporate disclosure policies and procedures that are practical and in accordance with generally accepted best practices and regulatory expectations.

Recommendation 8.1

The Board should establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders/members and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.

Explanation

Setting up clear policies and procedures on corporate disclosure that comply with the disclosure requirement as provided in Rule 68 of the Securities Regulation Code (SRC) and other regulations such as those required by the Bangko Sentral ng Pilipinas (BSP), Insurance Commission (IC), if applicable, is essential for comprehensive and timely reporting.

Recommendation 8.2

The Company should have a policy requiring all directors and officers to disclose/report to the company any dealings in the company's shares by the said directors and officers within five (5) business days.

Explanation

Directors and officers often have access to material inside information on the company. Hence, to reduce the risk that the directors might take advantage of this information, it is crucial for companies to have a policy requiring directors and officers to timely disclose to the company any dealings with the company shares. It is emphasized that the policy is on internal disclosure to the company of any dealings by the director or officer in company shares. This supplements the requirement of Rules 18 and 23 of the Securities Regulation Code.

Recommendation 8.3

The company's corporate governance policies, programs and procedures should be contained in its Manual on Corporate Governance, which should be submitted to the Commission and posted on the company's website.

Explanation

Transparency is one of the core principles of corporate governance. To ensure better protection of shareholders and other stakeholders' rights, the full disclosure of the company's corporate governance policies, programs and procedures is imperative. This is more efficiently done if the said policies, programs and procedures are contained in one reference document, which is the Manual on Corporate Governance (MCG). The submission of the MCG to the Commission and its posting in company's website ensure easier access by any interested party.

The MCG should contain the following, among others:

a) A policy on the training of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors;

b) Policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same;

c) Policies governing RPTs and other unusual or infrequently occurring transactions, as well as the review and approval of material and significant RPTs, geared towards the prevention of abusive dealings and transactions and the promotion of transparency. These policies include ensuring that transactions occur at market prices and under conditions that protect the rights of all shareholders;

d) Policies on full, fair, accurate and timely disclosure to the public of every material fact or event that occurs in the company, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders/members and other stakeholders, which includes policy on the appointment an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets;

e) Alternative dispute mechanism(s) to resolve intra-corporate disputes in an amicable and effective manner;

f) Policies on formal and transparent board nomination and election policy;

g) Basic shareholder/member rights; and

h) Qualifications and grounds for disqualification of directors.

Recommendation 8.4

The company should disclose all relevant information on its corporate governance policies and practices in the Annual Corporate Governance Report, which should be which should be submitted to the Commission, and continuously updated and posted on the company's website.

Explanation

The Annual Corporate Governance Report (ACGR) is intended to be a comprehensive report containing all of the company's pertinent corporate governance information. The company is expected to provide regular updates on all the information required in the ACGR.

The ACGR should contain the following disclosures, among others:

a) A policy on disclosure of all relevant and material information on individual board directors and key executives to evaluate their experience and qualifications, and assess any potential and/or actual conflicts of interest that might affect their judgment as prescribed under Rule 12 Annex C of the SRC;

b) Board and executive remuneration, as well as the level and mix of the same;

c) Accurate disclosure to the public of every material fact or event that occurs in the company, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders/members and other stakeholders, which includes policy on the appointment of an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets;

d) The non-audit work, if any, of the External Auditor, the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses;

e) The attendance record of the company's directors for the previous year; and

f) Other information that the Commission or other regulatory agencies, may, from time to time require disclosure of.

9. STRENGTHENING EXTERNAL AUDITOR'S INDEPENDENCE AND IMPROVING AUDIT QUALITY

Principle 9

The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

Recommendation 9.1

The Audit Committee should have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal, and fees of the external auditor should be recommended by the Audit Committee and approved by the Board of Directors and the shareholders. For the removal or change in the external auditor, the reasons for removal or change should be disclosed to the Commission, the shareholders, and the public through the company website and other required disclosures.

Explanation

The appointment, reappointment and removal of the external auditor by the Board's approval, through the Audit Committee's recommendation, and shareholders' approval at shareholders' meetings are actions regarded as good practices. Shareholders' approval clarifies or emphasizes that the external auditor is accountable to the shareholders or to the company as a whole, rather than to the Management whom he may interact with in the conduct of his audit.

Recommendation 9.2

The Audit Committee Charter should include the Audit Committee's responsibility on assessing the integrity and independence of external auditors and exercising effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Charter should also contain the Audit Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.

Explanation

The Audit Committee Charter includes a disclosure of its responsibility on assessing the integrity and independence of the external auditor. It establishes detailed guidelines, policies and procedures that may be contained in a separate memorandum or document. Nationally and internationally recognized best practices and standards of external auditing should guide the committee in formulating these policies and procedures.

Moreover, establishing effective communication with the external auditor and requiring them to report all relevant matters aid the Audit Committee in efficiently carrying out its oversight responsibilities.

Recommendation 9.3

The company should disclose the nature of non-audit services performed by its external auditor in the Annual Report in the interest of managing potential conflict of interest cases. The Audit Committee should be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.

Explanation

The company's Audit Committee, in the performance of its duty, oversees the overall relationship of the company with its external auditor. It evaluates and determines the nature of non-audit services, if any, of the external auditor and reviews periodically the proportion of non-audit fees paid to the external auditor in relation to the corporation's overall consultancy expenses.

Allowing the same auditor to perform non-audit services to the company may create a potential conflict of interest. In order to mitigate the risk of possible conflict between the auditor and the company, the company's Audit Committee puts in place robust policies and procedures designed to promote auditor independence in the long run. In formulating these policies and procedures, the committee is guided by nationally and internationally-recognized best practices and regulatory requirements or issuances.

10. INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORTING

Principle 10

The Board should ensure that the company discloses material and reportable non-financial and sustainability issues.

Recommendation 10.1

The company should have a clear and focused strategy on the disclosure of non-financial information. It should disclose to all shareholders/members and other stakeholders the company's strategic (long-term goals) and operational objectives (short-term goals) as well as impacts of a wide range of sustainability issues, with emphasis on the management of environmental, economic, social and governance (EESG) issues of its business which underpin sustainability.

Explanation

As external pressures including resource scarcity, globalization, and access to information continue to increase, the way corporations respond to sustainability challenges, in addition to financial challenges, determines their long-term viability and competitiveness. One way to respond to sustainability challenges is disclosure to all shareholders/members and other stakeholders of the company's strategic (long-term goals) and operational objectives (short-term goals) as well as the impacts of a wide range of sustainability issues.

11. PROMOTING A COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION

Principle 11

The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for an informed decision-making by investors, stakeholders and other interested users.

Recommendation 11.1

The company should have a website to ensure a comprehensive, cost-efficient, transparent and timely manner of disseminating relevant information to the public.

Explanation

The manner of disseminating relevant information to its intended users is as important as the content of information itself. Hence, it is essential for the company to have a strategic and well-organized channel for reporting. A company website that is easily accessible and user-friendly with a dedicated section for corporate governance is considered a practical and cost-efficient way of communication. It can provide timely and up-to-date information relevant to investors and other interested stakeholders.

The company website should contain, among others, the Manual on Corporate Governance, Annual Corporate Governance Report, Board Charter, Committee Charters, the company's Code of Business Conduct and Ethics.

INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORKS

12. STRENGTHENING INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Principle

To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management system.

Recommendation 12.1

The Company should have an adequate and effective internal control system and an Enterprise Risk Management framework in the conduct of its business, taking into account its size, risk profile, nature and complexity of operations.

Explanation

An adequate and effective internal control system and an Enterprise Risk Management (ERM) framework help sustain safe and sound operations as well as implement management policies to attain corporate goals. An effective internal control system embodies the Management's oversight and control culture, risk recognition and assessment, control activities, information and communication, monitoring activities and correcting deficiencies. An effective ERM framework typically includes activities such as, identification, sourcing, measurement, evaluation, mitigation and monitoring of risk.

Recommendation 12.2

The Company should have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.

Explanation

A separate Internal Audit (IA) function is essential to monitor and guide the implementation of company policies. It helps the company accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of the company's governance, risk management and control functions. The following are the functions of the IA, among others:

a. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;

b. Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;

c. Performs consulting and advisory services related to governance and control as appropriate for the organization;

d. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;

e. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;

f. Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;

g. Evaluates specific operations at the request of the Board or Management, as appropriate; and

h. Monitors and evaluates governance processes.

A company's IA activity may be a fully resourced activity housed within the organization or may be outsourced to qualified independent third party service providers.

13. PROMOTING SHAREHOLDER/MEMBER RIGHTS

Principle:

The company should treat all shareholders/members fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

Recommendation 13.1

The Board should ensure that basic shareholder/member rights are disclosed in the Manual on Corporate Governance.

Explanation

It is the responsibility of the Board to adopt a policy informing the shareholders/members of all their rights. Shareholders/members are encouraged to exercise their rights when provided clear-cut processes and procedures for them to follow.

Shareholders and members generally have the following rights, among others:

i. Right to participate in the approval of material corporate acts;
ii. Right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders'/Members' Meeting;
iii. Right to nominate candidates to the Board of Directors/Board of Trustees;
iv. Right to be informed of the nomination and removal process; and
v. Right to be informed of the voting procedures that would govern the Annual and Special Shareholders'/Members' Meeting.

Moreover, shareholders have the following additional rights:

i. Pre-emptive right;
ii. Right to dividends; and
iii. Appraisal right.

Shareholders/members are encouraged to participate when given sufficient information prior to voting on fundamental corporate changes such as: (1) amendments to the Articles of Incorporation and By-Laws of the company; and (2) extraordinary transactions, including the transfer of all or substantially all assets that, in effect, results in the sale of the company. Shareholders/members should also be informed before major changes in the business operation of the company happens. In addition, the disclosure and clear explanation of voting procedures, as well as the removal of excessive or unnecessary costs and other administrative impediments, allow for the effective exercise of shareholders'/members' voting rights. Poll voting is highly encouraged as opposed to the show of hands. Proxy voting is also a good practice, including the electronic distribution of proxy materials.

The right to propose the holding of meetings and items for inclusion in the agenda is given to all shareholders and members. However, to prevent the abuse of this right, companies may require that the proposal be made by shareholders or members holding a specified percentage of shares or voting rights. On the other hand, to ensure that minority shareholders are not effectively prevented from exercising this right, the degree of ownership concentration is considered in determining the threshold.

Lastly, all shareholders and members must be given the opportunity to nominate candidates to the Board of Directors or Trustees, and/or cause the removal of any member thereof in accordance with the existing laws. The procedures of the nomination and removal process are expected to be discussed clearly by the Board. The company is encouraged to fully and promptly disclose all information regarding the expertise, experience and background of the candidates to enable the shareholders and members to study and conduct their own background check as to the candidates' qualification and credibility.

Recommendation 13.2

The Board should encourage active shareholder participation by sending the Notice of Annual and Special Shareholders'/Members' Meeting with sufficient and relevant information at least 21 days before the meeting.

Explanation

Required information in the notice include, among others, the date, location, meeting agenda and its rationale and explanation, and details of issues to be deliberated upon and approved or ratified at the meeting. Sending the notice in a timely manner allows shareholders/members to plan their participation in the meetings. It is good practice to have the notice posted on the company website.

Recommendation 13.3

The Board should encourage active shareholder/member participation by making the result of the votes on matters taken during the most recent Annual or Special Shareholders'/ Members' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders'/Members' Meeting should be available on the company website within five (5) business days from the date of the meeting.

Explanation

Voting results include a breakdown of the approving and dissenting votes on the matters raised during the Annual or Special Shareholders'/Members' Meeting. When a substantial number of votes have been cast against a proposal made by the company, it may make an analysis of the reasons for the same and consider having a dialogue with its shareholders/members.

The minutes of the meeting includes the following matters: (1) A description of the voting and vote tabulation procedures used; (2) the opportunity given to shareholders/members to ask questions, as well as a record of the questions asked and the answers received; (3) the matters discussed and the resolutions reached; (4) a record of the voting results for each agenda item; (5) a list of the directors, officers and shareholders/members who attended the meeting; and (6) dissenting opinion on any agenda item that is considered significant in the discussion process.

Recommendation 13.4

The Board should make available, at the option of a shareholder/member, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.

Explanation

It is important for the shareholders/members to be well-informed of the company's processes and procedures when seeking redress for the violation of their rights. Putting in place proper safeguards ensures suitable remedies for the infringement of shareholders'/members' rights and prevents excessive litigation. The company may also consider adopting in its Manual on Corporate Governance the established and generally accepted Alternative Dispute Resolution procedures.

Recommendation 13.5

The Board should establish an Investor Relations Office (IRO) or Customer Relations Office (CRO) or its equivalent to ensure constant engagement and communication with its shareholders/members. The IRO or CRO or its equivalent should be present at every shareholders'/members' meeting.

Explanation

Setting up an avenue to receive feedback, complaints and queries from shareholders/members assures their active participation with regard to activities and policies of the company. The IRO/CRO shall have a designated investor/customer relations officer, email address and telephone number. Further, creating an Investor/Customer Relations Program ensures that all information regarding the activities of the company are properly and promptly communicated to shareholders/members.

DUTIES TO STAKEHOLDERS

14. RESPECTING RIGHTS OF STAKEHOLDERS AND EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDER'S RIGHTS

Principle

The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.

Recommendation 14.1

The Board should identify the company's various stakeholders and promote cooperation between them and the company in creating wealth, growth and sustainability.

Explanation

Stakeholders in corporate governance include, but are not limited to the, customers, employees, suppliers, shareholders, members, non-proprietary rights holders, investors, creditors, the community the company operates in, society, government, regulators, competitors, external auditors, etc. In formulating the company's strategic and operational decisions affecting its wealth, growth and sustainability, due consideration is given to those who have an interest in the company and are directly or indirectly affected by its operations.

Recommendation 14.2

The Board should establish clear policies and programs to provide a mechanism on the fair treatment, protection and enforcement of the rights of stakeholders.

Explanation

In instances where stakeholders' interests are not legislated, the company's voluntary commitments ensure the protection of the stakeholders' rights. The company's business conduct policies ideally include provisions on the company's procedures on dealing with various stakeholders. The company's stakeholders include its customers, resource providers, creditors and the community in which it operates. Fair, professional and objective dealings, as well as clear, timely and regular communication with the various stakeholders ensure fair treatment and better protection of their rights.

Included in the stakeholders are the holders of non-proprietary right. These holders have no participation in the management of the affairs and assets of the corporation, but they have rights over the use and enjoyment of the property of the company subject to the agreed terms and conditions. As such, non-proprietary right holders enjoy contractual rights which must be respected and upheld by the Board and the Management.
Non-proprietary right holders enjoy the following rights:

i. Rights over the use and enjoyment of the corporate property subject to terms and conditions as may be provided in the articles of incorporation, by-laws and membership certificates;

ii. The right to be informed of any material transaction or undertaking by the company, which may substantially affect the use and enjoyment of the corporate property over which the member holds non-proprietary rights; and

iii. The right to seek redress for any violation of the aforementioned rights.

15. ENCOURAGING EMPLOYEES' PARTICIPATION

Principle

A mechanism for employee participation should be developed to create a symbiotic working environment consistent with the realization of the company's objectives and good corporate governance goals.

Recommendation 15.1

The Board should establish policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.

Explanation

The establishment of policies and programs covering, among others, the following: (1) health, safety and welfare of employees; (2) manpower training and development; and (3) employee reward/compensation, encourages employees to perform better and motivates them to take a more dynamic role in the corporation. Active participation is further fostered when the company recognizes the firm-specific skills of its employees and their potential contribution in the company's corporate governance. The employees' viewpoint in certain key decisions may also be considered in governance processes through work councils or employee representation in the board.

Recommendation 15.2

The Board should set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Business Conduct and Ethics. Further, the Board should disseminate the policy and program to employees across the organization through orientations and continuous trainings to embed them in the company's culture.

Explanation

The adoption of an anti-corruption policy and program endeavors to mitigate corrupt practices such as, but not limited to, bribery, fraud, extortion, collusion, and money laundering. This encourages employees to report corrupt practices and outlines the procedures on how to combat, resist and stop these corrupt practices. Anti-corruption programs are more effective when the Board sets the tone and leads the company in their execution.

Recommendation 15.3

The Board should establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board should be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

Explanation

A suitable whistleblowing framework sets up the procedures and safe-harbors for complaints of employees, either personally or through their representative bodies, concerning illegal and unethical behavior in the company. One essential aspect of the framework is the inclusion of safeguards to secure the confidentiality of the informer and to ensure protection from retaliation. Further, part of the framework is granting individuals or representative bodies confidential direct access to either an independent director or a unit designed to deal with whistleblowing concerns. Companies may opt to establish an ombudsman to deal with complaints and/or confidential phone and e-mail facilities to receive allegations of illegal and unethical behavior.

16. ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Principle

The company should be socially responsible in all its dealings with the communities in which it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

Recommendation 16.1

The company should recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.

Explanation

The company's value chain consists of inputs to the production process, the production process itself and the resulting output. Sustainable development means that the company not only complies with existing regulations, but also voluntarily employs value chain processes which take into consideration economic, environmental, social and governance issues and concerns. In considering sustainability concerns, the company plays an indispensable role alongside the government and civil society in contributing solutions to complex global challenges like poverty, inequality, unemployment and climate change.

EXHIBIT "9"

Securities and Exchange Commission PHILIPPINES

SEC MEMORANDUM CIRCULAR NO. 2
Series of 2018

TO	:	**PUBLICLY-LISTED COMPANIES**
SUBJECT	:	**COMPLIANCE WITH SEC-PRESCRIBED WEBSITE TEMPLATE**

Pursuant to the Commission's drive to promote a better corporate governance environment for PLCs, it issued SEC Memorandum Circular No. 11, Series of 2014, prescribing a Website Template for all Publicly-Listed Companies.

In connection with this, the Commission, in its *en banc* meeting on 19 December 2017 resolved that all companies applying for registration of its securities for listing are directed to comply with the SEC-prescribed website template as one of the requirements before the Registration Statement is rendered effective.

For companies listed before the issuance of this Memorandum Circular, due date of compliance with the SEC-prescribed website template shall be six (6) months from listing date.

Failure to comply with the website template shall result in the imposition of penalty provided under SEC Memorandum Circular No. 18, Series of 2014.

This Memorandum Circular shall take effect immediately.

Pasay City, Philippines, 22 January 2018.

For the Commission:

TERESITA J. HERBOSA
Chairperson

JAN 2 2 2018

EXHIBIT "10"

COVER SHEET

SEC Registration Number

CS201310694

Company Name

SMC TOLLWAYS CORPORATION
formerly ATLANTIC AURUM
INVESTMENTS PHILIPPINES
CORPORATION

Principal Office (No./Street/Barangay/City/Town/Province)

11/F SAN MIGUEL PROPERTIES
CENTRE 7 ST. FRANCIS STREET,
MANDALUYONG CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A		N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
corsec.mrst@sanmiguel.com.ph	**+63917-1010354**	**+63917-1010355**

No. of Stockholders	Annual Meeting Month/Day	Calendar Year Month/Day
8	**1st Tuesday of May**	**December 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Raoul Eduardo C. Romulo	rromulo@smhc.sanmiguel.com.ph	(02) 8584-4688	N/A

Contact Person's Address

11/F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **December 31, 2024**

2. SEC 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. **Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **11F San Miguel Properties Centre, 7 St. Francis Street Mandaluyong City** — **1550**
Address of principal office — Postal Code

8. **(02) 8702 4833**
Issuer's telephone number, including area code

9. **N/A**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class — Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding

	Amount	Interest Rate
Series A	₱10.6 Billion	6.4783%
Series B	5.9 Billion	6.7026%
Series C	18.5 Billion	6.9331%
Total	₱35.0 Billion	

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

Yes [ ] No [√]

If yes, state the name of such stock exchange and the classes of securities listed therein:

______________________ ______________________

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 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 that 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 [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in “Annex B”).

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission. **N/A**

    Yes [ ] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. The following documents are attached and incorporated by reference:

    Please refer to the Annexes referred to and identified in this document.

TABLE OF CONTENTS

The SEC 17-A of SMC Tollways Corporation (formerly: Atlantic Aurum Investments Corporation) ("SMC Tollways" or the "Company") as of December 31, 2024 make reference to certain financial information and disclosures in its 2024 Audited Financial Statements. This SEC 17-A report should be read in conjunction with the attached Audited Financial Statements of SMC Tollways Corporation as at December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022. * The SEC 17-A is presented in Philippine Peso (Peso), which is the functional currency of the Company. All values are rounded off to the nearest million, unless otherwise indicated.

*The audited financial statements and SEC 17-A report of SMC Tollways as of December 31, 2024 are available at the Company's website: www.smctollways.com.ph

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

COMPANY PROFILE

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

On June 27, 2013, the Company acquired 34,386,487 shares representing 50.51% of the outstanding capital stock of SMC Skyway Corporation (formerly: Citra Metro Manila Tollways Corporation) (“SMC Skyway”). On September 30, 2013, the Company entered into a share purchase agreement with Terramino Holdings Inc. (“THI”) for the acquisition of 25,409,475 shares in SMC Skyway representing 37.33% of the outstanding capital stock of SMC Skyway.

In 2016, the Company acquired 100% interest in Stage 3 Connector Holdings Corporation (“S3HC”) from Atlantic Aurum Investments BV (“AAIBV”). S3HC is the parent company of SMC Skyway Stage 3 Corporation (“MMSS3”). MMSS3 was incorporated on November 16, 2012 with the primary purpose to finance, design and construct the Skyway Stage 3 Project under a Build-Transfer-Operate (BTO) scheme with the Philippine government.

SMC Skyway was incorporated as a stock corporation on November 27, 1995 under the laws of the Republic of the Philippines, as a joint venture between PT Citra Lamtoro Gung Persada (“Citra”) and the Philippine National Construction Corporation (“PNCC”) with the primary and exclusive responsibility and privilege of financing, designing, and constructing, under a BTO scheme, the Skyway Project and Metro Manila Tollways.

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

SOMCO was incorporated as a stock corporation on December 13, 2007 under the laws of the Republic of the Philippines, to maintain and operate toll roads and toll facilities appurtenant thereto. Prior to incorporation of SOMCO, PNCC, through its wholly-owned subsidiary and assignee PNCC Skyway Corporation (“PSC”) performed the operation and maintenance function of the Skyway Project. On July 18, 2007, in view of the impending expiration of PNCC’s legislative franchise to operate the Skyway Project, the Supplemental Toll Operation Agreement (“STOA”) was amended to include a clause which granted SMC Skyway the right to nominate a qualified party to operate and maintain the Skyway Project. Thus, on December 21, 2007, SMC Skyway, PNCC and PSC entered into a Memorandum of Agreement for the turnover of the operation and management responsibilities for the Skyway Project from PSC to SOMCO. Subsequently, on December 28, 2007, a Toll Operation Certificate was issued by the Toll Regulatory Board (“TRB”) to SOMCO. SOMCO has been operating and maintaining the Skyway Project since December 31, 2007.

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

MMSS3 was granted the “PNCC franchise” to finance, design and construct an elevated expressway that will link the South and North Luzon Expressway, from Buendia, Makati City to NLEX-Balintawak, Quezon City with a total length of 17.93 kilometers. MMSS3 started its operations in July 2021 and is being operated and maintained by SMC Skyway 3 O&M Corp. (“SOMCO3”).

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

Description of Business

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

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

The Skyway STOA was amended in 2007 to include Stage 2 of the Skyway Project. This portion of the project covers 6.88 kilometers of an elevated expressway from Bicutan to Alabang, extending the 9.02-kilometer elevated toll road from Makati to Bicutan. Stage 2 involved the construction of six (6) travel lanes, with four (4) lanes at the Sucat Ramp Toll Plaza leading westward to Dr. A. Santos Avenue. The Sucat-Alabang Section, on the other hand, has four (4) travel lanes from Sucat going down to the two-lane slip ramps leading to the South Luzon Tollway in front of Hillsborough Subdivision.

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

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

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

Apart from the Skyway Project, SOMCO also obtains revenue from NAIA Expressway ("NAIAX") and is subcontracted by SOMCO3 for the operation and management of the Skyway Stage 3 Project.

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

It is designed to pull in and ease traffic with access through eight (8) strategically located interchanges: these being at Buendia, Pres. Quirino Avenue, Plaza Dilao and Nagtahan, Aurora Boulevard, E. Rodriguez Avenue, Quezon Avenue, Sgt. Rivera and Balintawak with a total of twenty-two (22) Toll Plazas. It will be the preferred and more efficient route for motorists travelling within Metro Manila.

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

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

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

SMC SKYWAY

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

MMSS3

- 2.5% of Net Toll Revenues for the first 4 years of operations
- 3.0% of Net Toll Revenues from the 5th year to the 7th year
- 3.5% of Net Toll Revenues from the 8th year to the 10th year
- 4.0% of Net Toll Revenues from the 11th year onwards

The Concession

SMC Skyway is the concessionaire of the Skyway Project which consists of a 9.02-km elevated road that runs from Bicutan to the Makati Central Business District; as well as the rehabilitation of the 13.43-km section of the SLEX from Alabang to Magallanes and the 6.88-km elevated expressway from Bicutan to Alabang, with ramps leading to the SLEX.

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

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

Map of Skyway Stage 1 and 2

Skyway Stage 1

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

Skyway Stage 2

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

Skyway-Alabang South Extension Project

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

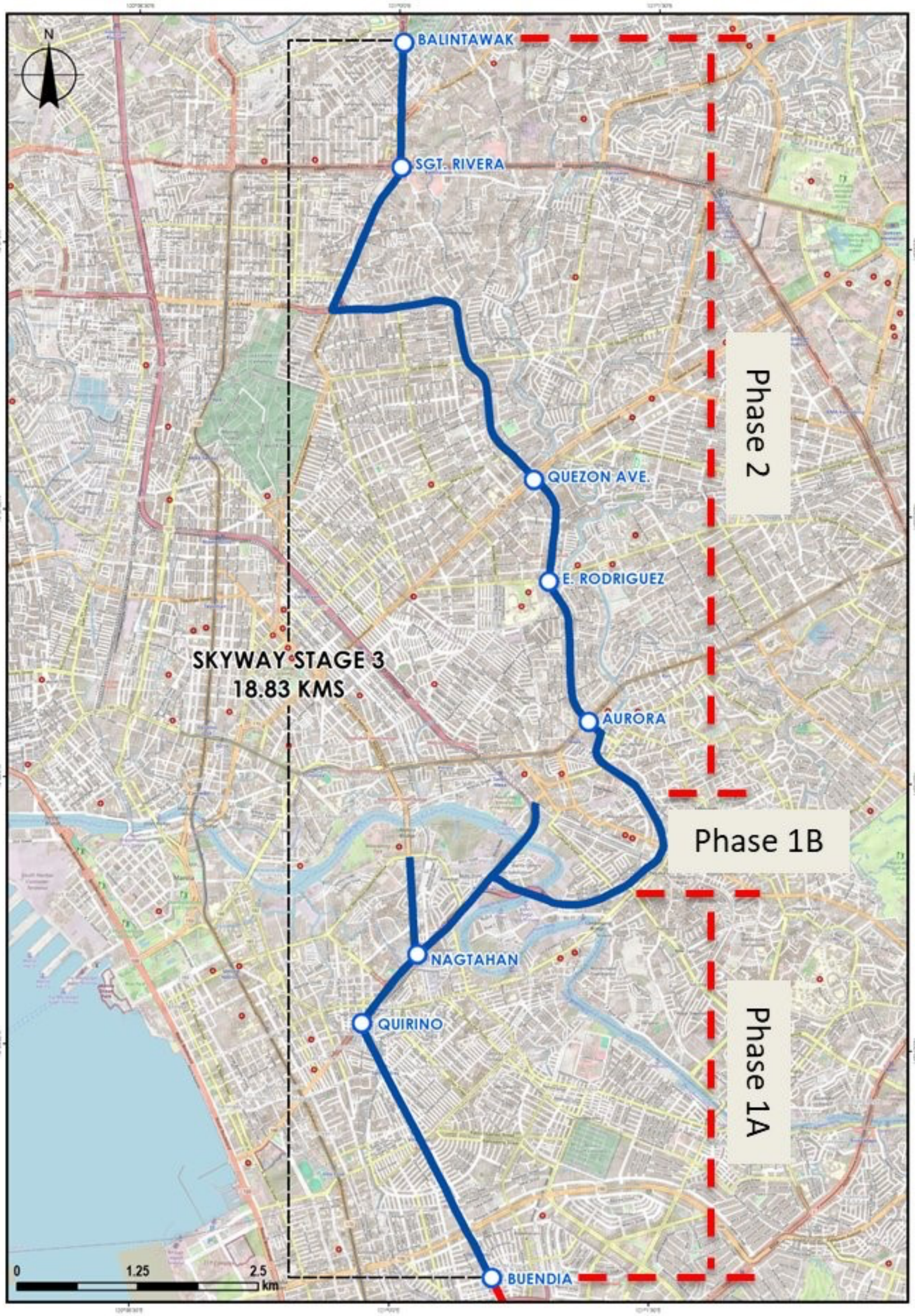
Number of Toll Gates and Toll Plazas

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

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

Skyway Stage 3 Project

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



**18.83 kilometers include Section 2A'*

Breakdown of Sections:

Sections	From	To	Length (in km)
Section 1 & 1A:	Buendia	Plaza Dilao	3.76

Section 2A:	Plaza Dilao	T. Claudio	0.96
Section 2B:	T. Claudio	Aurora Blvd	3.93
Section 3:	Aurora Blvd	Quezon Ave.	2.71
Section 4:	Quezon Ave.	Balintawak	4.46
Section 5:	Balintawak	NLEX	2.11

Number of Toll Gates and Toll Plazas:

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

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

TOLL OPERATIONS

Supplemental Toll Operation Agreement

SMC Skyway

As discussed above, the STOA dated November 27, 1995 was entered into by and among the Grantor, through the TRB, PNCC and SMC Skyway, wherein SMC Skyway was granted concession rights to finance, design and construct the Skyway Project, while PNCC was granted the right to operate and maintain the Skyway Project.

On December 21, 2007, the ROP, through the TRB, PNCC, and SMC Skyway executed an Amendment to the Supplemental Toll Operation Agreement (“ASTOA”), amending certain provisions of the STOA and introducing new provisions which, among others, entitled SMC Skyway to assign and nominate a replacement operator in lieu of PNCC. Such provision allowed SMC Skyway to nominate as its replacement operator, SOMCO, which has taken over the operation and maintenance of the Skyway Project since December 31, 2007.

Under the STOA and ASTOA (collectively "Toll Operation Agreements"), SMC Skyway, as Investor, and SOMCO, as Operator, both own the toll paid by users of the Skyway Project. In 2012, a 91% and 9% revenue sharing scheme for SMC Skyway and SOMCO, respectively, was implemented over the toll revenue pursuant to its Revenue Sharing Agreement. As of date, the revenue sharing agreement of SMC Skyway and SOMCO is at 92.5% and 7.5% of toll revenue, respectively.

The Toll Operation Agreements entitle SMC Skyway and/or SOMCO to a yearly periodic adjustment of the prevailing toll rate, based on the revised formula set forth in the ASTOA, subject to the approval of the TRB. The formula takes into account any total outstanding debts vis-à-vis available funding, inflationary pressures and foreign exchange fluctuations.

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

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

MMSS3

On July 8, 2013, under the Skyway Stage 3 STOA entered into by the ROP through the TRB, PNCC, MMSS3 and SOMCO3 (then named Central Metro Manila Skyway Corporation), MMSS3 was awarded the 30-year concession to finance, design and construct the toll road, and to SOMCO3 to operate and maintain the toll road, counted from the issuance of the Toll Operation Certificate.

On July 1, 2021, the TRB issued the Toll Operation Permits for Sections 1 to 5 and approved the implementation of the initial toll rate of MMSS3, for the said sections.

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

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

The Skyway Stage 3 STOA may be terminated as a result of occurrence of events of default as enumerated therein. In addition to default on the part of SOMCO3, MMSS3 or the Investor, TRB or the Grantor, the Skyway Stage 3 STOA may be terminated in whole or in part by reason of requisition, a final decision by a court of competent jurisdiction and force majeure. Depending on the ground for termination, MMSS3 may be entitled to just compensation for value of the completed construction or net income which the Investor expects to earn or realized during the unexpired term of the franchise period.

INTELLECTUAL PROPERTY

In 2016, SMC Skyway 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. On the other hand, MMSS3 only entered into an agreement with IETC in 2021, when it commenced its operations. IETC charges a monthly fee for the above services rendered. The agreement is renewable annually.

Toll Collection System

SMC Skyway and MMSS3 use two (2) types of toll collection systems – the open and closed system. An open system type of toll collection system is a method of collecting toll fees on highways or expressways at regularly spaced intervals on the mainline of the road. Motorists are charged a fixed or flat toll rate upon entry into the system, regardless of the distance travelled or destination exit. Meanwhile, a closed system type of toll collection allows motorists to pay a variable toll rate based on the distance travelled from their origin to their destination exit.

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

Other Sources of Income

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

EMPLOYEES

The consolidated headcount of the SMC Tollways, SMC Skyway, and MMSS3 (collectively "Group") as of December 31, 2024 is as follows:

	Number of Employees
Manager	13
Supervisors	234
Rank & File	1089
Total	**1336**

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

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

Operation and Management

SMC Skyway

A MOA was entered into by and among SMC Skyway, PNCC and PSC pursuant to the ASTOA wherein the Parties agreed for the successful and seamless turnover of the operation and maintenance responsibilities from PSC to a new corporation now known as SOMCO.

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

Activities falling under operations comprise of collection and remittance of the total toll revenue, road repair works and preventive maintenance, road safety fixtures, toll plaza repairs, toll collection system operations and maintenance, and other TRB/Grantor mandated works.

MMSS3

Under the Skyway Stage 3 STOA, PNCC assigned its rights, interests and obligations to the operation and maintenance of Skyway Stage 3 Project to SOMCO3.

SOMCO3

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

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

(a) Toll collection and accounting systems;
(b) Traffic control and management systems;
(c) Toll road patrol and vehicle control communication systems;
(d) Facilities for assistance of disabled vehicles and in case of emergencies;
(e) Information service/message sign boards;
(f) Vehicle regulation facilities (e.g., weight, load, height);
(g) Communication, water, power, emergency call and lighting facilities;
(h) Emergency operations facilities;
(i) Traffic management and administration of the Project Road facilities; and
(j) Personnel and staff management, development and control.

ONGOING AND FUTURE PROJECTS

Bicutan Improvement Project

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

Sucat Improvement Project

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

Skyway Project to NAIAX By-Pass Ramp

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

Skyway Widening Projects

WIDENING OF EXISTING ELEVATED ROADS

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

Skyway Stage 3 Project Additional On & Off-Ramps

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

1. Shaw/Sevilla On & Off Ramp
2. Quirino SB On & Off Ramp
3. Pandacan Ramps
4. Section 2A'

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

RISKS RELATED TO THE COMPANY'S BUSINESS AND OPERATIONS

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

Completion of Infrastructure projects

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

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

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

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

Inability to secure tariff increases

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

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

Decrease in utilization and disruption of operations

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

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

Risks relating to construction defects and other building-related claims

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

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

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

Traffic risk

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

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

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

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

Ability of subsidiaries to distribute dividends

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

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

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

Competition

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

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

Dependence on Suppliers or Customers

SMC Tollways and its subsidiaries are not dependent upon one or a limited number of suppliers. Suppliers and contractors of SMC Tollways Group follow a supplier registration and accreditation procedure currently established and managed centrally by the San Miguel Group. Suppliers and

Contractors are required to submit their company credentials for evaluation, and undergo a competitive selection process. Ratings are assigned to assess their capacity and associated risk factors.

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

RISKS RELATING TO THE PHILIPPINES

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

Political instability in the Philippines

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

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

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

Potential changes in the legal and regulatory environment

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

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

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

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

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

Acts of terrorism, clashes with separatist groups and violent crimes

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

Natural catastrophes and other force majeure events

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

Downgrade of Philippine credit rating

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

Item 2. Properties

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

The general asset description and locations of office space used in the operations owned and leased by the SMC Tollways Group, are attached hereto as **Annex "E"**.

The properties included in **Annex "E"** that are owned by the SMC Tollways Group are free of liens and encumbrances.

The properties in **Annex "E"** are in good condition, ordinary wear and tear excepted.

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

Item 3. Legal Proceedings

SMC Tollways and its subsidiaries is not a party to, and its properties are not the subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the Company's financial performance. Furthermore, neither the Company nor any of its subsidiaries have been the subject of any bankruptcy, insolvency, receivership, or similar petitions or proceedings.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted for the vote of the stockholders of SMC Tollways during the fourth quarter of 2024.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Market Information

SMC Tollways has an authorized capital stock of ₱8,000,000,000.00 comprised of 80,000,000 common shares with par value of ₱100.00 per common share. As of December 31, 2024, the Company has issued and outstanding 69,538,459 common shares. The common shares of the Company are neither traded in any market, nor subject to outstanding warrants to purchase, or securities convertible into common shares of the Company.

Stockholders

As of December 31, 2024, SMC Tollways has eight (8) stockholders, with one (1) principal corporate/juridical entity shareholder, and seven (7) individuals with at least one qualifying share each. The following table sets out the shareholdings of the stockholders and the approximate percentages of their respective shareholdings to the total outstanding capital stock of SMC Tollways:

Name of Stockholder	Class of Securities	Number of Shares	% of Outstanding Shares
Atlantic Aurum Investments B.V.	common	69,538,452	100%
Ramon S. Ang	common	1	0.00%
John Paul L. Ang	common	1	0.00%
Aurora T. Calderon	common	1	0.00%
Lorenzo G. Formoso III	common	1	0.00%
Jose C. Laureta	common	1	0.00%
Margarito B. Teves (Independent Director)	common	1	0.00%
Martin S. Villarama, Jr. (Independent Director)	common	1	0.00%

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

Dividend Policy

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

The Company did not declare any cash dividends in 2022 and 2023, in compliance with its covenant under a Loan Facility it entered into on December 9, 2019. The corporate notes under such loan facility were redeemed by the Company on December 6, 2024.

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

Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

SMC Tollways Corporation has not sold unregistered or exempt securities nor has it issued securities constituting an exempt transaction within the past three (3) years.]

Item 6. Management's Discussion and Analysis or Plan of Operation.

The information required by Item 6 may be found in **Annex "A"** attached hereto.

Item 7. Financial Statements

The 2024 Audited Consolidated Financial Statements (with external of auditors' Professional Accountant Tax Receipt, name of certifying partner and address) of SMC Tollways and its subsidiaries collectively referred to as the "Group" and Statement of Management's Responsibility are attached as **Annex "B"** with the Supplementary Schedules attached as **Annex "C"** hereto.

Item 8. Information on Independent Accountant and Other Related Matters

A. External Auditors for the period ended 31 December 2024, 31 December 2023 and 31 December 2022

The appointment, reappointment, and removal of the external auditor, including audit fees, shall be recommended by the Audit and Risk Oversight Committee, approved by the Board of Directors and ratified by the shareholders. The Audit Committee reviews the audit scope and coverage, strategy and results for the approval of the Board and ensures that non-audit services rendered shall not impair or derogate the independence of the external auditor or violate SEC regulations.

The auditing firm of Reyes Tacandong & Co. ("RT & Co.") will be recommended as the external auditor for the year ended 31 December 2024. RT & Co. was also the external auditor of the Company for the fiscal years 2021, 2022 and 2023. RT & Co. was unanimously appointed as the external auditor by the Board of Directors at its regular meeting held on March 12, 2025.

RT & Co. audited the financial statements of the Company as of the years ended December 31, 2022, 2023 and 2024.

The aggregate fees billed by RT & Co. for the years 2022, 2023 and 2024 are shown below:

	Amount in Pesos		
	2022	**2023**	**2024**
Audit and Audit Related Fees	700,000	700,000	800,000

SMC Tollways has not engaged the independent auditors to render non-audit services.

The Audit and Risk Oversight Committee has an existing policy to review and to pre-approve the audit and non-audit services rendered by the independent auditors. It does not allow SMC Tollways to engage the independent auditors for certain non-audit services expressly prohibited by SEC regulations to be performed by an independent auditor for its audit clients. This is to ensure that the independent auditors maintain the highest level of independence from the Company, both in fact and appearance.

B. **Changes in and disagreements with Accountants on Accounting and Financial Disclosures**

There are no disagreements with the external auditors on accounting and financial disclosure.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The names of the incumbent directors and key officers of the Company, and their respective ages, periods of service, directorships in other reporting companies and positions held in the last five (5) years, are as follows:

Board of Directors

Name	Age	Citizenship	Position
Ramon S. Ang	71	Filipino	Chairman and President
John Paul L. Ang	45	Filipino	Director
Aurora T. Calderon	70	Filipino	Director
Lorenzo G. Formoso III	63	Filipino	Director
Jose C. Laureta	93	Filipino	Director
Margarito B. Teves	81	Filipino	Independent Director
Martin S. Villarama, Jr.	79	Filipino	Independent Director

Ramon S. Ang, Filipino, 71, was appointed as Chairman and President of the Company, respectively on June 24, 2013, and December 14, 2020. He is also the Chairman and Chief Executive Officer of SMC. He has been a director of the Company since June 7, 2013. He also holds, among others, the following positions in other listed companies: President and Chief Executive Officer of Top Frontier Investment Holdings, Inc. and Petron Corporation; Chairman of San Miguel Food and Beverage, Inc., San Miguel Brewery Hong Kong Limited (listed on the Hong Kong Stock Exchange) and Petron Malaysia Refining & Marketing Bhd. (company publicly listed in Malaysia); and President of Ginebra San Miguel, Inc. He is also the Chairman of public companies Eagle Cement Corporation and San Miguel Brewery Inc.; Chairman and Chief Executive Officer, President and Chief Operating Officer of San Miguel Global Power Holdings Corp.; Chairman and President of San Miguel Holdings Corp. and San Miguel Properties, Inc.; Chairman and Chief Executive Officer of SMC Asia Car Distributors Corp., Chairman of San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation, Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Philippine Diamond Hotel & Resort Inc., SEA Refinery Corporation, and San Miguel Equity Investments Inc.; Vice Chairman of Northern Cement Corporation; and Director of New NAIA Infra Corp. He is the Chairman and President of SMC SLEX Inc., SMC Skyway Corporation, SMC Skyway Stage 3 Corporation, SMC Skyway Stage 4 Corporation, SMC NAIAX Corporation, Pasig River Expressway Corporation, and San Miguel Aerocity Inc.; Chairman of SMC Mass Rail Transit 7 Inc. and; Chairman, President, and Chief Executive Officer of SMC TPLEX Corporation. He is also the sole director and shareholder of Master Year Limited (Cayman Islands) and the Chairman of the Board and President of Privado Holdinds Corp. Mr. Ang has a Bachelor's Degree in Mechanical Engineering from the Far Eastern University and a Doctorate in Business Engineering, Honoris Causa, from the same university.

John Paul L. Ang, Filipino, 45, has been a director of the Company since September 10, 2024. Mr. Ang holds, among others, the following positions in other listed companies: President and Chief Operating Officer of SMC (since June 11, 2024); President and Chief Executive Officer of San Miguel Food and Beverage, Inc. (since June 5, 2024); and director of Top Frontier Investment Holdings, Inc. (since July 9, 2021) and Petron Corporation (since March 9, 2021). He is also the President and Chief Executive Officer of Eagle Cement Corporation and South Western Cement Corporation; and President of Lucky Nine Properties, Inc., Mabini Properties Inc., San Miguel Equity Investments, Inc., and Clariden Holdings, Inc. Mr. Ang is likewise a director of SMC Skyway Corporation, SMC Skyway Stage 3 Corporation, SMC Skyway Stage 4 Corporation, SMC SLEX Inc., San Miguel Aerocity Inc., SMC Bulacan Water Services Corporation, Aerofuel Storage Management Inc., Argonbay Construction Company, Inc., and KB Space Holdings, Inc. He is the Chairman, President and Chief Executive Officer of Southern Concrete Industries Inc.; Chairman and President of Prima Lumina Gold Mining Corp.; and Vice Chairman of San Miguel Global Power Holdings Corp. He is also a director of San Miguel Brewery Inc. Mr. Ang holds a Bachelor of Arts Degree from Ateneo de Manila University.

Aurora T. Calderon, Filipino, 70, has been a director of the Company since June 24, 2013 and a member of the Company's Audit and Risk Oversight Committee, Corporate Governance Committee, and Related Party Transactions Committee. She is the Senior Vice President, Senior Executive Assistant to the Office of the Chairman and Chief Executive Officer of SMC. She holds the following positions in other publicly listed companies: Director and Treasurer of Top Frontier Investment Holdings, Inc.; and Director of San Miguel Food and Beverage, Inc., Ginebra San Miguel, Inc., San Miguel Brewery Hong Kong Limited (listed in the Hong Kong Stock Exchange), Petron Corporation, and Petron Malaysia Refining & Marketing Bhd (a company publicly listed in Malaysia). She is also the Chairman and President of Ruzena Estates Development Corporation; Director and Treasurer of SMC Asia Car Distributors Corp.; Director of SMC Global Power Holdings Corp., SMC SLEX Inc., Petron Marketing Corporation, Petron Freeport Corporation, New Ventures Realty Corporation, Las Lucas Construction and Development Corporation, Thai San Miguel Liquor Company Limited, San Miguel Equity Investments Inc., San Miguel Yamamura Packaging Corporation, and San Miguel Aerocity Inc. She is a likewise a Director of several subsidiaries of SMC Infrastructure, among others, SMC Skyway Corporation, SMC Skyway Stage 3 Corporation, SMC Skyway Stage 4 Corporation, SMC NAIAX Corporation, and Pasig River Expressway Corporation. A certified public accountant, Ms. Calderon graduated *magna cum laude* from the University of the East with a degree in BS Business Administration, major in Accountancy. She finished her Masters in Business Administration at Ateneo de Manila University (without thesis). In addition, Ms. Calderon holds directorships in various domestic and international subsidiaries of SMC.

Lorenzo G. Formoso III, Filipino, 63, has been a director of the Company since December 14, 2020 and member of the Company's Audit and Risk Oversight Committee. He is a Senior Vice President and Head of the Infrastructure Business of SMC. He is also the Chairman of Intelligent E-Processes Technologies Corp., Skyway O&M Corporation, TPLEX Operations and Maintenance Corporation, and Star Tollway Corporation; President and Chief Operating Officer of Aerofuel Storage Management Inc; President of Jethandler Asia Services, Inc. and SMC Mass Rail Transit 7 Inc. He is also a Director of Trans Aire Development Holdings Corp., SMC SLEX Holdings Company Inc., Manila North Harbour Port Inc., SMC Skyway Stage 3 Corporation, SMC Skyway Stage 4 Corporation, SMC TPLEX Corporation, Luzon Clean Water Development Corporation, Manila Toll Expressway Systems, Inc., Pasig River Expressway Corporation, and various other toll road companies under SMC Infrastructure. Atty. Formoso served as Assistant Secretary in the Department of Transportation and Communications from 2006 to 2009, and Deputy Commissioner of the Commission on Information and Communications Technology under the Office of the President from 2005 to 2006. He holds a Bachelor of Art Degree in Philosophy from the University of the Philippines and obtained his law degree from the University of California, Davis School of Law. Atty. Formoso was admitted to the State Bar of California in 1987 and to the Philippine Bar in 1992.

Jose C. Laureta, Filipino, 93, has been a director and Corporate Secretary of the Company since June 24, 2013. He holds the following positions in the various toll road subsidiaries of SMC Infrastructure: Corporate Secretary and Compliance Officer of SMC SLEX Inc. and Corporate Secretary of SMC Skyway Corporation, Skyway O&M Corporation, Manila Toll Expressway Systems, Inc., SMC Skyway Stage 3 Corporation, SMC Skyway Stage 4 Corporation, SMC Skyway 3 O&M Corp., and SMC Skyway 4 O&M Corp. Atty. Laureta holds a Bachelor's Degree in Liberal Arts and Sciences from the University of the Philippines and a Bachelor of Laws Degree from the same university. He is also a graduate of the Master of Laws Program at Yale University.

Margarito B. Teves, Filipino, 81, has been an Independent Director of the Company since June 24, 2013, as well as the Chairman of the Company's Audit and Risk Oversight Committee, and member of its Corporate Governance Committee and Related Party Transactions Committee. He is likewise an Independent Director of SMC, Petron Corporation, Alphaland Corporation, Alphaland Balesin Island Club, Inc., The City Club at Alphaland Makati Place, Inc., and Atok-Big Wedge Corporation; and a Director of Pampanga Sugar Development Co. He was previously an Independent Director of AB Capital Securities, Inc., AB Capital Investment Corp. and Alphaland Marina Club, Inc.; Managing Director of The Wallace Business Forum; and Chairman of Think Tank Inc. He also served as Secretary of the Department of Finance of the Philippine Government from 2005 to 2010. Mr. Teves holds a Master of Arts in Development Economics from the Center for Development Economics, Williams College, Massachusetts and is a graduate of the City of London College, with a degree of Higher National Diploma in Business Studies which is equivalent to a Bachelor of Science in Business Economics.

Martin S. Villarama, Jr., Filipino, 79, has been an independent director of the Company since November 16, 2021, as well as the Chairman of the Company's Corporate Governance Committee and Related Party Transactions Committee, and member of its Audit and Risk Oversight Committee. He currently serves as an Independent Director of SMC SLEX Inc., Eagle Cement Corporation, and Ginebra San Miguel, Inc. He is an Advisor of San Miguel Brewery Hongkong Ltd. and a member of the Association of Retired Justices of the Supreme Court of the Philippines. Atty. Villarama is a retired Associate Justice of the Supreme Court of the Philippines (from 2009 to 2016). He started his career in the Judiciary in 1986, when he was appointed as Regional Trial Court Judge of Pasig City. He obtained his Bachelor of Laws Degree from the Manuel L. Quezon University after completing a Bachelor's Degree in Business Administration from De La Salle University.

<u>Officers</u>

Name	Age	Citizenship	Position
Ramon S. Ang	71	Filipino	Chairman and President
Joseph N. Pineda	62	Filipino	Treasurer
Raoul Eduardo C. Romulo	63	Filipino	Chief Finance Officer
Jose C. Laureta	93	Filipino	Corporate Secretary
Mary Rose S. Tan	47	Filipino	Assistant Corporate Secretary and Compliance Officer

Joseph N. Pineda, Filipino, 61, has been the Treasurer of the Company since June 24, 2013. He was a director of the Company from June 7, 2013 until September 10, 2024. He is currently the Senior Vice President, Deputy Chief Finance Officer and Treasurer of SMC. He is also the Chairman of SMC Shipping and Lighterage Corporation and Fiesta Pacific Asia Inc.; President of Process Synergy, Inc. and San Miguel Integrated Logistics Services, Inc.; and Treasurer of San Miguel Holdings Corp., SMC Consolidated Power Corporation, SMC Stock Transfer Service Corporation, and SMITS, Inc.; and Director of SMC TPLEX Holdings Company, Inc., San Miguel Aerocity Inc., Sea Refinery Corporation, Anchor Insurance Brokerage Corp., and San Miguel Equity Investments Inc. Mr. Pineda holds a Bachelor of Arts Degree in Economics from San Beda College and took Masters in Business Administration units in De La Salle University.

Raoul Eduardo C. Romulo, Filipino, 62, has been the Chief Finance Officer of the Company since December 14, 2020. He is currently the Treasurer and the Chief Finance Officer of SMC SLEX Inc. and SMC Skyway Corporation; and the Chief Finance Officer and Treasury Head of San Miguel Holdings Corp. He also holds several positions in the various toll road subsidiaries of SMC Infrastructure: President of TPLEX Operations and Maintenance Corporation; Director of Manila Toll Expressway Systems, Inc., and Skyway O&M Corporation; and Treasurer of SMC SLEX Holdings Company Inc. and Alloy Manila Toll Expressways, Inc. Mr. Romulo holds a double degree in BS Marketing Management and AB Psychology from De La Salle University and a Masters in Business Administration in International Finance from Fordham University Graduate School of Business.

Mary Rose S. Tan, Filipino, 48, has been the Assistant Corporate Secretary and Compliance Officer of the Company since June 24, 2013. She is also the Assistant Corporate Secretary, Assistant Vice President and Associate General Counsel of SMC. She is also the Assistant Corporate Secretary of San Miguel Holdings Corp. and New NAIA Infra Corp.; Corporate Secretary of San Miguel Aerocity Inc., SMC Mass Rail Transit 7 Inc., SMC NAIAX Corporation, SMC TPLEX Holdings Company, Inc., Trans Aire Development Holdings Corp., and Luzon Clean Water Development Corporation. Atty. Tan holds a Bachelor of Art Degree in Psychology and a Bachelor of Laws Degree both from the University of the Philippines. She obtained her Master of Laws Degree from the University of Sydney in 2009 as an Endeavour Postgraduate Award scholar of the Australian Government. Atty. Tan was admitted to the Philippine Bar in 2002.

Board Attendance

The following is the attendance of the directors at the meetings of the Board of Directors of the Corporation held during the fiscal year 2024:

Board	Name	Date of Election	No. of Meetings Attended	%
Chairman	Ramon S. Ang	12 July 2024	Three (3)	75
Member	John Paul L. Ang*	10 September 2024	Two (2)	50
Member	Aurora T. Calderon	12 July 2024	Four (4)	100
Member	Lorenzo G. Formoso III	12 July 2024	Two (2)	50
Member	Joseph N. Pineda**	12 July 2024	Two (2)	50
Member	Jose C. Laureta	12 July 2024	Four (4)	100
Independent	Margarito B. Teves	12 July 2024	Four (4)	100
Independent	Martin S. Villarama Jr.	12 July 2024	Four (4)	100

**Elected on September 10, 2024*
***Resigned effective September 10, 2024.*

The stated election date of the directors of July 12, 2024 is the date of the annual stockholders' meeting for the year 2024.

Also in the year 2024, the stockholders held its Annual Stockholders' Meeting and a Special Stockholders' Meeting on September 10, 2024. The attendance of the directors in these meetings is as follows:

Board	Name	Date of Election	No. of Meetings Attended	%
Chairman	Ramon S. Ang	12 July 2024	Two (2)	100
Member	John Paul L. Ang*	10 September 2024	One (1)	50
Member	Aurora T. Calderon	12 July 2024	Two (2)	100
Member	Lorenzo G. Formoso III	12 July 2024	One (1)	50
Member	Joseph N. Pineda**	12 July 2024	One (1)	50
Member	Jose C. Laureta	12 July 2024	Two (2)	100
Independent	Margarito B. Teves	12 July 2024	Two (2)	100
Independent	Martin S. Villarama Jr.	12 July 2024	Two (2)	100

**Elected on September 10, 2024*
***Resigned effective September 10, 2024.*

Term of Office

Pursuant to the Company's Amended By-Laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office for a term of one (1) year and until the election and qualification of their successors, unless he resigns, dies or is removed prior to such election. Any director elected in the interim serves for the remaining term until the next annual meeting of the stockholders. The Company's Amended By-Laws provide that the annual stockholders' meeting shall be held on the first Tuesday of May of every year.

Independent Directors

The independent directors of the Company as of the year ended December 31, 2024 were Mr. Margarito B. Teves and Mr. Martin S. Villarama, Jr. The independent directors of the Company are independent of its management and substantial shareholders.

Significant Employees

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

Family Relationships

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

Intermediate Parent Company

As of December 31, 2024, Atlantic Aurum Investments B.V. owns and controls 69,538,452 common shares comprising 100% of the outstanding capital stock of the Company entitled to vote.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, officers or control persons of the Company have been the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the date that is material to the evaluation of his ability or integrity to hold the relevant position in the Company.

Item 10. Executive Compensation

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

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

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

Other Arrangements

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

Employment Contract

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

Warrants or Options

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

Owner of record of more than 5% of the Company's voting securities as of December 31, 2024 is as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent Ownership to Capital Stock
Common	Atlantic Aurum Investments B.V. Weerdestein 97, 1083 CG Amsterdam, Netherlands, parent company of Issuer	Atlantic Aurum Investments B.V.	Dutch	69,538,452	100%

The following are the number of shares of the Company's capital stock, all of which are voting shares, owned of record by the directors and key officers of the Company as of the start of the year, and as of the year ended December 31, 2024:

Name of Director/ Key Officer	Number of Shares as of December 31, 2023	Number of Shares as of December 31, 2024	% of Capital Stock
Ramon S. Ang	1 common share	1 common share	0%
John Paul L. Ang*	N/A	1 common share	0%
Aurora T. Calderon	1 common share	1 common share	0%
Lorenzo G. Formoso III	1 common share	1 common share	0%
Joseph N. Pineda**	1 common share	N/A	0%
Jose C. Laureta	1 common share	1 common share	0%
Margarito B. Teves	1 common share	1 common share	0%
Martin S. Villarama, Jr.	1 common share	1 common share	0%
Raoul Eduardo C. Romulo	None	None	0%
Mary Rose S. Tan	None	None	0%

** First elected September 10, 2024*
*** Resigned effective September 10, 2024*

The foregoing beneficial or record owners have no right to acquire additional shares within thirty (30) days, from options, warrants, conversion privileges or similar obligations or otherwise.

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

Since the beginning of the last fiscal year, there were no arrangements, which resulted in a change in control of the Company.

There are no shareholder agreements, provisions in the Company's by-laws, or other arrangements that constrain the directors' ability to vote independently. Neither does the Company have voting trust agreements, confidentiality agreements and such other agreements that may impact the control, ownership and strategic direction of the Company.

Item 12. Certain Relationships and Related Transactions

The Group, in the ordinary course of business, has entered into transactions with stockholders, affiliates and other related parties principally consisting of advances and reimbursement of expenses, construction contracts, and development, management, underwriting, marketing, leasing and administrative service agreements. Sale and purchase of goods and services to and from related parties are made on an arm's length basis and at current market prices at the time of the transactions.

Except for the transactions discussed in Note 18 ("Related Party Transactions") to the accompanying financial statements, there were no other material related party transactions during the last three financial years, nor are there any material transactions currently proposed between SMC Tollways and any: (i) director or executive officer, direct or indirect owner of 10% or more of the outstanding shares in SMC Tollways; (ii) close family member of such director, executive officer or owner; (iii) associates of SMC Tollways; (iv) enterprises controlling, controlled by or under common control with SMC Tollways; or (v) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any director, executive officer or owner of 10% or more of the outstanding shares in SMC Tollways or any close family member of such director, executive officer, or owner

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Pursuant to SEC Memorandum Circular No. 13, series of 2021, the Annual Corporate Governance Report (ACGR) of the Company for the period January to December 2024 will be filed with the SEC on or before June 30, 2025.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

The 2024 Audited Consolidated Financial Statements and the Statement of Management Responsibility are attached as **Annex "B"** and the Supplementary Schedules are attached as **Annex "C"** hereto.

(b) Reports on SEC Form 17-C

After the registration of the Company, only the following report on SEC Form 17-C was filed during the period December 2024, on the date and concerning the information indicated below.

DATE	SUBJECT
6 December	Disbursements of the company from the net proceeds of the offering of Fixed-Rate Series "A", Series "B", and Series "C" (the "Offering")

(c) Sustainability Report

Attached as "**Annex D** is the 2024 Sustainability Report of the Company.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on April 8, 2025.

By:

RAMON S. ANG
Chairman and President

RAOUL EDUARDO C. ROMULO
Chief Finance Officer

MARY ROSE S. TAN
Assistant Corporate Secretary and
Compliance Officer

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY) S.S.

SUBSCRIBED AND SWORN to before me this 8th day of April 2025, affiants exhibiting to me their respective government issued identification cards as herein below listed, as competent evidence of their identity:

NAME	Government Issued Identification/Issue Date/Expiry Date/Place Issued
Ramon S. Ang	Passport No. P2247867B/22 May 2019/21 May 2029/DFA Manila
Raoul Eduardo C. Romulo	Passport No. P3509901B/14 Oct 2019/13 Oct 2029/DFA NCR East
Mary Rose S. Tan	Passport No. P6179528B/26 Jan 2021/25 Jan 2031/DFA NCR Central

Doc. No. 170;
Page No. 35;
Book No. I;
Series of 2025.

SHAINA ANELLA B. RAMIREZ
NOTARY PUBLIC
ROLL NO. 56912
MANDALUYONG CITY, PHILIPPINES

SHAINA ANELLA B. RAMIREZ
Commission No. 0446-24
Notary Public of Mandaluyong City
Until December 31, 2025
19th Floor San Miguel Properties Centre
No. 7 Saint Francis St. Ortigas Center, Mandaluyong City
Roll No. 56912
PTR No. 5712519; 01/08/2025; Mandaluyong City
IBP No.512422; 01/09/2025; Quezon City
MCLE Compliance No. VIII-0008494;04/14/2028

11/F San Miguel Properties Centre,
7 St. Francis St., Mandaluyong City 1550
Metro Manila, Philippines

Annex "A"

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

This discussion summarizes the significant factors affecting the consolidated financial position, financial performance and cash flows of SMC Tollways Corporation ("SMC Tollways" or "the Parent Company") and its subsidiaries (collectively, referred to as the "Group") for the three-year period ended December 31, 2024. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2024 and 2023, and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2024. All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2024 and the financial performance and cash flows for the year ended December 31, 2024 and for all the other periods presented, have been made.

I. 2024 SIGNIFICANT TRANSACTIONS

In 2024, the Group undertook various financing activities. The significant transactions are as follows:

Issuance of ₱35,000 Million Fixed Rate Bonds by SMC Tollways Corp.

On March 13, 2024, the Company's Board of Directors (BOD) authorized the Company to issue, offer and sell to the public, bonds (the Bonds) in the aggregate principal amount of up to ₱35,000.0 million to be issued in three (3) tranches. The net proceeds were used to prepay its outstanding Corporate Notes and will be used to fund the capital expenditure requirements of the Skyway Project and the SMC Skyway Stage 3 Project.

On November 15, 2024, the SEC issued a Permit to Sell for the general public offering of the Company's retail bonds and the offer was made to institutional and retail investors from November 18 to 27, 2024.

The Bonds were listed at the Philippine Dealing System Holdings Corp. & Subsidiaries (PDS) on December 5, 2024.

Payment of Corporate Notes Facility

In 2024, the Group paid ₱35,260.2 million of maturing obligations funded by dividends and availment of Fixed Rate Bonds.

SMC Skyway Stage 3 Corporation paid a total of ₱7,100.0 million of their maturing long-term debt funded by cash generated from operations.

FINANCIAL PERFORMANCE

Comparison of key financial performance for the last three years are summarized in the following tables.

(Amounts in Thousands)	Years Ended December 31		
	2024	**2023**	**2022**
REVENUE	**₱21,174,042**	₱20,265,979	₱17,015,095
COST OF SERVICES	**(6,021,059)**	(5,778,992)	(4,940,209)
GROSS PROFIT	**15,152,983**	14,486,987	12,074,886
OPERATING EXPENSES	**(1,119,271)**	(1,119,516)	(954,945)
OTHER INCOME (CHARGES)	**(3,188,447)**	(3,437,154)	(4,175,222)
INCOME BEFORE INCOME TAX	**10,845,265**	9,930,317	6,944,719
INCOME TAX EXPENSE	**1,607,619**	1,522,803	1,305,829
NET INCOME	**₱9,237,646**	₱8,407,514	₱5,638,890

2024 vs 2023

(Amounts in Thousands)	DECEMBER 31		Horizontal Analysis Increase/(Decrease)		Vertical Analysis	
	2024	**2023**	**Amount**	**%**	**2024**	**2023**
REVENUE FROM TOLL OPERATIONS	**₱20,769,042**	₱19,860,979	₱908,063	**5%**	**98%**	98%
TOLL OPERATIONS AND MAINTENANCE FEE	**405,000**	405,000	-	**0%**	**2%**	2%
TOTAL REVENUE	**21,174,042**	20,265,979	908,063	**4%**	**100%**	100%
COST OF SERVICES	**(6,021,059)**	(5,778,992)	242,067	**4%**	**-28%**	-29%
GROSS PROFIT	**15,152,983**	14,486,987	665,996	**5%**	**72%**	71%
OPERATING EXPENSES	**(1,119,271)**	(1,119,516)	(245)	**0%**	**(5%)**	(6%)
CONSTRUCTION REVENUE (COSTS)						
Construction revenue	**2,217,585**	953,695	1,263,890	**133%**	**15%**	7%
Construction costs	**(2,217,585)**	(953,695)	1,263,890	**133%**	**(15%)**	(7%)
	-	-	-			
OTHER INCOME (CHARGES)						
Interest expense and other financing charges	**(4,507,278)**	(4,510,552)	(3,274)	**0%**	**(21%)**	(22%)
Interest income	**1,166,975**	961,571	205,404	**21%**	**6%**	5%
Rental income	**91,976**	73,988	17,988	**24%**	**0%**	0%
Income from insurance claims	**11,829**	-	11,829	**100%**	**0%**	0%
Others - net	**48,051**	37,839	10,212	**27%**	**0%**	0%
	(3,188,447)	(3,437,154)	(248,707)	**(7%)**	**(15%)**	**(17%)**
INCOME BEFORE INCOME TAX	**10,845,265**	9,930,317	914,948	**9%**	**51%**	49%
INCOME TAX EXPENSE	**1,607,619**	1,522,803	84,816	**6%**	**8%**	8%
NET INCOME	**₱9,237,646**	₱8,407,514	₱830,132	**10%**	**44%**	41%
Net income attributable to:						
Equity holders of the Parent Company	**₱7,907,168**	₱7,207,064	₱700,104	**10%**	**37%**	36%
Non-controlling interest	**1,330,478**	1,200,450	130,028	**11%**	**6%**	6%
NET INCOME	**₱9,237,646**	₱8,407,514	₱830,132	**10%**	**44%**	41%

Total revenue amounted to ₱21,174.0 million, a 4% increase from ₱20,266.0 million in 2023. Higher revenue was mainly due to higher traffic volume.

For the year 2024, traffic volume increased across all classes. SMC Skyway Corporation (“SMC SKYWAY”) achieved an Annual Average Daily Traffic (AADT) of 276,850, higher by 2% from 272,383 in 2023, while SMC Skyway Stage 3 Corporation (“MMSS3”) achieved an AADT of 163,031, higher by 5% from 154,736 in 2023.

Consolidated cost of services posted an increase of ₱242.1 million or 4% mainly due to additional amortization of Skyway Extension and recognition of depreciation expense on machinery and equipment acquired during the year, increase in PNCC share due to higher revenues of 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 decrease of ₱0.2 million mainly due to lower representation expense due to lesser external meetings, decrease in contracted services due to lower manpower services, 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, and higher 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 ₱3.3 million due to lower outstanding balance of the long-term debt. Interest income increased by ₱205.4 million due to higher funds available for placements and higher interest rates. Rental income also posted an increase of ₱18.0 million. For the year, there were also proceeds from insurance claims amounting to ₱11.8 million.

Income tax expense was higher by ₱84.8 million as a result of higher income tax from operations and increased final taxes from interest income.

2023 vs. 2022

(Amounts in Thousands)	DECEMBER 31		Horizontal Analysis Increase/(Decrease)		Vertical Analysis	
	2023	**2022**	**Amount**	**%**	**2023**	**2022**
REVENUE FROM TOLL OPERATIONS	**₱19,860,979**	₱16,650,095	₱3,210,884	**19%**	**98%**	98%
TOLL OPERATIONS AND MAINTENANCE FEE	**405,000**	365,000	40,000	**11%**	**2%**	2%
TOTAL REVENUE	**20,265,979**	17,015,095	3,250,884	**4%**	**100%**	100%
COST OF SERVICES	**(5,778,992)**	(4,940,209)	838,783	**17%**	**(29%)**	(29%)
GROSS PROFIT	**14,486,987**	12,074,886	2,412,101	**20%**	**71%**	71%
OPERATING EXPENSES	**(1,119,516)**	(954,945)	164,571	**17%**	**(5%)**	(6%)
CONSTRUCTION REVENUE (COSTS)						
Construction revenue	**953,695**	2,621,388	(1,667,693)	**(64%)**	**7%**	22%
Construction costs	**(953,695)**	(2,621,388)	(1,667,693)	**(64%)**	**(7%)**	(22%)
	-	-	-			
OTHER INCOME (CHARGES)						
Interest expense and other financing charges	**(4,510,552)**	(4,871,784)	(361,232)	**(7%)**	**(31%)**	(34%)
Interest income	**961,571**	303,197	658,374	**217%**	**6%**	2%
Rental income	**73,988**	63,955	10,033	**16%**	**0%**	0%
Income from insurance claims	**-**	284,235	(284,235)	**(100%)**	**0%**	2%
Others - net	**37,839**	45,175	(7,336)	**(16%)**	**0%**	0%
	(3,437,154)	(4,175,222)	(738,068)	**(18%)**	**(23%)**	(29%)
INCOME BEFORE INCOME TAX	**9,930,317**	6,944,719	2,985,598	**43%**	**66%**	48%
INCOME TAX EXPENSE	**1,522,803**	1,305,829	216,974	**17%**	**10%**	9%
NET INCOME	**₱8,407,514**	₱5,638,890	₱2,768,624	**49%**	**55%**	39%
Net income attributable to:						
Equity holders of the Parent Company	**₱7,207,064**	₱4,707,701	₱2,499,363	**53%**	**48%**	32%
Non-controlling interest	**1,200,450**	931,189	269,261	**29%**	**8%**	6%
NET INCOME	**₱8,407,514**	₱5,638,890	₱2,768,624	**49%**	**55%**	39%

For the year 2023, volumes increased across all vehicular classes. SMC SKYWAY achieved an AADT of 272,383, higher by 11% from 246,340 in 2023, while MMSS3 achieved an AADT of 154,736, higher by 28% from 120,954 in 2023.

Revenue from toll operations amounted to ₱19,861.0 million, an increase of 19% from ₱16,650.1 million in 2022.

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

Consolidated cost of services posted an increase of ₱838.8 million or 17% 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 share which is directly proportional to the increase in toll revenue, higher 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 ₱164.6 million or 17% 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 ₱361.2 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 ₱10.0 million.

Income tax expense was higher by ₱217.0 million or 17% 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)	DECEMBER 31		Horizontal Analysis Increase/(Decrease)		Vertical Analysis	
	2024	**2023**	**Amount**	**%**	**2024**	**2023**
ASSETS						
Current Assets						
Cash and cash equivalents	**₱17,279,552**	₱10,964,076	₱6,315,476	**58%**	**16%**	10%
Restricted cash	**9,884,391**	8,463,304	1,421,087	**17%**	**9%**	8%
Trade and other receivables	**239,148**	183,906	55,242	**30%**	**0%**	0%
Input VAT	**2,981,449**	3,798,884	(817,435)	**(22%)**	**3%**	4%
Other current assets	**332,780**	341,189	(8,409)	**(2%)**	**0%**	0%
Total Current Assets	**30,717,320**	23,751,359	6,965,961	**29%**	**28%**	23%
Noncurrent Assets						
Service concession rights	**79,084,191**	80,308,715	(1,224,524)	**(2%)**	**71%**	77%
Advances to contractors	**360,009**	185,117	174,892	**94%**	**0%**	0%
Property and equipment	**204,361**	145,349	59,012	**41%**	**0%**	0%
ROU assets	**2,702**	6,119	3,417)	**(56%)**	**0%**	0%
Goodwill	**483,452**	483,452	-	**0%**	**0%**	0%
Deferred tax asset – net	**26,368**	27,153	(785)	**(3%)**	**0%**	0%
Other noncurrent assets	**35,854**	24,878	10,976	**44%**	**0%**	0%
Total Noncurrent Assets	**80,196,937**	81,180,783	(983,846)	**(1%)**	**72%**	77%
	₱110,914,257	₱104,932,142	₱5,982,115	**6%**	**100%**	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and other current liabilities	**₱5,963,819**	₱4,888,806	₱1,075,013	**22%**	**5%**	5%
Current portion of:						
Long-term debt – net of debt issue costs	**5,520,340**	9,135,556	(3,615,216)	**(40%)**	**5%**	9%
Provision for resurfacing and maintenance obligation	**126,323**	111,883	14,440	**13%**	**0%**	0%
Lease liabilities	**2,345**	3,414	(1,069)	**(31%)**	**0%**	0%
Dividends payable	**96,025**	283,316	(187,291)	**(66%)**	**0%**	0%
Due to a related party	**61,844**	61,844	-	**0%**	**0%**	0%
Income tax payable	**354,515**	280,499	74,016	**26%**	**0%**	0%
Total Current Liabilities	**12,125,211**	14,765,318	(2,640,107)	**(8%)**	**11%**	14%
Noncurrent Liabilities						
Noncurrent portion of:						
Long-term debt – net of debt issue costs	**46,739,320**	46,505,921	233,399	**1%**	**42%**	44%
Provision for resurfacing and maintenance obligation	**172,585**	152,487	20,098	**13%**	**0%**	0%
Retention payable	**78,514**	96,576	(18,062)	**(19%)**	**0%**	0%
Lease liabilities	**-**	2,414	(2,414)	**(100%)**	**0%**	0%
Net retirement liabilities	**79,780**	76,103	3,677	**5%**	**0%**	0%
Net deferred tax liabilities	**369,960**	398,494	(28,534)	**(7%)**	**0%**	0%
Total Noncurrent Liabilities	**47,440,159**	47,231,995	208,164	**0%**	**43%**	45%
Total Liabilities	**59,565,370**	61,997,313	(2,431,943)	**(4%)**	**54%**	59%
Equity						
Common stock	**6,953,846**	6,953,846	-	**0%**	**6%**	7%
Retained earnings	**52,422,714**	44,515,546	7,907,168	**18%**	**47%**	42%
Other comprehensive loss	**(15,465)**	(13,117)	(2,348)	**18%**	**0%**	0%
Other equity reserves	**(13,594,274)**	(13,594,274)	-	**0%**	**(12%)**	(13%)

(Amounts in Thousands)	DECEMBER 31		Horizontal Analysis Increase/(Decrease)		Vertical Analysis	
	2024	2023	Amount	%	2024	2023
Equity attributable to equity holders of the Parent Company	**45,766,821**	37,862,001	7,904,820	**21%**	**41%**	36%
Non-controlling Interest	**5,582,066**	5,072,828	509,238	**10%**	**5%**	5%
Total Equity	**51,348,887**	42,934,829	8,414,058	**20%**	**46%**	41%
	₱110,914,257	₱104,932,142	₱5,982,115	**6%**	**100%**	100%

Total assets as of December 31, 2024 amounted to ₱110,914.3 million from ₱104,932.1 million in December 31, 2023.

Cash and cash equivalents amounted to ₱17,279.6 million, 58% higher than ₱10,964.1 million in 2023 due to higher toll collection.

Restricted cash amounted to ₱9,884.4 million, 17% 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 ₱239.1 million mainly due to higher credit card transactions.

Input VAT posted a decrease of ₱817.4 million or 22% due to higher output VAT from toll revenue claimed against input VAT.

Other current assets decreased to ₱332.8 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 ₱1,224.5 million or 2% due to amortization of service concession rights.

Non-current portion of advances to contractors posted an increase of ₱174.9 million or 94% due to additional payment for contractors for the period, net of recoupment.

Property and equipment posted a net increase of ₱59.0 million or 41% due to acquisition of various fixed assets to be used in operation.

Other noncurrent assets decreased by ₱11.0 million or 4% due to the amortization of miscellaneous prepaid expenses.

Accounts payable and other current liabilities increased by ₱1,075.0 million or 22% 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 ₱187.3 million due to the settlement of dividends.

Income tax payable increased by ₱74.0 million or 26% due to higher taxable income compared to last year.

Current and non-current portion of long term-debt - net of debt issue cost, posted a net decrease of ₱3,381.8 million due to principal payments.

Total equity as of December 31, 2024 amounted to ₱51,348.9 million, higher by 20% from December 31, 2023 balance of ₱42,934.8 million, mainly due to the net income generated for the year

2023 vs. 2022

(Amounts in Thousands)	DECEMBER 31		Horizontal Analysis Increase/(Decrease)		Vertical Analysis	
	2023	2022	Amount	%	2023	2022
ASSETS						
Current Assets						
Cash and cash equivalents	**₱10,964,076**	₱11,127,279	(₱163,203)	**(1%)**	**10%**	10%
Restricted cash	**8,463,304**	6,398,948	2,064,356	**32%**	**8%**	6%
Trade and other receivables	**183,906**	208,800	(24,894)	**(12%)**	**0%**	0%
Input VAT	**3,798,884**	4,390,552	(591,668)	**(13%)**	**4%**	4%
Other current assets	**341,189**	572,822	(231,633)	**(40%)**	**0%**	1%
Total Current Assets	**23,751,359**	22,698,401	1,052,958	**5%**	**23%**	21%
Noncurrent Assets						
Service concession rights	**80,308,715**	82,697,934	(2,389,219)	**(3%)**	**77%**	77%
Advances to contractors	**185,117**	1,152,538	(967,421)	**(84%)**	**0%**	1%
Property and equipment	**145,349**	163,196	(17,847)	**(11%)**	**0%**	0%
ROU assets	**6,119**	9,472	(3,353)	**(35%)**	**0%**	0%
Goodwill	**483,452**	483,452	-	**0%**	**0%**	0%
Deferred tax asset – net	**27,153**	25,452	1,701	**7%**	**0%**	0%
Other noncurrent assets	**24,878**	83,645	(58,767)	**(70%)**	**0%**	0%
Total Noncurrent Assets	**81,180,783**	84,615,689	(3,434,906)	**(4%)**	**77%**	79%
	₱104,932,142	₱107,314,090	(₱2,381,948)	**(2%)**	**100%**	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and other current liabilities	**₱4,888,806**	₱7,565,033	(₱2,676,227)	**(35%)**	**5%**	7%
Current portion of:						
Long-term debt – net of debt issue costs	**9,135,556**	6,243,086	2,892,470	**46%**	**9%**	6%
Provision for resurfacing and maintenance obligation	**111,883**	99,510	12,373	**12%**	**0%**	0%
Lease liabilities	**3,414**	3,142	272	**9%**	**0%**	0%
Dividends payable	**283,316**	388,731	(105,415)	**(27%)**	**0%**	0%
Due to a related party	**61,844**	61,844	-	**0%**	**0%**	0%
Income tax payable	**280,499**	321,904	(41,405)	**(13%)**	**0%**	0%
Total Current Liabilities	**14,765,318**	14,683,250	82,068	**8%**	**14%**	14%
Noncurrent Liabilities						
Noncurrent portion of:						
Long-term debt – net of debt issue costs	**46,505,921**	56,579,976	(10,074,055)	**(18%)**	**44%**	53%
Provision for resurfacing and maintenance obligation	**152,487**	142,670	9,817	**7%**	**0%**	0%
Retention payable	**96,576**	78,592	17,984	**23%**	**0%**	0%
Lease liabilities	**2,414**	5,828	-3,414	**(59%)**	**0%**	0%
Net retirement liabilities	**76,103**	55,601	20,502	**37%**	**0%**	0%
Net deferred tax liabilities	**398,494**	419,646	(21,152)	**(5%)**	**0%**	0%
Total Noncurrent Liabilities	**47,231,995**	57,282,313	(10,050,318)	**(18%)**	**45%**	53%
Total Liabilities	**61,997,313**	71,965,563	(9,968,250)	**(14%)**	**59%**	67%
Equity						
Common stock	**6,953,846**	6,953,846	-	**0%**	**7%**	6%
Retained earnings	**44,515,546**	37,308,482	7,207,064	**19%**	**42%**	35%
Other comprehensive loss	**(13,117)**	(2,128)	(10,989)	**516%**	**0%**	0%
Other equity reserves	**(13,594,274)**	(13,594,274)	-	**0%**	**(13%)**	(13%)
Equity attributable to equity holders of the Parent Company	**37,862,001**	30,665,926	7,196,075	**23%**	**36%**	29%
Non-controlling Interest	**5,072,828**	4,682,601	390,227	**8%**	**5%**	4%
Total Equity	**42,934,829**	35,348,527	7,586,302	**21%**	**41%**	33%
	₱104,932,142	₱107,314,090	(₱2,381,948)	**(2%)**	**100%**	100%

Total assets as of December 31, 2023 amounted to ₱104,932.1 million from ₱107,314.1 million in December 31, 2022.

Cash and cash equivalents amounted to ₱10,964.1 million, 1% lower than ₱11,127.3 million in 2022 due to increase in capital expenditures for the year.

Restricted cash amounted to ₱8,463.3 million, 32% higher from ₱6,398.9 million in 2022 due to higher cash balance required by loan covenants and higher toll revenue.

Trade and other receivables decreased from ₱208.8 million to ₱183.9 million mainly due to lower credit card transactions.

Input VAT posted a decrease of ₱591.7 million or 13% due to higher output VAT from toll revenue claimed against input VAT.

Other current assets decreased to ₱341.2 million from ₱572.8 million due to lower advances to contractors to be applied within one-year.

Service concession rights posted a net decrease of ₱2,389.2 million or 3% due to amortization of service concession rights.

Non-current portion of advances to contractors posted a decrease of ₱967.4 million or 84% due to recoupment in progress billings.

Property and equipment posted a net decrease of ₱17.8 million or 11% due to depreciation.

Other noncurrent assets decreased by ₱58.8 million or 70% due to the amortization of service concession rights net of the increase in advances to contractors for advance payments.

Accounts payable and other current liabilities decreased by ₱2,676.2 million or 35% was mainly due to payments to third parties and released of retention payable current.

Dividends payable decreased by ₱105.4 million due to the payment of dividends.

Income tax payable decreased by ₱41.4 million or 13% due to lower taxable income from last year.

Current and non-current portion of long term-debt - net of debt issue cost, posted a net decrease of ₱7,181.6 million due to principal payments.

Total equity as of December 31, 2023 amounted to ₱42,934.8 million, lower by 21% from December 31, 2022 balance of ₱35,348.5 million, mainly due to the lower net income generated for the year.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movement is shown below.

(Amounts in Thousands)	**December 31**	
	2024	2023
Net cash provided by operating activities	**₱18,911,860**	₱16,363,762
Net cash used in investing activities	**(2,332,106)**	(1,838,152)
Net cash used in financing activities	**(10,266,463)**	(14,686,448)

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 SMC SKYWAY and MMSS3.

Net cash used in investing activities includes the following:

(Amounts in Thousands)	December 31	
	2024	2023
Additions to:		
Service concession rights	**(₱2,217,586)**	(₱953,695)
Property and equipment	**(113,648)**	(42,411)
Additions (payments) to retention payable	**171,404**	(1,869,426)
Decrease (increase) in:		
Advances to contractors	**(174,892)**	967,421
Other noncurrent assets	**(10,976)**	58,767
Proceeds from insurance claims	**11,829**	-
Proceeds from disposal of property and equipment	**1,763**	1,192

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.

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Net cash used in financing activities included the following:

(Amounts in Thousands)	December 31	
	2024	2023
Proceeds from availment of long-term debt	**₱35,000,000**	₱-
Payments of:		
Long-term debt	**(38,249,815)**	(7,320,477)
Interest	**(4,110,339)**	(4,389,709)
Dividends to noncontrolling interest	**(1,006,818)**	(908,386)
Debt issue cost	**(474,802)**	-
Lease liabilities	**(3,602)**	(3,520)
Increase in restricted cash	**(1,421,087)**	(2,064,356)

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 ₱2 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	December 31	
		2024	2023
Liquidity			
Current ratio			
	Total Current Assets	**30,717,320**	23,751,359
	Divided by: Total Current Liabilities	**12,125,211**	14,765,318
	Current ratio	**2.5x**	1.6x

Ratio	Formula	December 31	
		2024	2023
Acid test ratio			
	Total Current Assets	**30,717,320**	23,751,359
	Less: Other current assets	**(332,780)**	(341,189)
	Quick assets	**30,384,540**	23,410,170
	Divided by: Total Current Liabilities	**12,125,211**	14,765,318
	Acid test ratio	**2.5x**	1.6x
Solvency			
Debt-to-equity ratio			
	Total long-term debt	**52,259,660**	55,641,477
	Total equity	**51,348,887**	42,934,829
	Debt-to-equity ratio	**1.0x**	1.3x
Asset-to-equity ratio			
	Total assets	**110,914,257**	104,932,142
	Total equity	**51,348,887**	42,934,829
	Asset-to-equity ratio	**2.2x**	2.4x
Solvency ratio			
	Net income before depreciation and amortization	**12,737,256**	11,812,372
	Total liabilities	**59,565,370**	61,997,313
	Solvency ratio	**0.2x**	0.2x
Profitability			
Return on equity			
	Net income	**9,237,646**	8,407,514
	Total equity	**51,348,887**	42,934,829
	Return on equity	**17.99%**	19.58%
Return on assets			
	Net income	**9,237,646**	8,407,514
	Total assets	**110,914,257**	104,932,142
	Return on assets	**8.33%**	8.01%
Net profit margin			
	Net income	**9,237,646**	8,407,514
	Total revenue	**21,174,042**	20,265,979
	Net profit margin	**43.63%**	41.49%

IV. OFF-BALANCE SHEET ARRANGEMENTS

The Group does not have material off-balance sheet arrangements with other entities.

VII. OTHER MATTERS

a. Commitments

   The outstanding purchase commitments of the Group amounted to ₱5,494.1 million as at December 31, 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 cyclicality 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 year ended December 31, 2024.

EXHIBIT “11”

Outlook

ANNEX “B”

SEC eFast Initial Acceptance

From: noreply-cifssost@sec.gov.ph <noreply-cifssost@sec.gov.ph>
Sent: Tuesday, April 8, 2025 22:21
Subject: SEC eFast Initial Acceptance

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Greetings!

SEC Registration No: CS201310694
Company Name: SMC TOLLWAYS CORPORATION
Document Code: AFS

This serves as temporary receipt of your submission.
Subject to verification of form and quality of files of the submitted report.
Another email will be sent as proof of review and acceptance.

Thank you.

REMINDER:
TO ALL FILERS OF REPORTS IN THE e-FAST

Please strictly follow the instruction stated in the form.

Filings not in accordance with the prescribed template for the following reports
will be automatically reverted by the system to the filer.

1. General Information Sheet (GIS-Stock)
2. General Information Sheet (GIS-Non-stock)
3. General Information Sheet (GIS- Foreign stock & non-stock)
4. Broker Dealer Financial Statements (BDFS)
5. Financing Company Financial Statements (FCFS)
6. Investment Houses Financial Statements (IHFS)
7. Publicly – Held Company Financial Statement
8. General Form for Financial Statements
9. Financing Companies Interim Financial Statements (FCIF)
10. Lending Companies Interim Financial Statements (LCIF)

Per Section 18 of SEC Memorandum Circular No. 3 series of 2021, the reckoning date of receipt of reports is the date the report was initially submitted to the eFast, if the filed report is compliant with the existing requirements.

A report, which was reverted or rejected, is considered not filed or not received. A notification will be sent to the filer, stating the reason for the reports rejection in the remarks box.

SECURITIES AND EXCHANGE COMMISSION
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Salcedo Village, Barangay Bel-Air, Makati City,
1209, Metro Manila, Philippines

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS201310694

COMPANY NAME

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

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

11/F, San Miguel Properties Centre, 7 St. Francis St., Mandaluyong City

Form Type	Department Requiring the Report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
corsec.mrst@sanmiguel.com.ph	(02) 8 702 - 4833	0917-1010354

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8	First Tuesday of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Mary Rose Tan	mrtan@sanmiguel.com.ph	(02) 8 632-3866	0917-8871555

CONTACT PERSON'S ADDRESS

No. 40 San Miguel Avenue, Mandaluyong City, Metro Manila Philippines

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

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

SMC TOLLWAYS CORPORATION

(formerly Atlantic Aurum Investments Philippines Corporation)

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of **SMC Tollways Corporation** ***(formerly Atlantic Aurum Investments Philippines Corporation)*** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein as at **December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible in overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Reyes Tacandong & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, have expressed its opinion on the fairness of presentation upon completion of such audit.

RAMON S. ANG
Chairman of the Board and President

JOSEPH N. PINEDA
Treasurer

Signed this 12th day of March 2025

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY) ss.

Before me, a notary public for Mandaluyong City, Philippines, this 28 MAR 2025 personally appeared:

Name	Competent Evidence of Identity	Date/Place Issued
Ramon S. Ang	Passport No. P2247867B	May 22, 2019 DFA Manila
Joseph N. Pineda	Passport No. P7419331A	June 03, 2018 DFA NCR SOUTH

Known to me to be the same persons who executed the foregoing Statement of Management's Responsibility consisting of two (2) pages including this page on which this acknowledgment is written and that they acknowledged to me that the same is their free and voluntary act and deed and that of the principals they represent.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal at the date and place first above written.

Doc No. 474;
Page No. 96;
Book No. III;
Series of 2025.

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

CARLO MAGNO C. CABALLA
Commission No. 0576-24
Notary Public of Mandaluyong City
Until December 31, 2025
19th Floor San Miguel Properties Centre
No. 7 Saint Francis St. Ortigas Center, Mandaluyong City
Roll No. 73331
PTR No. 3272662; 01/08/2025; Mandaluyong City
IBP No.512417; 01/09/2025; Rizal Chapter
MCLE Compliance No. VIII-0015357;04/14/2028

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
SMC Tollways Corporation and Subsidiaries
11/F, San Miguel Properties Centre
7 St. Francis St., Mandaluyong City
Metro Manila, Philippines

Opinion

We have audited the accompanying consolidated financial statements of SMC Tollways Corporation (a wholly-owned subsidiary of Atlantic Aurum Investments B.V.) and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2024, 2023 and 2022 and notes to consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2024, 2023 and 2022 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in the auditors' professional judgment, were of most significance in our audits of the consolidated financial statements of the current period. These matters were addressed in the context of our audits of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Accounting for Service Concession Rights</u>

The Group's service concession rights, which represent 71% of its total assets as at December 31, 2024, is accounted for in accordance with Philippine Interpretations from International Financial Reporting Interpretations Committee 12, *Service Concession Arrangements* (PI IFRIC 12). Based on management's assessment, the arrangement under the Supplemental Toll Operation Agreement (STOA) for the operation of the toll roads at the Metro Manila Skyway is covered by PI IFRIC 12 and is accounted for using the intangible asset model. These matters require the use of significant judgments and estimates and hence, are significant to our audits.

We reviewed the specific provisions of the STOA and assessed the appropriateness of the application of PI IFRIC 12. We reviewed the significant additions during the year and ascertained that the additions met the criteria for capitalization of service concession rights. Further, we reviewed the related the disclosures which are included in Note 3, *Summary of Material Accounting Policy Information* and Note 8, *Service Concession Rights.*

Provision for Resurfacing and Maintenance Obligation

The Group's concession agreement includes, among others, the periodic maintenance and restoration of the concession asset. PI IFRIC 12 requires that these contractual obligations related to the concession be recognized and measured in accordance with Philippine Accounting Standards (PAS) 37, *Provisions, Contingent Liabilities and Contingent Assets.* The recognition and measurement of the obligation involves the use of significant management assumptions and estimates.

We reviewed and assessed the reasonableness of assumptions used by management in determining the obligation. Further, we reviewed the related disclosures which are included in Note 3, *Summary of Material Accounting Policy Information*; Note 4, *Use of Judgements, Estimates and Assumptions* and Note 14, *Provision for Resurfacing and Maintenance Obligation.*

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A for the year ended December 31, 2024, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2024 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Darryll Reese Q. Salangad.

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782/P-019; Valid until June 6, 2026
BIR Accreditation No. 08-005144-016-2022
Valid until May 15, 2025
PTR No. 10467142
Issued January 2, 2025, Makati City

March 12, 2025
Makati City, Metro Manila

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

		December 31	
	Note	**2024**	2023
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱17,279,552**	₱10,964,076
Restricted cash	13	**9,884,391**	8,463,304
Trade and other receivables	6	**239,148**	183,906
Input value-added tax (VAT)		**2,981,449**	3,798,884
Other current assets	7	**332,780**	341,189
Total Current Assets		**30,717,320**	23,751,359
Noncurrent Assets			
Service concession rights	8	**79,084,191**	80,308,715
Goodwill	10	**483,452**	483,452
Advances to contractors	11	**360,009**	185,117
Property and equipment	9	**204,361**	145,349
Deferred tax assets	21	**26,368**	27,153
Right-of-use (ROU) assets	20	**2,702**	6,119
Other noncurrent assets		**35,854**	24,878
Total Noncurrent Assets		**80,196,937**	81,180,783
		₱110,914,257	₱104,932,142
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	12	**₱5,963,819**	₱4,888,806
Current portion of:			
Long-term debt - net of debt issue costs	13	**5,520,340**	9,135,556
Provision for resurfacing and maintenance obligation	14	**126,323**	111,883
Lease liabilities	20	**2,345**	3,414
Dividends payable	23	**96,025**	283,316
Due to a related party	18	**61,844**	61,844
Income tax payable		**354,515**	280,499
Total Current Liabilities		**₱12,125,211**	₱14,765,318

(Forward)

	Note	December 31 2024	2023
Noncurrent Liabilities			
Noncurrent portion of:			
Long-term debt - net of debt issue costs	13	**₱46,739,320**	₱46,505,921
Provision for resurfacing and maintenance obligation	14	**172,585**	152,487
Retention payable	12	**78,514**	96,576
Lease liabilities	20	**–**	2,414
Net retirement liabilities	19	**79,780**	76,103
Net deferred tax liabilities	21	**369,960**	398,494
Total Noncurrent Liabilities		**47,440,159**	47,231,995
Total Liabilities		**59,565,370**	61,997,313
Equity			
Capital stock		**6,953,846**	6,953,846
Retained earnings	15	**52,422,714**	44,515,546
Other comprehensive loss		**(15,465)**	(13,117)
Other equity reserves	2	**(13,594,274)**	(13,594,274)
Equity attributable to equity holders of the Parent Company		**45,766,821**	37,862,001
Non-controlling interest	23	**5,582,066**	5,072,828
Total Equity		**51,348,887**	42,934,829
		₱110,914,257	₱104,932,142

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

		Years Ended December 31		
	Note	**2024**	2023	2022
REVENUE				
Revenue from toll operations	16	**₱20,769,042**	₱19,860,979	₱16,650,095
Toll operation and maintenance fee	16	**405,000**	405,000	365,000
		21,174,042	20,265,979	17,015,095
COST OF SERVICES	17	**(6,021,059)**	(5,778,992)	(4,940,209)
GROSS PROFIT		**15,152,983**	14,486,987	12,074,886
OPERATING EXPENSES	17	**(1,119,271)**	(1,119,516)	(954,945)
CONSTRUCTION REVENUE (COSTS)	8			
Construction revenue		**2,217,585**	953,695	2,621,388
Construction costs		**(2,217,585)**	(953,695)	(2,621,388)
		–	–	–
OTHER INCOME (CHARGES)				
Interest expense and other financing charges	13	**(4,507,278)**	(4,510,552)	(4,871,784)
Interest income	5	**1,166,975**	961,571	303,197
Rental income	20	**91,976**	73,988	63,955
Income from insurance claims	8	**11,829**	–	284,235
Net foreign exchange gain (loss)		**2,184**	(2,365)	10,959
Others - net		**45,867**	40,204	34,216
		(3,188,447)	(3,437,154)	(4,175,222)
INCOME BEFORE INCOME TAX		**10,845,265**	9,930,317	6,944,719
INCOME TAX EXPENSES	21	**1,607,619**	1,522,803	1,305,829
NET INCOME		**9,237,646**	8,407,514	5,638,890
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss in subsequent periods				
Net remeasurement gain (loss) on net retirement liabilities - net of deferred tax	19	**(4,061)**	(18,241)	6,193
TOTAL COMPREHENSIVE INCOME		**₱9,233,585**	₱8,389,273	₱5,645,083
Net income attributable to:				
Equity holders of the Parent Company		**₱7,907,168**	₱7,207,064	₱4,707,701
Non-controlling interest		**1,330,478**	1,200,450	931,189
		₱9,237,646	₱8,407,514	₱5,638,890
Total comprehensive income attributable to:				
Equity holders of the Parent Company		**₱7,904,820**	₱7,196,075	₱4,711,878
Non-controlling interest		**1,328,765**	1,193,198	933,205
		₱9,233,585	₱8,389,273	₱5,645,083
Basic/Diluted Earnings Per Share	25	**₱113.71**	₱103.64	₱67.70

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands except Per Share Data and Number of Shares)

		Years Ended December 31		
	Note	**2024**	2023	2022
COMMON STOCK - ₱100 par value				
Authorized - 80,000,000 shares				
Issued and outstanding - 69,538,459 shares		**₱6,953,846**	₱6,953,846	₱6,953,846
RETAINED EARNINGS	15			
Balance at beginning of year		**44,515,546**	37,308,482	32,600,781
Net income		**7,907,168**	7,207,064	4,707,701
Balance at end of year		**52,422,714**	44,515,546	37,308,482
OTHER COMPREHENSIVE LOSS				
Cumulative net remeasurement loss on net retirement liabilities				
Balance at beginning of year		**(13,117)**	(2,128)	(6,305)
Net remeasurement gain (loss) on net retirement liabilities - net of deferred tax		**(2,348)**	(10,989)	4,177
Balance at end of year		**(15,465)**	(13,117)	(2,128)
OTHER EQUITY RESERVES	2	**(13,594,274)**	(13,594,274)	(13,594,274)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**45,766,821**	37,862,001	30,665,926
NON-CONTROLLING INTEREST	23			
Balance at beginning of year		**5,072,828**	4,682,601	4,370,250
Net income		**1,330,478**	1,200,450	931,189
Cash dividends		**(819,527)**	(802,971)	(620,854)
Other comprehensive income (loss) - Net remeasurement gain (loss) on net retirement liabilities - net of deferred tax		**(1,713)**	(7,252)	2,016
Balance at end of year		**5,582,066**	5,072,828	4,682,601
		₱51,348,887	₱42,934,829	₱35,348,527

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

		Years Ended December 31		
	Note	**2024**	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱10,845,265**	₱9,930,317	₱6,944,719
Adjustments for:				
Interest expense and other financing charges	13	**4,507,278**	4,510,552	4,871,784
Depreciation and amortization	9	**3,499,612**	3,404,858	2,869,960
Interest income	5	**(1,166,975)**	(961,571)	(303,197)
Retirement expense	19	**25,829**	18,547	16,867
Provision for expected credit losses on receivable	6	**25,612**	8,038	333
Provision for resurfacing and maintenance obligation	14	**18,206**	7,980	35,867
Income from insurance claims	8	**(11,829)**	–	(284,235)
Net foreign exchange loss (gain)		**(2,184)**	2,365	(10,959)
Loss (gain) on disposal of property and equipment	9	**(1,295)**	475	(636)
Gain on lease modification	20	**(6)**	–	–
Operating income before working capital changes		**17,739,513**	16,921,561	14,140,503
Decrease (increase) in:				
Trade and other receivables		**(70,225)**	32,557	(76,861)
Input VAT		**817,435**	591,668	470,574
Other current assets		**8,409**	231,633	100,639
Increase (decrease) in accounts payable and other current liabilities		**852,201**	(753,154)	(1,435,778)
Net cash generated from operations		**19,347,333**	17,024,265	13,199,077
Income taxes paid		**(1,560,000)**	(1,581,461)	(1,247,673)
Interest received		**1,156,346**	945,870	264,101
Contributions to retirement plan	19	**(31,819)**	(24,912)	(28,635)
Net cash provided by operating activities		**₱18,911,860**	₱16,363,762	₱12,186,870

(Forward)

		Years Ended December 31		
	Note	**2024**	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Service concession rights	8	**(₱2,217,585)**	(₱953,695)	(₱2,621,388)
Property and equipment	9	**(113,648)**	(42,411)	(53,084)
Decrease (increase) in:				
Advances to contractors		**(174,892)**	967,421	757,417
Other noncurrent assets		**(10,976)**	58,767	(1,534)
Net additions to (payments of) retention payable		**171,404**	(1,869,426)	(72,072)
Proceeds from insurance claims		**11,829**	–	284,235
Proceeds from disposal of property and equipment		**1,763**	1,192	1,006
Net cash used in investing activities		**(2,332,105)**	(1,838,152)	(1,705,420)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Long-term debt	13	**(38,249,815)**	(7,320,477)	(4,772,344)
Interest		**(4,110,339)**	(4,389,709)	(4,739,375)
Dividends to non-controlling interest	23	**(1,006,818)**	(908,386)	(550,146)
Lease liabilities	20	**(3,602)**	(3,520)	(3,421)
Proceeds from availment of long-term debt, net of debt issue cost	13	**34,525,198**	–	–
Net additions to restricted cash		**(1,421,087)**	(2,064,356)	(2,767,953)
Net cash used in financing activities		**(10,266,463)**	(14,686,448)	(12,833,239)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**2,184**	(2,365)	10,959
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**6,315,476**	(163,203)	(2,340,830)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**10,964,076**	11,127,279	13,468,109
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	**₱17,279,552**	₱10,964,076	₱11,127,279
NONCASH FINANCIAL INFORMATION				
Additions to ROU assets and lease liabilities		**₱–**	₱–	₱10,058

See accompanying Notes to Consolidated Financial Statements.

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES

(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 and 2022

(Amounts in Thousands except as Otherwise Stated)

1. Reporting Entity

General Information

SMC Tollways Corporation (Tollways or the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 7, 2013 to deal with real and personal property of every kind and description, including securities or obligations of any corporation or association engaged in any business, including but not limited to those engaged in the logistics, tollways, infrastructure and similar businesses.

The Parent Company 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.

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.

In 2013, the Parent Company acquired a total of 87.84% interest in SMC Skyway Corporation (SMC SKYWAY) from AAIBV and Terramino Holdings, Inc. (THI), for a total consideration of ₱20,722.6 million.

In 2016, the Parent Company acquired 100% interest in Stage 3 Connector Tollway Holdings Corporation (S3CTHC) from AAIBV for a total consideration of ₱16,300.0 million. As at December 31, 2024, 2023 and 2022, S3CTHC owns 90% of SMC Skyway Stage 3 Corporation (MMSS3).

In 2020, the Parent Company acquired a total of 53.37% interest in Toll Road Operation & Maintenance Venture Corporation (TROMV) from Padma Investment PTE. Ltd. for ₱0.1 million. The acquisition resulted to an indirect ownership of 57.88% interest in Skyway O&M Corporation (SOMCO) (see Note 2).

The registered office address of the Parent Company is at 11/F San Miguel Properties Centre, 7 St. Francis St., Mandaluyong City.

Retail Bond Issue

On March 13, 2024, its stockholders and Board of Directors (BOD) authorized the Parent Company to issue, offer and sell to the public, bonds (the Bonds) in the aggregate principal amount of up to ₱35,000.0 million to be issued in three (3) tranches. The net proceeds were used to prepay its outstanding Corporate Notes and will be used to fund the capital expenditure requirements of the Skyway Project and the SMC Skyway Stage 3 Project (see Note 13).

On November 15, 2024, the SEC issued a Permit to Sell for the general public offering of the Parent Company's retail bonds and the offer was made to institutional and retail investors from November 18 to 27, 2024.

The Bonds were listed at the Philipwpine Dealing System Holdings Corp. & Subsidiaries (PDS) on December 5, 2024.

2. Statement of Compliance and Basis of Measurement

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. This financial reporting framework includes PFRS Accounting Standards, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC, including SEC pronouncements.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively referred to as the Group) were approved and authorized for issue in accordance with a resolution by the BOD, as endorsed and approved by the Audit Committee on March 12, 2025.

Basis of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis except for provision for resurfacing and maintenance obligation, lease liabilities, and net retirement liabilities which are measured at the present value of the estimated amount of costs that are expected to be incurred. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of consideration received in exchange of incurring a liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Further disclosures about the assumptions made in measuring fair value are included Note 24, *Fair Value of Financial Instruments*.

Functional and Presentation Currency

The consolidated financial statements of the Group are presented in Philippine Peso (Peso), which is the functional currency of the Group. All financial information are rounded-off to the nearest thousands (₱'000), except when indicated.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries, SMC SKYWAY, S3CTHC, MMSS3, TROMV and SOMCO.

Business Combination of SMC SKYWAY, S3CTHC and MMSS3

The acquisitions by the Parent Company of the equity interests in the SMC SKYWAY, S3CTHC and MMSS3 were accounted for as group reorganization. The Group reorganization has no economic substance since there is no real alteration to the composition and/or ownership of the Parent Company over the subsidiaries. These acquisitions qualify for the common control exemption under PFRS 3, *Business Combinations* and were accounted for similar to pooling-of-interests method. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values at the stand-alone financial statements of the investee companies.

The Group elected a policy to restate the financial information in the consolidated financial statements for periods prior to the combination of the entities under common control to reflect the combination as if it had occurred from the beginning of the earliest period presented in the consolidated financial statements, regardless of the actual date of the combination. However, financial information in the consolidated financial statements for periods prior to the combination is restated only for the period that the entities were under common control.

In connection with the acquisition of shares in SMC SKYWAY from AAIBV in 2013, the Group recognized "Other equity reserves" amounting to ₱3,047.1 million upon the issuance of shares to AAIBV of the Parent Company. On the other hand, the acquisition of additional shares in SMC SKYWAY from THI in 2013 is treated as a separate transaction and is considered as an acquisition of a non-controlling interest (NCI). Accordingly, the difference between the purchase price and the NCI acquired was recognized as part of "Other equity reserves" amounting to ₱7,585.1 million.

In 2016, the acquisition of 100% interest in S3CTHC from AAIBV of the Parent Company for a total consideration of ₱16,300.0 million resulted to an equity reserve amounting to ₱2,962.1 million. The equity reserve pertains to the excess of consideration over the consolidated net assets of S3CTHC and its subsidiary, MMSS3, which was also recognized as part of "Other equity reserves" in the consolidated statements of financial position. Prior to 2016, S3CTHC has 80% interest in MMSS3 (see Note 10).

Business Combination of TROMV and SOMCO

The acquisitions by the Parent Company of the equity interests in the TROMV and SOMCO were accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree pertaining to instruments that represent present ownership interests and entitle the holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of NCI are measured at fair value unless another measurement basis is required by PFRS Accounting Standards. Acquisition-related costs incurred are expensed and included in operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held interest is remeasured at its acquisition date fair value and any resulting gain and loss is recognized in the consolidated statements of comprehensive income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9, *Financial Instruments* either in the consolidated statements of comprehensive income or as a change in other comprehensive income (OCI). If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with appropriate PFRS Accounting Standards. Contingent consideration that is classified as equity is not remeasured until it is finally settled and accounted for within equity.

If necessary information, such as fair value of assets and liabilities acquired, is not available by the end of the reporting period in which the business combination occurs, provisional amounts are used for a period not exceeding one year from the date of acquisition or the measurement period. During this period, provisional amounts recognized for a business combination may be retrospectively adjusted if relevant information has been obtained or becomes available.

In 2020, the acquisition of 53.37% interest in TROMV from Padma Investment PTE. Ltd. for a total consideration of ₱0.1 million resulted to the recognition of NCI of ₱0.2 million and goodwill of ₱4.0, and an indirect ownership of 57.88% interest in SOMCO. The indirect ownership in SOMCO resulted to the recognition of gain from bargain purchase amounting to ₱2.5 million. Gain on bargain purchase is generated when the fair value of the net assets acquired by the Group exceeds the acquisition price and is recognized in the consolidated statements of comprehensive income (see Note 10).

Subsidiaries

A subsidiary is an entity that is controlled by the Parent Company. A subsidiary is consolidated from the date on which control is transferred to the Parent Company directly or through the holding companies. Control is achieved when the Parent Company is exposed or has rights to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. A subsidiary is deconsolidated from the date on which control ceases.

The subsidiaries as at December 31, 2024, 2023, and 2022 are as follows:

Subsidiaries	Type of Ownership	Percentage of Ownership
SMC SKYWAY	Direct	87.84
S3CTHC	Direct	100.00
MMSS3	Indirect	90.00
TROMV	Direct	53.37
SOMCO	Indirect	57.88

The financial statements of the subsidiaries are prepared for the same reporting year as that of the Parent Company using uniform accounting policies. Significant intercompany transactions and balances, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in ownership interest of a subsidiary, without a change in control, is accounted for as an equity transaction.

If the Parent Company loses control over a subsidiary, the Group: (a) derecognizes the assets and liabilities of the subsidiary; (b) derecognizes the carrying amounts of any NCI; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; and (g) reclassifies the share of components of the Parent Company previously recognized in other comprehensive income to profit or loss.

NCI

NCI represents the portion of profit or loss and net assets not attributable to the Parent Company and is presented in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

NCI represents the following interest in SMC SKYWAY, MMSS3, TROMV and SOMCO as at December 31, 2024 , 2023, and 2022 not owned, directly or indirectly, by the Parent Company.

Subsidiaries	Percentage
SMC SKYWAY	12.16
MMSS3	10.00
TROMV	46.63
SOMCO	42.12

The NCI shares in the losses of a subsidiary even if that result in a deficit balance (see Note 23).

Information about the Subsidiaries

SMC SKYWAY. SMC SKYWAY was incorporated and registered with the SEC on November 27, 1995 to design, construct and finance, pursuant to a build-and-transfer or other scheme duly approved by the appropriate Philippine authorities, toll road infrastructure projects of the Republic of the Philippines (ROP) and other entities, including but not limited to those designated as "flagship" or preferred infrastructure projects, namely: (1) the proposed Metro Manila Skyway (MMS), which is a system of elevated roadway, commencing at the end-point of the South Luzon Expressway in Alabang, Muntinlupa, and culminating at the end-point of the North Luzon Expressway in Balintawak, Caloocan City, thereby serving as an inter-connection of the above-mentioned Expressways; and (2) the proposed Metro Manila Expressway (MME).

On June 10, 1994, the Philippine National Construction Corporation (PNCC), the franchise holder for the construction, operation and maintenance (O&M) of the proposed MMS, including any and all extensions, linkages or stretches thereof, such as the proposed MMS, and PT Citra Lamtoro Gung Persada (CLGP), as joint proponents, submitted to ROP through the Toll Regulatory Board (TRB), the Joint Investment Proposal (JIP) covering not only the proposed MMS but also the planned MME. The said proposal embodied, among others, that CLGP in cooperation with PNCC committed itself to finance, design and construct the MMS in three stages, consisting of the South Metro Manila Skyway (SMMS) as Stage 1 and Stage 2, and the North Metro Manila Skyway and Central Metro Manila Skyway (collective referred to as Skyway Stage 3) as Stage 3, as well as MME as Stage 4. The JIP was approved by the TRB on November 27, 1995 and the Supplemental Toll Operation Agreement (STOA) for SMMS was executed on the same date by and among SMC SKYWAY, PNCC and the ROP acting through the TRB. Under the STOA for SMMS, the design and the construction of the SMMS and the financing thereof, shall be the primary and exclusive privilege, responsibility and obligation of SMC SKYWAY as investor. On the other hand, the O&M of the SMMS shall be the primary and exclusive privilege, responsibility and obligation of PNCC, through its wholly owned subsidiary, the PNCC Skyway Corporation (PSC).

On July 18, 2007, the STOA for SMMS was amended, to cover among others, the implementation of Stage 2 of the SMMS (Stage 2); the functional and financial integration of Stage 1 of the SMMS (Stage 1) and Stage 2 upon the completion of the construction of Stage 2; and the grant of right to SMC SKYWAY to nominate to the TRB a qualified party to perform the O&M of the SMMS to replace PSC. SMC SKYWAY, PNCC and PSC then entered into a memorandum of agreement for the successful and seamless turnover of the O&M responsibilities for the SMMS from PSC to SOMCO.

The SMMS shall be owned by the ROP, without prejudice to the rights and entitlement of the investor and the operator under the STOA for SMMS. The legal transfer of ownership of the SMMS to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction. The toll revenues are shared or distributed among SMC SKYWAY, SOMCO for the O&M of SMMS, and PNCC.

The 30-year franchise period for the Integrated Stage 1 and Stage 2 commenced on April 25, 2011.

S3CTHC. S3CTHC was incorporated and registered with the SEC on February 28, 2014 to invest in shares of stock, bonds, debentures, evidence of indebtedness, and other securities or obligations of any corporation or association for whatever lawful purpose or purposes the same may have been organized, including but not limited to those engaged in the logistics, tollways, infrastructure and similar businesses.

MMSS3. MMSS3 was incorporated with the SEC on November 16, 2012 to engage in the construction of toll roads and its facilities, including Stage 3, and its linkages and extensions pursuant to a build and transfer or other scheme duly approved by ROP, except the construction of locally-funded government projects or defense related structures.

On July 8, 2013, the STOA for Stage 3 was executed by and among the ROP as the Grantor, acting by and through TRB, PNCC, MMSS3 as the Investor, and Skyway Stage 3 O&M Corporation (SOMCO 3) (formerly Central Metro Manila Skyway Corporation) as the Operator, wherein MMSS3 was granted the primary and exclusive privilege, responsibility, and obligation to design and construct Stage 3, and to finance the same, while SOMCO 3 was granted the primary and exclusive privilege, responsibility, and obligation to operate and maintain Stage 3 (Project Road).

TROMV. TROMV was incorporated on October 25, 2007 primarily to engage in toll road operation and maintenance activity in the Philippines; and to purchase, own, lease, hold, acquire or otherwise accept such property real and personal or may be necessary, convenient or appropriate, for any of the foregoing purposes or activities; and likewise to engage in any and all activities and business understandings as may be necessary or incidental to accomplish the primary purpose and objective of the corporation.

SOMCO. SOMCO was incorporated and registered with the SEC on December 13, 2007, primarily to maintain and operate toll roads and toll facilities appurtenant thereto, as well as any and all such extensions, linkages or stretches as may be authorized by the TRB or other appropriate government agency.

Summarized financial information of the subsidiaries as at and for the years ended December 31, 2024, 2023, and 2022 are as follows:

			2024		
	SMC SKYWAY	**S3CTHC**	**MMSS3**	**TROMV**	**SOMCO**
Current assets	**₱6,316,245**	**₱253,311**	**₱17,029,581**	**₱226**	**₱320,574**
Noncurrent assets	**21,652,226**	**45,931,250**	**56,379,045**	**1,065**	**164,959**
Current liabilities	**5,340,253**	**466**	**6,914,479**	**1,918**	**189,001**
Noncurrent liabilities	**269,012**	**32,660,000**	**40,721,223**	**–**	**80,869**
Equity (capital deficiency)	**22,359,206**	**13,524,095**	**25,772,924**	**(627)**	**215,663**
Revenue	**11,049,151**	**–**	**8,824,014**	**–**	**1,348,778**
Net income (loss)	**7,251,253**	**11,486**	**4,507,323**	**(69)**	**6,078**
Total comprehensive income (loss)	**7,249,470**	**11,486**	**4,507,478**	**(69)**	**2,021**

			2023		
	SMC SKYWAY	S3CTHC	MMSS3	TROMV	SOMCO
Current assets	₱5,242,078	₱241,591	₱17,429,318	₱267	₱298,172
Noncurrent assets	22,419,826	45,931,250	56,565,911	1,065	134,147
Current liabilities	5,550,504	232	6,467,769	1,890	140,393
Noncurrent liabilities	262,335	32,660,000	46,262,014	–	78,284
Equity (capital deficiency)	21,849,065	13,512,609	21,265,446	(558)	213,642
Revenue	10,746,072	–	8,264,907	–	1,255,000
Net income (loss)	6,938,867	10,085	3,596,106	(62)	3,884
Total comprehensive income (loss)	6,930,674	10,085	3,596,138	(62)	(12,916)

			2022		
	SMC SKYWAY	S3CTHC	MMSS3	TROMV	SOMCO
Current assets	₱3,038,144	₱231,420	₱18,604,126	₱330	₱310,658
Noncurrent assets	23,488,741	45,931,250	58,874,775	266	137,423
Current liabilities	4,746,755	146	8,461,907	1,092	161,521
Noncurrent liabilities	258,558	32,660,000	51,347,686	–	60,002
Equity (capital deficiency)	21,521,572	13,502,524	17,669,308	(496)	226,558
Revenue	9,543,972	–	6,281,068	–	1,190,055
Net income (loss)	6,473,905	3,929	1,482,283	(62)	6,082
Total comprehensive income (loss)	6,477,569	3,929	1,482,283	(62)	10,301

3. Material Accounting Policy Information

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

The FSRSC approved the adoption of a number of new and amendments to standards as part of PFRS Accounting Standards.

Adoption of Amended PFRS Accounting Standards

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

- 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.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with early application permitted.

- Supplier Finance Arrangements (Amendments to PAS 7, *Statement of Cash Flows,* and PFRS 7, *Financial Instruments: Disclosures).* The amendments introduce new disclosure objectives to provide information about the supplier finance arrangements of an entity that would enable users to assess the effects of these arrangements on the liabilities and cash flows, and the exposure to liquidity risk.

  Under the amendments, an entity discloses in aggregate for its supplier finance arrangements:

    - the terms and conditions of the arrangements;

    - beginning and ending carrying amounts and associated line items of the financial liabilities that are part of a supplier finance arrangement, distinguishing those for which suppliers were already paid, and range of payment due dates including those for comparable trade payables not part of a supplier finance arrangement; and

    - the type and effect of non-cash changes in the carrying amounts.

  The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in PFRS 7 on factors an entity might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

The adoption of the amended PFRS Accounting Standards did not materially affect the consolidated financial statements. Additional disclosures were included in the consolidated financial statements, as applicable.

New and Amendments to PFRS Accounting Standards in Issue But Not Yet Effective or 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 consolidated financial statements. None of these are expected to have a material effect on the consolidated financial statements.

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

- 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 and PFRS 7). 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.

- Annual Improvements to PFRS Accounting Standards Volume 11:

  - Amendments to PFRS 7 – The amendments update and remove some obsolete references related to the gain or loss on derecognition on financial assets of an entity that has a continuing involvement and to the disclosure requirements on deferred differences between fair value and transaction price. The amendments also clarify that the illustrative guidance does not necessarily illustrate all the requirements for credit risk disclosure. Earlier application is permitted.

  - Amendments to PFRS 9 – *Transaction Price and Lessee Derecognition of Lease Liabilities* – The amendments clarify that when a lessee has determined that a right has been extinguished in accordance with PFRS 9, the lessee must apply the derecognition criteria for a financial liability which requires recognition of a gain or loss in profit or loss. The amendments also replace the reference to *'transaction price as defined by PFRS 15, Revenue from Contracts with Customers'* to *'the amount determined by applying PFRS 15'* to remove potential confusion. Earlier application is permitted.

  - Amendments to PFRS 10, *Consolidated Financial Statements - Determination of a 'de facto agent'* – The amendments remove inconsistencies by clarifying that an entity must use judgment to determine whether other parties are acting as de facto agents. Earlier application is permitted.

  - Amendments to PAS 7, *Statement of Cash Flows - Cost Method* – The amendments replace the term 'cost method' with 'at cost' following the deletion of the definition of 'cost method'. Earlier application is permitted.

  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. 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.

  In addition, all 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 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.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other assets and liabilities as noncurrent. Deferred tax assets and deferred tax liabilities are classified as noncurrent.

Financial Instruments

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument.

Recognition and Initial Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

Financial Assets

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at fair value through other comprehensive income (FVOCI) and (c) financial assets at FVPL. The classification of a financial asset depends on the business model of the Group and its contractual cash flow characteristics.

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group considers the contractual terms of the financial asset in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "Principal" is defined as the fair value of the financial asset on initial recognition, "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

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

Financial Assets at Amortized Cost. A financial asset shall be measured at amortized cost if it meets the following conditions and is not designated as FVPL:

- it is held within a business model with the objecting of holding the financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the profit or loss when the financial asset is derecognized, modified or impaired.

As at December 31, 2024 and 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 (see Notes 5, 6, 7 and 13).

Financial Liabilities

Classification. The Group classifies its financial liabilities at initial recognition under the following categories: (a) financial liabilities at amortized cost and (b) financial liabilities at FVPL.

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

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

Debt issue costs are shown as contra account against the long-term debt and are amortized over the terms of the related borrowings using the effective interest rate method.

As at December 31, 2024 and 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 (see Notes 12, 13, 18, 20 and 23).

Impairment of Financial Assets

The Group recognizes an allowance for expected credit losses (ECL) for all financial assets at amortized costs.

ECL are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognized allowance for impairment based on either 12-month or lifetime ECL depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group recognizes lifetime ECL for receivables that do not contain significant financing component. The Group uses provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group assesses whether the financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECL on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in 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.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets. A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the assets have expired; or
- the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" agreement; and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

Other Current Assets

This account mainly consists of prepayments, deferred input value-added tax (VAT), and advances to suppliers.

Prepayments. Prepayments are expenses paid in advance and recorded as asset before these are utilized. Prepayments are stated at cost less any impairment in value. This account comprises insurance premiums and other prepaid items. Prepayments are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred.

Deferred Input VAT. Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on the unpaid portion of availed services.

In accordance with Revenue Regulations (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) made prior to January 1, 2022 with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million made is claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million or if the purchase was made on or after January 1, 2022, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Advances to Suppliers. Advances to suppliers represent advance payments for services to be incurred in connection with the operations of the Group. These are charged to expense or capitalized to projects in the consolidated statements of financial position, upon actual receipt of services or supplies. These are considered as nonfinancial instruments as these will be applied against future billings from suppliers normally within one year.

Service Concession Arrangements

The Group accounts for its concession arrangement under the intangible asset model as it receives the right to charge users of public service. Under Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, the Group in substance, provides construction services in exchange for an intangible asset (the right to charge the users of the toll roads). During the construction of the toll road, construction revenue is recognized by reference to the percentage of completion measured on the basis of the proportion of costs incurred as of reporting date over the total estimated cost of construction. The Group estimates that the aggregate amount of the construction costs paid to the outside contractors approximates the fair value of the intangible asset. Thus, the construction revenue recognized in the consolidated statements of comprehensive income approximates the construction costs recognized.

Service Concession Rights

Service concession rights represent the construction costs, including borrowing costs during the construction period. Service concession rights are recognized initially at the fair value of the construction services. Following initial recognition, the concession right is carried at cost less accumulated amortization and any impairment losses. Subsequent expenditures or replacement of part of it, are normally recognized in profit or loss as these are incurred to maintain the expected future economic benefits embodied in the service concession rights unless it can be demonstrated that the expenditures will contribute to the increase in revenue from toll operations which meet the definition of an intangible asset.

The service concession rights are amortized using the straight-line method over the 30-year concession period. The amortization period and method are reviewed at least at each financial year-end or more frequently when an indication of impairment arises during the reporting year. Changes in the term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period and method, as appropriate, and treated as changes in accounting estimates. The amortization expense is recognized in the profit or loss in the expense category consistent with the function of the intangible assets.

The service concession rights will be derecognized upon turnover to the ROP with no consideration. There will be no gain or loss upon derecognition of the concession rights as these are expected to be fully amortized by then.

Advances to Contractors

Advances to contractors represent advance payments made for the design and construction of Skyway Stage 3, Alabang-Sucat Skyway Connection and Ramp Extensions (Skyway Extension) and other projects (Skyway Widening, New Bicutan and New Sucat Toll Plaza Project) and are measured at transaction price less impairment of value, if any. These are charges capitalized to projects in the consolidated statements of financial position, upon actual receipt of services or supplies. These are considered as nonfinancial instruments as these will be applied against future billings from contractors and are classified as noncurrent assets.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation which commences when the assets are available for their intended use, is computed using the straight-line method over the following estimated useful lives of the assets.

Asset Type	Number of Years
Transportation equipment	3 - 5
Machineries and equipment	10
Office equipment, furniture, and fixtures	2 - 5
Building improvements	5 - 10

The remaining useful lives and depreciation method are reviewed regularly and adjusted accordingly to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the profit or loss in the period of retirement and disposal.

Investment Properties
Investment properties consist of condominium units that are held for rental and is measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment properties at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and accumulated impairment loss.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment properties to owner occupied property, the cost of property for subsequent accounting is the carrying amount at the date of change in use. If an owner-occupied property becomes an investment properties, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties are derecognized when either it has been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposal. Any resulting gain or loss is credited to or charged against current operations.

Fully depreciated investment properties are retained in the accounts until it is no longer in use.

Goodwill
Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree of the Group. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the entity's cash-generating units (CGU) or group of CGU that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the entity are assigned to those units or groups of units. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes.

Where goodwill forms part of a CGU (or group of CGU) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation in determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative exchange differences arising from the translation and goodwill is recognized in profit or loss.

Impairment of Nonfinancial Assets
At each reporting date, nonfinancial assets are reviewed to determine whether there is any indication that those assets maybe impaired. If there is an indication of possible impairment, the recoverable amount of any asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the consolidated statements of comprehensive income.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to sell), but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in consolidated statements of comprehensive income.

The recoverable amount of an asset is the greater of its value in use or its fair value less cost to sell. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less costs of disposal.

Equity

Capital Stock. Capital stock is classified as equity. Incremental costs directly attributable to the issuances of common shares are recognized as deduction from equity, net of any tax effects.

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss, dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which has been restricted and are not available for any dividend declaration. Unappropriated retained earnings represent that portion which can be declared as dividends to shareholders.

Dividend Distribution. Dividends are recognized as a liability and deducted from equity when declared by the BOD and shareholders of the Parent Company. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Other Comprehensive Loss (OCL). OCL comprises items of income and expenses (including items previously presented under the consolidated statements of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS Accounting Standards. OCL represents the cumulative balance of remeasurement gain (loss) on net retirement liabilities and share in other comprehensive income of an associate.

Other Equity Reserves. Other equity reserves consist of the difference between the equity of SMC SKYWAY and S3CTHC attributable to the interest and the purchase price and the excess of purchase price over the net assets of non-controlling interests acquired by the Parent Company.

Earnings per Share

Basic earnings per share is calculated by dividing consolidated net income by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividend declared.

Diluted earnings per share is calculated in the same manner, adjusted for the effects of all dilutive potential common shares.

Revenue Recognition

Revenue from Contracts with Customers
Revenue from contracts with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the performance of the Group creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the performance of the Group does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

The Group recognized revenue from contracts with customers when it has met the following specific performance obligations:

Revenue from Toll Operations. Revenue from toll operations represents the share of the Group in the toll road revenues of the SMMS. Performance obligation is satisfied when motorists have exited the toll roads. Toll fees are set and regulated by the TRB and are collected by way of cash or charged against Radio Frequency Identification (RFID) accounts. Collections from RFID accounts are made by the Group and initially accounted under "Refundable toll replenishment", and are regularly settled. This is reclassified to revenue upon consumption by the motorist.

Toll Operations and Maintenance Fee. This account consists of operation and maintenance fee for SMC NAIAX Corporation (NAIAX) and Skyway Stage 3 which is recognized when the related services are rendered.

Construction Revenue. Revenue is recognized by reference to the stage of completion of the construction activity at reporting date. In measuring the progress of its performance obligation over time, the Group uses input method. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Revenue from Other Sources

Interest Income. Income is recognized as it accrues using the effective interest method.

Rental Income. Income is recognized on a straight-line basis over the lease term.

Income from Insurance Claims. Recovery from insurance company related to a business loss that is covered by insurance is recognized as soon as the payment by the insurance company becomes probable and the amount of the payment can be determined.

Other Income. Income is recognized when there is an incidental economic benefit that will flow to the Group through an increase in asset or reduction in liability and that can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

Cost and Expense Recognition
Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Costs of Services. Costs of services significantly represent operations and maintenance fee, amortization of service concession rights, PNCC share, provision for resurfacing and maintenance and costs to operate and maintain toll roads and toll facilities of SMMS, Skyway Stage 3 and NAIAX. These are expensed as incurred.

Operating Expenses. Operating expenses constitute costs of administering the business and costs to operate and maintain toll roads and toll facilities. These are charged to profit or loss as incurred.

Construction Costs. Construction costs include all direct materials and labor costs and those indirect costs related to the performance of incidental services under the construction contract. Construction costs are recognized by reference to the stage of completion of the construction activity as of the reporting date. The Group assessed that the costs of subcontracted work to third parties approximates the fair value of the intangible asset acquired in exchange for the construction services. Thus, construction costs are equal to the construction revenue.

Interest Expense and Other Financing Charges. Interest expense and other financing charges are recognized as it accrues. Interest expense and other financing charges include the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Leases
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether, throughout the period use:

- the Group has the right to obtain substantially all of the economic benefits from the use of the identified asset; and

- the Group has the right to direct the use of the identified asset.

The Group as a Lessee. The Group recognizes right-of-use (ROU) assets and lease liabilities at the lease commencement date (i.e., the date the underlying asset is available for use). The ROU assets are initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

ROU Assets. At commencement date, the Group measures ROU assets at cost. The cost comprises:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and

- an estimation of costs to be incurred by the Group in dismantling and removing the underlying asset, when applicable.

The ROU assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU assets or the end of the lease term.

In addition, the ROU assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

Lease Liabilities. The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities comprise the following:

- fixed payments, including in-substance fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise; lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liabilities are measured at amortized cost using the effective interest method. The carrying amount of the lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liabilities are remeasured, a corresponding adjustment is made to the carrying amount of the ROU assets, or is recognized in profit or loss if the carrying amount of the ROU assets have been reduced to zero.

The Group has elected not to recognize ROU assets and lease liabilities for short-term leases (i.e., lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

The Group as a Lessor. The Group determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is classified as finance lease; if not, it is classified as an operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Group applies PFRS 15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as rent income on a straight-line basis over the lease term.

Borrowing Costs
Borrowing costs are capitalized as part of "Service concession rights" if they are directly attributable to the construction of the qualifying asset. Capitalization of borrowing costs commences when the activities to prepare for the assets are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalized until the asset is substantially ready for its intended use.

Borrowing costs include interest expense, amortization of debt issuance costs and other costs incurred in connection with the borrowing of funds. Borrowing costs not qualified for capitalization are expensed as incurred.

Foreign Currency Denominated Transactions
Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the end of the reporting date. Exchange rate differences arising from the translation or settlement of monetary items at rates different from those at which these were initially recorded during the period are recognized in profit or loss in the period these arise.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the period such are realized.

Income Taxes

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and carryforward benefits of unused tax losses - net operating loss carry over (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of excess MCIT over RCIT and NOLCO can be utilized, except:

- where the deferred tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax are recognized in the consolidated statements of comprehensive income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

VAT

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from or payable to the taxation authority is recognized as "Input VAT" or included under "Accounts payable and other current liabilities" as part of "Statutory payables" account in the consolidated statements of financial position.

Employee Benefits

Short-term Employee Benefits. Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Net Retirement Liabilities. The Group has a funded, non-contributory defined benefit retirement plan covering all qualified employees. The retirement expense is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The net retirement liability or asset is the aggregate of the present value of the retirement liability and the fair value of plan assets (FVPA) on which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on the curtailments and non-routine settlements, and net interest expense or income in the consolidated statements of comprehensive income. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in the profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that the Group recognizes restructuring-related costs.

Plan assets are assets that are held by the long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can these be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement liability or asset) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the consolidated statements of comprehensive income in subsequent periods.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Related Party Relationships and Transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions with related parties are accounted for at arm's length prices or terms similar to those offered to non-related entities in an economically comparable market.

Material related party transactions are related party transactions, either individually or in aggregate, over a twelve-month period with the same related party, amounting to ten percent (10%) or higher of the Group's total assets based on its latest consolidated financial statements.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When some or all the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Provision for Resurfacing and Maintenance Obligation. Provision for resurfacing and maintenance obligation pertains to the obligation of the Group under the concession agreement to maintain the toll roads such that the toll road can deliver the specified standard of service at all times. Provision for resurfacing and maintenance obligation requires an estimation of the periodic cost, generally estimated to be every eight to ten years or the expected schedule of major maintenance to maintain the toll roads such that the toll road can deliver the specified standard of service at all times and to restore the assets to a level of serviceability during the concession term and in good condition before turnover to the Philippine Government. This is based on the best estimate of management to be the amount expected to be incurred to settle the obligation at every maintenance date discounted using a pre-tax rate that reflects the current market assessment of the time value of money. On the other hand, routine repairs and maintenance costs are expensed as incurred.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Segment Reporting
The Group's operating business are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services. Operating results of reportable segments are regularly reviewed by senior management to make decisions about resources to be allocated to the segment and assess its performance for which discrete financial information is available

The Group has one geographical segment and derives principally all its revenue from domestic operations.

Events after the Reporting Date
Events after the reporting date that provide additional information about the financial position of the Group at reporting date (adjusting events) are reflected in the consolidated financial statements when material. Events after the reporting date that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements of the Group in accordance with PFRS Accounting Standards requires management to exercise judgments, make estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgment and estimates are revised and in any future period affected.

Judgments
In the process of applying the accounting policies of the Group, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements. The judgments are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements.

Establishing the Control over Subsidiaries. The Parent Company determined that it has control over its subsidiary by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

- The contractual arrangement with the other vote holders of the investee;

- Rights arising from other contractual agreements; and

- The Parent Company's voting rights and potential voting rights.

Management has assessed that the Parent Company has control over SMC SKYWAY, S3CTHC, MMSS3, TROMV, and SOMCO as at December 31, 2024, 2023, and 2022 and identified these entities as subsidiaries.

Determining whether the STOA for SMMS and Stage 3 is covered under Philippine Interpretation IFRIC 12. Management has assessed that it is covered by Philippine Interpretation IFRIC 12, under the intangible asset model, with respect to the operation of the toll roads and toll facilities as it has (a) the right (license) to collect toll from toll roads users availing of a public service; (b) the grantor controls or regulates the price; (c) the Group will transfer significant residual interest of the toll roads and its facilities at the end of the STOA.

Recognizing Construction Revenue and Costs. The Group recognizes construction revenue and costs in accordance with PFRS 15, *Revenue from Contract with Customers.* It measures contract revenue at the fair value of the consideration received or receivable. The Group assessed that the costs of subcontracted work to third parties approximate the fair value of the intangible asset acquired in exchange for the construction services, thus construction revenue recognized is equal to the construction costs. Construction revenue and costs recognized in profit or loss amounted to ₱2,217.6 million, ₱953.7 million, and ₱2,621.4 million in 2024, 2023 and 2022, respectively (see Note 8).

Assessing Embedded Derivatives on Financial Instrument. The long-term debt of the Group contains embedded derivatives arising from voluntary prepayment option and interest rate floor. Under PFRS 9, the Group is required to evaluate whether the embedded derivatives meet the condition for bifurcation at loan inception.

Based on management's assessment, the voluntary prepayment option and interest rate floor are closely related with the host contract. Accordingly, the derivative assets or liabilities are not separately identified and recognized in the consolidated financial statements.

Revenue from Contracts with Customers. The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligation* -The Group provides toll concession and operations and maintenance fee service to its customers. The Group has determined that each of the services are capable of being distinct.

- *Determining the transaction price* - The Group determined that the transaction price is in accordance with the rates published by TRB or agreed rates with the customers.

- *Determining the timing of satisfaction of the toll service and operations and maintenance services* - The Group concluded that the revenue from toll concession is recognized at a point in time and when the motorists have exited the toll roads. Meanwhile, operations and maintenance services are recognized over time or when the services are rendered.

Classifying Financial Instruments. The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

Classifying Lease Commitments - The Group as a Lessee. The Group have entered into a lease agreement with a lessor for office space and parking lots. For the Group's non-cancellable lease, the Group recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Group's incremental borrowing rate.

The carrying amount of the ROU assets amounted to ₱2.7 million and ₱6.1 million as at December 31, 2024 and 2023, respectively. Lease liabilities amounted to ₱2.3 million and ₱5.8 million as at December 31, 2024 and 2023, respectively (see Note 20).

Assessing Lease Commitments - The Group as a Lessor. The Group assessed that it retains substantially all the risks and rewards of ownership of the asset under operating lease. Operating lease receivables are recognized as income in profit or loss on a straight-line basis over the lease term.

Rental income from lease arrangements amounted to ₱92.0 million, ₱74.0 million, and ₱64.0 million in 2024, 2023, and 2022, respectively (see Note 20).

Assessing the Extension Options of Lease Commitments. The Group's lease commitments contain extension options exercisable by the Group prior the end of the non-cancelable contract period. Where practicable, the Group seeks to include the extension options to provide operational flexibility. The Group assessed at lease commencement that it is reasonably certain that the Group will exercise the extension options. A reassessment is made whether it is reasonable certain to exercise the extension options if there is a significant event or significant change in circumstances within its control.

Determining the Classification of Property. The Group determines whether a property is classified as investment property or property and equipment:

- Investment properties comprise condominium units which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily for rental income and capital appreciation.

- Property and equipment include transportation equipment, machineries and equipment, office equipment, furniture and fixtures and building improvements. These properties and equipment are intended for operations or administrative purposes.

Evaluating Adequacy of Tax Liabilities. The Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Assessing Contingencies. Management's assessment of the potential outcome of legal claims has been developed in consultation with its external counsels handling the defense of the Group in these matters and is based upon an analysis of potential results. The Group is a party to certain claims arising from the ordinary course of business. Based on Management's and legal counsel's assessments, the eventual liabilities from such claims are not yet determinable. Accordingly, no provisions for legal claims have been recognized in 2024, 2023 and 2022 (see Note 20).

Estimates and Assumptions
The key estimates and assumptions used in the consolidated financial statements are based upon the Group's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Assessing the ECL of Toll Receivables and Other Financial Assets at Amortized Cost. The allowance for ECL of toll receivables and other financial assets at amortized cost are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

ECL of Toll Receivables
The Group applies the PFRS 9 simplified approach in measuring ECL of toll receivables which uses a lifetime expected loss allowance for all toll receivables. The Group estimates ECL on receivables using a provision matrix that is based on days past due for groupings of various customer segments that have similar loss patterns. Depending on the diversity of its debtor's base, the Group uses its historical credit loss experience adjusted for forward-looking factors, as appropriate.

ECL of Other Financial Assets at Amortized Cost
The Group determines the allowance for ECL of other financial assets at amortized cost using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

Provision for ECL recognized in profit or loss amounted to ₱25.6 million, ₱8.0 million, and ₱0.3 million in 2024, 2023, and 2022, respectively (see Note 6). The carrying amounts of financial assets are as follows:

	Note	2024	2023
Cash and cash equivalents*	5	**₱17,276,370**	₱10,961,561
Restricted cash	13	**9,884,391**	8,463,304
Trade and other receivables	6	**239,148**	183,906
Security deposits**	7	**595**	578
Miscellaneous deposits***		**2,206**	4,014

**Excludes cash on hand amounting to ₱3.2 million and ₱2.5 million as at December 31, 2024 and 2023, respectively*
*** Included under "Other current assets" account*
****Included under "Other noncurrent assets" account*

Estimating the Useful Lives of Service Concession Rights. The estimated useful lives of the service concession rights is approximately 30 years from the start of operations until the end of the concession period, as provided in the amended STOA. The estimated useful lives of concession rights is reviewed periodically and updated if expectations differ materially from previous estimates due to changes in the term of the STOA, pattern of consumption of future economic benefits and legal or other limitations on the use of the concession right. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances.

There are no changes in the estimated useful lives of service concession rights in 2024 and 2023. The carrying amount of the service concession rights amounted to ₱79,084.2 million and ₱80,308.7 million as at December 31, 2024 and 2023, respectively (see Note 8).

Estimating the Useful Lives of Property and Equipment, Computer Software and ROU Assets. The Group estimates the useful lives of its property and equipment, computer software and ROU assets based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment, computer software and ROU assets based on factors that include asset utilization, internal technical evaluation, technological and environmental changes and anticipated use of the assets.

There were no changes in the estimated useful lives of property and equipment, computer software and ROU assets as December 31, 2024 and 2023. The carrying amounts of the property and equipment, computer software and ROU assets of the Group are as follows:

	Note	2024	2023
Property and equipment	9	**₱204,361**	₱145,349
ROU assets	20	**2,702**	6,119
Computer software*	9	**3,900**	–

**Included under "Other noncurrent assets" account*

Assessing the Impairment of Service Concession Rights and Other Nonfinancial Assets. The Group assesses at each reporting date whether there is an indication that the service concession rights and other nonfinancial assets may be impaired. The factors that would trigger an impairment review of service concession rights include the following, among others:

- decline in toll rates as a result of government imposition or other events;
- significant decline in number of motorists passing through the toll roads; and
- significant change in foreign exchange rate of Peso versus US dollar since this will affect the toll rate adjustments.

The factors that the Group considers important which could trigger an impairment review of other nonfinancial assets include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The recoverable value of service concession rights and other nonfinancial assets represents the higher of value-in-use or fair value less cost of disposal. Estimating the value-in-use requires the Group to make an assessment of the expected future cash flows from the use of the service concession rights and other nonfinancial assets and allows it to choose a suitable discount rate in order to calculate the present value of those cash flows.

There are no indications that the service concession rights and other nonfinancial assets may be impaired. Accordingly, no impairment loss was recognized in 2024, 2023 and 2022. The carrying amounts of the nonfinancial assets of the Group are as follows:

	Note	**2024**	2023
Input VAT		**₱2,981,449**	₱3,798,884
Service concession rights	8	**79,084,191**	80,308,715
Advances to contractors	11	**360,009**	185,117
Property and equipment	9	**204,361**	145,349
ROU assets	20	**2,702**	6,119
Other current assets*	7	**332,185**	340,611
Other noncurrent assets**		**33,648**	20,864

**Excluding security deposits*
***Excluding miscellaneous deposits*

Assessing the Impairment of Goodwill. The Group tests annually whether any impairment in goodwill is to be recognized, in accordance with the related accounting policy in Note 3. The recoverable amounts of CGUs have been determined based on the higher of fair value less costs of disposal and value in use calculations which require the use of estimates. Based on the impairment testing conducted, the recoverable amounts of the CGUs as at December 31, 2024 and 2023 calculated based on value in use are greater than the corresponding carrying amounts (including goodwill) of the CGUs as at the same dates. The carrying amount of goodwill amounted to ₱483.5 million as at December 31, 2023, 2022 and 2021 (see Note 10).

Determining the Provision for Resurfacing and Maintenance Obligation. The Group recognizes provisions based on estimates of whether it is probable that an outflow of resources will be required to settle an obligation. Where the final outcome of these matters is different from the amounts that were initially recognized, such differences will impact the financial performance in the current period in which such determination is made.

The provision for resurfacing and maintenance obligation requires an estimation of the periodic cost over the expected period to restore the roads to a level of serviceability and to maintain its good condition before turnover to the Philippine Government. This is based on the best estimate of management of the amount expected to be incurred to settle the obligation, discounted using a pre-tax rate that reflects the current market assessment of the time value of money. The key assumptions used to determine the resurfacing and maintenance obligation are further explained in Note 14.

Provision for resurfacing and maintenance obligation amounted to ₱298.9 million and ₱264.4 million as at December 31, 2024 and 2023, respectively (see Note 14).

Determining the Net Retirement Liabilities. The determination of the liability and cost of retirement expense is dependent on the selection of certain assumptions provided to actuaries in calculating such amounts. Actual results that differ from the assumptions of the Group are accumulated and recorded in OCI. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement liability.

The retirement expense recognized in the profit or loss amounted to ₱25.8 million, ₱18.5 million, and ₱16.9 million in 2024, 2023, and 2022, respectively (see Note 19). Net interest expense on net retirement liabilities recognized in the profit or loss amounted to ₱4.3 million, ₱3.0 million, ₱3.0 million in 2024, 2023 and 2022, respectively (see Note 13). The net retirement liabilities amounted to ₱79.8 million and ₱76.1 million as at December 31, 2024 and 2023, respectively (see Note 19).

Assessing the Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets recognized by the Group amounted to ₱71.2 million and ₱67.2 million as at December 31, 2024 and 2023, respectively (see Note 21).

The unrecognized deferred tax assets of the Group amounted to ₱2,814.4 million and ₱2,179.8 million as at December 31, 2024 and 2023, respectively. Management has assessed that it is not probable that sufficient taxable profit will be available in the future against which the benefit from the deferred tax assets can be utilized (see Note 21).

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2024	2023
Cash on hand and in banks	**₱2,558,451**	₱1,977,345
Cash equivalents	**14,721,101**	8,986,731
	₱17,279,552	₱10,964,076

Cash in banks earn interest at bank's deposit rates. Cash equivalents are short-term investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at short-term investment rates.

Interest income recognized in the consolidated statements of comprehensive income is earned from the following:

	Note	**2024**	2023	2022
Cash and cash equivalents		**₱612,254**	₱550,360	₱179,819
Restricted cash	13	**554,721**	411,211	123,378
		₱1,166,975	₱961,571	₱303,197

Interest receivable amounted to ₱65.9 million and ₱55.3 million as at December 31, 2024 and 2023, respectively (see Note 6).

6. Trade and Other Receivables

Trade and other receivables consist of:

	Note	**2024**	2023
Receivable from Export and Industry Bank ("EIB")		**₱511,243**	₱511,243
Toll receivable from:			
Third parties		**206,183**	144,771
PSC		**92,470**	92,470
Related parties	18	**10,493**	2,362
Interest receivable	5	**65,910**	55,281
Receivable from Department of Public Works and Highways (DPWH)		**15,531**	15,531
Rent receivables:			
Related parties	18	**14,420**	17,153
Third parties		**7,887**	3,373
O&M fee receivables	18	**4,349**	11,458
Others		**44,311**	41,601
		972,797	895,243
Less allowance for ECL		**(733,649)**	(711,337)
		₱239,148	₱183,906

Receivable from EIB

On April 27, 2012, EIB was placed under the Philippine Deposit Insurance Corporation receivership by the Bangko Sentral ng Pilipinas. Based on the developments affecting the EIB, SMC SKYWAY recognized full allowance for ECL as at December 31, 2024 and 2023.

Toll Receivables

Toll receivables from third parties pertain to amount due from merchants for the e-load of motorists' RFID account and due from motorists from the use of toll roads through ETC system and receivable from PSC from its former operation of Stage 1 and 2. Toll receivables are unsecured, non-interest bearing and are normally collected within 30 days.

Receivable from DPWH

On October 12, 2009, SMC SKYWAY entered into a Memorandum of Agreement with the ROP, as Grantor, acting by and through DPWH wherein the Grantor shall reimburse the funds advanced by SMC SKYWAY for the right of way requirements for Stage 2 immediately after the availability of Grantor funds and the execution of a Reimbursement Agreement. These are unsecured and non-interest-bearing receivables.

Rent Receivables

Rent receivables pertain to lease of advertising spaces which are unsecured, non-interest bearing and are normally collected within 10 to 30 days. Provision for ECL on rent receivables amounted to ₱3.3 million in 2024. On the other hand, SMC SKYWAY wrote-off receivables amounting to ₱3.3 million, nil and ₱79.7 million in 2024, 2023 and 2022, respectively. The management assessed that these receivables can no longer be collected (see Note 20).

O&M Fee Receivables

O&M fee receivables pertain to the outstanding monthly fee from the agreement with NAIAX, to manage, operate and maintain the toll roads and toll road facilities, interchanges, and related facilities of the entire NAIAX. It also includes reimbursable expenses incurred for NAIAX and SMC SLEX Inc. (SLEX). O&M fee receivables are unsecured, non-interest bearing and are normally due and demandable upon receipt of billings.

Other Receivables

Others mainly pertain to advances to third parties which were fully provided by allowance for impairment losses. It also includes advances to officers and employees which are normally settled within the next reporting year.

Movements in allowance for ECL are as follows:

		December 31, 2024				
	Note	**EIB**	**Toll Receivables**	**Rent Receivables**	**Others**	**Total**
Balance at beginning of year		**₱511,243**	**₱176,329**	**₱–**	**₱23,765**	**₱711,337**
Provision	17	**–**	**22,312**	**3,300**	**–**	**25,612**
Write-off		**–**	**–**	**(3,300)**	**–**	**(3,300)**
Balance at end of year		**₱511,243**	**₱198,641**	**₱–**	**₱23,765**	**₱733,649**

		December 31, 2023				
	Note	EIB	Toll Receivables	Rent Receivables	Others	Total
Balance at beginning of year		₱511,243	₱168,291	₱–	₱23,765	₱703,299
Provision	17	–	8,038	–	–	8,038
Balance at end of year		₱511,243	₱176,329	₱–	₱23,765	₱711,337

		December 31, 2022				
	Note	EIB	Toll Receivables	Rent Receivables	Others	Total
Balance at beginning of year		₱511,243	₱167,958	₱79,664	₱23,765	₱782,630
Provision	17	–	333	–	–	333
Write-off		–	–	(79,664)	–	(79,664)
Balance at end of year		₱511,243	₱168,291	₱–	₱23,765	₱703,299

7. Other Current Assets

Other current assets consist of:

	Note	**2024**	2023
Prepayments		**₱140,296**	₱122,567
Deferred input VAT		**127,049**	157,927
Advances to suppliers		**59,435**	57,187
Security deposits	20	**595**	578
Others		**5,405**	2,930
		₱332,780	₱341,189

Prepayments mainly consist of prepaid insurance, which pertains to insurance premiums relating to the toll road construction and will be applied throughout the remaining term of the related contracts, and prepaid taxes and licenses.

Deferred input VAT is composed of current portion of the unamortized input VAT on purchase of capital goods and unpaid portion of purchased services. Noncurrent portion of deferred input VAT are presented under "Other noncurrent assets" in the consolidated statements of financial position.

	2024	2023
Current	**₱127,049**	₱157,927
Noncurrent	**610**	2,685
	₱127,659	₱160,612

Advances to suppliers represent advance payments on services to be incurred in connection with the operations of the Group.

Security deposits pertain to lease which are to be refunded upon termination of the agreements.

8. Service Concession Rights

Service concession rights consist of:

		2024				
	Note	**Stage 1**	**Stage 2**	**Stage 3**	**Skyway Extension**	**Total**
Cost						
Balance at beginning of year		**₱18,721,031**	**₱10,318,329**	**₱63,122,891**	**₱10,214,459**	**₱102,376,710**
Additions		**30,917**	**271,601**	**1,744,807**	**170,260**	**2,217,585**
Balance at end of year		**18,751,948**	**10,589,930**	**64,867,698**	**10,384,719**	**104,594,295**
Accumulated Amortization						
Balance at beginning of year		**12,080,717**	**4,355,462**	**5,078,086**	**553,730**	**22,067,995**
Amortization	9	**383,094**	**344,012**	**2,103,122**	**611,881**	**3,442,109**
Balance at end of year		**12,463,811**	**4,699,474**	**7,181,208**	**1,165,611**	**25,510,104**
Carrying Amount		**₱6,288,137**	**₱5,890,456**	**₱57,686,490**	**₱9,219,108**	**₱79,084,191**

		2023				
	Note	Stage 1	Stage 2	Stage 3	Skyway Extension	Total
Cost						
Balance at beginning of year		₱18,721,031	₱10,318,329	₱62,502,120	₱9,881,535	₱101,423,015
Additions		–	–	620,771	332,924	953,695
Balance at end of year		18,721,031	10,318,329	63,122,891	10,214,459	102,376,710
Accumulated Amortization						
Balance at beginning of year		11,697,623	4,011,450	3,016,008	–	18,725,081
Amortization	9	383,094	344,012	2,062,078	553,730	3,342,914
Balance at end of year		12,080,717	4,355,462	5,078,086	553,730	22,067,995
Carrying Amount		₱6,640,314	₱5,962,867	₱58,044,805	₱9,660,729	₱80,308,715

Service concession rights mainly consist of costs incurred for the construction of the toll roads. The service concession rights related to the Project Road during construction is not amortized until such time that the toll road is completed and put into operational use.

On November 21, 2020, an accident occurred during the construction of the Skyway Extension. Income from the insurance claims amounted to ₱11.8 million in 2024.

On February 1, 2020, a fire damaged a portion of Section 2B of the Skyway Stage 3 located in Pandacan, Manila. The Group determined actual loss amounting to ₱453.8 million and sold scraps amounting to ₱10.7 million. Income from insurance claims amounted to ₱284.2 million in 2022.

The 2022 consolidated statements of cash flows have been reclassified to conform to the current year presentation. The proceeds from insurance claims are considered a cash flow from investing activities. As a result, cash flows from operating activities decreased by ₱284.2 million, while cash flows from investing activities increased by the same amount in 2022. There were no impact on the consolidated statements of financial position and consolidated statements of comprehensive income as at and for the year ended December 31, 2022.

Construction Revenue and Construction Costs

The Group recognized construction revenue and construction cost amounting to ₱2,217.6 million, ₱953.7 million and ₱2,621.4 million for the years ended December 31, 2024, 2023 and 2022, respectively, in reference to the stage of completion of the construction. The outstanding contracts of the Group with the third parties amounted to ₱3,241.0 million as at December 31, 2024.

9. Property and Equipment, Computer Software, and Investment Properties

Property and Equipment

Property and equipment consist of:

	2024				
	Transportation Equipment	Machineries and Equipment	Office Equipment, Furniture and Fixtures	Building Improvements	Total
Cost					
Balance at beginning of year	₱293,202	₱116,265	₱102,953	₱17,285	₱529,705
Additions	40,553	49,428	11,262	12,405	113,648
Disposal	(4,060)	–	(1,770)	–	(5,830)
Balance at end of year	329,695	165,693	112,445	29,690	637,523
Accumulated Depreciation					
Balance at beginning of year	184,100	98,981	89,974	11,301	384,356
Depreciation	30,489	13,730	8,041	1,908	54,168
Disposal	(3,592)	–	(1,770)	–	(5,362)
Balance at end of year	210,997	112,711	96,245	13,209	433,162
Carrying Amount	₱118,698	₱52,982	₱16,200	₱16,481	₱204,361

	2023				
	Transportation Equipment	Machineries and Equipment	Office Equipment, Furniture and Fixtures	Building Improvements	Total
Cost					
Balance at beginning of year	₱291,346	₱98,019	₱97,287	₱15,289	₱501,941
Additions	15,821	18,928	5,666	1,996	42,411
Disposal	(13,965)	(682)	–	–	(14,647)
Balance at end of year	293,202	116,265	102,953	17,285	529,705
Accumulated Depreciation					
Balance at beginning of year	171,075	74,837	82,995	9,838	338,745
Depreciation	25,323	24,826	6,979	1,463	58,591
Disposal	(12,298)	(682)	–	–	(12,980)
Balance at end of year	184,100	98,981	89,974	11,301	384,356
Carrying Amount	₱109,102	₱17,284	₱12,979	₱5,984	₱145,349

The total cost of fully depreciated property and equipment still in use amounted to ₱274.2 million and ₱264.5 million as at December 31, 2024 and 2023, respectively.

The Group disposed property and equipment with total cost of ₱5.8 million, ₱14.6 million and ₱9.2 million in 2024, 2023 and 2022, respectively, which resulted to gain (loss) on disposal of ₱1.3 million, (₱0.5 million) and ₱0.6 million in 2024, 2023 and 2022, respectively. Gain or loss on disposal of property and equipment were presented as part of "Other income (charges)" under "Others - net" account in the consolidated statements of comprehensive income.

Depreciation and amortization charged to cost of services and operating expenses are as follows (see Note 17):

	Note	2024	2023	2022
Service concession rights	8	**₱3,442,109**	₱3,342,914	₱2,807,434
Property and equipment		**54,168**	58,591	57,101
ROU assets	20	**3,335**	3,353	3,205
Computer software		**–**	–	2,220
		₱3,499,612	₱3,404,858	₱2,869,960

Depreciation and amortization are allocated as follows:

	Note	2024	2023	2022
Cost of services	17	**₱3,485,150**	₱3,385,816	₱2,849,688
Operating expenses	17	**14,462**	19,042	20,272
		₱3,499,612	₱3,404,858	₱2,869,960

There are no property and equipment that are pledged as security or collateral to the Group's liabilities as at December 31, 2024 and 2023.

Computer Software

Computer software pertains to the computer software license and related consultancy service obtained by the Group pursuant to the Service Agreement.

Movements in computer software are as follows:

	2024	2023
Cost		
Balance at beginning of year	**₱17,685**	₱17,685
Additions	**3,900**	–
Balance at end of year	**21,585**	17,685
Accumulated Amortization		
Balance at beginning and end of year	**17,685**	17,685
Carrying Amount	**₱3,900**	₱–

The Group's computer software amounting to ₱3.9 million is included as part of "Other noncurrent assets" account in the consolidated statements of financial position. No amortization was recognized in 2024.

Fully amortized computer software still being used amounted to ₱17.7 million as at December 31, 2024 and 2023.

Investment Properties

The Group also has investment properties consisting of condominium units being leased out to third parties. The property has been fully depreciated with a cost and accumulated depreciation of ₱249.4 million as at December 31, 2024 and 2023.

The fair value of the investment properties amounted to ₱179.9 million as at December 31, 2024 and 2023. The fair values of the investment properties were determined by an independent appraiser in 2022. The Group did not obtain an appraisal report as at December 31, 2024 as management believes that there is no evidence that the investment properties have either significantly increased or decreased in value between the reporting dates and the appraisal report dates. The fair value of the investment properties was determined based on the published selling prices of similar properties of the same vicinity as of the reporting date for market approach. The appraisal of the properties gave due consideration to the highest and best use of the property. As defined, highest and best use is the most profitable likely use to which the property can be put. The fair value measurement for investment properties has been categorized under Level 2.

Description of valuation techniques used and key inputs to valuation on investment properties follows:

	Valuation Approach	Significant Inputs	Range (weighted average)
Condominium units	Market Approach	Average selling price per square meter (sqm)	₱72 to ₱85/sq.m
		Valuation adjustment	0% to 34%

Sensitivity Analysis. The following factors were considered in determining the market value of the subject property:

- property location and neighborhood data
- present use of the property is either commercial/residential/agricultural
- quantitative market value adjustments based on external and internal factors
- highest and best use (commercial and residential building/resort and its allied development)

Significant increase (decrease) in price per square meter would result in a significantly higher (lower) fair value measurement. Significant increase (decrease) in value adjustments would result in a lower (higher) fair value measurement.

Rental income related to the investment properties amounted to ₱3.3 million in 2024, 2023 and 2022 (see Note 20). The direct expense related to the investment properties are real property taxes and association dues amounting to ₱1.9 million, ₱1.8 million and ₱2.0 million in 2024, 2023 and 2022, respectively.

There are no investment properties that are pledged as security or collateral to the Group's liabilities as at December 31, 2024 and 2023.

10. **Accounting for Business Combination**

On September 5, 2014, S3CTHC subscribed to 55% interest in MMSS3 for ₱200.0 million. Prior to S3CTHC's subscription, MMSS3 was a wholly-owned subsidiary of CLGP, a company domiciled in Jakarta, Indonesia. S3CTHC and CLGP executed an agreement assigning CLGP's beneficial interest in MMSS3 to the S3CTHC equivalent to 25%. Also, on September 8, 2014, S3CTHC deposited ₱7,800.0 million to MMSS3 which is intended to be converted to common stock of MMSS3. Accordingly, the total purchase considerations transferred amounted to ₱8,000.0 million which resulted to a goodwill amounting to ₱483.4 million. None of the goodwill recognized is expected to be deductible for income tax purposes. The recoverable amount of goodwill has been determined based on the value in use computation covering the 30-year definite life of the toll concession rights in 2024, 2023 and 2022. The discount rate applied to the cash flow projections ranges from 4% to 5% in 2024, 2023 and 2022. Management assessed that no reasonably possible change in any of the assumptions would cause the carrying amount of the related investment to exceed its recoverable amount. The carrying amount of goodwill is allocated to MMSS3.

S3CTHC has elected to measure the NCI in the acquiree at proportionate share of 20% of the fair value of the identifiable net assets. In 2019, S3CTHC subscribed additional shares issued by MMSS3 resulting to a decrease in the ownership of the noncontrolling interest from 20% to 10%.

Prior to 2020, the Group has 40% equity investment of SOMCO through SMC SKYWAY or effective interest ownership of 35.14%. The total consideration of the acquisition amounting to ₱0.1 million resulted to a recognition of NCI of ₱0.2 million and goodwill of ₱4.0 (see Note 2). The indirect ownership in SOMCO resulted to recognition of gain from bargain purchase amounting to ₱2.5 million. The Group believes it was able to acquire the net assets of SOMCO for less than the fair values as negotiated by the shareholders.

The above transactions resulted to a recognition of deferred income tax liability on the fair value adjustment amounting to ₱326.4 million, non-controlling interest of ₱1,960.7 million and goodwill of ₱483.5 million. The remaining deferred tax liability on the fair value adjustment on service concession rights amounted to ₱273.5 million and ₱288.6 million as at December 31, 2024 and 2023, respectively (see Note 21).

The calculations of value in use of goodwill are most sensitive to the following assumptions:

a. Discount rates - Discount rates were derived from the Group's weighted average cost of capital and reflect management's estimate of risks within the CGUs. This is the benchmark used by the management to assess operating performance and to evaluate future investment proposals.

b. Income growth rate - The long-term rate used to extrapolate the budget is based on average income received from in the three years preceding the beginning of the budget period.

11. Advances to Contractors

This account represents advance payments made to various contractors for the construction of the Stage 3, Skyway Extension Project, Skyway Widening, and New Bicutan and New Sucat Toll Plaza Project. These are recouped at each progress billing depending on the agreement with the contractors.

Advances to contractors amounted to ₱360.0 million and ₱185.1 million as at December 31, 2024 and 2023, respectively.

12. Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities consist of:

	Note	**2024**	2023
Refundable toll replenishment		**₱3,064,565**	₱2,536,903
Payable to contractors	20	**1,048,039**	1,018,650
Retention payable		**495,334**	305,868
Statutory payables		**481,980**	417,353
Accrued interest payable	13	**263,911**	230,565
Payable to related parties	18	**229,789**	223,758
Accrued liabilities		**107,338**	95,631
Others		**272,863**	60,078
		₱5,963,819	₱4,888,806

Refundable toll replenishment pertains to advance toll payments made by RFID users. These are noninterest-bearing and applied against revenue from toll operations and are also refundable in nature as stated under the Terms and Conditions of RFID Agreement with the Group.

Payable to contractors relates to construction and development costs. These are noninterest-bearing and are paid based on a payment schedule ranging from 15 to 30 days upon receipt of the corresponding invoice.

Retention payable pertains to the amounts withheld by the Group from payments made to contractors. These are deducted as a percentage of the amount certified as due to the contractor and will be released upon completion of the construction.

Retention payable is presented as follows:

	2024	2023
Current	**₱495,334**	₱305,868
Noncurrent	**78,514**	96,576
	₱573,848	₱402,444

Statutory payables consist of VAT payable, withholding taxes on compensation, final and expanded withholding taxes, Social Security System, Home Development Mutual Fund and Philippine Health Insurance Corporation contributions that are remitted to the government within the next reporting period.

Accrued liabilities consist mainly of utilities, outside services, taxes and repairs and maintenance expenses. These are normally settled within one year.

Other payables are normally settled within one year.

13. Long-term Debt

Long-term debt consists of:

	2024	2023
Retail Bond Issue	**₱34,528,675**	₱–
Omnibus Loan and Security Agreement (OLSA) - MMSS3	**17,730,985**	22,832,016
Corporate Notes Facility (Loan Facility) - Parent Company	**–**	32,809,461
	52,259,660	55,641,477
Less current portion	**5,520,340**	9,135,556
Noncurrent portion	**₱46,739,320**	₱46,505,921

Movements in this account are as follows:

	2024	2023
Principal		
Balance at beginning of year	**₱56,046,914**	₱63,367,391
Availments	**35,000,000**	–
Payments	**(38,249,815)**	(7,320,477)
Balance at end of year	**52,797,099**	56,046,914
Unamortized debt issue cost		
Balance at beginning of year	**405,437**	544,329
Additions	**474,802**	–
Amortization	**(342,800)**	(138,892)
Balance at end of year	**537,439**	405,437
	₱52,259,660	₱55,641,477

Retail Bond Issue

On March 13, 2024, the Parent Company was authorized by its BOD to issue, offer and sell to the public, bonds in the aggregate principal amount of up to ₱35,000.0 million to be issued in three (3) tranches.

On November 15, 2024, the SEC issued a Permit to Sell for the general public offering of the Parent Company's Bonds and the offer was made to institutional and retail investors from November 18 to 27, 2024. The fund raising exercise generated gross proceeds amounting to an aggregate principal of ₱35,000.0 million with net proceeds of ₱34,525.2 million, after deducting fees, taxes, commissions and related expenses. The net proceeds were used to prepay its outstanding Peso-denominated Corporate Notes and will be used to fund the capital expenditure requirements of the Skyway Project and the SMC Skyway Stage 3 Project.

The Bonds were issued in three (3) series as follows:

	Principal	Interest Rate	Term
Series A Bonds	₱10,560,100	6.4783% p.a.	Five years and three months
Series B Bonds	5,898,950	6.7026% p.a.	Seven years
Series C Bonds	18,540,950	6.9331% p.a.	Ten years

Interest on the Bonds shall be payable quarterly in arrears starting on March 5, 2025 for the first interest payment date, and every quarter thereafter as long as the Bonds remain outstanding.

The Parent Company may (but shall not be obliged to) redeem all (and not a part only) of any series of the outstanding Bonds on the following relevant dates (each an "Optional Redemption Date"). The amount payable to the Bondholders in respect of such redemptions shall be calculated based on the principal amount of the Bonds being redeemed, as the sum of:

a. accrued interest on the Bonds computed from the last interest payment date up to the relevant Optional Redemption Date; and
b. the product of the principal amount and the applicable optional redemption price in accordance with the following schedule:

Years from Issue Date	Series A Bonds	Series B Bonds	Series C Bonds
Three years	100.5%	–	–
Five years	–	101.0%	–
Six years	–	100.5%	–
Seven years	–	–	101.5%
Eight years	–	–	101.0%
Nine years	–	–	100.5%

Unless previously redeemed, purchased and cancelled, the Series A Bonds, Series B Bonds and Series C Bonds will be redeemed at par or 100.00% of their face value on their respective maturity dates.

Unless the Majority Bondholders shall otherwise consent in writing, the Parent Company shall comply with the following financial covenants:

a. Debt-to-equity ratio (ratio of interest-bearing debt to equity, as defined in the bond offering prospectus of the Company dated November 13, 2024) of not more than 3.0x; and

b. Interest coverage ratio of not less than 2.0x so long as any of the Bonds remain outstanding.

The Parent Company is in compliance with the financial covenants as at December 31, 2024.

Loan Facility

On December 9, 2019, the Parent Company entered into a Loan Facility with local banks for a loanable amount of ₱41,200.0 million to refinance existing debt obligations and acquisition of investments for infrastructure projects. As at December 31, 2024, the Loan Facility was fully paid.

The unamortized debt issue cost on the drawn balances amounting to nil and ₱294.4 million as at December 31, 2024 and 2023, respectively, is amortized using the effective interest rate method over the term of the loan.

The long-term debt bears interest rate of higher of a Benchmark Rate plus 1.75% per annum or a floor rate of 5.5% per annum divided by the interest premium factor, subject to repricing on the fifth year of the term. Effective interest rates are ranging from 5.75% to 6.2% in 2024, 2023 and 2022. The loan has a term of 10 years. Principal and interest are payable quarterly starting March 16, 2020.

The Parent Company is subject to loan covenants, such as but not limited to: (a) the Parent Company shall not declare, make or pay any dividend, charge, fee or other distribution; (b) certain financial ratios such as net debt of the Parent Company and SMC SKYWAY divided by EBITDA ratio of SMC SKYWAY, not to exceed 4.50x.

The security of the agreements includes the assignment of the rights title and interest of the Parent Company over its shareholding in SMC SKYWAY.

As at December 31, 2024 and 2023, the Parent Company is in compliance with the covenants of the loan facility agreement.

OLSA

On December 15, 2014, MMSS3 entered into a Loan Facility Agreement with various local banks for a loanable amount of up to ₱31,000.0 million. As at December 31, 2024, the Loan Facility is fully drawn.

The term of the Loan Facility is 12 years. The Loan Facility bears interest rate equal to the higher of the sum of the base rate and the margin or 6.25%, subject to repricing at the seventh year of the term of the loan.

The Loan Facility is payable in 35 unequal consecutive quarterly installments starting on the earlier of March 30, 2020 or one calendar quarter after issuance of toll operation certificate by TRB. MMSS3 may, at its option, prepay the loans in part or in full on any interest payment date after the 5th anniversary of the initial drawdown date, together with accrued interest thereon to the date of prepayment, subject to certain conditions.

The unamortized debt issue cost on the drawn loan balance amounting to ₱66.1 million, and ₱111.0 million as at December 31, 2024 and 2023, respectively, is amortized using the effective interest rate method over the term of the loan. Effective interest rate ranges from 7.43% to 10.69% in 2024 and 2023. As a security for the timely payment, discharge, observance and performance of all the provisions of the Loan Facility, S3CTHC, acting as the Sponsor/Pledgor in the Loan Facility, grants the Security Trustee for the benefit of the Secured Parties, a continuing security interest of first priority in, all of its rights, title and interests in and to the common and preferred stock of the Group held by S3CTHC whether now owned or existing or hereafter acquired.

The Loan Facility amounting to ₱17,797.1 million and ₱22,943.1 million as at December 31, 2024 and 2023, respectively, represent syndicated project financing loans, of which corresponding service concession rights are assigned to the extent of the balance of the long-term debt.

The Loan Facility provides for certain general covenants and financial ratios. As at December 31, 2024 and 2023, MMSS3 has complied with the required financial ratios.

Maturity Schedule

The annual maturities of long-term debt are as follows:

	Gross Amount	Debt Issue Costs	Net
2025	₱5,555,200	₱85,538	₱5,469,662
2026	5,084,000	78,208	5,005,792
2027 and thereafter	42,157,899	373,693	41,784,206
	₱52,797,099	₱537,439	₱52,259,660

Interest Expense and Other Financing Charges

Interest incurred by the Group follows:

	Note	**2024**	2023	2022
Interest on long-term debt		**₱4,143,685**	₱4,354,046	₱4,725,728
Amortization of debt issue cost		**342,800**	138,892	139,578
Interest on provision for resurfacing and maintenance obligation	14	**16,332**	14,210	3,369
Net interest cost on retirement liabilities	19	**4,254**	3,026	3,005
Interest on lease liabilities	20	**207**	378	104
		₱4,507,278	₱4,510,552	₱4,871,784

Accrued interest amounted to ₱263.9 million and ₱230.6 million as at December 31, 2024 and 2023, respectively (see Note 12).

Restricted Cash

OLSA

The OLSA requires the Group to open and maintain the following Security Trustee-Controlled Cash Flow Waterfall Accounts: Revenue Account, Debt Service Reserve Account and Debt Service Payment Account.

Loan Facility

The Loan Facility of the Parent Company with the creditors requires the Parent Company to maintain a bank account to hold dividends received from SMC SKYWAY for the purpose of principal and interest repayment and a separate reserve account.

Sources of restricted cash presented in the consolidated statements of financial position as follows:

	2024	2023
OLSA	**₱9,884,391**	₱7,985,134
Loan Facility	**–**	478,170
	₱9,884,391	₱8,463,304

Interest income from the restricted cash amounted to ₱554.7 million, ₱411.2 million and ₱123.4 million in 2024, 2023 and 2022, respectively (see Note 5).

Cash Flows Arising from Financing Activities

The reconciliation of the Group's liabilities arising from financing activities as at December 31 are presented below:

		Cash flows				
	2023	**Availments)**	**Payments**	**Interest Expense**	**Noncash Item**	**2024**
Long-term debt	**₱55,641,477**	**₱34,525,198**	**(₱38,249,815)**	**₱–**	**₱342,800**	**₱52,259,660**
Accrued interest payable	**230,565**	**–**	**(4,110,339)**	**4,507,278**	**(363,593)**	**263,911**
Dividends to non-controlling interest	**283,316**	**–**	**(1,006,818)**	**–**	**819,527**	**96,025**
Lease liabilities	**5,828**	**–**	**(3,602)**	**–**	**119**	**2,345**
	₱56,161,186	**₱34,525,198**	**(₱43,370,574)**	**₱4,507,278**	**₱798,853**	**₱52,621,941**

		Cash flows				
	2022	Availments	Payments	Interest Expense	Noncash Item	2023
Long-term debt	₱62,823,062	₱–	(₱7,320,477)	₱–	₱138,892	₱55,641,477
Accrued interest payable	266,228	–	(4,389,709)	4,510,552	(156,506)	230,565
Dividends to non-controlling interest	388,731	–	(908,386)	–	802,971	283,316
Lease liabilities	8,970	–	(3,520)	–	378	5,828
	₱63,486,991	₱–	(₱12,622,092)	₱4,510,552	₱785,735	₱56,161,186

14. Provision for Resurfacing and Maintenance Obligation

Provision for resurfacing and maintenance obligation pertains to the present value of the contractual obligation of SMC SKYWAY to restore the roads to a specified level of serviceability and to maintain these in good condition during the concession period before turnover to the Philippine Government.

Provision for resurfacing and maintenance obligation as at December 31 as follows:

	Note	**2024**	2023
Balance at beginning of year		**₱264,370**	₱242,180
Provision for resurfacing and maintenance obligation	17	**18,206**	7,980
Accretion of interest	13	**16,332**	14,210
Balance at end of year		**298,908**	264,370
Less current portion		**126,323**	111,883
Noncurrent portion		**₱172,585**	₱152,487

Key assumptions used to determine the provision for resurfacing and maintenance obligation are as follows:

	2024	2023
Replacement period:		
At-grade	**8 years**	8 years
Elevated	**10 years**	10 years
Discount rate range	**6.05% to 6.18%**	5.87% to 6.00%
Price increase	**3.20%**	5.98%

Discount rates represent the interest rates of government bonds that are denominated in Philippine currency in which the obligation will be paid, with extrapolated maturities corresponding to the expected payment of resurfacing obligation.

Price increase rate is based on the published general inflation rates for the Philippines.

15. Retained Earnings

Under the Philippine Revised Corporation Code, stock corporations are generally prohibited from retaining surplus profits in excess of 100% of their paid up capital.

As at December 31, 2024 and 2023, the retained earnings of the Parent Company is in excess of its paid-in capital stock by ₱28,363.9 million and ₱24,934.7 million, respectively.

In 2023, the Parent Company is restricted from declaring, making or paying any dividend, charge, fee or other distribution whether in cash or in kind or in respect of its share capital (see Note 13).

In 2024, the Parent Company plans to use the excess retained earnings for future business opportunities.

16. Revenue

Revenue from Contracts with Customers

Disaggregation of the Group's revenue from contracts with customers is as follows:

	Note	**2024**	2023	2022
Revenue recognized at a point in time -				
Revenue from toll operations		**₱20,769,042**	₱19,860,979	₱16,650,095
Revenue recognized over time:				
Construction revenue	8	**2,217,585**	953,695	2,621,388
Toll operations and maintenance fee	18, 20	**405,000**	405,000	365,000
		2,622,585	1,358,695	2,986,388
		₱23,391,627	₱21,219,674	₱19,636,483

17. Cost of Services and Operating Expenses

Cost of services and operating expenses consists of:

	Note	**2024**	2023	2022
Cost of Services				
Depreciation and amortization	9	**₱3,485,150**	₱3,385,816	₱2,849,688
PNCC share	20	**631,838**	606,384	514,767
Personnel		**611,202**	589,012	515,137
Contracted services		**478,239**	408,126	345,065
Operations and maintenance fee	20	**322,164**	322,164	291,982
Repairs and maintenance		**226,887**	241,692	182,172
Insurance		**93,635**	81,678	49,378
Provision for resurfacing and maintenance obligation	14	**18,206**	7,980	35,867
Taxes and licenses		**269**	286	762
Others		**153,469**	135,854	155,391
		₱6,021,059	₱5,778,992	₱4,940,209

	Note	2024	2023	2022
Operating Expenses				
Management fees	18	**₱363,218**	₱327,578	₱310,766
Taxes and licenses		**184,986**	174,139	120,325
Personnel		**129,419**	106,434	83,447
Repairs and maintenance		**103,700**	117,213	43,356
Contracted services		**95,073**	105,634	99,508
Merchant fees		**72,219**	69,393	58,591
ECL on receivables	6	**25,612**	8,038	333
Corporate communication		**20,027**	66,386	51,283
Office supplies		**17,964**	17,808	17,224
Entertainment, amusement and recreation		**17,508**	19,045	10,420
Depreciation and amortization	9	**14,462**	19,042	20,272
Transportation and travel		**11,391**	11,479	11,645
Communication, light and water		**6,932**	10,531	7,357
Insurance		**990**	321	1,309
Others		**55,770**	66,475	119,109
		₱1,119,271	₱1,119,516	₱954,945

Personnel are composed of the following:

	Note	2024	2023	2022
Salaries and wages		**₱450,212**	₱428,169	₱377,765
Employee benefits		**264,580**	248,730	203,952
Retirement expense	19	**25,829**	18,547	16,867
		₱740,621	₱695,446	₱598,584

Employee benefits represent employees' transportation allowances and medical insurance, among others.

Other operating expenses mainly pertain to reimbursement expenses, directors' fee, training expenses, and penalties.

18. Related Party Transactions

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

		Amount of Transactions			Outstanding Balance		
	Note	**2024**	2023	2022	**2024**	2023	Terms and Conditions
Trade and other receivables	6						
Entities under common control		**₱573,373**	₱1,890,134	₱1,161,785	**₱29,262**	₱30,973	30 days; noninterest-bearing, unsecured
Other Current Assets	7						
Entities under common control		**₱17**	₱17	₱16	**₱595**	₱578	Refundable upon termination of lease

	Note	Amount of Transactions 2024	2023	2022	Outstanding Balance 2024	2023	Terms and Conditions
Accounts payable and other current liabilities:	12						
Entities under common control		**₱16,141,590**	₱12,662,243	₱10,960,403	**₱185,256**	₱210,170	5 -30 days; noninterest-bearing, unsecured
Intermediate Parent		**372,623**	327,578	310,766	**44,533**	13,588	5 -30 days; noninterest-bearing, unsecured
					₱229,789	₱223,758	
Fair Value of Plan Assets	19						
Plan Assets		**₱31,819**	₱24,912	₱28,635	**₱116,052**	₱98,007	Under SMHC Multi-Employer Plan
Due to a Related Party		**₱–**	₱–	₱–	**₱61,844**	₱61,844	On demand, noninterest-bearing, unsecured

In 2024, 2023, and 2022, the Group has not provided ECL on trade and other receivables from related parties. This assessment is undertaken at each financial year by examining the financial position of the related party and market in which the related party operates. There have been no guarantees provided or received for any related party receivables or payables as at December 31, 2024 and 2023.

Trade Receivables

a. On June 14, 2023, the Group with NAIAX, 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 ₱367.1 million, ₱1,705.7 million and ₱987.6 million in 2024, 2023 and 2022, respectively. The Group has toll receivable amounting to ₱10.5 million and ₱2.4 million as at December 31, 2024 and 2023, respectively (see Note 6).

b. SOMCO received reimbursement on expenses incurred for SLEX. Total reimbursement amounted to nil, ₱6.3 million and ₱15.5 million in 2024, 2023 and 2022, respectively. No outstanding receivable as at December 31, 2024 and 2023.

c. SMC SKYWAY entered into a lease contract with other related parties as lessees, for the right to lease the advertising areas and spaces within the area of responsibility of the SMC SKYWAY at the SMMS. Total rental income amounted to ₱35.1 million, ₱30.3 million and ₱19.7 million in 2024, 2023 and 2022, respectively. The outstanding rental receivable amounted to ₱9.5 million and ₱12.6 million as at December 31, 2024 and 2023, respectively (see Note 6).

d. MMSS3 entered into lease contracts with other related parties as lessees, for the right to lease the advertising areas and spaces within the area of responsibility of the Group at the Skyway Stage 3. Total rental income amounted to ₱23.4 million, ₱22.8 million and ₱24.0 million in 2024, 2023 and 2022, respectively. The outstanding rental receivable amounted to ₱4.9 million, and ₱4.5 million as at December 31, 2024 and 2023, respectively (see Note 6).

e. SOMCO entered into an agreement with NAIAX to manage, operate and maintain the toll roads and toll road facilities, interchanges, and related facilities of the entire NAIAX. Revenue from toll operation and maintenance amounted to ₱125.0 million, ₱125.0 million and ₱115.0 million in 2024, 2023 and 2022, respectively. Moreover, SOMCO received reimbursement on expenses incurred for NAIAX amounting to ₱22.8 million in 2024. Outstanding receivable amounted to ₱4.3 million and ₱11.5 million as at December 31, 2024 and 2023, respectively (see Note 6).

Other Current Assets

The Group also entered into lease agreements with entities under common control for the lease of office and parking space. The lease agreement is for a period of one year and renewable every year thereafter unless terminated by either party. Security deposit amounting to ₱0.6 million as at December 31, 2024 and 2023 will be refunded upon termination of the lease agreement (see Note 20).

Accounts Payable and Other Current Liabilities

Entities under Common Control

a. In relation to the interoperability arrangement between SMC SKYWAY and SLEX, total related transactions pertaining to ETC transactions amounted to ₱9,308.7 million, ₱7,183.1 million and ₱6,431.7 million in 2024, 2023 and 2022, respectively. The Group has toll payable to SLEX amounting to ₱47.0 million and ₱37.2 million as at December 31, 2024 and 2023, respectively.

b. Pursuant to a MOA entered into by SMC SKYWAY and NAIAX, the Group shall collect and remit to NAIAX all toll fees collected from the ETC users of NAIA Expressway. Total related transactions amounted to ₱1,615.4 million, ₱1,419.3 million and ₱1,106.5 million in 2024, 2023 and 2022, respectively. Outstanding payable to NAIAX amounted to ₱6.0 million and ₱3.1 million as at December 31, 2024 and 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 ₱1,816.6 million, ₱1,490.9 million and ₱1,305.3 million in 2024, 2023 and 2022, respectively. Outstanding payable to SIDC amounted to ₱1.2 million and ₱8.4 million as at December 31, 2024 and 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 ₱2.2 million, ₱16.5 million and ₱29.5 million in 2024, 2023 and 2022, respectively. Outstanding payable to MATES amounted to ₱0.1 million and ₱2.4 million as at December 31, 2024 and 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 PIDC all toll fees collected from the ETC users of Tarlac-Pangasinan-La Union Expressway (TPLEX). Total related transaction amounted to ₱2,670.5 million, ₱1,864.9 million and ₱1,482.1 million in 2024, 2023 and 2022, respectively. Outstanding payable to SMC TPLEX amounted to ₱46.0 million and ₱6.8 million as at December 31, 2024 and 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 ₱377.7 million, ₱303.1 million and ₱242.7 million in 2024, 2023 and 2022, respectively. Outstanding payable to IETC amounted to ₱39.8 million and ₱34.7 million as at December 31, 2024 and 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 ₱350.5 million, ₱384.4 million and ₱362.6 million in 2024, 2023 and 2022, respectively. Outstanding payable for these transactions amounted to ₱45.2 million and ₱117.6 million as at December 31, 2024 and 2023, respectively.

Intermediate Parent

a. 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.

   Management fee charged by SMHC amounted to ₱363.2 million, ₱327.6 million and ₱310.8 million in 2024, 2023 and 2022, respectively (see Note 17). Outstanding payable to SMHC amounted to ₱35.1 million and ₱13.6 million as at December 31, 2024 and 2023, respectively.

b. In 2024, the Parent Company received advances from SMHC for working capital requirements amounting to ₱9.4 million. Outstanding payable for this transaction amounted to ₱9.4 million and nil as at December 31, 2024 and 2023, respectively.

<u>Due to a Related Party</u>

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.

<u>Key Management Personnel Compensation</u>

The compensation of key management personnel for the years ended December 31, 2024, 2023 and 2022 follows:

	2024	2023	2022
Short-term employee benefits	**₱25,437**	₱26,864	₱27,184
Post-employment benefits	**1,876**	18,483	14,752
	₱27,313	₱45,347	₱41,936

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

19. Net Retirement Liabilities

The Group joined the SMHC Multi-Employer Retirement Plan (the Plan). The Plan will provide, through a retirement fund, the payment of the benefits to each participating company's qualified employees when they are retired, disabled or separated from service, or in the event of death at definite amounts to their beneficiaries. The latest actuarial valuation report is at December 31, 2024.

The following tables summarize the retirement expense recognized in the consolidated statements of comprehensive income and other comprehensive income (loss), and retirement plan liabilities recognized in the consolidated statements of financial position.

The components of retirement expense charged to operations are as follows:

	Note	**2024**	2023	2022
Retirement expense*	17	**₱25,829**	₱18,547	₱16,867
Net interest cost	13	**4,254**	3,026	3,005
		₱30,083	₱21,573	₱19,872

**including current service cost and settlement loss*

Components of the net retirement liabilities recognized in the consolidated statements of financial position follows:

	2024	2023
Present value of defined benefit obligation (DBO)	**₱195,634**	₱173,714
Fair value of plan assets (FVPA)	**(116,052)**	(98,007)
Effect of asset ceiling	**198**	396
Balance at end of year	**₱79,780**	₱76,103

Changes in the present value of DBO are as follows:

	2024	2023
Balance at beginning of year	**₱173,714**	₱125,219
Current service cost	**23,404**	18,547
Benefits paid	**(16,585)**	(3,830)
Interest cost	**10,647**	9,073
Remeasurement loss (gain):		
Experience adjustment	**2,926**	(3,797)
Change in financial assumptions	**947**	21,029
Settlement loss	**2,425**	–
Transfer to the plan	**(1,844)**	7,473
Balance at end of year	**₱195,634**	₱173,714

Changes in the FVPA are as follows:

	2024	2023
Balance at beginning of year	**₱98,007**	₱71,417
Contributions	**31,819**	24,912
Benefits paid	**(16,585)**	(3,830)
Interest income	**6,417**	6,173
Transfer to the plan	**(1,844)**	7,473
Remeasurement loss arising from return on plan assets	**(1,762)**	(8,138)
Balance at end of year	**₱116,052**	₱98,007

Changes in the effect of asset ceiling are as follows:

	2024	2023
Balance at beginning of year	**₱396**	₱1,799
Remeasurement gain	**(222)**	(1,529)
Interest cost	**24**	126
Balance at end of year	**₱198**	₱396

The cumulative amount of remeasurement loss recognized in the OCL as at December 31 as follows:

	2024		
	Cumulative Remeasurement Losses	**Deferred Income Tax** (see Note 21)	**Net**
Balance at beginning of year	**(₱25,076)**	**₱5,015**	**(₱20,061)**
Remeasurement loss	**(5,413)**	**1,352**	**(4,061)**
Balance at end of year	**(₱30,489)**	**₱6,367**	**(₱24,122)**

	2023		
	Cumulative Remeasurement Losses	Deferred Income Tax (see Note 21)	Net
Balance at beginning of year	(₱1,235)	(₱585)	(₱1,820)
Remeasurement loss	(23,841)	5,600	(18,241)
Balance at end of year	(₱25,076)	₱5,015	(₱20,061)

	2022		
	Cumulative Remeasurement Gains (Losses)	Deferred Income Tax (see Note 21)	Net
Balance at beginning of year	(₱8,836)	₱823	(₱8,013)
Remeasurement gain	7,601	(1,408)	6,193
Balance at end of year	(₱1,235)	(₱585)	(₱1,820)

Amounts recognized in OCL were included within items that will not be reclassified subsequently to profit or loss. Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

The principal assumptions used to determine retirement expense and obligation are as follows:

	2024	2023	2022
Discount rate	**6.10%**	6.12%	7.22%
Rates of increase in compensation	**5.00%**	5.00%	5.00%

The sensitivity analyses below has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

	Change in Basis Points	Effect to present value of DBO	
		2024	2023
Discount rate	+100	**(₱22,035)**	(₱19,810)
	-100	**26,716**	24,052
Salary rate	+100	**26,740**	24,094
	-100	**(22,438)**	(20,178)

Assumptions regarding future mortality are based on published statistics and mortality tables. The average duration of the defined benefit obligation is 12.7 years and 12.8 years as at December 31, 2024 and 2023, respectively.

The expected future benefit payments are as follows:

	2024	2023
Less than 1 year	**₱20,732**	₱19,865
More than 1 year to 5 years	**41,491**	31,174
More than 5 years to 10 years	**100,281**	98,526

Risks Associated with the Retirement Plan

- *Investment and Interest Rate Risks.* The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents, equity and debt securities. Due to the long-term nature of the plan obligation, diversifying its investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

- *Longevity and Salary Risks.* The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

As at December 31, 2024 and 2023, plan assets consist of equity and debt securities and cash and cash equivalents. There has been no change in the Group's strategies to manage its risks from previous periods.

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	2024
Equity securities	57.67%
Cash and cash equivalents	14.42%
Debt instruments - government bonds	27.24%
Others	0.67%
	100.00%

The control and administration of the Plan is vested in the Board of Trustees (BOT). The BOT on the Plan who exercises voting rights over the shares and approves material transactions are employees and/or officers of SMHC. The Plan's accounting and administrative functions are undertaken by the Retirement Funds Office of SMHC.

The Group does not expect to contribute to the plan assets in the next reporting year.

20. **Significant Contracts, Commitments and Contingencies**

The Group as a Lessor

The Group has cancellable lease agreements with related parties and third parties for its advertising areas and spaces at SMMS for a period of one (1) to two (2) years, renewable or extended upon mutual consent of the parties.

The Group also leases its investment properties to third party for one (1) year and is renewable upon mutual agreement of parties. The lease contracts do not provide for any contingent rent.

Sources of rental income earned are as follow:

	Note	**2024**	2023	2022
Advertising spaces		**₱88,653**	₱70,665	₱60,620
Investment properties	9	**3,323**	3,323	3,335
		₱91,976	₱73,988	₱63,955

Rent receivables amounted to ₱22.3 million and ₱20.5 million as at December 31, 2024 and 2023, respectively. Rent receivables that were fully provided with allowance amounting to ₱3.3 million and ₱79.7 million were written off in 2024 and 2022, respectively (see Note 6).

The minimum future operating lease commitments as at December 31 follows:

	2024	2023	2022
Within one year	**₱25,052**	₱14,188	₱24,532
More than one year but less than 5 years	**1,939**	–	8,758
	₱26,991	₱14,188	₱33,290

<u>The Group as Lessee</u>

The Group entered into several lease agreements for its office and parking spaces for one year renewable for another term upon written notice provided by the Group. The lease agreements only provide a fixed rent. The Group assessed at lease commencement that it is reasonably certain that the Group will exercise extension options.

The Group recognized ROU assets and lease liabilities for its lease agreements on its office spaces and parking spaces because management has assessed that the Group is reasonably certain to exercise its option to extend the related lease agreements.

Security deposits amounted to ₱0.6 million as at December 31, 2024 and 2023 and are to be refunded upon termination of the agreements (see Note 7). Moreover, the Group paid advance rental amounting to ₱0.6 million which will be applied as payment for the last two months of the lease period.

The balance of and movements in ROU assets as follows:

	Note	2024	2023
Cost			
Balance at beginning of year		**₱19,492**	₱19,492
Effect of lease modifications		**(953)**	–
Balance at the end of year		**18,539**	19,492
Accumulated Amortization			
Balance at beginning of year		**13,373**	10,020
Amortization	9	**3,335**	3,353
Effect of lease modification		**(871)**	
Balance at end of year		**15,837**	13,373
Carrying Amount		**₱2,702**	₱6,119

The balance and movements in lease liabilities as follows:

	Note	2024	2023
Balance at beginning of year		**₱5,828**	₱8,970
Lease payments		**(3,602)**	(3,520)
Interest on lease liabilities	13	**207**	378
Effect of lease modifications		**(88)**	–
Balance at end of year		**2,345**	5,828
Less current portion		**2,345**	3,414
Noncurrent portion		**₱–**	₱2,414

In 2024, MMSS3 pre-terminated lease agreement on its parking spaces resulting to a gain on lease modification amounting to ₱6.

The minimum future lease payments as at December 31 follows:

	2024	2023	2022
Within one year	**₱2,381**	₱3,622	₱3,520
More than one year but less than 5 years	**–**	2,450	6,072
	₱2,381	₱6,072	₱9,592

The amount recognized in consolidated statements of comprehensive income related to the lease agreements follows:

	Note	2024	2023	2022
Amortization of ROU assets	9	**₱3,335**	₱3,353	₱3,205
Interest on lease liabilities	13	**207**	378	104
Gain on lease modification		**(6)**	–	–

PNCC Share

PNCC is entitled to a 2.5% to 3.5% share of the total toll revenues from the final operation date up to the end of the concession period. PNCC share incurred amounted to ₱631.8 million, ₱606.4 million and ₱514.8 million in 2024, 2023 and 2022, respectively (see Note 17).

Outstanding payable to PNCC amounted to ₱93.2 million and ₱57.3 million as at December 31, 2024 and 2023, respectively, which is included as part of "Payable to contractors" under "Accounts payable and other current liabilities" in the consolidated statements of financial position.

Operations and Maintenance Agreement

Pursuant to the STOA of MMSS3, the ROP has granted SOMCO 3 the primary and exclusive privilege, responsibility and obligation to operate and maintain the Project Road.

Moreover, the operation and maintenance of Skyway Stage 3 was subcontracted to SOMCO by SOMCO 3. This agreement is for a period of one year, renewable annually.

Operations and maintenance fee expense incurred by MMSS3 amounted to ₱322.2 million, ₱322.2 million and ₱292.0 million in 2024, 2023 and 2022, respectively (see Note 17). No outstanding payable as at December 31, 2024 and 2023.

Revenue recognized by SOMCO amounted to ₱280.0 million, ₱280.0 million and ₱250.0 million in 2024, 2023 and 2022, respectively, which is presented under "Toll operations and maintenance fee" in the consolidated statements of comprehensive income. No outstanding receivable as at December 31, 2024 and 2023.

Contingencies

The Group has other pending legal cases relating to its operations that are being contested by the Group and its legal counsels. The Group has availed of the exemption under PAS 37 with respect to the disclosure of further information on such cases. Management and its legal counsels have assessed that the said cases will be resolved in favor of the Group, and in the event that any of those cases will have an adverse ruling against the Group, the effect on the consolidated financial statements will not be material.

21. Income Taxes

On September 15, 2015, MMSS3 was registered on a non-pioneer status with the Board of Investments (BOI) in accordance with the provisions of the Omnibus Investments Code of 1987, otherwise known as Executive Order No. 226, as a New Operator of Tollway (Skyway Stage 3).

Under its registration, MMSS3 is entitled to certain tax and nontax incentives which include, among others, Income Tax Holiday (ITH) for a period of four years from January 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

In 2018, the BOI approved its request for the amendment of the start of commercial operations and movement of ITH entitlement from January 2018 to November 2020.

In 2020, the BOI approved its request for the amendment of the start of commercial operations and movement of ITH entitlement from November 2020 to April 2021. MMSS3 started its toll operations on July 1, 2021.

ITH availment is limited only to the toll revenue of the expressway. Prior to the availment of the ITH, MMSS3 is subject to and has complied with certain requirements pursuant to the said registration.

The taxable income of the Group is subject to the RCIT rate of 25% except for TROMV, which is subject to RCIT of 20%, and minimum corporate income tax rate of 2%. SMC SKYWAY and MMSS3 opted to use the Optional Standard Deduction (OSD).

The components of income tax expenses are as follows:

	2024	2023	2022
Current	**₱1,404,075**	₱1,356,047	₱1,241,789
Final	**233,391**	192,313	60,639
Deferred	**(29,847)**	(25,557)	3,401
	₱1,607,619	₱1,522,803	₱1,305,829

The net deferred tax liabilities recognized in the consolidated statements of financial position relate to the following temporary differences:

	Note	**2024**	2023
Deferred tax liabilities on:			
Fair value adjustment on service concession rights	10	**(₱273,533)**	(₱288,646)
Unamortized capitalizable interest cost		**(107,908)**	(114,515)
Unamortized cost of toll collection system (TCS)		**(33,355)**	(35,397)
		(414,796)	(438,558)
Deferred tax assets on:			
Provision for resurfacing and maintenance obligation		**44,836**	39,656
Cost of TCS for Stage 1 and 2		**–**	408
		44,836	40,064
Net deferred tax liabilities		**(₱369,960)**	(₱398,494)

The Group recognized deferred tax assets in the consolidated statements of financial position relating to the following temporary differences of SOMCO:

	2024	2023
Net retirement liabilities	**₱20,217**	₱19,571
Past service cost	**6,149**	4,211
Unrealized foreign exchange loss	**2**	–
Excess MCIT over RCIT	**–**	3,371
	₱26,368	₱27,153

As at December 31, 2024, 2023 and 2022, the Group has the following temporary differences for which no deferred income tax assets were recognized in the consolidated statements of financial position of the Parent Company and other subsidiaries. Management has assessed that it is not probable that these temporary differences will result in a tax benefit when these reverse in the future.

	2024	2023	2022
NOLCO	**₱2,635,263**	₱2,005,736	₱1,478,328
Allowance for ECL	**183,412**	177,833	175,824
Unrealized foreign exchange gain	**(3,956)**	(3,492)	(4,048)
Net retirement liabilities	**(272)**	(545)	(1,100)
Net effect of PFRS 16	**(89)**	(73)	(126)
Advance rent	**–**	298	–
Excess MCIT over RCIT	**–**	80	4,082
	₱2,814,358	₱2,179,837	₱1,652,960

The presentation of net deferred tax assets (liabilities) as follows:

	Note	2024	2023
Through profit or loss		**(₱349,959)**	(₱376,356)
Through other comprehensive loss	19	**6,367**	5,015
		(₱343,592)	(₱371,341)

As mandated by Section 4 of Republic Act No. 11494 or the "Bayanihan to Recover as One Act" and implemented under RR No. 25-2020, the net operating loss of a business enterprise incurred for the taxable years 2020 and 2021 can be carried over as a deduction from taxable income for the next five consecutive taxable years following the year of such loss.

Details of the NOLCO of the Group which can be claimed as deduction from future taxable income are as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Expiry Year
2024	₱–	₱2,518,093	₱–	₱2,518,093	2027
2023	2,109,647	–	–	2,109,647	2026
2022	2,262,944	–	–	2,262,944	2025
2021	2,252,239	–	–	2,252,239	2026
2020	1,398,286	–	–	1,398,286	2025
	₱8,023,116	₱2,518,093	₱–	₱10,541,209	

Excess of MCIT over RCIT totaling to ₱3.5 million incurred in 2022 and 2021, were applied from income tax due in 2024.

The reconciliation between the statutory income tax rate on income before income tax and the effective income tax rate of the Group is as follows:

	2024	2023	2022
Income tax computed at statutory tax rate	**25.00%**	25.00%	25.00%
Change in unrecognized deferred tax assets	**5.85**	5.30	2.46
Tax effects of:			
Income tax holiday	**(9.21)**	(7.89)	(3.72)
Difference between itemized and OSD	**(6.74)**	(7.09)	(9.59)
Interest income already subjected to final tax	**(0.54)**	(0.48)	(0.22)
Nondeductible interest and other expenses	**0.47**	0.49	0.33
Nontaxable income	**(0.01)**	–	(1.04)
Expired NOLCO and MCIT	**–**	–	5.59
Equity in net earnings of an associate	**–**	–	(0.01)
	14.82%	15.33%	18.80%

The Corporate Recovery and Tax Incentives for Enterprises Law (CREATE Law)
Under the CREATE Law, the Regular Corporate Income Tax (RCIT) of domestic corporations is at 25% or 20%, depending on the amount of total assets or total amount of taxable income or MCIT of 1% of gross income effective July 1, 2020 to June 30, 2023. Effective July 1, 2023, the MCIT rate changed back to 2%.

22. Financial Risk and Capital Management Objectives and Policies

General
The principal financial instruments of the Group comprise of cash and cash equivalents (excluding cash on hand), trade and other receivables, restricted cash, security deposits (included under "Other current assets" account), miscellaneous deposits (included under "Other noncurrent assets" account), accounts payable and other current liabilities (excluding statutory payables), retention payable, long-term debt, dividends payable, due to a related party, and lease liabilities.

The BOD has overall responsibility for the establishment and oversight of the risk management framework of the Group. The risk management policies of the Group are established to identify and manage the exposure of the Group to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the activities of the Group.

The main risks arising from the financial instruments of the Group are interest rate risk, credit risk and liquidity risk. The BOD and management review and approve policies for managing each of these risks as summarized below.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the income before income tax or value of the financial instruments of the Group.

The long-term debt of the Group is exposed to cash flow interest rate risk since it is subject to floating interest rate. The Group regularly monitors interest rate movements and, on the basis of current and projected economic and monetary data, decides on the best alternative to take to protect it from spiraling interest costs should interest rates go up.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on long-term debt, with all other variables held constant, of the income before income tax of the Group:

	2024		2023	
	Change in Basis Points	**Effect on Income Before Income Tax**	Change in Basis Points	Effect on Income Before Income Tax
Increase	+0.08	(₱211,130)	+0.08	(₱220,588)
Decrease	-0.08	211,130	-0.08	220,588

**interest rate should not be lower than floor of 6.00%*

The assumed movement in basis points for the interest rate sensitivity analysis is based on the best estimate of expected change considering future trends of the Group, showing a significantly lower volatility than in previous years.

There is no impact on the equity of the Group other than those already affecting the consolidated statements of comprehensive income.

Credit Risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

Generally, the credit risk of the Group is attributable to financial assets. The Group enters into contracts only with counterparties who have low credit risk, maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. In addition, for a significant proportion of revenue, advance payment and one-time charge and deposit are received to mitigate credit risk.

The credit quality of financial assets is being managed by the Group using internal credit ratings.

The table below shows the credit quality by class of financial asset based on the rating system of the Group:

	2024				
	Neither Past Due nor Impaired		Past due but		
	High Grade	Standard Grade	not impaired	Impaired	Total
Cash and cash equivalents*	₱17,276,370	₱–	₱–	₱–	₱17,276,370
Restricted cash	9,884,391	–	–	–	9,884,391
Trade and other receivables	–	223,617	15,531	733,649	972,797
Security deposits**	–	595	–	–	595
Miscellaneous deposits***	–	2,206	–	–	2,206
	₱27,160,761	₱226,418	₱15,531	₱733,649	₱28,136,359

**Excluding cash on hand amounting to ₱3.2 million as at December 31, 2024*
*** Included under "Other current assets" account*
****Included under "Other noncurrent assets" account*

	2023				
	Neither Past Due nor Impaired		Past due but		
	High Grade	Standard Grade	not impaired	Impaired	Total
Cash and cash equivalents*	₱10,961,561	₱–	₱–	₱–	₱10,961,561
Trade and other receivables	–	168,375	15,531	711,337	895,243
Restricted cash	8,463,304	–	–	–	8,463,304
Security deposits**	–	578	–	–	578
Miscellaneous deposits***	–	4,014	–	–	4,014
	₱19,424,865	₱172,967	₱15,531	₱711,337	₱20,324,700

**Excluding cash on hand amounting to ₱2.5 million as at December 31, 2023*
*** Included under "Other current assets" account*
****Included under "Other noncurrent assets" account*

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 ₱733.6 million and ₱711.3 million as at December 31, 2024 and 2023, respectively (see Note 6). 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, restricted cash and deposits, it is the Group's policy to measure ECL on these instruments on a 12-month basis. However, where there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The following are considered in the assessment:

- ECL for cash and cash equivalents (excluding cash on hand) are not significant primarily because the placements are with reputable counterparty banks that possess good credit ratings.
- For deposits, the Group considered the financial capacity of the counterparty to refund the deposit once the agreement has been terminated.

Liquidity Risk

The objective of the Group is to maintain a balance between continuity of funding and flexibility through the use of cash. The Group also monitors its risk to shortage of funds through monthly evaluation of the projected and actual cash flow information.

The following tables summarize the maturity analysis of the financial liabilities of the Group as at December 31 based on contractual undiscounted payments:

December 31, 2024	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**>1 Year - 2 Years**	**>2 Years - 5 Years**	**Over 5 Years**
Accounts payable and other current liabilities*	**₱4,986,505**	**₱4,986,505**	**₱4,986,505**	**₱–**	**₱–**	**₱–**
Retention payable	**573,848**	**573,848**	**495,334**	**78,514**	**–**	**–**
Dividends payable	**96,025**	**96,025**	**96,025**	**–**	**–**	**–**
Long-term debt**	**52,259,660**	**74,720,331**	**9,367,974**	**8,400,294**	**14,629,936**	**42,322,127**
Lease liabilities	**2,345**	**2,381**	**2,381**	**–**	**–**	**–**
Due to a related party	**61,844**	**61,844**	**61,844**	**–**	**–**	**–**
	₱57,980,227	**₱80,440,934**	**₱15,010,063**	**₱8,478,808**	**₱14,629,936**	**₱42,322,127**

**Excluding statutory payables amounting to ₱482.0 million and retention payable amounting to ₱495.3 million.*
***Including interest payable to maturity amounting to ₱21,923.2 million.*

December 31, 2023	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Accounts payable and other current liabilities*	₱4,165,585	₱4,165,585	₱4,165,585	₱–	₱–	₱–
Retention payable	402,444	402,444	305,868	96,576	–	–
Dividends payable	283,316	283,316	283,316	–	–	–
Long-term debt**	55,641,477	66,661,869	13,003,107	13,467,463	35,737,245	4,454,054
Lease liabilities	5,828	6,072	3,622	2,450	–	–
Due to a related party	61,844	61,844	61,844	–	–	–
	₱60,560,494	₱71,581,130	₱17,823,342	₱13,566,489	₱35,737,245	₱4,454,054

**Excluding statutory payables amounting to ₱417.4 million and retention payable amounting to 305.9 million.*
***Including interest payable to maturity amounting to ₱10,615.0 million.*

Capital Management

The Group considers the equity in the consolidated statements of financial position as its core capital. The capital management objectives of the Group are to ensure the ability of the Group to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or do conversion of related party advances to an equity component item. The Group is not subject to any externally imposed capital requirements except for the required compliance of debt-to-equity ratio of not more than 3.0x with the loan covenants.

No changes were made in the objectives, policies or processes for managing capital in 2024, 2023 and 2022.

23. Non-Controlling Interest

Movement of the Group's NCI are as follows:

	2024	2023
Balance at beginning of year	**₱5,072,828**	₱4,682,601
Net income attributable to non-controlling interest	**1,330,478**	1,200,450
Cash dividends attributable to non-controlling interest	**(819,527)**	(802,971)
Other comprehensive loss	**(1,713)**	(7,252)
Balance at end of year	**₱5,582,066**	₱5,072,828

Cash dividends declared by the SMC SKYWAY are as follows:

Date Approved	Per Share	Total Amount
December 4, 2024	₱40	₱2,722,961
August 14, 2024	33	2,246,443
March 13, 2024	26	1,769,925
December 4, 2023	52	3,539,850
March 16, 2023	45	3,063,331
December 6, 2022	39	2,654,888
June 1, 2022	36	2,450,665

Total dividends paid to NCI amounted to ₱1,006.8 million, ₱908.4 million and ₱550.1 million in 2024, 2023 and 2022, respectively. Dividends payable to NCI amounted to ₱96.0 million and ₱283.3 million as at December 31, 2024 and 2023, respectively.

24. Fair Value of Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of the financial instruments of the Group that are carried in the consolidated financial statements.

The following methods and assumptions were used to estimate the fair value for which it is practicable to estimate such value:

	2024		2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Cash and cash equivalents	**₱17,279,552**	**₱17,279,552**	₱10,964,076	₱10,964,076
Restricted cash	**9,884,391**	**9,884,391**	8,463,304	8,463,304
Trade and other receivables	**239,148**	**239,148**	183,906	183,906
Security deposits*	**595**	**595**	578	578
Miscellaneous deposits**	**2,206**	**2,206**	4,014	4,014
	₱27,405,892	**₱27,405,892**	₱19,615,878	₱19,615,878
Financial Liabilities				
Accounts payable and other current liabilities***	**₱4,986,505**	**₱4,986,505**	₱4,165,585	₱4,165,585
Retention payable	**573,848**	**573,848**	402,444	402,444
Long-term debt	**52,259,660**	**55,699,868**	55,641,477	57,633,298
Due to a related party	**61,844**	**61,844**	61,844	61,844
Dividends payable	**96,025**	**96,025**	283,316	283,316
Lease liabilities	**2,345**	**2,306**	5,828	5,419
	₱57,980,227	**₱61,420,396**	₱60,560,494	₱62,551,906

**Included under "Other current assets" account*
***Included under "Other noncurrent assets" account*
****Excludes statutory payables and retention payable totaling ₱977.3 million and ₱723.2 million as at December 31, 2024 and 2023, respectively.*

The methods and assumptions used by the Group in estimating the fair values of the foregoing financial instruments are as follows:

Cash and Cash Equivalents, Restricted Cash, Trade and Other Receivables, Accounts Payable and Other Current Liabilities (excluding statutory payables), Retention Payable, Dividends Payable and Due to a Related Party. The carrying amounts approximate the fair values at reporting dates due to the short-term maturities of these financial instruments. The fair value measurement for the current financial assets and liabilities are categorized as Level 3 (significant unobservable input).

Security Deposits and Miscellaneous Deposits. Due to the insignificant effect of discounting the sum of future cash flows, the amount of cash given up approximates the fair value of security deposits as at reporting date. The fair value measurement for the security deposits has been categorized as Level 2 (significant observable inputs).

Lease Liabilities. The estimated fair value of the Group's lease liabilities were determined as the sum of all remaining rental payments discounted using the prevailing market rate of interest for similar types of obligations. The fair value measurement for lease liabilities have been categorized as Level 2 (significant observable input).

Long-term Debt. The fair value of the long-term debt of the Group was computed using the prevailing market rate of similar instrument (Level 2).

There are no significant transfers between levels in the fair value hierarchy. The Group does not have financial instruments carried at fair value as at December 31, 2024 and 2023.

25. Basic/Diluted Earnings per Share

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

	2024	2023	2022
Net income attributable to the holders of the Parent Company	**₱7,907,168**	₱7,207,064	₱4,707,701
Divide by weighted average shares outstanding common shares	**69,538**	69,538	69,538
Basic/diluted earnings per share (a/b)	**₱113.71**	₱103.64	₱67.70

The Parent Company has no potential dilutive common shares in 2024, 2023 and 2022. Accordingly, the basic and diluted earnings per shares are stated at the same amount.

26. Segment Information

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the services produced. The operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit.

Business Segments

The Group's main businesses are as follows:

- The toll concession segments have been granted the primary and exclusive privilege, responsibility and obligation to design and construct the toll roads.
- The toll operation segment has been granted the primary and exclusive privilege, responsibility and obligation to operate and maintain the toll roads.
- Others include holding entities.

Geographical Segments

The Group operates and generates revenue principally in the Philippines. Consequently, geographical business information is not applicable.

Inter-segment Transactions

Segment revenue, segment expenses and operating results include transfers among business segments and among geographical segments. The transfers are accounted for at competitive market prices charged to unrelated customers for similar services. Such transfers are eliminated upon consolidation.

Management monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

On a consolidated basis, the Group's performance is evaluated based on core net income for the year. Core net income for the year is measured as consolidated net income.

The following tables present revenue and expense information and certain assets and liabilities information regarding the different business segments as at and for the years ended December 31, 2024, 2023 and 2022:

	2024				
	Toll Concession	Toll Operation	Others	Eliminations	Total
REVENUE	₱19,873,165	₱1,300,877	₱5,919,802	(₱5,919,802)	₱21,174,042
COST OF SERVICES	(4,870,203)	(1,090,407)	–	(60,449)	(6,021,059)
GROSS PROFIT	15,002,962	210,470	5,919,802	(5,980,251)	15,152,983
OPERATING EXPENSES	(874,392)	(242,129)	(2,750)	–	(1,119,271)
CONSTRUCTION REVENUE (COSTS)					
Construction revenue	2,217,585	–	–	–	2,217,585
Construction costs	(2,217,585)	–	–	–	(2,217,585)
	–	–	–	–	–
OTHER INCOME (CHARGES) - Net					
Interest expense	(1,978,550)	(4,313)	(2,524,415)	–	(4,507,278)
Interest income	1,102,933	4,136	59,906	–	1,166,975
Rental income	91,976	–	–	–	91,976
Net foreign exchange loss	2,190	(6)	–	–	2,184
Share in net earnings of an associate	2,431	–	–	(2,431)	–
Income from insurance claims	11,829	–	–	–	11,829
Others	2,102	43,765	–	–	45,867
	(765,089)	43,582	(2,464,509)	(2,431)	(3,188,447)
INCOME BEFORE INCOME TAX	13,363,481	11,923	3,452,543	(5,982,682)	10,845,265
INCOME TAX EXPENSES	1,604,905	5,845	11,980	(15,112)	1,607,619
NET INCOME	11,758,576	6,078	3,440,563	(5,967,570)	9,237,646
OTHER COMPREHENSIVE INCOME					
Not to be reclossified to profit or loss in subsequent period					
Remeasurement gain (loss) on net retirement liabilities - net of deferred tax	(160)	(4,057)	155	–	(4,061)
Share of other comprehensive loss of an associate	(1,623)	–	–	1,623	–
	(1,783)	(4,057)	155	1,623	(4,061)
TOTAL COMPREHENSIVE INCOME	₱11,756,793	₱2,021	₱3,440,718	(₱5,965,947)	₱9,233,585
SEGMENT ASSETS	₱101,377,097	₱485,533	₱123,479,905	(₱114,428,278)	₱110,914,257
SEGMENT LIABILITIES	₱53,244,966	₱269,870	₱67,684,883	(₱61,634,349)	₱59,565,370
Other Information					
Cost of services and operating expenses excluding depreciation and amortization	₱2,339,270	₱1,298,698	₱2,750	₱–	₱3,640,718
Depreciation and amortization	3,405,325	33,838	–	60,449	3,499,612
Additions to service concession rights, property and equipment and ROU assets	2,268,093	63,141	–	–	2,331,234
ECL on receivables	25,612	–	–	–	25,612

	2023				
	Toll Concession	Toll Operation	Others	Eliminations	Total
REVENUE	₱19,010,979	₱1,255,000	₱5,800,210	(₱5,800,210)	₱20,265,979
COST OF SERVICES	(4,657,775)	(1,060,768)	–	(60,449)	(5,778,992)
GROSS PROFIT	14,353,204	194,232	5,800,210	(5,860,659)	14,486,987
OPERATING EXPENSES	(894,991)	(222,325)	(2,200)	–	(1,119,516)
CONSTRUCTION REVENUE (COSTS)					
Construction revenue	953,695	–	–	–	953,695
Construction costs	(953,695)	–	–	–	(953,695)
	–	–	–	–	–
OTHER INCOME (CHARGES) - Net					
Interest expense	(2,394,642)	(3,615)	(2,112,295)	–	(4,510,552)
Interest income	917,896	6,119	37,556	–	961,571
Rental income	73,988	–	–	–	73,988
Net foreign exchange loss	(2,365)	–	–	–	(2,365)
Share in net earnings of an associate	1,554	–	–	(1,554)	–
Others	5,608	34,596	–	–	40,204
	(1,397,961)	37,100	(2,074,739)	(1,554)	(3,437,154)
INCOME BEFORE INCOME TAX	12,060,252	9,007	3,723,271	(5,862,213)	9,930,317
INCOME TAX EXPENSES	1,525,282	5,123	7,510	(15,112)	1,522,803
NET INCOME	10,534,970	3,884	3,715,761	(5,847,101)	8,407,514
OTHER COMPREHENSIVE INCOME					
Not to be reclassified to profit or loss in subsequent period					
Remeasurement gain (loss) on net retirement liabilities - net of deferred tax	(1,441)	(16,800)	–	–	(18,241)
Share of other comprehensive loss of an associate	(6,720)	–	–	6,720	–
	(8,161)	(16,800)	–	6,720	(18,241)
TOTAL COMPREHENSIVE INCOME	₱10,526,809	(₱12,916)	₱3,715,761	(₱5,840,381)	₱8,389,273
SEGMENT ASSETS	₱101,657,133	₱432,319	₱117,978,938	(₱115,136,248)	₱104,932,142
SEGMENT LIABILITIES	₱58,542,622	₱218,677	₱65,624,478	(₱62,388,464)	₱61,997,313
Other Information					
Cost of services and operating expenses excluding depreciation and amortization	₱2,248,633	₱1,242,817	₱2,200	₱–	₱3,493,650
Depreciation and amortization	3,304,132	40,277	–	60,449	3,404,858
Additions to service concession rights, property and equipment and ROU assets	965,555	30,551	–	–	996,106
ECL on receivables	8,038	–	–	–	8,038

	2022				
	Toll Concession	Toll Operation	Others	Eliminations	Total
REVENUE	₱15,825,040	₱1,190,055	₱4,484,699	(₱4,484,699)	₱17,015,095
COST OF SERVICES	(3,878,960)	(970,575)	–	(90,674)	(4,940,209)
GROSS PROFIT	11,946,080	219,480	4,484,699	(4,575,373)	12,074,886
OPERATING EXPENSES	(745,533)	(207,157)	(2,255)	–	(954,945)
CONSTRUCTION REVENUE (COSTS)					
Construction revenue	2,621,388	–	–	–	2,621,388
Construction costs	(2,621,388)	–	–	–	(2,621,388)
	–	–	–	–	–
OTHER INCOME (CHARGES) - Net					
Interest expense	(2,606,100)	(3,142)	(2,262,542)	–	(4,871,784)
Interest income	286,375	2,002	14,820	–	303,197
Proceeds from insurance claims	284,235	–	–	–	284,235
Rental income	63,955	–	–	–	63,955
Net foreign exchange gain	10,959	–	–	–	10,959
Share in net earnings of an associate	2,433	–	–	(2,433)	–
Others	9,025	25,191	–	–	34,216
	(1,949,118)	24,051	(2,247,722)	(2,433)	(4,175,222)
INCOME BEFORE INCOME TAX	9,251,429	36,374	2,234,722	(4,577,806)	6,944,719
INCOME TAX EXPENSES	1,295,242	30,292	2,964	(22,669)	1,305,829
NET INCOME	7,956,187	6,082	2,231,758	(4,555,137)	5,638,890
OTHER COMPREHENSIVE INCOME					
Not to be reclassified to profit or loss in subsequent period					
Remeasurement gain (loss) on net retirement liabilities - net of deferred tax	1,974	4,219	–	–	6,193
Share of other comprehensive income of an associate	1,688	–	–	(1,688)	–
	3,662	4,219	–	(1,688)	6,193
TOTAL COMPREHENSIVE INCOME	₱7,959,849	₱10,301	₱2,231,758	(₱4,556,825)	₱5,645,083
SEGMENT ASSETS	₱104,005,786	₱448,081	₱117,600,884	(₱114,740,661)	₱107,314,090
SEGMENT LIABILITIES	₱64,814,906	₱221,523	₱68,962,181	(₱62,033,047)	₱71,965,563
Other Information					
Cost of services and operating expenses excluding depreciation and amortization	₱1,886,126	₱1,136,813	₱2,255	₱–	₱3,025,194
Depreciation and amortization	2,738,367	40,919	–	90,674	2,869,960
Additions to service concession rights, property and equipment and ROU assets	2,649,120	35,410	–	–	2,684,530
ECL on receivables	333	–	–	–	333

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

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7 St. Francis St., Mandaluyong City
Metro Manila, Philippines

We have audited in accordance with Philippines Standards on Auditing, the accompanying consolidated financial statements of SMC Tollways Corporation (a wholly-owned subsidiary of Atlantic Aurum Investments B.V.) and its subsidiaries (the Group) as at December 31, 2024 and 2023, and for the years ended December 31, 2024, 2023 and 2022, and have issued our report dated March 12, 2025. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2024 and 2023, and for the years ended December 31, 2024, 2023, and 2022 and no material exceptions were noted.

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782/P-019; Valid until June 6, 2026
BIR Accreditation No. 08-005144-016-2022
Valid until May 15, 2025
PTR No. 10467142
Issued January 2, 2025, Makati City

March 12, 2025
Makati City, Metro Manila

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

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2024 and 2023
(Amounts in Thousands)

	2024	2023
Total current assets	**₱30,717,320**	₱23,751,359
Divided by: Total current liabilities	**12,125,211**	14,765,318
Liquidity ratio	**2.53:1**	1.61:1
Net income before depreciation and amortization	**₱12,737,258**	₱11,812,372
Divided by: Total liabilities	**59,565,370**	61,997,313
Solvency ratio	**0.21:1**	0.19:1
Total liabilities	**₱59,565,370**	₱61,997,313
Divided by: Total equity	**51,348,887**	42,934,829
Debt-to-equity ratio	**1.16:1**	1.44:1
Total assets	**₱110,914,257**	₱104,932,142
Divided by: Total equity	**51,348,887**	42,934,829
Asset-to-equity ratio	**2.16:1**	2.44:1
Net income	**₱9,237,646**	₱8,407,514
Divided by: Total assets	**110,914,257**	104,932,142
Return on asset	**8.33%**	8.01%
Net income	**₱9,237,646**	₱8,407,514
Divided by: Total equity	**51,348,887**	42,934,829
Return on equity	**17.99%**	19.58%
EBITDA	**₱18,869,210**	₱17,847,989
Divided by: Total interest cost	**4,507,278**	4,510,552
Interest coverage ratio	**4.19:1**	3.96:1
Net income	**₱9,237,646**	₱8,407,514
Divided by: Revenue	**21,174,042**	20,265,979
Net profit margin	**43.63%**	41.49%

BOA/PRC Accreditation No. 4782
April 14, 2024, valid until June 6, 2026
SEC Registration No. PP201007009

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1209 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
SMC Tollways Corporation and Subsidiaries
11/F, San Miguel Properties Centre
7 St. Francis St., Mandaluyong City
Metro Manila, Philippines

We have audited in accordance with Philippines Standards on Auditing, the accompanying consolidated financial statements of SMC Tollways Corporation (a wholly-owned subsidiary of Atlantic Aurum Investments B.V.) and its subsidiaries (the Group) as at December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022 and have issued our report dated March 12, 2025. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Schedule of Reconciliation of the Parent Company Retained Earnings Available for Dividend Declaration as at December 31, 2024
- Conglomerate map as at December 31, 2024
- Schedules as Required by Part II of the Revised Securities Regulation Code (SRC) Rule, as at December 31, 2024
- Proceeds from Initial Offering

The supplementary schedules are presented for purposes of complying with the Revised SRC Rule 68, and are not part of the basic consolidated financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
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March 12, 2025
Makati City, Metro Manila

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES

(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

RECONCILIATION OF THE PARENT COMPANY RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

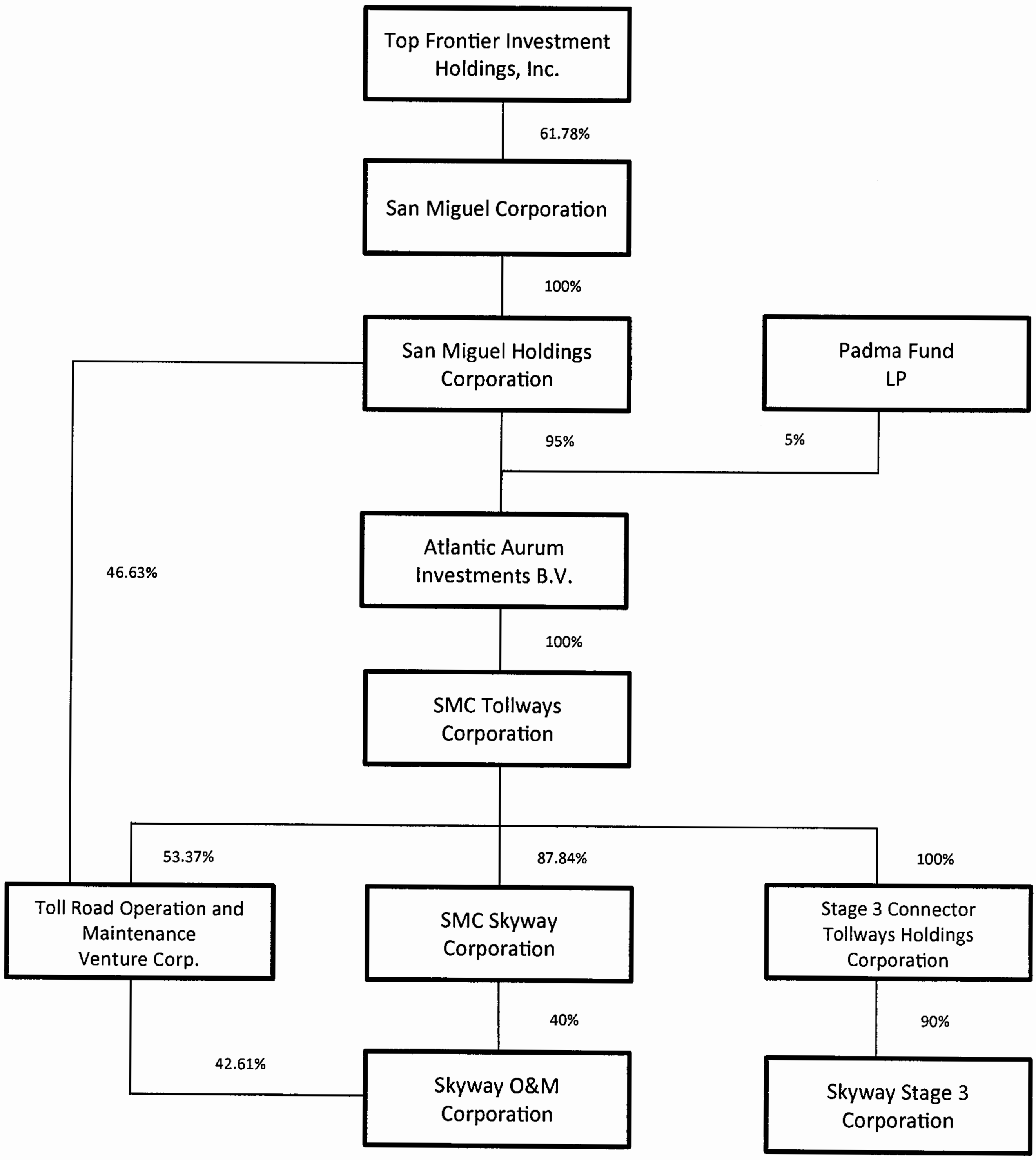
FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2024

(Amounts in Thousands)

Unappropriated retained earnings, beginning of reporting period	₱31,888,562
Add: Net Income for the current year	3,429,148
Total retained earnings, end of the reporting period available for dividend	₱35,317,710

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

CONGLOMERATE MAP
DECEMBER 31, 2024



SMC TOLLWAYS CORPORATION AND SUBSIDIARIES

(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

SEC Supplementary Schedule as Required by Part II of The Revised SRC Rule 68

DECEMBER 31, 2024

Table of Contents

**Indebtedness to related parties are classified as current as at December 31, 2024.*

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

C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements
DECEMBER 31, 2024

			Deductions		Ending Balance		
Name and designation of debtor	***Balance at beginnning of year***	***Additions***	***Amounts collected***	***Reversal of write off***	***Current***	***Not current***	***Balance at end of year***
Stage 3 Connector Tollway Holdings Corporation	₱32,660,000,000	₱–	₱–	₱–	₱32,660,000,000	₱–	₱32,660,000,000
SMC Skyway Stage 3 Corporation	28,440,205,060	3,478,228	(9,019,122)	–	3,414,166	28,431,250,000	28,434,664,166
SMC Skyway Corporation	1,573,934,598	15,839,272,468	(16,602,691,976)	–	810,515,090	–	810,515,090

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

D. Long Term Debt
DECEMBER 31, 2024

Title of Issue and Type of Obligation	*Amount Authorized by Indenture*	*Amount shown as Current*	*Amount shown as Noncurrent*	*Total Outstanding Loans Payable*	*Interest Rate*
Retail Bond Issue	₱35,000,000,000	₱–	₱34,528,674,874	₱34,528,674,874	6.48% to 6.93%
Omnibus Loan and Security Agreement	31,000,000,000	5,520,339,916	12,210,644,795	17,730,984,711	7.43% to 10.69%
	₱66,000,000,000	₱5,520,339,916	₱46,739,319,669	₱52,259,659,585	

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

G. CAPITAL STOCK
DECEMBER 31, 2024

				Number of shares held by		
Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related statements of financial position caption*	*Number of shares reserved for options, warrants, conversion and other rights*	*Related parties*	*Directors, officers and employees*	*Others*
Capital Stock - ₱100 par value	80,000,000	69,538,459	–	69,538,452	7	–

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

SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE RELATED INFORMATION
December 31, 2024

	Current Year	Prior Year
Total Audit Fees	**₱5,110,000**	₱4,820,000
Non-audit service fees:		
Other assurance services	–	–
Tax services	–	–
All other services	–	–
Total Non-audit Fees	–	–
Total Audit and Non-audit Fees	**₱5,110,000**	₱4,820,000
Audit and Non-audit fees of other related entities		
Audit fees	**₱–**	₱–
Non-audit service fees:		
Other assurance services	–	–
Tax services	–	–
All other services	–	–
Total Audit and Non-audit Fees	**₱–**	₱–

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

SUPPLEMENTARY SCHEDULE OF PROCEEDS FROM INITIAL OFFERING
DECEMBER 31, 2024

(i) GROSS AND NET PROCEEDS AS DISCLOSED IN THE FINAL PROSPECTUS

The estimated gross proceeds from the offer will amount to ₱35,000,000,000. The estimated net proceeds from the offer, after deducting the estimated related expenses, will amount to ₱34,572,480,375 and will accrue to the Company.

The following table shows the breakdown of the estimated offer proceeds:

Gross proceeds	₱35,000,000,000
Estimated expenses	427,519,625
Net proceeds	₱34,572,480,375

(ii) ACTUAL GROSS AND NET PROCEEDS

Gross proceeds	₱35,000,000,000
Actual expenses	474,801,893
Net proceeds	₱34,525,198,107

(iii) USE OF PROCEEDS

Working capital	₱–
Debt retirement	29,271,129,575
Capital expenditure	5,254,068,532
	₱34,525,198,107

(iv) BALANCE OF PROCEEDS AS AT END OF REPORTING PERIOD

Net proceeds	₱34,525,198,107
Disbursements	29,271,129,575
	₱5,254,068,532

Outlook

SEC eFast Initial Acceptance

From: noreply-cifssost@sec.gov.ph <noreply-cifssost@sec.gov.ph>
Sent: Tuesday, April 8, 2025 22:25
Subject: SEC eFast Initial Acceptance

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Greetings!

SEC Registration No: CS201310694
Company Name: SMC TOLLWAYS CORPORATION
Document Code: AFS

This serves as temporary receipt of your submission.
Subject to verification of form and quality of files of the submitted report.
Another email will be sent as proof of review and acceptance.

Thank you.

REMINDER:
TO ALL FILERS OF REPORTS IN THE e-FAST

Please strictly follow the instruction stated in the form.

Filings not in accordance with the prescribed template for the following reports will be automatically reverted by the system to the filer.

1. General Information Sheet (GIS-Stock)
2. General Information Sheet (GIS-Non-stock)
3. General Information Sheet (GIS- Foreign stock & non-stock)
4. Broker Dealer Financial Statements (BDFS)
5. Financing Company Financial Statements (FCFS)
6. Investment Houses Financial Statements (IHFS)
7. Publicly – Held Company Financial Statement
8. General Form for Financial Statements
9. Financing Companies Interim Financial Statements (FCIF)
10. Lending Companies Interim Financial Statements (LCIF)

Per Section 18 of SEC Memorandum Circular No. 3 series of 2021, the reckoning date of receipt of reports is the date the report was initially submitted to the eFast, if the filed report is compliant with the existing requirements.

A report, which was reverted or rejected, is considered not filed or not received. A notification will be sent to the filer, stating the reason for the reports rejection in the remarks box.

SECURITIES AND EXCHANGE COMMISSION
SEC Headquarters, 7907 Makati Avenue,
Salcedo Village, Barangay Bel-Air, Makati City,
1209, Metro Manila, Philippines

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS201310694

COMPANY NAME

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

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

11/F San Miguel Properties Centre, 7 St. Francis Street, Ortigas Center, Mandaluyong City, Metro Manila

Form Type	Department Requiring the Report	Secondary License Type, If Applicable
AASFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
corsec.mrst@sanmiguel.com.ph	(02) 8 702 - 4833	0917-1010354

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8	First Tuesday of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Mary Rose Tan	mrtan@sanmiguel.com.ph	(02) 8 632-3000	0917-8871555

CONTACT PERSON'S ADDRESS

No. 40 San Miguel Avenue, Mandaluyong City, Metro Manila Philippines

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

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

SMC TOLLWAYS CORPORATION

(formerly Atlantic Aurum Investments Philippines Corporation)

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **SMC Tollways Corporation** ***(formerly Atlantic Aurum Investments Philippines Corporation)*** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein as at **December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible in overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Reyes Tacandong & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, have expressed its opinion on the fairness of presentation upon completion of such audit.

RAMON S. ANG
Chairman of the Board and President

JOSEPH N. PINEDA
Treasurer

Signed this 12th day of March 2025

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY) ss.

Before me, a notary public for Mandaluyong City, Philippines, this 28 MAR 2025 personally appeared:

Name	Competent Evidence of Identity	Date/Place Issued
Ramon S. Ang	Passport No. P2247867B	May 22, 2019 DFA Manila
Joseph N. Pineda	Passport No. P7419331A	June 03, 2018 DFA NCR SOUTH

Known to me to be the same persons who executed the foregoing Statement of Management's Responsibility consisting of two (2) pages including this page on which this acknowledgment is written and that they acknowledged to me that the same is their free and voluntary act and deed and that of the principals they represent.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal at the date and place first above written.

Doc No. 475;
Page No. 96;
Book No. III;
Series of 2025.

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

CARLO MAGNO C. CABALLA
Commission No. 0576-24
Notary Public of Mandaluyong City
Until December 31, 2025
19th Floor San Miguel Properties Centre
No. 7 Saint Francis St. Ortigas Center, Mandaluyong City
Roll No. 73331
PTR No. 3272662; 01/08/2025; Mandaluyong City
IBP No.512417; 01/09/2025; Rizal Chapter
MCLE Compliance No. VIII-0015357;04/14/2028

BOA/PRC Accreditation No. 4782
April 14, 2024, valid until June 6, 2026
SEC Registration No. PP201007009

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8741 Paseo de Roxas
Makati City 1209 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
SMC Tollways Corporation
11/F San Miguel Properties Centre
7 St. Francis Street, Ortigas Center
Mandaluyong City
Metro Manila

Opinion

We have audited the accompanying separate financial statements of SMC Tollways Corporation (a wholly-owned subsidiary of Atlantic Aurum Investments B.V.) (the Company), which comprise the separate statements of financial position as at December 31, 2024 and 2023, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2024, 2023, and 2022, and notes to the separate financial statements, including a summary of material accounting policy information.

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years ended December 31, 2024, 2023 and 2022 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the audit of the separate financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782/P-019; Valid until June 6, 2026
BIR Accreditation No. 08-005144-016-2022
Valid until May 15, 2025
PTR No. 10467142
Issued January 2, 2025, Makati City

March 12, 2025
Makati City, Metro Manila

SMC TOLLWAYS CORPORATION

(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

SEPARATE STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

		December 31	
	Note	**2024**	2023
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱6,881,247**	₱87,076
Dividends receivable	10	**717,552**	1,554,696
Restricted cash	8	**–**	478,170
Other current assets		**12,513**	2,880
Total Current Assets		**7,611,312**	2,122,822
Noncurrent Assets			
Due from a related party	10	**32,660,000**	32,660,000
Investment in subsidiaries	6	**37,022,743**	37,022,743
Total Noncurrent Assets		**69,682,743**	69,682,743
		₱77,294,055	₱71,805,565
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	7	**₱422,574**	₱91,852
Due to related parties	10	**71,250**	61,844
Current portion of long-term debt - net of debt issue costs	8	**–**	4,034,525
Total Current Liabilities		**493,824**	4,188,221
Noncurrent Liability			
Long term-debt - net of current portion and debt issue costs	8	**34,528,675**	28,774,936
Total Liabilities		**35,022,499**	32,963,157
Equity			
Capital stock		**6,953,846**	6,953,846
Retained earnings	9	**35,317,710**	31,888,562
Total Equity		**42,271,556**	38,842,408
		₱77,294,055	₱71,805,565

See accompanying Notes to Separate Financial Statements.

SMC TOLLWAYS CORPORATION

(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

		Years Ended December 31		
	Note	**2024**	2023	2022
REVENUE				
Dividend income	6	**₱5,919,802**	₱5,800,210	₱4,484,699
Interest income	5	**44,748**	24,253	9,226
		5,964,550	5,824,463	4,493,925
EXPENSES				
Operating expenses		**2,038**	1,580	1,648
Interest expense and other financing charges	8	**2,524,414**	2,112,298	2,262,542
		2,526,452	2,113,878	2,264,190
INCOME BEFORE INCOME TAX		**3,438,098**	3,710,585	2,229,735
FINAL TAX ON INTEREST INCOME	11	**8,950**	4,851	1,845
NET INCOME		**3,429,148**	3,705,734	2,227,890
OTHER COMPREHENSIVE INCOME		**–**	–	–
TOTAL COMPREHENSIVE INCOME		**₱3,429,148**	₱3,705,734	₱2,227,890

See accompanying Notes to Separate Financial Statements.

SMC TOLLWAYS CORPORATION

(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

SEPARATE STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands except for the Number of Shares and Par Value)

	Note	**2024**	2023	2022
		Years Ended December 31		
CAPITAL STOCK - ₱100 par value				
Authorized - 80,000,000 shares				
Issued and outstanding -				
69,538,459 shares		**₱6,953,846**	₱6,953,846	₱6,953,846
RETAINED EARNINGS	9			
Balance at beginning of year		**31,888,562**	28,182,828	25,954,938
Net income		**3,429,148**	3,705,734	2,227,890
Balance at end of year		**35,317,710**	31,888,562	28,182,828
		₱42,271,556	₱38,842,408	₱35,136,674

See accompanying Notes to Separate Financial Statements.

SMC TOLLWAYS CORPORATION

(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

SEPARATE STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

		Years Ended December 31		
	Note	**2024**	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱3,438,098**	₱3,710,585	₱2,229,735
Adjustments for:				
Dividend income	6	**(5,919,802)**	(5,800,210)	(4,484,699)
Interest expense and other financing charges	8	**2,524,414**	2,112,298	2,262,542
Interest income	5	**(44,748)**	(24,253)	(9,226)
Operating loss before working capital changes		**(2,038)**	(1,580)	(1,648)
Increase in other current assets		**(1,726)**	(92)	(92)
Increase (decrease) in accounts payable and other current liabilities		**260,529**	(2,654)	(1,812)
Net cash generated from (used for) operations		**256,765**	(4,326)	(3,552)
Interest received		**36,841**	24,205	8,649
Final taxes paid		**(8,950)**	(4,851)	(1,845)
Net cash provided by operating activities		**284,656**	15,028	3,252
CASH FLOW FROM AN INVESTING ACTIVITY				
Dividends received		**6,756,946**	5,381,638	4,484,699
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Long-term debt	8	**(33,103,815)**	(3,414,477)	(2,354,344)
Interest		**(2,156,390)**	(2,032,956)	(2,182,678)
Availments of:				
Long-term debt - net of debt issue cost		**34,525,198**	–	–
Due to related parties	10	**9,406**	–	–
Decrease in restricted cash		**478,170**	49,694	32,400
Net cash used in financing activities		**(247,431)**	(5,397,739)	(4,504,622)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**6,794,171**	(1,073)	(16,671)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**87,076**	88,149	104,820
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	**₱6,881,247**	₱87,076	₱88,149

See accompanying Notes to Separate Financial Statements.

1. Reporting Entity

General Information

SMC Tollways Corporation (the 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 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 Company has a perpetual corporate life.

The Company is a wholly-owned subsidiary of Atlantic Aurum Investments B.V. (AAIBV), a holding company incorporated and domiciled in the Netherlands. The ultimate parent of the Company is Top Frontier Investment Holdings, Inc., a holding company incorporated and domiciled in the Philippines.

In 2013, the Company acquired a total of 87.84% interest in SMC Skyway Corporation (SMC SKYWAY) from AAIBV and Terramino Holdings, Inc., for a total consideration of ₱20,722.6 million.

In 2016, the Company acquired 100% interest in Stage 3 Connector Tollway Holdings Corporation (S3CTHC) from AAIBV for a total consideration of ₱16,300.0 million. S3CTHC is the parent company of SMC Skyway Stage 3 Corporation (MMSS3).

In 2020, the Company acquired a total of 53.37% interest in Toll Road Operation & Maintenance Venture Corporation (TROMV) from Padma Investment PTE. Ltd. for ₱0.1 million.

The registered office address of the Company is at 11/F San Miguel Properties Centre, 7 St. Francis Street, Ortigas Center, Mandaluyong City, Metro Manila.

Retail Bond Issue

On March 13, 2024, the Company's Board of Directors (BOD) authorized the Company to issue, offer and sell to the public, bonds (the Bonds) in the aggregate principal amount of up to ₱35,000.0 million to be issued in three (3) tranches. The net proceeds were used to prepay its outstanding Corporate Notes and will be used to fund the capital expenditure requirements of the Skyway Project and the SMC Skyway Stage 3 Project (see Note 8).

On November 15, 2024, the SEC issued a Permit to Sell for the general public offering of the Company's retail bonds and the offer was made to institutional and retail investors from November 18 to 27, 2024.

The Bonds were listed at the Philippine Dealing System Holdings Corp. & Subsidiaries (PDS) on December 5, 2024.

2. Statement of Compliance and Basis of Preparation

Statement of Compliance

The separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. This financial reporting framework includes PFRS Accounting Standards, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC, including SEC pronouncements.

The Company also prepares and issues consolidated financial statements for the same period in which it consolidates its investment in shares of stock of subsidiaries in accordance with PFRS Accounting Standards. Such consolidated financial statements provide information about the economic activities of the Company and its subsidiaries (collectively referred to as the "Group") of which the Company is the parent company. The consolidated financial statements are available for public use and may be obtained at the Company's registered office address and at the SEC.

The separate financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on March 12, 2025.

Basis of Measurement

The separate financial statements of the Company have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of consideration received in exchange of incurring a liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Further information about the assumptions made in measuring fair value are included Note 13, *Fair Value of Financial Instruments*.

Functional and Presentation Currency
The separate financial statements are presented in Philippine Peso, which is the functional currency of the Company. All financial information are rounded off to the nearest thousand (₱'000), except when otherwise indicated.

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3. **Summary of Material Accounting Policy Information**

The accounting policies set out below have been applied consistently to all periods presented in the separate financial statements, except for the changes in accounting policies as explained below.

The FSRSC approved the adoption of a number of new and amendments to standards as part of PFRS Accounting Standards.

Adoption of Amendments to Standards
The Company has adopted the following amendments to PFRS Accounting Standards effective January 1, 2024 and accordingly, changed its accounting policies in the following areas:

- 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.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with early application permitted.

- Supplier Finance Arrangements (Amendments to PAS 7, *Statement of Cash Flows,* and PFRS 7, *Financial Instruments: Disclosures*). The amendments introduce new disclosure objectives to provide information about the supplier finance arrangements of an entity that would enable users to assess the effects of these arrangements on the liabilities and cash flows, and the exposure to liquidity risk.

Under the amendments, an entity discloses in aggregate for its supplier finance arrangements:

- the terms and conditions of the arrangements;

- beginning and ending carrying amounts and associated line items of the financial liabilities that are part of a supplier finance arrangement, distinguishing those for which suppliers were already paid, and range of payment due dates including those for comparable trade payables not part of a supplier finance arrangement; and

- the type and effect of non-cash changes in the carrying amounts.

The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in PFRS 7 on factors an entity might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

The adoption of the amended PFRS Accounting Standards did not materially affect the separate financial statements of the Company. Additional disclosures were included in the separate financial statements, as applicable.

New and Amendments to PFRS Accounting Standards in Issue But Not Yet Effective or 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 separate financial statements. None of these are expected to have a material effect on the separate financial statements.

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

- Classification and Measurement of Financial Instruments (Amendments to PFRS 9, *Financial Instruments*, and PFRS 7). 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.

- Annual Improvements to PFRS Accounting Standards Volume 11:

  - Amendments to PFRS 7 – The amendments update and remove some obsolete references related to the gain or loss on derecognition on financial assets of an entity that has a continuing involvement and to the disclosure requirements on deferred differences between fair value and transaction price. The amendments also clarify that the illustrative guidance does not necessarily illustrate all the requirements for credit risk disclosure. Earlier application is permitted.

  - Amendments to PAS 7 - *Cost Method* – The amendments replace the term 'cost method' with 'at cost' following the deletion of the definition of 'cost method'. Earlier application is permitted.

  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. 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.

  In addition, all 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.

- PFRS 19, *Subsidiaries without Public Accountability: Disclosures* – This standard specifies reduced disclosure requirements that eligible subsidiaries are permitted to apply, instead of the disclosure requirements in other PFRS Accounting Standards. An entity is eligible to apply PFRS 19 when it does not have public accountability and its parent prepares consolidated financial statements available for public use that complies with PFRS Accounting Standards disclosure requirements. Earlier application is permitted.

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

Current versus Noncurrent Classification

The Company presents assets and liabilities in the separate statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial Instruments

Date of Recognition. The Company recognizes a financial asset or a liability in the separate statements of financial position when it becomes a party to the contractual provisions of a financial instrument.

Recognition and Initial Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

Financial Assets

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at fair value through other comprehensive income (FVOCI) and (c) financial assets at FVPL. The classification of a financial asset largely depends on the business model of the Company and its contractual cash flow characteristics.

Subsequent to initial recognition, financial assets are not reclassified unless the Company 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 Company 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 Company 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 Company;
- 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 Company 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 Company 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 Company's claim to cash flows from specified assets.

As at December 31, 2024 and 2023, the Company does not have financial assets 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 objective 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 December 31, 2024 and 2023, cash and cash equivalents, restricted cash, dividends receivable, interest receivable (included under "Other current assets" account) and due from a related party of the Company are classified under this category (see Notes 5, 8 and 10).

Financial Liabilities

Classification. The Company classifies its financial liabilities at initial recognition under the following categories: (a) financial liabilities at amortized cost, (b) financial liabilities at FVPL.

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

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

Debt issue costs are shown as contra account against the long-term debt and are amortized over terms of the related borrowings using the effective interest rate method.

As at December 31, 2024 and 2023, accounts payable and other current liabilities (excluding withholding taxes payable), long-term debt and due to related parties of the Company are classified under this category (see Notes 7, 8 and 10).

Impairment of Financial Assets at Amortized Cost

The Company recognizes an allowance for expected credit losses (ECL) for all financial assets at amortized cost.

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 Company in accordance with the contract and the cash flows that the Company 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 Company recognizes an 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 Company 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 Company's historical experience and informed credit assessment and including forward-looking information.

The Company recognizes lifetime ECL for receivables that do not contain significant financing component. The Company 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 Company 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 Company on terms that the Company 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 Company 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 Company 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 Company 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 Company'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 separate 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 Company; 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.

Derecognition of Financial Assets and Financial Liabilities

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 asset has expired; or

- the Company 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 "pass through" arrangement; and either: (a) has transferred substantially all the risks and reward of the asset; or (b) has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the separate statements of comprehensive income.

Other Current Assets
This account mainly consists of interest receivable, input value added tax (VAT) and deferred input VAT.

Input VAT. Input VAT is the net amount of tax recoverable from the taxation authority. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

Deferred Input VAT. Deferred input VAT represents the input VAT on the unpaid portion of availed services.

Investment in Subsidiaries
The investments in subsidiaries are accounted for under the cost method. The investments are carried in the separate statements of financial position at cost less any impairment in value.

A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Company determines at the end of each reporting year whether there is any objective evidence that investments are impaired. The amount of impairment is calculated as the difference between the carrying amount of the investments and their recoverable amount.

Impairment of Nonfinancial Assets
At each reporting date, nonfinancial assets are reviewed to determine whether there is any indication that these assets maybe impaired. If there is an indication of possible impairment, the recoverable amount of any asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

The recoverable amount of an asset is the greater of its value in use or its fair value less cost to sell. Value in use is the present value of future cash flows expected to be derived from an asset. In assessing the value in use, the estimated cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction less cost of marketing and disposals.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to sell), but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Equity

Capital Stock. Capital stock is classified as equity. Incremental costs directly attributable to the issuances of capital stock are recognized as a deduction from equity, net of any tax effects.

Retained Earnings. Retained earnings represent the accumulated net income or losses of the Company.

Revenue Recognition
The following specific recognition criteria must be met before revenue is recognized:

Dividend Income. Dividend income is recognized when the right of the Company to receive the payment is established.

Interest Income. Interest income is recognized as it accrues using the effective interest method.

Expense Recognition
Expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Operating Expenses. Operating expenses constitute costs of administering the business. These are charged to profit and loss as incurred.

Interest Expense and Other Financing Charges. Interest expense and other financing charges is recognized as it accrues. Interest expense and other financing charges includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate method.

Income Taxes

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect to previous years.

Deferred Tax. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax losses – net operating loss carry over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating decisions. Parties are also considered to be related parties if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Material related party transactions are related party transactions, either individually or in aggregate, over a twelve-month period with the same related party, amounting to ten percent (10%) or higher of the Company's total assets based on its latest separate financial statements.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingencies
Contingent liabilities are not recognized in the separate financial statements. These are disclosed in the notes to the separate financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the separate financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the Reporting Date
Post year-end events that provide additional information about the financial position of the Company at reporting date (adjusting events) are reflected in the separate financial statements when material. Post year-end events that are non-adjusting events are disclosed in the notes to the separate financial statements when material.

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4. Use of Judgments, Estimates and Assumptions

The preparation of the separate financial statements of the Company requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the separate financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future-period affected.

Judgments
In the process of applying the accounting policies of the Company, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the separate financial statements. The judgments are based upon management's evaluation of relevant facts and circumstances as of the date of the separate financial statements.

Assessing Control over Subsidiaries. The Company determined that it has control over its subsidiaries by considering, among others, its power over its investees, exposures or rights to variable returns from its involvement to its investees, and the ability to use its power over the investees to affect its returns. The following were also considered:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual agreements; and
- The Company's voting rights and potential voting rights.

As at December 31, 2024 and 2023, management has assessed that it has control over its subsidiaries.

Assessing Embedded Derivatives on Financial Instrument. The long-term debt of the Company contains embedded derivative arising from interest rate floor. Under PFRS 9, the Company is required to evaluate whether the embedded derivative meets the condition for bifurcation at inception. Based on management evaluation, the interest rate floor is closely related with the host contract because the interest rate floor is out of the money at inception. Accordingly, the related derivative asset or liability is not separately identified and recognized in the separate financial statements.

Determining the Fair Value of Financial Assets. PFRS Accounting Standards requires certain financial assets and liabilities to be carried at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Company utilized different valuation methodologies. Any changes in fair value of these financial assets would affect profit and loss and equity.

The fair value of the Company's financial assets and liabilities are disclosed in Note 13.

Estimates and Assumptions

The key estimates and assumptions used in the separate financial statements are based upon the Company's evaluation of relevant facts and circumstances as at the date of the separate financial statements. Actual results could differ from such estimates.

Assessing the ECL of Financial Assets at Amortized Cost. The allowance for ECL of financial assets at amortized cost are based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

ECL of Financial Assets at Amortized Cost

The Company determines the allowance for ECL of financial assets at amortized cost using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company 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 Company also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

No ECL was recognized in 2024, 2023, and 2022.

The carrying amounts of the Company's financial assets at amortized cost are as follows:

	Note	**2024**	2023
Cash and cash equivalents	5	**₱6,881,247**	₱87,076
Dividends receivable	10	**717,552**	1,554,696
Due from a related party	10	**32,660,000**	32,660,000
Interest receivable*		**8,815**	908
Restricted cash	8	**–**	478,170

**included under "Other current assets" account*

Assessing the Impairment of Investment in Subsidiaries. An impairment review is performed when events or changes in circumstances indicate that the carrying amount of investment in subsidiaries may not be recoverable. Management has determined that there are no events or circumstances in 2024, 2023 and 2022 that indicate that the carrying amount of the investments may not be recoverable.

The carrying amount of investment in subsidiaries amounted to ₱37,022.7 million as at December 31, 2024 and 2023 (see Note 6).

Assessing the Realizability of Deferred Tax Assets. The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized Significant management judgment is required to determine the amount of deferred tax asset that can be recognized, based upon the likely timing and level of future taxable income and type of deductions to be availed in the future (either itemized deductions or optional standard deductions).

The unrecognized deferred tax asset of the Company amounted to ₱2,573.0 million and ₱1,943.6 million as at December 31, 2024 and 2023, respectively (see Note 11). Management has assessed that it is not probable that sufficient taxable profit will be available in the future against which the benefit of the deferred tax assets can be utilized.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2024	2023
Cash in banks	**₱583,545**	₱9,076
Cash equivalents	**6,297,702**	78,000
	₱6,881,247	₱87,076

Cash in banks earn interest at prevailing bank deposit rates and are immediately available for use in the current operations.

Cash equivalents are short-term investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at short-term investments rates.

Interest income is earned from the following sources:

	Note	2024	2023	2022
Restricted cash	8	**₱23,314**	₱21,806	₱8,414
Cash and cash equivalents		**21,434**	2,447	812
		₱44,748	₱24,253	₱9,226

Interest receivable (included under "Other current assets" account) from cash equivalents and restricted cash amounted to ₱8.8 million and ₱0.9 million as at December 31, 2024 and 2023, respectively.

6. Investment in Subsidiaries

Investment in subsidiaries consists of investment in:

	% of Ownership	2024	2023
SMC SKYWAY	87.84%	**₱20,722,609**	₱20,722,609
S3CTHC	100%	**16,300,000**	16,300,000
TROMV	53.57%	**134**	134
		₱37,022,743	₱37,022,743

The financial information of SMC SKYWAY, S3CTHC and TROMV are as follows:

	2024			2023		
	SMC SKYWAY	**S3CTHC**	**TROMV**	SMC SKYWAY	S3CTHC	TROMV
Current assets	**₱6,316,245**	**₱253,311**	**₱226**	₱5,242,078	₱241,591	₱267
Noncurrent assets	**21,652,226**	**45,931,250**	**1,065**	22,419,826	45,931,250	1,065
Current liabilities	**5,340,253**	**466**	**1,918**	5,550,504	232	1,890
Noncurrent liabilities	**269,012**	**32,660,000**	**–**	262,335	32,660,000	–
Equity (Capital Deficiency)	**22,359,206**	**13,524,095**	**(627)**	21,849,065	13,512,609	(558)
Revenue	**11,049,151**	**–**	**–**	10,746,072	–	–
Net income (loss)	**7,251,253**	**11,486**	**(69)**	6,938,867	10,085	(62)
Total comprehensive income(loss)	**7,249,470**	**11,486**	**(69)**	6,930,674	10,085	(62)

Information about the Subsidiaries

SMC SKYWAY. SMC SKYWAY was incorporated and registered with the SEC on November 27, 1995 to design, construct and finance toll road infrastructure projects of the Republic of the Philippines (ROP) and other entities, including but not limited to those designated as "flagship" or preferred infrastructure projects, namely: (1) the proposed Metro Manila Skyway, which is a system of elevated roadway, commencing at the end point of the South Luzon Expressway in Alabang, Muntinlupa, and culminating at the end-point of the North Luzon Expressway in Balintawak, Caloocan City, thereby serving as an inter-connection of both of the above-mentioned Expressways; and (2) the proposed Metro Manila Tollways (or Circumferential Road 6, or simply C-6); and upon the completion of each of the projects, or any stage thereof, to transfer and/or convey, if so required, the legal title or ownership of such completed projects (or stage thereof) to the ROP, and to turnover the physical possession and control of each completed project (or stage thereof) to the Philippine National Construction Corporation, a Philippine corporation owned and controlled by the ROP, or other entity, which may operate and maintain such projects as toll facilities.

SMC SKYWAY's registered office address is 11/F San Miguel Properties Centre, 7 St. Francis Street, Ortigas Center, Mandaluyong City, Metro Manila.

There were no significant restrictions (e.g. statutory, contractual or regulatory restrictions) on SMC SKYWAY to transfer cash in the form of dividends or repayment of any advances made by the Company.

The Company earned cash dividends declared by SMC SKYWAY amounting to ₱5,919.8 million, ₱5,800.2 million and ₱4,484.7 million in 2024, 2023 and 2022, respectively (see Note 10).

S3CTHC. S3CTHC was incorporated and registered with the SEC on February 28, 2014, primarily to invest in shares of stock, bonds, debentures, evidence of indebtedness, and other securities or obligations of any corporation or association for whatever lawful purpose or purposes the same may have been organized, including but not limited to those engaged in the logistics, tollways, infrastructure and similar businesses.

S3CTHC's registered office address is No. 40 San Miguel Avenue, Mandaluyong City, Metro Manila, Philippines.

As at December 31, 2024 and 2023, S3CTHC has 90% investment in shares of MMSS3, the company which undertakes the Skyway Stage 3 project.

TROMV. TROMV was incorporated on October 25, 2007 primarily to engage in toll road operation and maintenance activity in the Philippines; and to purchase, own, lease, hold, acquire or otherwise accept such property real and personal or may be necessary, convenient or appropriate, for any of the foregoing purposes or activities; and likewise to engage in any and all activities and business understandings as may be necessary or incidental to accomplish the primary purpose and objective of the corporation.

TROMV's registered office address is 11/F San Miguel Properties Centre, 7 St. Francis Street, Ortigas Center, Mandaluyong City, Metro Manila.

7. Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities consists of:

	Note	2024	2023
Accounts payable		**₱182,741**	₱–
Accrued expenses:			
Interest	8	**136,642**	66,449
Others		**3,269**	879
Withholding taxes payables		**99,922**	24,524
		₱422,574	₱91,852

Accounts payable are unsecured, noninterest-bearing and are generally settled in 30-day term.

Other accrued expenses mainly pertain to accrual of professional fees and trust fees which are normally settled within one year.

Withholding taxes payables consist of expanded and final withholding taxes, which are normally settled within the following year.

8. Long-term Debt

Long-term debt consists of:

	2024	2023
Retail Bond Issue	**₱34,528,675**	₱–
Corporate Notes Facility Agreement (Loan Facility)	**–**	32,809,461
	34,528,675	32,809,461
Less current portion	**–**	4,034,525
Noncurrent portion	**₱34,528,675**	₱28,774,936

Movements of long-term debt are as follows:

	2024	2023
Principal		
Balance at beginning of year	**₱33,103,815**	₱36,518,292
Availments	**35,000,000**	–
Payments	**(33,103,815)**	(3,414,477)
Balance at end of year	**35,000,000**	33,103,815
Unamortized Debt Issue Cost		
Balance at beginning of year	**294,354**	381,474
Additions	**474,802**	–
Amortization	**(297,831)**	(87,120)
Balance at end of year	**471,325**	294,354
	34,528,675	32,809,461
Less current portion	**–**	4,034,525
Noncurrent portion	**₱34,528,675**	₱28,774,936

Retail Bond Issue
On March 13, 2024, the Company's BOD authorized the Company to issue, offer and sell to the public, bonds in the aggregate principal amount of up to ₱35,000.0 million to be issued in three (3) tranches.

On November 15, 2024, the SEC issued a Permit to Sell for the general public offering of the Company's Bonds and the offer was made to institutional and retail investors from November 18 to 27, 2024. The fund raising exercise generated gross proceeds amounting to an aggregate principal of ₱35,000.0 million with net proceeds of ₱34,525.2 million, after deducting fees, taxes, commissions and related expenses. The net proceeds were used to prepay its outstanding Peso-denominated Corporate Notes and will be used to fund the capital expenditure requirements of the Skyway Project and the SMC Skyway Stage 3 Project.

The Bonds were issued in three (3) series as follows:

	Principal	Interest Rate	Term
Series A Bonds	₱10,560,100	6.4783% p.a.	Five years and three months
Series B Bonds	5,898,950	6.7026% p.a.	Seven years
Series C Bonds	18,540,950	6.9331% p.a.	Ten years

Interest on the Bonds shall be payable quarterly in arrears starting on March 5, 2025 for the first interest payment date, and every quarter thereafter as long as the Bonds remain outstanding.

The Company may (but shall not be obliged to) redeem all (and not a part only) of any series of the outstanding Bonds on the following relevant dates (each an "Optional Redemption Date"). The amount payable to the Bondholders in respect of such redemptions shall be calculated based on the principal amount of the Bonds being redeemed, as the sum of:

a. accrued interest on the Bonds computed from the last interest payment date up to the relevant Optional Redemption Date; and

b. the product of the principal amount and the applicable optional redemption price in accordance with the following schedule:

Years from Issue Date	Series A Bonds	Series B Bonds	Series C Bonds
Three years	100.5%	–	–
Five years	–	101.0%	–
Six years	–	100.5%	–
Seven years	–	–	101.5%
Eight years	–	–	101.0%
Nine years	–	–	100.5%

Unless previously redeemed, purchased and cancelled, the Series A Bonds, Series B Bonds and Series C Bonds will be redeemed at par or 100.00% of their face value on their respective maturity dates.

Unless the Majority Bondholders shall otherwise consent in writing, the Company shall comply with the following financial covenants:

a. Debt-to-equity ratio (ratio of interest-bearing debt to equity, as defined in the bond offering prospectus of the Company dated November 13, 2024) of not more than 3.0x; and

b. Interest coverage ratio of not less than 2.0x so long as any of the Bonds remain outstanding.

The Company is in compliance with its financial covenants as at December 31, 2024.

Loan Facility

On December 9, 2019, the Company entered into a Loan Facility with local banks for a loanable amount of ₱41,200.0 million to refinance existing debt obligations and acquisition of investments for infrastructure projects. As at December 31, 2024, the loan facility was fully paid.

Transaction costs incurred for the Loan Facility amounted to ₱581.5 million on December 16, 2019. Additional transaction costs pertaining to legal fees amounting to ₱2.2 million were paid in January 2020.

The long-term debt bears interest rate of higher of a Benchmark Rate plus 1.75% per annum or a floor rate of 5.5% per annum divided by the interest premium factor, subject to repricing on the fifth year of the term. Effective interest rates are ranging from 5.75% to 6.2% in 2024 and 2023. The loan has a term of 10 years. Principal and interest are payable quarterly starting March 16, 2020.

The Agreement requires the Company to maintain a bank account to hold dividends received from SMC SKYWAY for the purpose of principal and interest repayment and a separate reserve account. This is presented in the separate statements of financial position as restricted cash which amounted to nil and ₱478.2 million as at December 31, 2024 and 2023, respectively. Interest income from the restricted cash amounted to ₱23.3 million, ₱21.8 million and ₱8.4 million in 2024, 2023 and 2022, respectively (see Note 5).

The Company, SMC SKYWAY, MMSS3 and S3CTHC are subject to loan covenants, such as but not limited to: (a) the Company shall not declare, make or pay any dividend, charge, fee or other distribution; (b) certain financial ratios such as net debt of the Company and SMC SKYWAY divided by EBITDA ratio of SMC SKYWAY, not to exceed 4.50x.

The security of the agreements includes the assignment of the rights title and interest of the Company over its shareholding in SMC SKYWAY.

As at December 31, 2023, the Company is in compliance with the covenants of the loan facility agreement.

Interest Expense and Other Financing Charges

Interest expense and other financing charges incurred by the Company is presented below:

	2024	2023	2022
Interest on long-term debt	**₱2,226,583**	₱2,025,178	₱2,177,819
Amortization of debt issue cost	**297,831**	87,120	84,723
	₱2,524,414	₱2,112,298	₱2,262,542

Accrued interest payable amounted to ₱136.6 million and ₱66.4 million as at December 31, 2024 and 2023, respectively (see Note 7).

Maturity Schedule

The annual maturities of long-term debt and amortization of debt issue costs are as follows:

Year	Gross Amount of Repayment	Amortization of Debt Issue Costs	Net
2025	₱–	₱50,678	(₱50,678)
2026	–	54,361	(54,361)
2027 and thereafter	35,000,000	366,286	34,633,714
	₱35,000,000	₱471,325	₱34,528,675

9. Retained Earnings

Under the Philippine Revised Corporation Code, stock corporations are generally prohibited from retaining surplus profits in excess of 100% of their paid up capital.

In 2023, the Company was restricted from declaring, making and paying dividends, charge, fee or other distribution whether in cash or in kind or in respect of its share capital under the Loan Facility (see Note 8). As discussed in Note 8, the Loan Facility was fully settled in 2024.

As at December 31, 2024 and 2023, the retained earnings of the Company is in excess of its paid-in capital stock by ₱28,363.9 million and ₱24,934.7 million, respectively. In 2024, the Company plans to use the excess retained earnings for future business opportunities.

10. Related Party Transactions

The Company and related parties purchase products and services from one another in the normal course of business. The Company requires approval of BOD for certain limits on the amount and extent of transactions with related parties.

Amount owed by/to related parties are collectible/payable 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.

The following are the transactions with related parties and the outstanding balances as at December 31, 2024 and 2023:

	Transaction amounts			Outstanding Balances		
	2024	2023	2022	**2024**	2023	Terms and condition
Due from a Related Party						
Subsidiary	**₱–**	₱–	₱–	**₱32,660,000**	₱32,660,000	No definite fixed term, noninterest-bearing, unsecured
Due to Related Parties						
Parent Company	**₱–**	₱–	₱–	**₱61,844**	₱61,844	On demand, noninterest-bearing, unsecured
Intermediate Parent	**9,406**	–	–	**9,406**	–	On demand, noninterest-bearing, unsecured
				₱71,250	₱61,844	
Dividends Receivable						
Subsidiary	**₱5,919,802**	₱5,800,210	₱4,484,699	**₱717,552**	₱1,554,696	On demand, noninterest-bearing, unsecured, no impairment

There have been no guarantees provided or received for any related party receivables or payables as at December 31, 2024 and 2023.

Due from a Related Party
The Company extended advances to S3CTHC to finance the project of MMSS3 and for working capital purposes. Management has classified the due from a related party as noncurrent because the management does not expect that this receivable will be settled in the next period.

The Company did not recognize ECL on due from a related party in 2024, 2023 and 2022.

Due to Related Parties

Parent Company. AAIBV paid transaction costs incurred in obtaining the loan facilities on behalf of the Company.

Intermediate Parent. The Company received advances from San Miguel Holdings Corp. (SMHC) for working capital requirements.

Dividends receivable
Dividends receivable represents cash dividends receivable from SMC SKYWAY.

Revenue Regulations (RR) No. 19-2020 and RR 34-2020, As Clarified Under Revenue Memorandum Circulars (RMC) 54-2021
The Bureau of Internal Revenue (BIR) issued RR No. 19-2020 and RR 34-2020, prescribing the use, guidelines and procedures for the submission of BIR Form 1709, *Information Return on Related Party Transactions,* transfer pricing documentation and other supporting documentations:

Under RMC 54-2021, a taxpayer is required to file and submit the BIR Form if the following conditions are present:

1. It is required to file an Annual Income Tax Returns;
2. It has transactions with a domestic or foreign related party during the concerned taxable period; and
3. It falls under any of the following categories:
   a. Large taxpayers
   b. Taxpayers enjoying tax incentives (BOI, PEZA, ITH, preferential tax rate)
   c. Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive taxable years; and
   d. A related party, which has transactions with (a), (b), or (c).

The Company has transactions with related parties who qualify with the above provisions and consequently, the Company is covered by the requirements and procedures provided by the RR.

Compensation of Key Management Personnel
There is no compensation for key management personnel in 2024, 2023 and 2022. The finance and administrative functions are being handled by SMHC at no cost to the Company.

11. Income Taxes

The final tax on interest income of the Company amounted to ₱9.0 million, ₱4.9 million and ₱1.8 million in 2024, 2023 and 2022, respectively. There is no provision for current income tax because the Company is in tax loss position in 2024, 2023 and 2022.

The reconciliation of the income tax computed at the statutory income tax rate to final tax on interest income recognized in the separate statements of comprehensive income follows:

	2024	2023	2022
Statutory income tax at statutory rate	**25.00%**	25.00%	25.00%
Change in unrecognized deferred tax assets	**18.31%**	14.21%	13.37%
Income tax effects of:			
Dividend income exempt from income tax	**(43.05%)**	(39.08%)	(50.28%)
Expired NOLCO	–	–	11.99%
	0.26%	0.13%	0.08%

Deferred tax asset on NOLCO amounting to ₱2,573.0 million and ₱1,943.6 million as at December 31, 2024 and 2023, respectively, has not been recognized because management believes that it is not probable that the Company will have sufficient taxable profits against which the NOLCO can be utilized.

Details of the NOLCO of the Company which can be claimed as deduction from future taxable income are as follows:

Year Incurred	Expiry Year	Beginning	Additions	Expired	Balance
2024	2027	₱–	₱2,517,382	₱–	₱2,517,382
2023	2026	2,109,028	–	–	2,109,028
2022	2025	2,262,344	–	–	2,262,344
2021	2026	2,154,565	–	–	2,154,565
2020	2025	1,248,527	–	–	1,248,527
		₱7,774,464	₱2,517,382	₱–	₱10,291,846

As mandated by Section 4 of Republic Act No. 11494 or the "Bayanihan to Recover as One Act" and implemented under RR No. 25-2020, the net operating loss of a business enterprise incurred for the taxable years 2020 and 2021 can be carried over as a deduction from taxable income for the next five consecutive taxable years following the year of such loss.

Corporate Recovery and Tax Incentives for Enterprises Law (CREATE Law)

Under the CREATE Law, the Regular Corporate Income Tax (RCIT) of domestic corporations is at 25% or 20%, depending on the amount of total assets or total amount of taxable income or MCIT of 1% of gross income effective July 1, 2020 to June 30, 2023. Effective July 1, 2023, the MCIT rate changed back to 2%.

12. **Financial Risk and Capital Management Objectives and Policies**

Financial Risk Management

The principal financial instruments of the Company are cash and cash equivalents, restricted cash, dividends receivable, interest receivable (included under "Other current assets" account), due from a related party, accounts payable and other current liabilities (excluding withholding taxes payable), due to related parties and long-term debt.

The main purpose of these financial instruments is for working capital management of the Company.

The BOD has overall responsibility for the establishment and oversight of the risk management framework of the Company. The risk management policies of the Company are established to identify and manage the exposure of the Company to the financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the activities of the Company.

The main risks arising from the financial instruments of the Company are interest rate risk, credit risk and liquidity risk. The BOD and management of the Company review and approve policies for managing each of these risks as summarized below.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the income before income tax or value of its financial instruments of the Company. The exposure to market risk for changes in interest rates of the Company relates primarily to the long-term debt with floating interest rate. The Company 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 the Company when 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 Company:

	2024		2023	
	Change in Basis Points	**Effect on Income Before Income Tax**	Change in Basis Points	Effect on Income Before Income Tax
Increase	**+0.23**	**(₱262)**	+0.55	(₱249)
Decrease	**-0.23**	**262**	-0.55	249

**interest rate should not be lower than floor of 6.0%*

The assumed movement in basis points for the interest rate sensitivity analysis is based on the best estimate of expected change of the Company considering future trends, showing a significantly lower volatility than in previous years. There is no impact on the equity of the Company other than those already affecting the profit or loss.

Credit Risk

Credit risk is the risk of financial loss where a counterparty to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is significantly concentrated on its financial assets at amortized cost, comprising of cash and cash equivalents held by financial institutions, restricted cash, interest receivables (included under "Other current assets" account), dividends receivable and due from a related party.

With respect to credit risk relating to cash and cash equivalents and restricted cash, the exposure to credit risks of the Company arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of this financial asset. Dividends receivable arises from dividend declaration of its subsidiaries. These are monitored monthly as part of the accounts reconciliation process of the Company. Compliance with intercompany settlement terms and condition is being strictly followed.

High grade financial assets include cash and cash equivalents, restricted cash and due from a related party. Cash and cash equivalents and restricted cash are deposited in reputable banks having good credit rating and low probability of insolvency. Due from a related party and dividend receivables has high probability of collections since the Company trades only with related parties. Standard grade financial assets include receivables that are collected on their due dates without an effort from the Company to follow them up.

The carrying value of the financial assets at amortized cost of the Company approximates its maximum exposure to credit risk. Cash and cash equivalents, restricted cash, interest receivable (included under "Other current assets" account), dividend receivable and due from a related party are neither past due nor impaired.

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 financial assets at amortized cost which mainly comprise of cash and cash equivalents, restricted cash, dividends receivables, interest receivable (included under "Other current assets"), and due from a related party. It is the Company'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 Company 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.

Liquidity Risk

The Company arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments. It may result from either the inability to sell assets quickly at fair values or failure to collect from a counterparty.

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing for long-term financial liabilities as well as cash outflows due in the day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection. The Company regularly evaluates its projected and actual cash flows.

The objective of the Company is to optimize its liquidity profile to be able to service its long-term debt. To cover its financing requirements, the loan agreement of the Company ensures that sufficient dividends are declared by SMC SKYWAY to service its debt (see Note 8).

The table below summarizes the maturity profile of the financial liabilities of the Company as at December 31, 2024 and 2023 based on contractual undiscounted payments:

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*	**₱322,652**	**₱322,652**	**₱322,652**	**₱–**	**₱–**	**₱–**
Due to related parties	**71,250**	**71,250**	**71,250**	**–**	**–**	**–**
Long-term debt**	**34,528,675**	**54,317,733**	**2,397,807**	**2,397,807**	**7,199,991**	**42,322,128**
	₱34,922,577	**₱54,711,635**	**₱2,791,709**	**₱2,397,807**	**₱7,199,991**	**₱42,322,128**

Excluding withholding taxes payables amounting to ₱99.9 million.
*****Including interest payments to maturity amounting to ₱19,317.7 million.***

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*	₱67,328	₱67,328	₱67,328	₱–	₱–	₱–
Due to related parties	61,844	61,844	61,844	–	–	–
Long-term debt**	32,809,461	39,196,168	5,940,005	6,497,297	22,304,813	4,454,053
	₱32,938,633	₱39,325,340	₱6,069,177	₱6,497,297	₱22,304,813	₱4,454,053

Excluding withholding taxes payables amounting to ₱24.5 million.
*****Including interest payments to maturity amounting to ₱6,092.4 million.***

Capital Management

The Company considers the equity in the separate statements of financial position as its core capital. The capital management objectives of the Company are to ensure the ability of the Company to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk. The Company manages its capital structure and makes adjustments to it where there are changes in economic conditions and allowed under the Loan Facility. Under the Loan Facility, the Company is subject to certain restrictions affecting its capital such as doing some form of business combination or reorganization; redemption, repurchase, retirement or payment any of its share capital and declaration of dividends (see Note 8).

No changes were made in the objectives, policies or processes for managing capital in 2024 and 2023.

Reconciliation of Liability Arising Under Financing Activity

The reconciliation arising from a financing activity as follows:

	2023	**Additions**	**Payment**	**Non-cash Changes**	**2024**
Long term-debt	**₱32,809,461**	**₱34,525,198**	**(₱33,103,815)**	**₱297,831**	**₱34,528,675**
Accrued interest	**66,449**	**2,524,414**	**(2,156,390)**	**(297,831)**	**136,642**
Due to related parties	**61,844**	**9,406**	**–**	**–**	**71,250**
	₱32,937,754	**₱37,059,018**	**(₱35,260,205)**	**₱–**	**₱34,736,567**

	2022	Additions	Payment	Non-cash Changes	2023
Long term-debt	₱36,136,818	₱–	(₱3,414,477)	₱87,120	₱32,809,461
Accrued interest	74,227	2,112,298	(2,032,956)	(87,120)	66,449
	₱36,211,045	₱2,112,298	(₱5,447,433)	₱–	₱32,875,910

13. Fair Value of Financial Instruments

Cash and Cash Equivalents, Restricted Cash, Dividends Receivable, Interest Receivable (included under "Other current assets" account), Accounts Payable and Other Current Liabilities (excluding Withholding Taxes Payable) and Due to Related Parties. The carrying amounts approximate their fair values due to the short-term nature of the related transactions. The fair value measurement for the current financial assets and liabilities has been categorized as Level 3 (significant unobservable inputs).

Due from a Related Party. Due from a related party have no definite fixed terms and are not expected to be realized within the next 12 months. Accordingly, the fair value is not determinable, as the timing of future cash flows cannot be estimated reliably.

Long-term Debt. The table below shows the comparison between the carrying value and estimated fair value of the long-term debt of the Company.

	Carrying Value		Fair Value	
	2024	2023	**2024**	2023
Long-term Debt	**₱34,528,675**	₱32,809,461	**₱37,006,076**	₱33,088,535

The fair value of the Company's loans payable was determined by discounting the sum of all future principal payments using prevailing market rates of interest for instruments with similar maturities (Level 2). The discount rates used ranges from 5.8% to 6.2% in 2024 and 5.3% to 6.3% in 2023.

As at December 31, 2024 and 2023, there were no financial instruments carried at fair value. There were no transfers between Level 1, Level 2 and Level 3 fair value measurements in 2024 and 2023.

14. Supplementary Information Required under RR No. 15-2010

The BIR issued RR No. 15-2010 which requires certain tax information to be disclosed in the notes to the separate financial statements. The Company presented the required supplementary tax information as a separate schedule attached to its annual income tax return.

BOA/PRC Accreditation No. 4782
April 14, 2024, valid until June 6, 2026
SEC Registration No. PP201007009

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1209 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
SMC Tollways Corporation
11/F San Miguel Properties Centre
7 St. Francis Street, Ortigas Center
Mandaluyong City
Metro Manila

We have audited the accompanying separate financial statements of SMC Tollways Corporation (a wholly-owned subsidiary of Atlantic Aurum Investments B.V.) (the Company) as at December 31, 2024 and 2023, and for the years ended December 31, 2024, 2023 and 2022, on which we have rendered our report dated March 12, 2025.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has one (1) stockholder owning one hundred (100) or more shares.

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782/P-019; Valid until June 6, 2026
BIR Accreditation No. 08-005144-016-2022
Valid until May 15, 2025
PTR No. 10467142
Issued January 2, 2025, Makati City

March 12, 2025
Makati City, Metro Manila

BOA/PRC Accreditation No. 4782
April 14, 2024, valid until June 6, 2026
SEC Registration No. PP201007009

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Makati City 1209 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULE OF
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

The Stockholders and the Board of Directors
SMC Tollways Corporation
11/F San Miguel Properties Centre
7 St. Francis Street, Ortigas Center
Mandaluyong City
Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of SMC Tollways Corporation, (a wholly-owned subsidiary of Atlantic Aurum Investments B.V.) (the Company) as at December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022 and have issued our report thereon dated March 12, 2025. Our audits were made for the purpose of forming an opinion on the separate financial statements taken as a whole. The accompanying Reconciliation of Retained Earnings Available for Dividend Declaration as at December 31, 2024 for submission to the Securities and Exchange Commission is the responsibility of the Company's management.

The supplementary schedule is presented for purposes of complying with Revised Securities Regulation Code Rule 68, and is not part of the separate financial statements. The supplementary schedule has been subjected to the auditing procedures applied in the audit of the separate financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the separate financial statements taken as a whole.

REYES TACANDONG & CO.

DQSalangad
DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782/P-019; Valid until June 6, 2026
BIR Accreditation No. 08-005144-016-2025
Valid until January 16, 2028
PTR No. 10467142
Issued January 2, 2025, Makati City

March 12, 2025
Makati City, Metro Manila

SMC TOLLWAYS CORPORATION

(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2024

(Amounts in Thousands)

Unappropriated retained earnings, beginning of reporting period	₱31,888,562
Add: Net Income for the current year	3,429,148
Total retained earnings, end of the reporting period available for dividend	₱35,317,710

Gmail   **Karine Exconde <atlanticaurumphils@gmail.com>**

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eafs@bir.gov.ph <eafs@bir.gov.ph>   Tue, Apr 8, 2025 at 10:01 PM
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Hi ATLANTIC AURUM INVESTMENTS PHILIPPINES CORPORATION,

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Transaction Code: **AFS-0-PPM2S1NQ0NT44VSNXNX124ZWY0C5DJ8755**
Submission Date/Time: **Apr 08, 2025 10:01 PM**
Company TIN: **008-547-087**

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- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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ANNEX "D"

2024 SUSTAINABILITY REPORT

SMC TOLLWAYS CORPORATION

SMC INFRASTRUCTURE
TOLLWAYS
SMC TOLLWAYS CORPORATION

2024 SUSTAINABILITY REPORT

SMC TOLLWAYS CORPORATION

COMPANY DETAILS

Name of Organization	SMC Tollways Corporation
Location of Headquarters	11/F San Miguel Properties Centre, 7 St. Francis Street, Ortigas Center, Mandaluyong City, Metro Manila
Location of Operations	Skyway Stage 1 runs from Bicutan, Parañaque to Buendia, Makati City Skyway Stage 2 covers the stretch from Bicutan, Parañaque to Alabang, Muntinlupa Skyway Stage 3 connects Buendia, Makati City to NLEX-Balintawak, Quezon City
Report Boundary: Legal entities (e.g. subsidiaries) included in this report	SMC Skyway Corporation SMC Skyway Stage 3 Corporation Skyway O&M Corporation
Business Model, including Primary Activities, Brands, Products, and Services	Construction, operation, and maintenance of Skyway System
Reporting Period	01 January 2024 to 31 December 2024
Highest Ranking Person responsible for this report	Raoul Eduardo C. Romulo *Chief Information Officer* *SMC Tollways Corporation*

MATERIALITY PROCESS

The Sustainability Accounting Standards Board (SASB), along with the Global Reporting Initiative (GRI) Standards, Task Force on Climate-Related Financial Disclosures (TCFD) Framework, and Carbon Disclosure Project (CDP) Framework, guided SMC Tollways Corporation, hereinafter referred to as the "Company," in determining its material topics. The Company's approach to materiality aligns with these frameworks and the broader materiality process established by its ultimate parent, San Miguel Corporation (SMC).

The materiality assessment followed SMC's structured methodology, beginning with the development of a comprehensive list of potential material topics based on globally recognized Environmental, Social, and Governance (ESG) standards. The Company then benchmarked against peer companies to identify relevant ESG issues and conducted stakeholder consultations to determine the most significant ESG concerns. The prioritized material topics were subsequently validated through a Materiality Validation Workshop with SMC's senior management.

To ensure consistency in capturing relevant ESG disclosures, the Company adopted SMC's standardized data template, which integrates key standards and requirements from various ESG frameworks. This structured approach enables the Company to systematically collect and manage its ESG data.

Additionally, the Company has conducted a Sustainability and Operational Workshop in alignment with SMC Infrastructure's Operational and Maintenance Group Strategic Planning. This workshop has reinforced a structured approach to sustainability reporting, and has supported the continuous enhancement of policies and the development of services.

Accordingly, the Company's materiality processes and topics will be regularly reviewed and updated to reflect evolving impacts, risks, opportunities, and management approaches.

ECONOMIC PERFORMANCE

ECONOMIC PERFORMANCE

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

DISCLOSURE	AMOUNT	UNITS (in million)
Direct economic value generated (revenue)	22,193.78	PhP
Direct economic value distributed:		PhP
A. Operating costs	992.86	PhP
B. Employee wages and benefits	132.93	PhP
C. Payments to suppliers, other operating costs	8,004.75	PhP
D. Dividends given to stockholders and interest payments to loan providers	-	PhP
E. Taxes given to government	-	PhP
F. Investments to community (e.g. donations, CSR)	1.1	PhP

Impacts and Risks

One of the main thrusts of the Company is to invest in new ways that will enable the Company to provide a better service to the public and commuters. On the other hand, it has lease obligations and long-term debts that can affect its ability to attract additional financing, thereby limiting growth plans and flexibility in planning and operations. Other factors that may restrict funding availability include limitations imposed by Philippine regulations with respect to a bank's exposure to a single borrower or related group of borrowers, existing debt covenants of the SMC Group, ability to service new debt, and public perception of other industries affiliated with. Other risks include the following:

- Inherent risks in the completion of infrastructure business;
- Inability to secure tariff increases;
- Decrease in utilization and disruption of operations;
- Risks relating to construction defects and other building-related claims; and
- Delay in Right-of-Way.

The inability to thoroughly address these in a timely manner may have an adverse effect on its operations, which in turn may lead to a reduction of manpower and service areas. Moreover, significant business risks for the company have been identified in its 2024 SEC Form 17-A.

Management Approach to Identified Impacts and Risks

The Company ensures the hiring and retention of key employees to allow successful integration, proper management, and alignment of the acquired companies. The Company ensures that its hired personnel undergo various training and mentoring programs to ensure the business is conducted in an ethical and sustainable manner and at par with the company’s standards. The Company, with the guidance of its management and Board of Directors (BOD), strategically reviews and monitors profit growth, and maintains a healthy balance sheet, a balanced mix of debt and equity, to maximize the Company’s market value. Profiles for capital ratios are set in consideration of changes in the external environment and the risks underlying the Company’s operations and industries.

The Company’s Audit and Risk Oversight Committee, together with its Internal Audit Department, regularly reviews risk management controls and procedures and assists the BOD in fulfilling its oversight responsibility of corporate governance processes.

To mitigate credits risks, the Company is guided by creditworthy application of transaction limits and close risk monitoring. The Company conducts regular internal control reviews to monitor the granting of credit and to manage credit exposures.

Furthermore, the Company is composed of reputable BOD officers and an experienced management team that is capable of immediately responding to any adverse event that may ensue.

Opportunities and Management Approach

With the continuous growth of financial value that the company generates, more value is given to it in terms of development of new road extension and services, improvement of operations, increase in brand visibility, as well as exploration of additional Public-Private Partnerships.

CLIMATE-RELATED RISKS AND OPPORTUNITIES

The Company recognizes that climate change and natural disasters pose significant threats to its operations and supply chain. Extreme weather events such as typhoons, floods, and heatwaves can disrupt project timelines, damage assets, and impact the availability of raw materials and energy resources. These risks are further exacerbated by climate variability, which continues to challenge long-term planning and operational resilience.

To address these challenges, the Company has begun integrating hazard and climate risk assessments into its strategic planning. This process includes evaluating the vulnerability of existing assets to climate-related hazards and ensuring that design, construction, and operational standards incorporate climate resilience.

Beyond immediate risk mitigation, the Company is committed to long-term solutions that enhance its adaptive capacity. These initiatives include strengthening emergency preparedness systems, adopting low-carbon technologies, and improving infrastructure resilience. The Company also acknowledges the financial and reputational risks associated with climate inaction and is working to align its environmental management practices with evolving regulatory frameworks and global sustainability standards.

Guided by its Health, Safety, and Environment (HSE) policies, the Company ensures that climate considerations are embedded in all levels of decision-making. By proactively addressing climate risks, the Company safeguards business continuity, supports stakeholder well-being, and strengthens its contribution to national and global climate goals.

Furthermore, the Company aligns its sustainability initiatives with the United Nations Sustainable Development Goals (UN SDGs), underscoring its commitment to global climate action and sustainable development.

PROCUREMENT PRACTICES

PROPORTION OF SPENDING ON LOCAL SUPPLIERS

DISCLOSURE	QUANTITY	UNITS
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	-	%

As a general policy, the Company supports local suppliers and prioritizes them in sourcing materials and services provided that the quality and quantity requirements are met at competitive rates.

Impacts and Risks

The Company upholds strict standards for the quality of materials and services it procures. The Company strictly prohibits any unethical practices in supplier selection or negotiation, as these can significantly harm its reputation and financial stability. Ensuring the use of high-quality materials and partnering with reputable contractors are critical to maintaining operational efficiency, service excellence, and regulatory compliance.

Opportunities and Management Approach

As part of the SMC Group, the Company benefits from a centralized procurement system managed by the SMC Corporate Procurement Group. This system streamlines the procurement process across SMC business units, increasing operational efficiency. Through this advantage, the Company ensures effective supplier accreditation, and consistent quality of materials and services.

The Company recognizes its service providers and suppliers as essential partners in value creation. Through the SMC Corporate Procurement Group, it continues to invest in its people and technology to enhance procurement strategies, strengthen supplier relationships, and drive sustainable growth.

ANTI-CORRUPTION

TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES

DISCLOSURE	QUANTITY	UNITS
Percentage of employees to whom the organization’s anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization’s anti-corruption policies and procedures have been communicated to	-	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

INCIDENTS OF CORRUPTION

DISCLOSURE	QUANTITY	UNITS
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

Impacts and Risks

Incidence of corruption may pose a significant threat to the Company's integrity, operational efficiency, and stakeholder trust. Unethical practices such as bribery and fraud can lead to legal repercussions, financial losses, and reputational damage. Additionally, corruption undermines fair competition, disrupts business processes, and erodes investor confidence, ultimately affecting long-term sustainability and growth.

Opportunities and Management Approach

Through the SMC Corporate Governance Manual and Code of Business Conduct and Ethics, the Company ensures that all employees and suppliers operate with the utmost professionalism and integrity. Employees are expected to use company resources and information exclusively for their intended purposes. The Company also fosters a culture of transparency by encouraging employees to report any suspected unethical behavior through established reporting channels.

To mitigate corruption risks, the Company implements strict conflict-of-interest policies, requiring directors, officers, and employees to disclose any personal business interests that may affect financial or operational decisions. Furthermore, the Company discourages employees from accepting gifts or favors that could influence impartial decision-making, particularly in areas such as hiring, procurement, and contract management.

The Company ensures full compliance with local anti-corruption laws and maintains transparency in its dealings with government entities and regulators. By continuously strengthening its governance framework and promoting ethical business conduct, the Company safeguards its business integrity, builds stakeholder trust, and reaffirms its commitment to responsible and sustainable operations.

ENVIRONMENT

RESOURCE MANAGEMENT

ENERGY CONSUMPTION WITHIN THE ORGANIZATION

DISCLOSURE	QUANTITY	UNITS
Energy consumption (renewable sources)	974.44	GJ
Energy consumption (gasoline)	2,083.94	GJ
Energy consumption (LPG)	-	GJ
Energy consumption (diesel)	31,689.08	GJ
Energy consumption (electricity)	5,259,200	KWH

REDUCTION OF ENERGY CONSUMPTION

DISCLOSURE	QUANTITY	UNITS
Energy consumption (renewable sources)	-	GJ
Energy consumption (gasoline)	2,824.03	GJ
Energy consumption (LPG)	-	GJ
Energy consumption (diesel)	4,091.08	GJ
Energy consumption (electricity)	1,275,102	KWH

Impacts and Risks

The Company's energy consumption, primarily from electricity usage and fleet fuel consumption, poses both environmental and financial impacts, including carbon emissions, resource depletion, and increase in operational costs. Inefficient energy management may lead to higher expenditures and reputational concerns, especially with evolving sustainability policies and stakeholder expectations.

Opportunities and Management Approach

The Company is committed to reducing energy consumption through targeted initiatives while ensuring compliance with environmental laws and regulations. To achieve this, it continuously invests in renewable energy technologies and energy-efficient equipment. Additionally, the Company actively benchmarks its energy management practices against industry peers to identify and adopt best practices in renewable energy solutions.

WATER CONSUMPTION WITHIN THE ORGANIZATION

DISCLOSURE	QUANTITY	UNITS
Water withdrawal	58,135	m3
Water consumption	15,226	m3
Water recycled and reused	-	m3

Impacts and Risks

The Company's processes and operations rely heavily on water. The instability of water supply in the Philippines poses significant risks, including price fluctuations and shortages that could disrupt business activities. Additionally, rising costs for water extraction and usage may increase operational expenses and affect the Company's financial performance.

Opportunities and Management Approach

In 2019, the Company has made a commitment to participate in the Water-For-All project of SMC, to reduce utility and domestic (non-scarce and non-product) water consumption through the following initiatives:

- Eliminating water wastage by implementing stricter measures to improve efficiency;
- Utilizing water-saving technologies and conservation programs; and
- Expanding water reuse and recycling efforts.

To further demonstrate its commitment to reduce the use of scarce water, the Company has established Wastewater Treatment Plants (WTPs) and Sewage Treatment Facilities (STFs) to treat domestic wastewater along the tollways.

The Company would also like to explore advanced technologies to enhance the collection and treatment of wastewater, ensuring compliance with industry standards for wastewater management.

MATERIALS USED BY THE ORGANIZATION

DISCLOSURE	QUANTITY	UNITS
Renewable	-	kg/liters
Non-renewable	-	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	-	%

Impacts and Risks

The Company may face disruptions in the supply of essential raw materials such as asphalt, concrete, steel, and wood, leading to project delays and increased costs. Moreover, the use of substandard materials could compromise structural integrity and safety, resulting in higher maintenance expenses, regulatory non-compliance, and reputational risks.

Opportunities and Management Approach

The Company diligently monitors materials, ensuring timely delivery of the suppliers, and the use of alternative primary materials. Strict procurement policies and supplier accreditation processes are in place to verify material quality, regulatory compliance, and ethical sourcing.

The Company aims to explore circular economy principles and adoption of eco-friendly materials to reduce environmental impact of the projects. Strengthening collaboration with reliable suppliers also ensures high-quality material supply while mitigating risks of shortages and delays.

ECOSYSTEMS AND BIODIVERSITY

DISCLOSURE	QUANTITY	UNITS
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	
Habitats protected or restored	-	HA
IUCN Red List species and national conservation list species with habitats in areas affected by operations	-	

Impacts and Risks

The Company is responsible for assessing and mitigating its impact on surrounding ecosystems and biodiversity. These impacts may include habitat destruction and biodiversity loss, wildlife disturbance due to pollution, and disruption of water resources. Beyond legal repercussions, these environmental effects may also impact local communities, potentially disrupting livelihoods and ecological balance.

Opportunities and Management Approach

The Company conducts an Environmental Impact Assessment (EIA) to evaluate the physical and biological effects of its projects and identify necessary mitigation and control strategies. This includes closely monitoring facility effluents and emissions as a standard for impact mitigation.

The Company is also exploring ways to minimize its environmental footprint and integrate sustainability into its operations by incorporating eco-friendly materials and green techniques. Additionally, it recognizes the value of collaborating with local communities to promote social responsibility and environmental stewardship, ensuring the protection of surrounding ecosystems.

ENVIRONMENTAL IMPACT MANAGEMENT

GREENHOUSE GAS EMISSIONS

DISCLOSURE	QUANTITY	UNITS
Direct (Scope 1) GHG Emissions	2,320.30	tCO_2e
Energy indirect (Scope 2) GHG Emissions	5,181.24	tCO_2e
Emissions of ozone-depleting substances (ODS)	-	tCO_2e

AIR POLLUTANTS

DISCLOSURE	QUANTITY	UNITS
NOx	8,665.59	kg
SOx	569.85	kg
Persistent organic pollutants (POPs)	-	kg
Volatile organic compounds (VOCs)	-	kg
Hazardous air pollutants (HAPs)	-	kg
Particulate matter (PM)	609.15	kg

Impacts and Risks

The Company's emissions may pose health and safety risks to employees, customers, and nearby communities with prolonged exposure. Additionally, improper management of these emissions can contribute to environmental degradation, which may lead to regulatory challenges and penalty charges.

Opportunities and Management Approach

The Company complies with all regulatory requirements to help protect the environment. It manages emissions through continuous monitoring of by-product levels, regular emissions testing, and preventive maintenance of equipment.

SOLID AND HAZARDOUS WASTES

SOLID WASTE

DISCLOSURE	QUANTITY	UNITS
Total solid waste generated	595,970	kg
Reusable	0	kg
Recyclable	12,940	kg
Composted	24,390	kg
Incinerated	0	kg
Residuals/Landfilled	558,640	kg

Impacts and Risks

Improper solid waste management can lead to serious health hazards, environmental pollution, and regulatory penalties. It may also compromise site sanitation, increase operational costs, and contribute to the depletion of natural resources. To mitigate these risks, the Company regularly coordinates with DENR-accredited waste haulers to ensure the proper transport of solid waste to landfills or recycling facilities.

Opportunities and Management Approach

The Company implements a comprehensive solid waste management program to safeguard public health and the environment. It strictly adheres to R.A. 9003 or the Ecological Solid Waste Management Act and complies with local government regulations on waste segregation and disposal.

To further minimize waste generation, the Company promotes the following:

- Reduce, Reuse, Recycle, Re-purpose to optimize resource utilization;
- Avoidance of single-use plastics to reduce plastic pollution; and
- Digitalization and paperless transactions to cut down on paper waste.

The Company continuously explores innovative recycling and waste reduction programs tailored to its operational needs. By integrating waste management solutions, it can improve resource efficiency and reduce negative environmental impact.

HAZARDOUS WASTE

DISCLOSURE	QUANTITY	UNITS
Total weight of hazardous waste generated	16,515	kg
Total weight of hazardous waste transported	6,032	kg

Impacts and Risks

The Company's hazardous waste may pose significant health and safety risks to employees if not properly stored and treated. Improper containment or disposal can also lead to environmental contamination, affecting public health and ecosystems. Moreover, failure to comply with proper hazardous waste management practices may result to regulatory penalties and legal consequences, impacting the Company's operations and reputation.

Opportunities and Management Approach

The Company has designated hazardous waste storage facilities in strategic locations. Emergency response measures and equipment are in place to contain and neutralize hazardous material spills, minimizing risks to employees and the environment. Additionally, the Company engages with accredited suppliers and waste handlers to ensure proper collection, treatment, and disposal of hazardous waste in compliance with regulatory standards.

The Company sees an opportunity in investing on safer alternatives to hazardous materials to further mitigate risks while promoting sustainability. Moreover, the Company can also strengthen employee training and awareness programs on hazardous waste handling, ensuring compliance with safety protocols and fostering a culture of responsibility.

EFFLUENTS

DISCLOSURE	QUANTITY	UNITS
Total volume of water discharges	42,909	m3
Percent of wastewater recycled	-	%

Impacts and Risks

The Company acknowledges that its operations may significantly impact surrounding water bodies if effluents are not properly managed. Discharges that fail to meet effluent standards by DENR can lead to water pollution, and ecosystem degradation. Improper effluent management could also lead to regulatory penalties and reputational risks.

Opportunities and Management Approach

The Company ensures that all facilities have efficient wastewater treatment systems, including Wastewater Treatment Plants (WTPs) and Sewage Treatment Facilities (STFs), to properly manage and treat wastewater along tollways.

Additionally, the Company conducts regular wastewater analysis to monitor compliance with Republic Act (RA) 9275 or the Clean Water Act- ensuring that effluents meet the environmental standards set by DENR.

The Company wants to enhance its effluent management by adopting innovative wastewater treatment technologies that improve efficiency and reduce environmental impact. Investments in advanced filtration systems can help achieve higher water quality standards while minimizing operational costs.

ENVIRONMENTAL COMPLIANCE

NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

DISCLOSURE	QUANTITY	UNITS
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	-	PhP
Number of non-monetary sanctions for non-compliance with environmental laws and/or regulations	-	#
Number of cases resolved through dispute resolution mechanism	-	#

Impacts and Risks

Failure to comply with environmental laws and regulations exposes the Company to legal penalties, fines, and potential project delays due to regulatory sanctions. Noncompliance may also result in reputational damage, undermining stakeholder trust and public confidence.

Opportunities and Management Approach

The Company upholds a strong culture of compliance with environmental laws and regulations by ensuring that all necessary permits and requirements are secured in a timely manner. Employees are actively engaged in compliance efforts to maintain operational excellence and environmental responsibility.

To achieve full regulatory compliance, the Company continuously monitors its projects' adherence to the following key environmental laws and regulations:

- RA 8749 – Clean Air Act
- RA 9275 – Clean Water Act
- RA 9003 – Ecological Solid Waste Act of 2000
- RA 6969 – Hazardous Wastes Management Act

The Company ensures full compliance with all relevant Philippine environmental laws and integrates them into its operational framework to uphold sustainability, environmental stewardship, and regulatory accountability.

SOCIAL

EMPLOYEE MANAGEMENT

EMPLOYEE DATA

DISCLOSURE	QUANTITY	UNITS
Total number of employees		
a. Number of female employees	667	#
b. Number of male employees	683	#
Attrition rate	5.37	%
Ratio of lowest paid employee against minimum wage	-	ratio

EMPLOYEE BENEFITS

LIST OF BENEFITS	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	14.54%	5.12%
PhilHealth	Y	3.15%	1.32%
Pag-ibig	Y	7.50%	5.56%
Parental leaves	Y	3.00%	1.17%

LIST OF BENEFITS	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
Vacation leaves	Y	95.80%	98.39%
Sick leaves	Y	95.20%	97.51%
Medical benefits (aside from PhilHealth)	Y	18.59%	8.35%
Housing assistance (aside from Pag-ibig)	N	-	-
Retirement fund (aside from SSS)	Y	.30%	.59%
Further education support	N	-	-
Company stock options	N	-	-
Telecommuting	N	-	-
Flexible-working hours	N	-	-
(Others)	N	-	-

Impacts and Risks

The Company is recognized for providing quality employment and a competitive benefits package. However, maintaining long-term employee satisfaction and retention could be a challenge, especially as the Company continues to grow. An increasing workforce may impact internal dynamics, workplace culture, and operational efficiency.

Opportunities and Management Approach

The Human Resources (HR) department ensures an efficient talent acquisition and management process by thoroughly screening candidates to align with the Company's standards and strategic goals.

The Company provides a competitive benefits package, including bonuses, various types of leaves, overtime pay, and educational training programs. In addition to this, employees have access to comprehensive healthcare coverage (including medical and dental clinics), retirement benefits, and death benefits.

The Company continuously refines compensation structures, professional development initiatives, and work-life balance programs to reduce turnover and increase productivity to enhance engagement and satisfaction within the organization. The Company remains committed to fostering a supportive and growth-oriented work environment.

EMPLOYEE TRAINING AND DEVELOPMENT

DISCLOSURE	QUANTITY	UNITS
Total training hours provided to employees		
a. Female employees	9,287.26	hours
b. Male employees	16,336.15	hours
Average training hours provided to employees		
a. Female employees	3.29	hours/employee
b. Male employees	4.74	hours/employee

Impacts and Risks

The Company recognizes that its success relies on the skills, expertise, and continuous development of its workforce. To maintain high performance and innovation, the Company ensures that employees receive proper training and opportunities for continuing education. However, challenges could remain in the following areas:

- Employees that are unwilling to participate in training programs or struggle with knowledge retention;
- Poorly structured or irrelevant training programs that may fail to enhance employee skills or contribute to professional growth; and
- Employees that may struggle to keep up with evolving industry practices if training programs are not continuously updated to reflect the latest trends and standards.

Opportunities and Management Approach

The Company ensures that all employees receive comprehensive training that are tailored to their roles before officially assuming their responsibilities. It actively fosters a culture of continuous learning through year-round training programs and seminars. Employees are encouraged to actively participate in career development opportunities to enhance their skills and expertise.

To further support professional growth, the Company offers structured training initiatives for qualified employees seeking career advancement. These initiatives reinforce the Company's commitment to long-term employee development and organizational excellence.

LABOR-MANAGEMENT RELATIONS

DISCLOSURE	QUANTITY	UNITS
% of employees covered with Collective Bargaining Agreements	0	%
Number of consultations conducted with employees concerning employee-related policies	-	#

Impacts and Risks

The Company adheres to all labor and employment laws to ensure fair and compliant labor-management relations while fostering a healthy and productive workplace. Employee feedback and grievance mechanisms play a crucial role in maintaining an inclusive and harmonious work environment.

Opportunities and Management Approach

The Company upholds employees' rights, including freedom of association and collective bargaining, fostering a fair, inclusive, and transparent work environment.

To effectively address labor concerns, the Company conducts consultations on a case-by-case basis, ensuring tailored resolutions that balance both employee welfare and organizational goals. The HR Department proactively monitors these concerns, facilitates timely interventions, promotes workplace harmony, and drives continuous improvements in working conditions.

DIVERSITY AND EQUAL OPPORTUNITY

DISCLOSURE	QUANTITY	UNITS
% of female workers in the workforce	49.41	%
% of male workers in the workforce	50.59	%
Number of employees from indigenous communities and/or vulnerable sector*	-	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

Impacts and Risks

The Company upholds equal opportunities for employment, ensuring that hiring decisions are based on merit rather than race, gender, or sexual orientation. The Company fosters an inclusive environment that encourages varying perspectives, recognizing the value of a diverse workforce. Any form of favoritism, such as gender-based hiring biases, could pose reputational risks, hinder talent acquisition, and create a workplace culture that limits innovation and exchange of diverse ideas.

Opportunities and Management Approach

To foster a fair and inclusive workplace, the Company enforces ethical hiring practices and strict compliance with labor laws. The HR department promotes diversity, prevents discrimination, and ensures a respectful work environment through continuous employee engagement, open communication channels, and regular policy reviews.

The Company aims to refine the hiring process to attract a diverse pool of candidates. Additionally, the Company remains committed to staying updated on relevant labor laws and exploring opportunities to collaborate with the local communities to foster a fair and socially responsible workplace.

WORKPLACE CONDITIONS, LABOR STANDARDS, AND HUMAN RIGHTS

OCCUPATIONAL HEALTH AND SAFETY

DISCLOSURE	QUANTITY	UNITS
Safe Man-Hours	2,504,996	hours
Number of work-related injuries	17	#
Number of work-related fatalities	0	#
Number of work related ill-health	0	#
Number of safety drills	-	#

Impacts and Risks

The Company recognizes various risks that could impact workplace safety and employee well-being, potentially affecting both business operations and workforce efficiency.

Employees, particularly those in tollway facilities, face industrial hazards that may result in injury or fatality. Common risks include:

- Physical hazards from moving vehicles, and defective tools or equipment.
- Injury risks such as cuts and wounds from sharp objects and machinery.
- Electrical hazards due to exposed power lines, corroded components, and adverse weather conditions.
- Respiratory health risks from air pollution and exposure to harmful chemicals.

Beyond physical risks, strict compliance with labor laws and human rights is crucial for maintaining a safe and ethical workplace. Violations can lead to legal consequences, operational disruptions, financial penalties, and diminished employee well-being, ultimately impacting business performance and reputation.

Opportunities and Management Approach

The Company prioritizes workplace safety through comprehensive training and stringent protective measures. Employees undergo regular safety training, including emergency response procedures, while high-risk personnel complete the Basic Occupational Health and Safety Training (BOHS). To enhance preparedness, the Company conducts disaster and emergency drills in coordination with local government units. Additionally, the Company strictly enforces PPE usage and safety regulations to maintain a secure and compliant work environment.

The Company upholds the highest safety standards and fosters a proactive safety culture across all workplaces. It conducts regular safety audits to assess workplace conditions, monitor safety performance, and identify areas for improvement. Audit findings drive continuous enhancements in safety protocols, ensuring productivity is never achieved at the expense of employee well-being.

LABOR LAWS AND HUMAN RIGHTS

DISCLOSURE	QUANTITY	UNITS
Number of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

DISCLOSURE	Y/N
Forced labor	Y
Child labor	Y
Human rights	Y

Impacts and Risks

Noncompliance with labor laws and human rights regulations poses significant risks to the Company, including legal liabilities and reputational damage. Violations related to forced labor, child labor, workplace harassment, or discrimination can lead to decreased workforce morale and potential regulatory sanctions.

Opportunities and Management Approach

The Company is committed to upholding labor laws and human rights regulations, fostering a fair and ethical work environment. It maintains strict policies against forced labor, child labor, and workplace discrimination, integrating these principles into its culture and operations. Ongoing monitoring, employee training, and grievance mechanisms reinforce these commitments.

SUPPLY CHAIN MANAGEMENT

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Suppliers are required to conduct their business in accordance with the San Miguel Group of Companies (SMG) Supplier Code of Conduct. This Code mandates that accredited suppliers comply with all statutory requirements and the Company's established standards. Suppliers must adhere to laws covering key areas, including but not limited to environmental performance, forced labor, child labor, human rights, bribery, and corruption.

DISCLOSURE	Y/N
Environmental Compliance	Y
Forced labor	Y
Child labor	Y
Human rights	Y
Bribery and corruption	Y

Impacts and Risks

Supply chain risks may arise when contracts are awarded to suppliers and service providers who fail to comply with environmental regulations, labor laws, and other statutory requirements. Non-compliance can damage the Company's reputation, cause project delays, and lead to increased operational costs. Additionally, supplier and service provider negligence in areas such as environmental sustainability, fair labor practices, human rights, and anti-corruption measures can undermine the Company's credibility and overall performance.

Opportunities and Management Approach

The Company values its suppliers and service providers as key partners in value creation. The Company, through its Business Procurement Group (BPG), evaluates suppliers and service providers based on strict regulatory and ethical compliance. It ensures that suppliers meet regulatory compliance while also providing support beyond, fostering continuous improvement in the supply chain.

RELATIONSHIP WITH COMMUNITY

SIGNIFICANT IMPACTS ON LOCAL COMMUNITIES

Impacts and Risks

The Company acknowledges the significant impact of its projects on local communities as it expands and develops. While these projects drive economic growth and enhance connectivity, they may also present challenges that require careful management.

The construction and operation of the projects can contribute to increased air and noise pollution, traffic congestion, and disruptions to daily life. In rare but inevitable cases, land acquisition for infrastructure development may lead to the displacement of informal communities, affecting their livelihoods and community structures. Additionally, the rise in road traffic heightens safety risks for pedestrians and residents, underscoring the need for robust traffic management strategies and public awareness initiatives.

Opportunities and Management Approach

The Company conducts a comprehensive Environmental Impact Assessment (EIA) to evaluate the feasibility of a proposed location before commencing any project. This assessment identifies potential negative effects and establishes appropriate mitigation measures to address them.

The Company also collaborates with local government units to facilitate stakeholder engagement sessions. These sessions serve as platforms to inform communities about the project, address concerns, and foster transparency.

Furthermore, the Company is committed to building strong relationships with local communities, seeking opportunities for mutually beneficial partnerships that promote sustainable development.

CUSTOMER MANAGEMENT

CUSTOMER SATISFACTION

DISCLOSURE	SCORE	Did a third-party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	97%	N

HEALTH AND SAFETY

DISCLOSURE	QUANTITY	UNITS
Number of substantiated complaints on product or service health and safety*	-	#
Number of complaints addressed	-	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Impacts and Risks

The Company recognizes that effective customer management is essential for maintaining trust, satisfaction, and loyalty. Providing a seamless and efficient tollway experience directly impacts customer perception and business performance.

However, challenges such as inefficient toll collection and system downtimes may result in customer dissatisfaction and loss of revenue. Negative customer experiences can lead to reputational damage, reduced usage of tollways, and potential regulatory scrutiny. Additionally, failure to address customer concerns promptly may erode public trust and hinder future expansion projects.

While the Company has strictly implemented operational safety policies, there is no absolute assurance that services will always be entirely safe from risks associated with natural hazards, system outages, and human errors. These unforeseen disruptions may impact service reliability, highlighting the need for continuous improvements in risk management and emergency response strategies.

Opportunities and Management Approach

The Company is committed to delivering a safe, efficient, and customer-centric tollway experience by implementing proactive management strategies.

To enhance customer satisfaction and mitigate risks, the Company:

- Implements traffic management systems, real-time monitoring, and road safety enhancements to reduce congestion and prevent accidents;
- Continuously upgrades tolling technology, including RFID and cashless payment systems, to ensure faster and more convenient transactions;
- Maintains multiple communication channels, such as hotlines and customer service centers, to address concerns promptly and improve user experience;
- Develops contingency plans and emergency response measures to handle natural hazards, system outages, and human errors effectively; and
- Works with regulatory bodies, local government units, and emergency responders to enhance public safety and customer welfare.

The Company continuously enhances customer experience and operational efficiency through smart mobility solutions, network enhancements, and improved customer engagement.

MARKETING AND LABELLING

DISCLOSURE	QUANTITY	UNITS
Number of substantiated complaints on marketing and labelling*	-	#
Number of complaints addressed	-	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Impacts and Risks

The Company recognizes the critical role of clear and accurate tollway signages in ensuring road safety and enhancing the driving experience for motorists. The following impacts and risks have been identified:

- Poorly placed, outdated, or missing signage can cause confusion, abrupt lane changes, and missed exits, increasing the risk of accidents;
- Noncompliance with government-mandated road signage standards may result in penalties, legal issues, and reputational damage;
- Exposure to extreme weather conditions and natural wear can diminish visibility and effectiveness, necessitating regular inspection and maintenance; and
- Incorrect or misleading signage, such as unclear toll rates or lane designations, may lead to customer complaints, disputes, and potential legal liabilities.

Opportunities and Management Approach

The Company ensures the accuracy and regulatory compliance of tollway signages and labels to enhance road safety and provide a seamless driving experience. All signages strictly adheres to government-mandated standards for size, placement, and reflectivity, ensuring consistency and legal compliance. Regular inspections and scheduled maintenance are also conducted to promptly repair or replace faded, damaged, or missing signs, maintaining optimal visibility and reliability.

CUSTOMER PRIVACY

DISCLOSURE	QUANTITY	UNITS
Number of substantiated complaints on customer privacy*	0	#
Number of complaints addressed	0	#
Number of customers, users and account holders whose information is used for secondary purposes	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

DATA SECURITY

DISCLOSURE	QUANTITY	UNITS
Number of data breaches, including leaks, thefts and losses of data	0	#

Impacts and Risks

The Company recognizes the importance of safeguarding customer privacy, particularly in adherence to Republic Act No. 10173, or the Data Privacy Act. The collection and handling of customer data, such as toll transactions, account details, and vehicle information, come with inherent risks. Data breaches could compromise customer trust and lead to legal liabilities. Additionally, failure to comply with data protection regulations may cause reputational damage and regulatory sanctions.

Opportunities and Management Approach

The Company is committed to protecting customer privacy by strictly adhering to the Data Privacy Act and implementing robust data security measures under SMG's Personal Data Privacy Policy. This policy ensures compliance through secure data collection, storage, and processing protocols. Employees handling sensitive customer information undergo continuous training on data protection policies and best practices to maintain the highest security standards.

CONTRIBUTION TO UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The Company is committed to fostering economic growth, advancing industry innovation, and addressing environmental and social challenges in infrastructure development, contributing to the United Nations Sustainable Development Goals (UN SDGs).

By providing reliable and resilient infrastructure, the company plays a crucial role in supporting economic development, enhancing human well-being, generating employment, and facilitating tourism. Improved transportation efficiency boosts business and industry productivity, leading to better goods and services that cater to a growing population, create more job opportunities, and elevate the overall quality of life.

However, infrastructure development poses environmental challenges, including air pollution during construction and operation, soil erosion, biodiversity loss, and greenhouse gas (GHG) emissions from transportation, all of which contribute to climate change. To mitigate these impacts, the company continuously innovates by partnering with organizations to integrate sustainable materials and systems in construction.

Beyond environmental concerns, infrastructure projects also have social implications. Right-of-way negotiations with the government and local communities can influence residents' quality of life, while the construction of roads and public transport systems may lead to traffic congestion and public inconvenience.
To address urbanization challenges, the company seeks to decentralize industrialization by improving connectivity to untapped provincial centers. By fostering business growth in these regions, the company helps alleviate traffic congestion in Metro Manila while driving nationwide economic productivity.

SMC TOLLWAYS CORPORATION

San Miguel Properties Centre
1550 Mandaluyong City, Metro Manila

https://smctollways.com.ph/

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ANNEX "E"

	Address	Rented / Owned	Condition	Monthly Rental (In PhP)	Expiry of Lease Contract	Terms of Renewal / Options
Office Space	Toll Operations Building, Doña Soledad Avenue, Brgy. Don Bosco, Parañaque City	Owned	Good			
Office Space	21st to 24th Floors One Magnificent Mile-CITRA Building, San Miguel Avenue, Ortigas Center 1605 Pasig City	Owned	Good			
Office Space	Unit D - 18th Floor of the JMT Corporate Condominium ADB Avenue, Ortigas Center Pasig City	Rented	Good	297,586.65	October 31, 2025	Renewable