

COVER SHEET

CS 201310694

S.E.C. Registration Number

S M C T O L L W A Y S C O R P O R A T I O N
 (F o r m e r l y A T L A N T I C A U R U M
 I N V E S T M E N T S P H I L I P P I N E S
 C O R P O R A T I O N

(Company's Full Name)

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

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

MARY ROSE S. TAN

Contact Person

Number

+63917-1010354

Company Telephone

1 2

Month

3 1

Day

Fiscal Year

Form 20-IS
(Definitive)

FORM TYPE
(amended)

0 5

Month

Annual Meeting

1st
Tuesday

Day

Secondary License Type, If Applicable

Dept. Requiring This Doc.

Amended Articles Number/Section

9

Total No. of Stockholders

Total Amount of Borrowings

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

By personal delivery

April 10, 2026

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
May 5, 2026**

The Annual Meeting of the Stockholders of **SMC TOLLWAYS CORPORATION** will be held on **May 5, 2026 (Tuesday) at 2:10 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 6, 2025
3. Report to Stockholders
4. Approval of the 2025 Audited Financial Statements
5. Election of the Board of Directors
6. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
7. Other Matters
8. Adjournment


Mary Rose S. Tan
Corporate Secretary and
Compliance Officer

RATIONALE AND BRIEF DISCUSSION OF THE AGENDA OF THE 2026 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 2026 Annual Stockholders' Meeting was sent to the stockholders by personal delivery at their address on record.

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 17, 2026. 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 May 6, 2025.

A copy of the Minutes of the Annual Stockholders' Meeting held on May 6, 2025 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 2025 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 2025 to the stockholders. A copy of the same will also be furnished to the stockholders prior to the stockholders' meeting.

4. Approval of the 2025 Audited Financial Statements

The Management of the Company will also deliver the financial reports and financial statements of the Company as of 31 December 2025 and present the same for the approval of the stockholders of the Company.

5. 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 2026 Annual Stockholders' Meeting. The profiles of the nominees, as well as the certification of their qualifications are provided in this Information Statement.

6. 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 2025 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.

7. 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.

8. 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 2026 ANNUAL STOCKHOLDERS' MEETING OF SMC TOLLWAYS CORPORATION THROUGH VIDEO CONFERENCE

1. The Chairman shall preside over the 2026 Annual Stockholders' Meeting at its principal office.
2. Stockholders of record as of April 17, 2026 who intend to attend the meeting through video conference are requested to notify the Company by email to corsec.mrst@sanmiguel.com.ph by April 28, 2026.
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 April 28, 2026, the Assistant Corporate Secretary shall inform the stockholders of the password for the online videoconferencing either by email and/or SMS.
5. On May 5, 2026 at 2:00 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 5, 2026. 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 5, 2026 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 2026 Annual Stockholders' Meeting, please email them to corsec.mrst@sanmiguel.com.ph. <mailto:2020ASM@smcgph.sanmiguel.com.ph>

ANNUAL STOCKHOLDERS' MEETING
5 May 2026
2:10 p.m. via video conference
("2026 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 2026 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 2026 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 5.

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. Joseph N. Pineda f. Martin S. Villarama, Jr. (<i>Independent Director</i>) g. Teresita J. Leonardo-de Castro (<i>Independent Director</i>)			a. b. c. d. e. f. g.	
	FOR	AGAINST	ABSTAIN	
2. Approval of the Minutes of the 2025 Annual Stockholders' Meeting				
3. Approval of the Report to Stockholders				
4. Approval of the 2025 Audited Financial Statements				
5. Ratification of all Acts and Proceedings of the Board of Directors and Corporate Officers				

Signed this ____ day of _____ 2026 at _____.

Printed Name of Stockholder

Signature of Stockholder/Authorized Signatory

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 5, 2026 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 2026 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 2026 Annual Stockholders' Meeting ("Secretary's Certificate"). Validation of ballots and proxies will be on May 4, 2026 at 4:00 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.

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 5, 2026, at 2:10 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, 2026
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 | |
|---------------------|---|----------------------|
| | <u>Amount</u> | <u>Interest Rate</u> |
| Series A | P10.6 Billion | 6.4783% |
| Series B | 5.9 Billion | 6.7026% |
| Series C | <u>18.5 Billion</u> | 6.9331% |
| Total | <u>P35.0 Billion</u> | |
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:

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 5, 2026**, at **2:10 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 Tollways is **11th Floor San Miguel Properties Centre, 7 St. Francis Street, Ortigas Center, Mandaluyong City, Metro Manila, Philippines.**

The information statement, together with its attachments, and the Notice and Agenda to the Annual Stockholders’ Meeting, are first to be sent to the stockholders on April 10, 2026 by personal delivery to the stockholders’ address on record. 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 form 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, 2026, 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 foreign ownership.

(b) Determination of security holders entitled to vote

The record date for the determination of security holders entitled to vote is April 17, 2026. Only stockholders of record at the close of business on April 17, 2026 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 17, 2026**, 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, 2026:

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 ¹	1000%

¹Inclusive of five (5) shares held by its individual nominees and two (2) shares held by the current Independent Directors, and one (1) share held by the Nominee Independent Director 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 April 10, 2026:

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	69,538,451	1000%
Common	Ramon S. Ang 671 Notre Dame St. Wack Wack Subdivision, Mandaluyong City Stockholder/Director	Record owner ¹	Filipino	1	nil

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	Joseph N. Pineda 102 University Avenue, New Alabang Village, Muntinlupa 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	Filipino	1	Nil
Common	Teresita J. Leonardo-de Castro Fort Max Resort Amsterdam Street Extension, Leonardo Compound, Merville, Parañaque City	Record owner	Filipino	1	Nil

¹Qualifying 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, 2026, 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	Joseph N. Pineda	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
Common	Teresita J. Leonardo-de Castro	Nominee Independent Director; one (1) qualifying share taken from AAIBV (direct)	Filipino	nil
	Aggregate number of shares	Eight (8)		

(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 and nominee Directors, independent Directors, and executive officers of the Company, ages, citizenship, directorships in other reporting companies and positions as of April 10, 2026:

Name	Age	Citizenship	Position
Ramon S. Ang	72	Filipino	Chairman and President
John Paul L. Ang	46	Filipino	Director
Aurora T. Calderon	71	Filipino	Director
Lorenzo G. Formoso III	64	Filipino	Director
Joseph N. Pineda	62	Filipino	Director
Margarito B. Teves	82	Filipino	Independent Director
Martin S. Villarama, Jr.	80	Filipino	Independent Director
Teresita J. Leonardo-de Castro	77	Filipino	Nominee Independent Director

Except for Mr. Margarito B. Teves, the incumbent directors are nominees for election as directors at the stockholders' meeting.

Ramon S. Ang, Filipino, 72, 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 President and Chief Executive Officer 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. He is also a director of Metro Pacific Investments 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. Mr. Ang has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on December 5, 2025.

John Paul L. Ang, Filipino, 46, has been a director of the Company since September 10, 2024. Mr. Ang holds, among others, the following positions in other listed companies: Vice-Chairman, 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 San Miguel Holdings Corp., 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. and Ginebra San Miguel, Inc., Mr. Ang holds a Bachelor of Arts Degree from Ateneo de Manila University. Mr. Ang has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by SGV & Co. on September 26, 2025 and Center for Global Best Practices on November 15, 2025.

Aurora T. Calderon, Filipino, 71, 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. Ms. Calderon has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on December 5, 2025.

Lorenzo G. Formoso III, Filipino, 64, 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. Atty. Formoso has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on December 5, 2025.

Joseph N. Pineda, Filipino, 62, has been the Treasurer of the Company since June 24, 2013. He served as director of the Company from June 7, 2013 until September 10, 2024, and was again elected director on September 29, 2025. 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., Limay Power Inc., 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. Mr. Pineda has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on December 5, 2025.

Margarito B. Teves, Filipino, 82, 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. Mr. Teves has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by SGV & Co. on September 8, 2025.

Martin S. Villarama, Jr., Filipino, 80, 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. Mr. Villarama has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global and Best Practices on October 24, 2025.

Teresita J. Leonardo-de Castro Filipino, 77, is nominated as an Independent Director of the Company. She is currently an independent director of the following publicly listed companies: Top Frontier Investment Holdings, Inc. and the Philippine Stock Exchange, Inc. She also sits as a director of the Securities Clearing Corporation of the Philippines, and a trustee of the Philippine Stock Exchange Foundation, Inc. She is the President of the UP Sigma Alpha Sorority Alumnae Association, Inc.. In 2018, she was the Chief Justice of the Supreme Court until her

retirement on October 10, 2018. She joined the Supreme Court as an Associate Justice on December 4, 2007. She was also the Presiding Justice of the Sandiganbayan from 2004 to 2007 and was previously Associate Justice of the Sandiganbayan (1997-2004). She completed her Bachelor of Laws in 1972 and Bachelor of Arts degree in political science cum laude in 1968, both from the University of the Philippines. Madame De Castro has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on October 24, 2025.

Key Officers

Raoul Eduardo C. Romulo, Filipino, 63, 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. Mr. Romulo has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global and Best Practices on October 24, 2025.

Mary Rose S. Tan, Filipino, 49, has been the Corporate Secretary and Compliance Officer since 29 September 2025. Prior to that, she was 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 Philippine Bar in 2002. Atty. Tan has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on December 5, 2025.

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 5, 2026 are as follows:

1. Ramon S. Ang
2. John Paul L. Ang
3. Aurora T. Calderon
4. Lorenzo G. Formoso III
5. Joseph N. Pineda
6. Martin S. Villarama, Jr.
7. Teresita J. Leonardo-de Castro

Independent Directors

The independent directors of the Company to be elected for the year 2026 are Martin S. Villarama, Jr. and Teresita J. Leonardo-de Castro.

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 5 years.

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, Martin S. Villarama, Jr. and Teresita J. Leonardo-de Castro 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. 7, s. 2026. Martin S. Villarama, Jr. is still within the prescribed term limit. Attached as **Exhibit "4"** is a copy of SEC Memorandum Circular No. 7, s. 2026.

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 2026 - 2027

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 Code of Corporate Governance for Public Companies and Registered Issuers 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 current 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 2026-2027. 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
- Joseph N. Pineda

Nominees for Independent Directors

- Teresita J. Leonardo-de Castro
- 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 were 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.

The Company’s Corporate Governance Committee held a meeting on March 9, 2026 with respect to the screening of all the nominee directors, 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.

(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 2025 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, 2025, 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 2025 Annual Stockholders' Meeting up to 31 December 2025 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 2023 to 2025, 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. 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 accounting firm of Reyes Tacandong & Co ("RT & Co.") served as the external auditor for the last eleven (11) fiscal years.

Representatives of RT & Co. are not expected to be present at the stockholders' meeting, they will not have the opportunity to make a statement, and they are not expected to be available to respond to appropriate questions.

The aggregate fees billed by RT & Co. for the years 2025, 2024 and 2023 are shown below:

	Amount in Pesos		
	2025	2024	2023
Audit and Audit Related Fees	835,000	800,000	700,000

SMC Tollways has not engaged the independent accountant 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 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 and Risk Oversight 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. This is to ensure that the independent auditors maintain the highest level of independence from the Company, both in fact and appearance.

The appointment of the external auditor for the year ended 31 December 2026 will not yet be voted on at the annual stockholders' meeting on May 5, 2026 as the Management of the Company has yet to formalize its recommendation to the Board of Directors. The Company will hold a special stockholders' meeting to appoint the new external auditor for the year ended 31 December 2026 during the year.

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. ISSUANCE AND EXCHANGE OF SECURITIES

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

The Company undertakes to provide without charge to each stockholder, upon its written request, a copy of the Annual Report for the year ended December 31, 2025 under SEC Form 17-A. 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 Audited Consolidated Financial Statements of the Company as of December 31, 2025 including the Company's Statement of Management's Responsibility, and the Notes to the 2025 Audited Consolidated Financial Statements of the Company are attached as **Exhibit "10"** of this Information Statement.

The Management's Discussion and Analysis or Plan of Operation of the Company as of December 31, 2025 are attached hereto as **Exhibit "11"**.

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, 2025, 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.

The Company did not declare dividends in 2023 and 2024, 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 did not declare dividends in 2025. The Company plans to use the excess retained earnings for future business opportunities. On March 9, 2026, the Company's Board of Directors approved the appropriation of retained earnings amounting to ₱32,071.0 million to fund new decongestion facilities, expected to be utilized by 2031.

Stockholders

As of December 31, 2025, 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 disposing 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. OTHER MATTERS

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 May 6, 2025 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 2025 Audited Financial Statements
4. Election of the Board of Directors
5. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers

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 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 2025 will be filed with the SEC on or before June 30, 2026.

EXHIBITS

EXHIBIT	DESCRIPTION OF DOCUMENT (copies only)
1	Certification on qualification of Independent Director Martin S. Villarama, Jr.
2	Certification on qualification of Independent Director Teresita J. Leonardo-de Castro
3	SEC Memorandum Circular No. 5, s. 2017
4	SEC Memorandum Circular No. 7, s. 2026
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	Summary of Board Attendance in Meetings from the 2025 Annual Stockholders’ Meeting up to

	31 December 2025
7	Draft Minutes of the Annual Stockholders' Meeting held on May 6, 2025
8	SEC Memorandum Circular No. 24, s. 2019
9	SEC Memorandum Circular No. 2, s. 2018
10	Audited Consolidated Financial Statements of the Company as of December 31, 2025 as filed with the SEC on 1 April 2026.
11	Management's Discussion and Analysis of Financial Position and Financial Performance

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, 2026.

SMC TOLLWAYS CORPORATION
(Registrant)

By:



Mary Rose S. Tan
Corporate Secretary and Compliance Officer

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 16 MAR 2026 2026 at Mandaluyong City.


MARTIN S. VILLARAMA, JR.
Affiant

SUBSCRIBED AND SWORN to before me this 16 MAR 2026
2026 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.: 519 ;
Page No.: 105 ;
Book No.: II ;
Series of 2026.




ANGELA ISABEL C. EVANGELISTA
Commission No. 0767-25
Notary Public of Mandaluyong City
Until December 31, 2026
19th Floor San Miguel Properties Centre
No. 7 Saint Francis St. Ortigas Center, Mandaluyong City
Roll No. 89266
PTR No. 5925510; 01/05/2026; Mandaluyong City
IBP No. 535401; 12/16/2025; Calmana
MCLE Compliance No. VIII-0018075;04/14/2026

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **TERESITA J. LEONARDO-DE CASTRO**, Filipino, of legal age and a resident of Fortmax Resort, Amsterdam Extension, Merville, Parañaque City, Metro Manila, 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").
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Eagle Cement Corporation	Independent Director	July 2024 to present
Save The Parañaque River Foundation	Member	January 2023 to present
Philippine Stock Exchange Foundation, Inc.	Trustee	December 2021 to present
Philippine Stock Exchange, Inc.	Independent Director	November 2, 2020 to present
Securities Clearing Corporation of the Philippines	Independent Director	November 2, 2020 to present
Top Frontier Investment Holding, Inc	Independent Director	July 2019 to present
UP Sigma Alpha Alumnae Association Inc.	President	2018 to present
International Association of Women Judges (IAWJ)	(a) President	(a) 2014 to 2016
	(b) Member Executive Council	(b) 2016 to 2018
	(c) Member	(c) 2018 to Present
Philippine Women Judges Association (PWJA)	(a) President	(a) 2009 to 2018
	(b) Associate Member	(b) 2018 to Present
Association of Retired Supreme Court Justices	Member	2018 to present
UP Law Class 72 Foundation	Member	1997 to Present
University of the Philippines Alumni Association	Member	1968 to Present
Integrated Bar of the Philippines (IBP)	Member	1973 to Present
St. Paul College of Parañaque Alumni Association	(a) Past President	
	(b) Member	Up to the 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, its Implementing Rules and Regulations and other SEC Issuances.
4. I am not related to any director/officer/substantial shareholder of the Corporation and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not in government service nor affiliated with a government agency or any Government-Owned or Controlled Corporation (GOCC).
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 the Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

Done this 17 MAR 2026 at Mandaluyong City.

Teresita Leonardo de Castro
TERESITA J. LEONARDO-DE CASTRO
 Affiant

SUBSCRIBED AND SWORN to before me this 17 MAR 2026 at Mandaluyong City, affiant personally appeared before me and exhibited to me her Passport with No. P3540390B issued on 16 October 2019 at DFA Manila.

Doc. No.: 365 ;
 Page No.: 74 ;
 Book No.: II ;
 Series of 2026.



Michael Angelo O. Lopez
MICHAEL ANGELO O. LOPEZ
 Commission No. 0445-25
 Notary Public of Mandaluyong City
 Until December 31, 2026
 19th Floor San Miguel Properties Centre
 No. 7 Saint Francis St. Ortigas Center, Mandaluyong City
 Roll No. 56916
 PTR No. 5925497; 01/05/2026; Mandaluyong City
 IBP No.535391; 12/16/2025; Makati Chapter
 MCLE Compliance No. VII-0007258;04/14/2028



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 _____;

SEC MEMORANDUM CIRCULAR NO. 7
Series of 2026

TO : PUBLICLY-LISTED COMPANIES

SUBJECT : TERM LIMIT OF INDEPENDENT DIRECTORS

WHEREAS, Section 22 of Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines (RCCP), provides that independent directors shall be subject to rules and regulations governing their qualifications, disqualifications, voting requirements, duration of term and term limit, maximum number of board memberships and other requirements that the Securities and Exchange Commission (SEC or the Commission) may prescribe to strengthen such directors' independence and align with international best practices;

WHEREAS, Section 179 (d) of the RCCP empowers the Commission to issue rules and regulations to promote corporate governance and aligned with international best practices while at the same time opening opportunities for other qualified individuals to serve as independent directors and for other publicly listed companies to avail of the services of IDs who earlier served as IDs of other PLCs;

WHEREAS, Section 179 (m) of the RCCP further empowers the Commission to prescribe the number of independent directors and the minimum criteria in determining the independence of a director; and

WHEREAS, a draft of this circular was exposed to the public, and comments thereon were received, from 30 September 2025 to 04 December 2025;

NOW, THEREFORE, the Commission, after having thoroughly considered all the inputs from stakeholders, hereby issues the following rules on the term limit of independent directors:

Section 1. Coverage. This Memorandum Circular shall cover companies with a class of equities listed for trading with an Exchange, as defined under Section 3.7 of Republic Act 8799, otherwise known as The Securities Regulation Code (SRC).

Section 2. Term Limit. An independent director (ID) shall be elected for a term of one (1) year, and shall serve for a **maximum cumulative term of nine (9) years** in the same company. Unless otherwise provided herein, an ID elected as such before the effectivity of this Circular, shall be subject to the same 9-year maximum term reckoned from calendar year 2012.

2.1 Computation of Nine-Year Term Limit

2.1.1. In case of continuous or consecutive service of an ID as such, the nine-year maximum term limit shall fall on (i) the date of the Annual Stockholders' Meeting (ASM) per the by-laws of the company, or (ii) on any other ASM date priorly approved by the Commission.

2.1.2. In case of intermittent service of an ID as such, the cumulative tenure shall not exceed nine (9) years. For this purpose, on the ID's ninth year term as such, the maximum term limit shall fall on (i) the date of the ASM, per the by-laws of the company, or (ii) any other ASM date priorly approved by the Commission.

2.1.3. In case an ID is elected as non-independent director or officer of the company within the nine-year term limit, he can be elected again as an ID of the same company only after observing a cooling off period of two (2) years from the date he ceases being a non-independent director or officer, provided that the cumulative service as ID has not yet reached the nine (9) year maximum limit.

2.1.4. Any fraction of a year exceeding six (6) months shall be considered one (1) full year, regardless of the manner or reason by which the position of ID was relinquished or vacated.

Section 3. Effects of Term Limit. An ID who has served the maximum cumulative term under Section 2 of this Circular shall be barred perpetually from re-election as an ID of the same company, without prejudice to serving as a non-independent director or officer of the same company without any cooling-off period.

Section 4. Continuing Qualifications. It shall be the obligation of the company to ensure that its IDs, at all times, possess all the qualifications and none of the disqualifications under SRC Rule 38 and other relevant rules and regulations.

In all cases, being an ID of a company is not, in itself, a ground for disqualification from serving as an ID of another company wholly owned or controlled by the former.

Section 5. Conflicting Regulations. The foregoing shall be without prejudice to pertinent rules and regulations of other regulatory agencies. In case of conflicting regulations on term limits of IDs, as provided by other regulatory agencies, the shorter maximum term shall be observed.

Section 6. Penalties. Covered companies that breach the maximum cumulative term limit per ID, per year, shall be subject to a basic penalty of One Million Pesos (**PHP1,000,000.00**) and a continuing penalty of Thirty Thousand Pesos (**PHP30,000.00**) for every month that the ID holds the seat, without prejudice to other sanctions under existing laws and regulations.

A third or succeeding offense(s) for the same violation shall be subject to suspension or revocation of the company's secondary or primary license.

Section 7. Exception. IDs of government-owned or -controlled corporations (GOCCs) shall be governed by the terms and limitations provided in their respective charters.

Section 8. Repealing Clause. SEC MC No. 9, Series of 2009, the last sentence of Recommendation 5.3 of SEC MC No. 19, Series of 2016, and all other circulars, orders, guidelines, or portions thereof, which are inconsistent with the foregoing are hereby repealed or modified accordingly.

Section 9. Separability Clause. Should any section or clause of this Circular be declared invalid, the other portions not affected shall remain in full force and effect.

Section 10. Transitory Provision. Notwithstanding Section 2 hereof, incumbent IDs who have served the maximum term upon the effectivity of this Circular may continue to serve as such until the 2026 ASM of the company or on any other ASM date priorly approved by the Commission.

Section 11. Effectivity. This Circular shall take effect on **01 February 2026** after publication in two (2) newspapers of general and national circulation.

Issued this 26 January 2026 at Makati City, Philippines

For the Commission:


FRANCISCO ED. LIM
Chairperson

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 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
- Joseph N. Pineda – Director
- Margarito B. Teves – Independent Director
- Martin S. Villarama, Jr. - Independent Director

Except for Mr. Margarito B. Teves, the incumbent directors are nominees for election as directors at the annual stockholders' meeting of the Corporation for the year 2026. The independent directors of the Company to be elected for the year 2026 are Martin S. Villarama, Jr. and Teresita J. Leonardo-de Castro.

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 incumbent 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
- Mary Rose S. Tan – Corporate Secretary
- Shaina Anella B. Ramirez – 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 16 MAR 2026 day of March 2026 at Mandaluyong City.


MARY ROSE S. TAN
Corporate Secretary

SUBSCRIBED AND SWORN to me before this 16 MAR 2026 day of March 2026 at Mandaluyong City, affiant exhibiting to me her Philippine Passport No. P6179528B issued on 26 January 2021 at DFA NCR Central.

Doc No.: 363 ;
Page No.: 74 ;
Book No.: 5 ;
Series of 2026.





MICHAEL ANGELO O. LOPEZ
Commission No. 0445-25
Notary Public of Mandaluyong City
Until December 31, 2026
19th Floor San Miguel Properties Centre
No. 7 Saint Francis St. Ortigas Center, Mandaluyong City
Roll No. 56916
PTR No. 5925497; 01/05/2026; Mandaluyong City
IBP No. 535391; 12/16/2025; Makati Chapter
MCLE Compliance No. VIII-0007258; 04/14/2028

EXHIBIT "6"

DIRECTORS' ATTENDANCE SUMMARY (Meetings held in 2025)

	May 6, 2025 Annual Stockholders' Meeting	May 6, 2026 Organizational Meeting of the Board of Directors	May 13, 2025 Audit and Risk Oversight Committee Meeting	May 13, 2025 Regular Meeting of the Board of Directors	August 11, 2025 Audit and Risk Oversight Committee Meeting	August 11, 2025 Regular Meeting of the Board of Directors	September 29, 2025 Corporate Governance Committee Meeting	September 29, 2025 Special Meeting of the Board of Directors	November 12, 2025 Audit and Risk Oversight Committee Meeting	November 12, 2025 Regular Meeting of the Board of Directors	December 2, 2025 Special Meeting of the Board of Directors
Ramon S. Ang	✓	✓	N/A	✓	N/A	✓	N/A	✓	N/A	✓	✓
John Paul L. Ang	✓	✓	N/A	✓	N/A	✓	N/A	✓	N/A	✓	✓
Aurora T. Calderon	✓	✓	N/A	✓	✓	✓	✓	✓	N/A	✓	✓
Lorenzo G. Formoso	✓	✓	X	X	✓	✓	N/A	✓	X	X	✓
Jose C. Laureta	X	X	X	X	X	X	N/A	N/A	N/A	N/A	N/A
Joseph N. Pineda	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓
Margarito B. Teves**	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Martin S. Villarama Jr.**	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

** Independent Director

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING
OF

SMC TOLLWAYS CORPORATION

Held on 06 May 2025 (Tuesday), at 3:25 p.m.
(via Zoom videoconferencing)

PRESENT:

Atlantic Aurum Investments B.V. (By Proxy)

Ramon S. Ang
John Paul L. Ang
Aurora T. Calderon
Lorenzo G. Formoso III
Margarito B. Teves
Martin S. Villarama, Jr.

APOLOGIES:

Jose C. Laureta

ALSO PRESENT:

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. Mary Rose S. Tan, the Assistant 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 Assistant 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 12 JULY 2024

Upon motion duly made and seconded, the Minutes of the Annual Stockholders' Meeting held on 12 July 2024 was unanimously approved by the stockholders.

IV. APPROVAL OF THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2024

Upon motion duly made and seconded, the Audited Financial Statements of the Corporation as of 31 December 2024 was unanimously approved by the stockholders.

V. RE-ELECTION OF INDEPENDENT DIRECTOR

Atty. Mary Rose S. Tan presented to the stockholders, the qualifications of Director Margarito B. Teves as Independent Director of the Corporation, as follows:

As discussed in the Information Statement, Independent Director Margarito B. Teves has served as independent director since 2013, more than the 9-year limit prescribed by the Securities and Exchange Commission.

The Board of Directors, as confirmed by the Corporate Governance Committee, endorses to the stockholders the re-election of Director Margarito B. Teves as Independent Director of the Company.

As an Independent Director, Director Teves has brought high standards of corporate governance to the Company and objectively contributed providing his insights to the Board of Directors of the Company based on his years of experience and expertise in the industry. Being familiar with the mission, vision and corporate values of the Company, the presence of Director Teves has enhanced these values by his 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 Director Teves has not been diminished nor impaired by his long service as 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.

Upon motion duly made and seconded, the stockholders unanimously approved the re-election of Director Margarito B. Teves as Independent Director of the Corporation.

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:	Mr. John Paul L. Ang
	Ms. Aurora T. Calderon
	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. RATIFICATION OF ALL ACTS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND CORPORATE OFFICERS

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 12 July 2024 until the date of this meeting be approved, confirmed and ratified.”

VIII. 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 2025, under such terms and conditions as may be deemed appropriate by the Board of Directors.

IX. 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

**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).

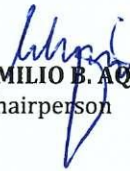
The aforementioned Memorandum Circulars shall remain in effect for other covered companies, when applicable.

- (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/OECD¹ 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

³Schmidt, 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 subparagraphs (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 independence⁴. 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:

⁴As 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.



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 22 2018



SECURITIES AND EXCHANGE COMMISSION

THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph

EXHIBIT "10"



The following document has been received:

Receiving: ICTD ERMD

Receipt Date and Time: April 01, 2026 11:35:07 PM

Company Information

SEC Registration No.: CS201310694

Company Name: SMC TOLLWAYS CORPORATION

Industry Classification: J66910

Company Type: Stock Corporation

Document Information

Document ID: OST104012026811153805

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2025

Submission Type: Consolidated

Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 3 1 0 6 9 4

COMPANY NAME

S M C T O L L W A Y S C O R P O R A T I O N A N D S U B S I D I A R I
E S (A W h o l l y - O w n e d S u b s i d i a r y o f A t l a n t
i c A u r u m I n v e s t m e n t s B . V .)

PRINCIPAL OFFICE (No./Street/Barangay/City/Town) Province

1 1 / F , S a n M i g u e l P r o p e r t i e s C e n t r e , 7 S
t . F r a n c i s S t . , M a n d a l u y o n g C i t y , M e t r o
M a n i l a , P h i l i p p i n e s

Form Type

A A C F S

Department Requiring the Report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

corsec.mrst@sanmiguel.com.ph

Company's Telephone Number/s

(02) 8 702 - 4833

Mobile Number

0917-1010354

No. of Stockholders

8

Annual Meeting (Month / Day)

First Tuesday of May

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ms. Mary Rose Tan

Email Address

mrtan@sanmiguel.com.ph

Telephone Number/s

(02) 8 632-3866

Mobile Number

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, 2025 and 2024 and for the years ended December 31, 2025, 2024 and 2023** 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 9th day of March 2026

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY) ss.

Before me, a notary public for Mandaluyong City, Philippines, this 30 MAR 2026
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. 24 ;
Page No. 6 ;
Book No. III ;
Series of 2026.




ANGELA ISABEL C. EVANGELISTA
Commission No. 0767-25
Notary Public of Mandaluyong City
Until December 31, 2026
19th Floor San Miguel Properties Centre
No. 7 Saint Francis St. Ortigas Center, Mandaluyong City
Roll No. 89266
PTR No. 5925510; 01/05/2026; Mandaluyong City
IBP No. 535401; 12/16/2025; Calmana
MCLE Compliance No. VIII-0018075;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, 2025 and 2024, 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, 2025, 2024 and 2023 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, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2025, 2024 and 2023 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), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to the audit of the consolidated financial statements of public interest entities in the Philippines. We have also 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.

Recognition and Measurement of Earned and Unearned Toll Revenues

The Group has earned toll revenue amounting to ₱22,027.2 million in 2025, while the refundable toll replenishment amounted to ₱3,335.2 million as at December 31, 2025. The recognition and measurement of earned and unearned toll revenue is considered a key audit matter because of significant amounts involved and large volumes of data being processed through its information technology (IT) environment in determining the amount of toll revenue to be recognized.



We obtained an understanding of the Group's toll revenue recognition process and performed a thorough examination of its IT system general controls, such as user access and program change, and the application controls over the recognition and measurement process for the earned and unearned toll revenue. We selected sample journal entries related to revenue recognition and inspected the underlying documentation. We also performed analytical procedures on the Group's toll revenues. Refer to Note 3, *Material Accounting Policy Information*, Note 4, *Use of Significant Judgements, Estimates and Assumptions*, and Note 12, *Accounts Payable and Other Current Liabilities* and Note 16, *Revenue* to the consolidated financial statements for the relevant accounting policies, discussion of significant judgments and estimates and details of related account balance.

Accounting for Service Concession Rights

The Group's service concession rights, which represent 68% of its total assets as at December 31, 2025, 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 audit.

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 disclosures, which are included in Note 3 and Note 8, *Service Concession Rights*.

Provision for Infrastructure and Restoration 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 Standard (PAS) 37, *Provisions, Contingent Liabilities and Contingent Assets*. The recognition and measurement of the obligation involve 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, Note 4 and Note 14, *Provision for Infrastructure and Restoration 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, 2025, 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, 2025 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

SEC Accreditation No. 107615-SEC Group A

Issued October 2, 2025

Valid for Financial Periods 2025 to 2029

BIR Accreditation No. 08-005144-016-2025

Valid until January 16, 2028

PTR No. 10764039

Issued January 2, 2026, Makati City

March 9, 2026

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	2025	2024
ASSETS			
Current Assets			
Cash and cash equivalents	5	P23,159,616	P17,279,552
Restricted cash	13	6,914,936	9,884,391
Receivables	6	463,375	239,148
Input value-added tax (VAT)		2,190,545	2,981,449
Other current assets	7	216,157	332,780
Total Current Assets		32,944,629	30,717,320
Noncurrent Assets			
Service concession rights	8	78,056,505	79,084,191
Due from related parties	18	2,217,800	-
Goodwill	10	483,452	483,452
Property and equipment	9	254,168	204,361
Deferred tax assets	21	25,837	26,368
Other noncurrent assets	11	350,588	398,565
Total Noncurrent Assets		81,388,350	80,196,937
		P114,332,979	P110,914,257
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	12	P5,020,202	P6,025,663
Current portion of:			
Long-term debt - net of debt issue costs	13	5,005,655	5,520,340
Provision for infrastructure restoration obligation	14	139,743	126,323
Lease liabilities	20	5,017	2,345
Dividends payable	23	96,025	96,025
Income tax payable		638,880	354,515
Total Current Liabilities		P10,905,522	P12,125,211

(Forward)

		December 31	
	Note	2025	2024
Noncurrent Liabilities			
Noncurrent portion of:			
Long-term debt - net of debt issue costs	13	₱41,784,228	₱46,739,320
Provision for infrastructure restoration obligation	14	188,628	172,585
Retention payable	12	121,104	78,514
Lease liabilities	20	9,414	-
Defined benefit retirement liabilities - net	19	50,598	79,780
Deferred tax liabilities - net	21	341,941	369,960
Total Noncurrent Liabilities		42,495,913	47,440,159
Total Liabilities		53,401,435	59,565,370
Equity			
Capital stock		6,953,846	6,953,846
Retained earnings	15	61,013,838	52,422,714
Other comprehensive loss		(13,308)	(15,465)
Equity reserves	2	(13,594,274)	(13,594,274)
Equity attributable to equity holders of the			
Parent Company		54,360,102	45,766,821
Non-controlling interest	23	6,571,442	5,582,066
Total Equity		60,931,544	51,348,887
		₱114,332,979	₱110,914,257

See accompanying Notes to Consolidated Financial Statements.

SMC TOLLWAYS CORPORATION AND SUBSIDIARIES
(A Wholly-owned Subsidiary of Atlantic Aurum Investments B.V.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands except Earnings per Share)

		Years Ended December 31		
	Note	2025	2024	2023
REVENUE				
Revenue from toll operations	16	P22,027,247	P20,769,042	P19,860,979
Toll operation and maintenance fee	16	405,000	405,000	405,000
		22,432,247	21,174,042	20,265,979
COST OF SERVICES				
	17	(6,261,591)	(6,021,059)	(5,778,992)
GROSS PROFIT				
		16,170,656	15,152,983	14,486,987
OPERATING EXPENSES				
	17	(1,410,387)	(1,119,271)	(1,119,516)
CONSTRUCTION REVENUE (COSTS)				
	8			
Construction revenue		2,462,217	2,217,585	953,695
Construction costs		(2,462,217)	(2,217,585)	(953,695)
		-	-	-
OTHER INCOME (CHARGES)				
Interest expense and other financing charges	13	(3,878,517)	(4,507,278)	(4,510,552)
Interest income	5	1,383,215	1,166,975	961,571
Rental income	20	112,741	91,976	73,988
Others - net		66,330	59,880	37,839
		(2,316,231)	(3,188,447)	(3,437,154)
INCOME BEFORE INCOME TAX				
		12,444,038	10,845,265	9,930,317
INCOME TAX EXPENSE				
	21	2,501,171	1,607,619	1,522,803
NET INCOME				
		9,942,867	9,237,646	8,407,514
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items not to be reclassified to profit or loss in subsequent periods</i>				
Cumulative net remeasurement gain (loss) on net retirement liabilities - net of deferred tax	19	4,024	(4,061)	(18,241)
TOTAL COMPREHENSIVE INCOME				
		P9,946,891	P9,233,585	P8,389,273
Net income attributable to:				
Equity holders of the Parent Company		P8,591,124	P7,907,168	P7,207,064
Non-controlling interest		1,351,743	1,330,478	1,200,450
		P9,942,867	P9,237,646	P8,407,514
Total comprehensive income attributable to:				
Equity holders of the Parent Company		P8,593,281	P7,904,820	P7,196,075
Non-controlling interest		1,353,610	1,328,765	1,193,198
		P9,946,891	P9,233,585	P8,389,273
Basic/Diluted Earnings Per Share				
	25	P123.55	P113.71	P103.64

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands except Per Share Data and Number of Shares)

	Note	Years Ended December 31		
		2025	2024	2023
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				
	15			
Balance at beginning of year		52,422,714	44,515,546	37,308,482
Net income		8,591,124	7,907,168	7,207,064
Balance at end of year		61,013,838	52,422,714	44,515,546
OTHER COMPREHENSIVE LOSS				
<i>Cumulative net remeasurement losses on net retirement liabilities</i>				
Balance at beginning of year		(15,465)	(13,117)	(2,128)
Net remeasurement gain (loss) - net of deferred tax		2,157	(2,348)	(10,989)
Balance at end of year		(13,308)	(15,465)	(13,117)
EQUITY RESERVES	2	(13,594,274)	(13,594,274)	(13,594,274)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
		54,360,102	45,766,821	37,862,001
NON-CONTROLLING INTEREST				
	23			
Balance at beginning of year		5,582,066	5,072,828	4,682,601
Net income		1,351,743	1,330,478	1,200,450
Cash dividends		(364,234)	(819,527)	(802,971)
Other comprehensive income (loss) - Net remeasurement gain (loss) on net retirement liabilities - net of deferred tax		1,867	(1,713)	(7,252)
Balance at end of year		6,571,442	5,582,066	5,072,828
		₱60,931,544	₱51,348,887	₱42,934,829

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Note	Years Ended December 31		
		2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P12,444,038	P10,845,265	P9,930,317
Adjustments for:				
Interest expense and other financing charges	13	3,878,517	4,507,278	4,510,552
Depreciation and amortization	9	3,559,608	3,499,612	3,404,858
Interest income	5	(1,383,215)	(1,166,975)	(961,571)
Retirement expense	19	23,807	25,829	18,547
Provision for infrastructure restoration obligation	14	14,401	18,206	7,980
Loss (gain) on disposal of property and equipment	9	(2,248)	(1,295)	475
Net foreign exchange loss (gain)		(168)	(2,184)	2,365
Gain on lease modification	20	(132)	(6)	-
Provision for expected credit losses on receivable	6	-	25,612	8,038
Income from insurance claims	8	-	(11,829)	-
Operating income before working capital changes		18,534,608	17,739,513	16,921,561
Decrease (increase) in:				
Receivables		(232,246)	(70,225)	32,557
Input VAT		790,904	817,435	591,668
Other current assets		115,604	8,409	231,633
Increase (decrease) in accounts payable and other current liabilities		(516,275)	852,201	(753,154)
Net cash generated from operations		18,692,595	19,347,333	17,024,265
Income taxes paid		(2,245,829)	(1,560,000)	(1,581,461)
Interest received		1,332,016	1,156,346	945,870
Contributions to retirement plan	19	(51,829)	(31,819)	(24,912)
Net cash flows provided by operating activities		P17,726,953	P18,911,860	P16,363,762

(Forward)

		Years Ended December 31		
	Note	2025	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Service concession rights	8	(P2,462,217)	(P2,217,585)	(P953,695)
Due from related parties	18	(2,217,800)	-	-
Property and equipment	9	(121,603)	(113,648)	(42,411)
Computer software	11	(5,980)	-	-
Net additions to (payments of) retention payable		(407,066)	171,404	(1,869,426)
Decrease (increase) in other noncurrent assets		124,792	(185,868)	1,026,188
Proceeds from disposal of property and equipment		7,428	1,763	1,192
Proceeds from insurance claims		-	11,829	-
Net cash flows used in investing activities		(5,082,446)	(2,332,105)	(1,838,152)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Long-term debt	13	(5,555,200)	(38,249,815)	(7,320,477)
Interest		(3,812,888)	(4,110,339)	(4,389,709)
Dividends to non-controlling interest	23	(364,234)	(1,006,818)	(908,386)
Lease liabilities	20	(1,744)	(3,602)	(3,520)
Net additions to (reductions from) restricted cash		2,969,455	(1,421,087)	(2,064,356)
Proceeds from availment of long-term debt, net of debt issue cost	13	-	34,525,198	-
Net cash flows used in financing activities		(6,764,611)	(10,266,463)	(14,686,448)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		168	2,184	(2,365)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		5,880,064	6,315,476	(163,203)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		17,279,552	10,964,076	11,127,279
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	5	P23,159,616	P17,279,552	P10,964,076
NONCASH FINANCIAL INFORMATION				
Additions to ROU assets	20	P16,057	P--	P--
Additions to lease liabilities	20	15,039	-	-

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, 2025, 2024 and 2023
(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, the Parent Company shall have 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 and listed on the Philippine Stock Exchange.

The registered office address of the Parent Company is 11/F San Miguel Properties Centre, 7 St. Francis St., Mandaluyong City.

Retail Bond Issue

The Parent Company has issued public bonds (the Bonds) with aggregate principal amount of ₱35,000.0 million in three (3) tranches. The Bonds were listed at the Philippine Dealing System Holdings Corp. & Subsidiaries (PDS) on December 5, 2024 (see Note 13).

2. Basis of Preparation

Statement of Compliance

The consolidated financial statements have been prepared in compliance with the 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 9, 2026.

Basis of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for provision for infrastructure restoration 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 measurement 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 information about the assumptions made in measuring fair value are included in Note 24, *Fair Value of Financial Instruments*.

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine Peso, which is the functional currency of the Group. All financial information is rounded off to the nearest thousand (₱'000), except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries, SMC Skyway Corporation (SMC SKYWAY), Skyway Stage 3 Connector Tollway Holdings Corporation (S3CTHC), SMC Skyway Stage 3 Corporation (MMSS3), Toll Road Operation & Maintenance Venture Corporation (TROMV) and Skyway O&M Corporation (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 "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 Terramino Holdings, Inc. (THI) in 2013 is treated as a separate transaction and is considered as an acquisition of a non-controlling interest (NCI). These transactions resulted to 87.84% interest in SMC SKYWAY. Accordingly, the difference between the purchase price and the NCI acquired was recognized as part of "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 "Equity reserves" in the consolidated statements of financial position. As at December 31, 2025 and 2024, S3CTHC owns 90% of MMSS3.

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 Parent Company acquired 53.37% interest in TROMV from Padma Investment PTE. Ltd. for a total consideration of ₱0.1 million. The acquisition resulted to an increase in indirect ownership from 35.14% to 57.88% interest in SOMCO (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, 2025, 2024, and 2023 are as follows:

<u>Subsidiaries</u>	<u>Type of Ownership</u>	<u>Percentage of Ownership</u>
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, 2025, 2024, and 2023 not owned, directly or indirectly, by the Parent Company.

<u>Subsidiaries</u>	<u>Percentage</u>
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.

SMC SKYWAY's registered office address is 11/F San Miguel Properties Centre, 7 St. Francis Street, Ortigas Center, Mandaluyong City, Metro Manila.

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.

S3CTHC's registered office address is No. 40 San Miguel Avenue, Mandaluyong City, Metro Manila, Philippines.

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).

MMSS3's registered office address is 11/F San Miguel Properties Centre, 7 St. Francis Street, Ortigas Center, Mandaluyong City, Metro Manila.

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.

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.

SOMCO's registered address is Toll Operations Complex, Doña Soledad Avenue, Better Living Subdivision, Parañaque City.

Summarized financial information of the subsidiaries as at and for the years ended December 31, 2025, 2024, and 2023 are as follows:

	2025				
	SMC SKYWAY	S3CTHC	MMSS3	TROMV	SOMCO
Current assets	₱11,708,695	₱3,146,979	₱10,699,908	₱135	₱306,068
Noncurrent assets	20,793,983	43,208,268	56,207,473	1,065	170,732
Current liabilities	5,513,413	5,071	5,805,327	1,887	204,452
Noncurrent liabilities	276,983	32,660,000	30,708,283	-	50,146
Equity (capital deficiency)	26,712,282	13,690,176	30,393,771	(687)	222,202
Revenue	11,456,940	-	9,670,307	-	1,373,111
Net Income (loss)	7,347,199	166,081	4,620,720	(61)	1,932
Total comprehensive income (loss)	7,348,333	166,081	4,620,847	(61)	6,539

	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)

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 Amendments to PFRS Accounting Standards

The Group has adopted the Lack of Exchangeability (Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*) effective January 1, 2025. 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 adoption of the amendments to PFRS Accounting Standards did not have a material effect on the consolidated financial statements.

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 December 31, 2025, and have not been applied in preparing the consolidated financial statements. Unless otherwise indicated, none of these are expected to have a significant effect on the consolidated financial statements.

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

- Disclosures about Uncertainties in the Financial Statements (Amendments to Illustrative Examples on PFRS 7, PFRS 18, *Presentation and Disclosure in Financial Statements*, PAS 1, *Presentation of Financial Statements*, PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, PAS 36, *Impairment of Assets* and PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments provide illustrative examples demonstrating how entities can apply PFRS Accounting Standards when reporting the effects of uncertainties in their financial statements. The examples use climate-related scenarios as practical illustrations, but the underlying principles apply more broadly to all uncertainties.

The illustrative examples are not an integral part of the PFRS Accounting Standards and do not have an effective date or transition requirements. Entities are expected to consider these examples in applying the disclosure requirements of the relevant standards on a timely basis.

- 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. This cycle of improvements contains amendments to standards, of which the following amendments are relevant to the Company:
 - Gain or Loss on Derecognition (Amendments to PFRS 7). The amendments replaced the reference to 'inputs that were not based on observable market data' in the obsolete paragraph 27A of PFRS 7, with reference to 'unobservable inputs' in paragraphs 72-73 of PFRS 13, *Fair Value Measurement*.
 - Derecognition of Lease Liabilities and Transaction Price (Amendments to PFRS 9). The amendments:
 - added a cross-reference to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee applies the requirement that the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in statement of comprehensive income; and
 - replaced the term 'their transaction price (as defined in PFRS 15, *Revenue from Contracts with Customers*)' with 'the amount determined by applying PFRS 15' because a receivable might be initially measured at an amount that differs from the transaction price recognized as revenue, for example, when you recognize full amount for consideration that's unconditionally receivable but at the same time recognize expected refund liability with respect to retrospective rebates. Consequently, the definition of the transaction price has been deleted.
 - 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 apply for annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted. The amendment on derecognition of lease liabilities applies only to lease liabilities extinguished on or after the beginning of the annual reporting period in which the amendment is first applied.

- PFRS 18 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.

Consequential amendments to PAS 7, require the use of the operating profit or loss subtotal as the starting point when presenting operating cash flows under the indirect method and eliminate the options for classifying interest and dividend cash flows.

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

The Group continues to assess the impact of the above new and amendments to PFRS Accounting Standards effective subsequent to 2025 on the consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

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 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

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

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for financial assets and financial liabilities 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, 2025 and 2024, the Group does not have financial assets measured at FVPL and FVOCI.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVPL:

- it is held within a business model with the 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, 2025 and 2024, cash and cash equivalents, restricted cash, receivables, due from related parties, security deposits (included under "Other current assets" and "Other noncurrent assets" account), and interest receivable and miscellaneous deposits (included under "Other noncurrent assets" account) of the Group are classified under this category (see Notes 5, 6, 7, 11, 13 and 18).

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, 2025 and 2024, 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, 2025 and 2024, accounts payable and other current liabilities (excluding statutory payables), retention payable, long-term debt, dividends payable, 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 allowance for expected credit loss (ECL) on financial assets at amortized costs.

ECLs 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 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 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 includes 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 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 ECLs 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 primarily 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” arrangement; 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, advances to suppliers, and deferred input value-added tax (VAT).

Prepayments. Prepayments are expenses paid in advance and recorded as asset before these are utilized. Prepayments are stated at cost less any impairment in value. This account comprises insurance premiums and other prepaid items. Prepayments are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred.

Advances to Suppliers. Advances to suppliers represent advance payments for services to be incurred in connection with the operations of the Group. These are charged to expense or capitalized to projects in the consolidated statements of financial position, upon actual receipt of services or supplies. These are considered as nonfinancial instruments as these will be applied against future billings from suppliers normally within one year.

Deferred Input VAT. Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on the unpaid portion of purchased goods and 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.

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-Sucacat Skyway Connection and Ramp Extensions (Skyway Extension) and other projects (Skyway Widening, New Bicutan and New Sucacat 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 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.

<u>Asset Type</u>	<u>Number of Years</u>
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.

Computer Software

Computer software is stated at cost less accumulated amortization and any impairment in value. The Group capitalizes computer software licensing costs which are being amortized using the straight-line method over three (3) years, the estimated finite useful life of the software. The amortization of the computer software is included under the "Depreciation and amortization" account. The useful lives and amortization method are reviewed regularly to ensure that the periods and method of amortization are consistent with the expected pattern of economic benefits from the computer software.

The remaining useful lives and amortization method are reviewed regularly to ensure that the periods and method of amortization are consistent with the expected pattern of economic benefits from the computer software.

Fully amortized computer software is retained in the accounts until they are no longer in use.

An item of computer software is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income in the year the asset is derecognized.

Investment Properties

Investment properties consist of condominium units that are held for rental and is measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment properties at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and accumulated impairment loss.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment properties to owner occupied property, the cost of property for subsequent accounting is the carrying amount at the date of change in use. If an owner-occupied property becomes an investment properties, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties are derecognized when either it has been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposal. Any resulting gain or loss is credited to or charged against current operations.

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 Income (Loss). Other comprehensive income (loss) comprises items of income and expenses (including items previously presented under the consolidated statements of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS Accounting Standards. Other comprehensive income (loss) represents the cumulative balance of remeasurement gain (loss) on net retirement liabilities and share in other comprehensive income of an associate. These will not be reclassified to profit or loss in subsequent periods.

Equity Reserves. 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 (see Note 2).

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.

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 infrastructure restoration, 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.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

The Group as a Lessee. The Group recognizes 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 Translations

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.

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 benefit 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 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 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 past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. 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.

Provision for Infrastructure Restoration Obligation. Provision for infrastructure restoration 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 infrastructure restoration 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 in the notes to consolidated financial statements 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 measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

The Group has one geographical segment and derives principally all its revenue from domestic operations.

Events After the Reporting Date

Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Use of Significant Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS Accounting Standards 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 consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

In the process of applying the accounting policies, the Group has made the following judgments, apart from those involving estimations, which have significant effect on the amounts recognized in 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 and for the years ended December 31, 2025, 2024, and 2023 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 ₱2,462.2 million, ₱2,217.6 million and ₱953.7 million in 2025, 2024 and 2023, respectively (see Note 8).

Revenue from Contracts with Customers. The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligation* - The Group provides toll concession and operations and maintenance fee service to its customers. The Group has determined that each of the services is 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 has entered into a lease agreement with a lessor for office space and parking lots. For the Group's non-cancellable lease, the Group recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Group's incremental borrowing rate.

The carrying amount of the ROU assets amounted to ₱14.9 million and ₱2.7 million as at December 31, 2025 and 2024, respectively. Lease liabilities amounted to ₱14.4 million and ₱2.3 million as at December 31, 2025 and 2024, respectively (see Note 20).

Assessing the 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 ₱112.7 million, ₱92.0 million and ₱74.0 million, in 2025, 2024 and 2023, 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 Appropriate Discount Rate for Lease Payments. The Group's ROU assets and lease liabilities are initially measured at the present value of lease payments. In determining the appropriate discount rate, the Group considered readily available interest rate implicit in the lease agreements, interest rate on its borrowings and the term of each lease commitment. The Group determined that the implicit rate in the lease agreements is not readily available. The Group used the incremental borrowing rate to determine the present value of ROU assets and lease liabilities.

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 2025, 2024 and 2023 (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.

Estimating the 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.

Assessing the 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 nil, ₱25.6 million and ₱8.0 million in 2025, 2024, and 2023, respectively (see Note 6). The carrying amounts of financial assets are as follows:

	Note	2025	2024
Cash and cash equivalents*	5	₱23,157,014	₱17,276,370
Restricted cash	13	6,914,936	9,884,391
Due from related parties	18	2,217,800	–
Receivables	6	463,375	239,148
Interest receivable	11	59,218	–
Security deposits	7, 11	1,018	595
Miscellaneous deposits	11	2,147	2,206

*Excludes cash on hand amounting to ₱2.6 million and ₱3.2 million as at December 31, 2025 and 2024, respectively

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 2025, 2024 and 2023. The carrying amount of the service concession rights amounted to ₱78,056.5 million and ₱79,084.2 million as at December 31, 2025 and 2024, 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 (included under “Other noncurrent assets” account) 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 (included under “Other noncurrent assets” account) 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 (included under “Other noncurrent assets” account) in 2025, 2024 and 2023. The carrying amounts of the property and equipment, computer software and ROU assets of the Group are as follows:

	Note	2025	2024
Property and equipment	9	₱254,168	₱204,361
ROU assets	20	14,885	2,702
Computer software	11	5,414	–

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 2025, 2024 and 2023. The carrying amounts of the nonfinancial assets of the Group are as follows:

	Note	2025	2024
Service concession rights	8	₱78,056,505	₱79,084,191
Input VAT		2,190,545	2,981,449
Property and equipment	9	254,168	204,361
Other current assets*	7	215,707	332,185
Other noncurrent assets**	11	288,655	396,359

*Excluding security deposits

**Excluding interest receivable, security deposits, and 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, 2025 and 2024 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, 2025 and 2024 (see Note 10).

Determining the Provision for Infrastructure Restoration 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 infrastructure restoration 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 infrastructure restoration obligation are further explained in Note 14.

Provision for infrastructure restoration obligation amounted to ₱328.4 million and ₱298.9 million as at December 31, 2025 and 2024, respectively (see Note 14).

Determining the Defined Benefit 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 comprehensive income amounted to ₱23.8 million, ₱25.8 million, and ₱18.5 million in 2025, 2024, and 2023, respectively (see Note 19). Net interest expense on net retirement liabilities recognized in the profit or loss amounted to ₱4.4 million, ₱4.3 million and ₱3.0 million in 2025, 2024 and 2023, respectively (see Note 19). The defined benefit retirement liabilities amounted to ₱50.6 million and ₱79.8 million as at December 31, 2025 and 2024, 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 ₱75.1 million and ₱71.2 million as at December 31, 2025 and 2024, respectively (see Note 21).

The unrecognized deferred tax assets of the Group amounted to ₱2,490.5 million and ₱2,814.4 million as at December 31, 2025 and 2024, 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:

	2025	2024
Cash on hand and in banks	₱2,176,131	₱2,558,451
Cash equivalents	20,983,485	14,721,101
	₱23,159,616	₱17,279,552

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	2025	2024	2023
Cash and cash equivalents		₱926,307	₱612,254	₱550,360
Restricted cash	13	394,240	554,721	411,211
Due from related parties	18	62,668	–	–
		₱1,383,215	₱1,166,975	₱961,571

Interest receivable from cash and cash equivalents and restricted cash amounted to ₱57.9 million and ₱65.9 million as at December 31, 2025 and 2024, respectively (see Note 6). Interest receivable from related parties amounted to ₱59.2 million and nil as at December 31, 2025 and 2024, respectively (see Note 11).

6. Receivables

Receivables consist of:

	Note	2025	2024
Receivable from Export and Industry Bank ("EIB")		₱511,243	₱511,243
Toll receivables from:			
Third parties		335,703	206,183
PSC		92,470	92,470
Related parties	18	40,284	10,493
Rent receivables:			
Related parties	18	30,545	14,420
Third parties		10,157	7,887
Interest receivable	5	57,891	65,910
Receivable from Department of Public Works and Highways (DPWH)		15,531	15,531
O&M fee receivables			
Third party	20	39,200	–
Related parties	18	13,963	4,349
Others		50,037	44,311
		1,197,024	972,797
Less allowance for ECL		(733,649)	(733,649)
		₱463,375	₱239,148

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, 2025 and 2024.

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.

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 amounting to ₱3.3 million was also written off in 2024. The management assessed that these receivables can no longer be collected (see Note 20).

Receivable from DPWH

On October 12, 2009, SMC SKYWAY entered into a Memorandum of Agreement with the ROP, as Grantor, acting by and through DPWH wherein the Grantor shall reimburse the funds advanced by SMC SKYWAY for the right of way requirements for Stage 2 immediately after the availability of Grantor funds and the execution of a Reimbursement Agreement. These are unsecured and non-interest-bearing receivables.

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. These 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, 2025				
		EIB	Toll Receivables	Rent Receivables	Others	Total
Balance at beginning and end of year		₱511,243	₱198,641	₱-	₱23,765	₱733,649

		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

7. Other Current Assets

Other current assets consist of:

	2025	2024
Prepayments	P143,755	P140,296
Advances to suppliers	35,653	59,435
Deferred input VAT	31,804	127,049
Security deposits	450	595
Others	4,495	5,405
	P216,157	P332,780

Prepayments mainly consist of prepaid insurance, which pertains to insurance premiums relating to the toll road construction and will be applied throughout the remaining term of the related contracts, and prepaid taxes and licenses.

Advances to suppliers represent advance payments on services to be incurred in connection with the operations of the Group.

Deferred input VAT is composed of current portion of the unamortized input VAT on purchase of capital goods and unpaid portion of purchased services. Deferred input VAT is presented as follows:

	Note	2025	2024
Current		P31,804	P127,049
Noncurrent	11	35	610
		P31,839	P127,659

Security deposits pertain to lease which are to be refunded upon termination of the agreements (see Notes 18 and 20). Security deposits are presented as follows:

	Note	2025	2024
Current		P450	P595
Noncurrent	11	568	-
		P1,018	P595

8. Service Concession Rights

Service concession rights consist of:

	Note	2025				Total
		Stage 1	Stage 2	Stage 3	Skyway Extension	
Cost						
Balance at beginning of year		P18,751,948	P10,589,930	P64,867,698	P10,384,719	P104,594,295
Additions		213,678	46,409	1,921,320	280,810	2,462,217
Balance at end of year		18,965,626	10,636,339	66,789,018	10,665,529	107,056,512
Accumulated Amortization						
Balance at beginning of year		12,463,811	4,699,474	7,181,208	1,165,611	25,510,104
Amortization	9	383,095	344,012	2,141,278	621,518	3,489,903
Balance at end of year		12,846,906	5,043,486	9,322,486	1,787,129	29,000,007
Carrying Amount		P6,118,720	P5,592,853	P57,466,532	P8,878,400	P78,056,505

	Note	2024				Total
		Stage 1	Stage 2	Stage 3	Skyway Extension	
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

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 are 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, which is presented as part of "Other - net" account under "Other income (charges)" account in the consolidated statements of comprehensive income.

Construction Revenue and Construction Costs

The Group recognized construction revenue and construction cost amounting to ₱2,462.2 million, ₱2,217.6 million and ₱953.7 million in 2025, 2024 and 2023, respectively, in reference to the stage of completion of the construction. The outstanding contracts of the Group with the third parties amounted to ₱4,576.1 million as at December 31, 2025.

9. Property and Equipment and Investment Properties

Property and Equipment

Property and equipment consist of:

	2025				Total
	Transportation Equipment	Machineries and Equipment	Office Equipment, Furniture and Fixtures	Building Improvements	
Cost					
Balance at beginning of year	₱329,695	₱165,693	₱112,445	₱29,690	₱637,523
Additions	30,381	85,905	4,714	603	121,603
Disposals	(21,586)	-	(1,166)	(5,181)	(27,933)
Balance at end of year	338,490	251,598	115,993	25,112	731,193
Accumulated Depreciation					
Balance at beginning of year	210,997	112,711	96,245	13,209	433,162
Depreciation	34,183	21,410	8,168	2,855	66,616
Disposals	(21,586)	-	(1,167)	-	(22,753)
Balance at end of year	223,594	134,121	103,246	16,064	477,025
Carrying Amount	₱114,896	₱117,477	₱12,747	₱9,048	₱254,168

	2024				Total
	Transportation Equipment	Machineries and Equipment	Office Equipment, Furniture and Fixtures	Building Improvements	
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
Disposals	(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
Disposals	(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

The total cost of fully depreciated property and equipment still in use amounted to ₱307.9 million and ₱274.2 million as at December 31, 2025 and 2024, respectively.

The Group disposed property and equipment with total cost of ₱27.9 million, ₱5.8 million and ₱14.6 million in 2025, 2024 and 2023, respectively, which resulted to gain (loss) on disposal of ₱2.2 million, ₱1.3 million and (₱0.5 million) in 2025, 2024 and 2023, respectively. Gain or loss on disposal of property and equipment were presented as part of “Others - net” account under “Other income (charges)” account in the consolidated statements of comprehensive income.

Depreciation and amortization charged to cost of services and operating expenses are as follows:

	Note	2025	2024	2023
Service concession rights	8	₱3,489,903	₱3,442,109	₱3,342,914
Property and equipment		66,616	54,168	58,591
ROU assets	20	2,523	3,335	3,353
Computer software	11	566	–	–
		₱3,559,608	₱3,499,612	₱3,404,858

Depreciation and amortization are allocated as follows:

	Note	2025	2024	2023
Cost of services	17	₱3,541,383	₱3,485,150	₱3,385,816
Operating expenses	17	18,225	14,462	19,042
		₱3,559,608	₱3,499,612	₱3,404,858

There are no property and equipment that are pledged as security or collateral to the Group’s liabilities as at December 31, 2025 and 2024.

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, 2025 and 2024.

The fair value of the investment properties amounted to ₱179.9 million as at December 31, 2025 and 2024. 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, 2025 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 2025, 2024 and 2023 (see Note 20). The direct expense related to the investment properties are real property taxes and association dues amounting to ₱2.1 million, ₱1.9 million and ₱1.8 million in 2025, 2024 and 2023, respectively.

There are no investment properties that are pledged as security or collateral to the Group's liabilities as at December 31, 2025 and 2024.

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 2025, 2024 and 2023. The discount rate applied to the cash flow projections ranges from 4% to 5% in 2025, 2024 and 2023. 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 to additional shares issued by MMSS3 resulting to a decrease in the ownership of the non-controlling 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%. In 2020, the Parent Company acquired a total of 53.37% interest in TROMV from Padma Investments PTE. Ltd. 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 increased to 57.88% and 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 ₱258.4 million and ₱273.5 million as at December 31, 2025 and 2024, 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. Other Noncurrent Assets

Other noncurrent assets consist of:

	Note	2025	2024
Advances to contractors		P262,026	P360,009
Interest receivable	18	59,218	–
ROU assets	20	14,885	2,702
Computer software		5,414	–
Deposits:			
Miscellaneous deposits		2,147	2,206
Security deposit	7	568	–
Deferred input VAT	7	35	610
Others		6,295	33,038
		P350,588	P398,565

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.

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:

	Note	2025	2024
Cost			
Balance at beginning of year		P17,685	P17,685
Additions		5,980	–
Balance at end of year		23,665	17,685
Accumulated Amortization			
Balance at beginning of year		17,685	17,685
Amortization	9	566	–
Balance at end of year		18,251	17,685
Carrying Amount		P5,414	P–

No amortization was recognized in 2024 and 2023.

Fully amortized computer software still being used amounted to P17.7 million as at December 31, 2025 and 2024.

Others

Others pertain mainly to advances to suppliers and prepayments.

12. Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities consist of:

	Note	2025	2024
Refundable toll replenishment		₱3,335,211	₱3,064,565
Payable to contractors	20	522,746	1,048,039
Payable to related parties	18	313,327	229,789
Statutory payables		270,335	481,980
Accrued interest payable	13	224,381	263,911
Accrued expenses		141,090	107,338
Due to a related party	18	61,844	61,844
Retention payable		45,678	495,334
Others		105,590	272,863
		₱5,020,202	₱6,025,663

Refundable toll replenishment pertains to advance toll payments made by RFID users. These are noninterest-bearing and applied against revenue from toll operations and are also refundable in nature as stated under the Terms and Conditions of RFID Agreement with the Group.

Payable to contractors relates to construction and development costs. These are noninterest-bearing and are paid based on a payment schedule ranging from 15 to 30 days upon receipt of the corresponding invoice.

Statutory payables consist of VAT payable, withholding taxes on compensation, 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 expenses consist mainly of utilities, contracted services, taxes, and repairs and maintenance expenses. These are normally settled within one year.

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:

	2025	2024
Current	₱45,678	₱495,334
Noncurrent	121,104	78,514
	₱166,782	₱573,848

Other payables are normally settled within one year.

13. Long-term Debt

Long-term debt consists of:

	2025	2024
Retail Bond Issue	P34,579,238	P34,528,675
Omnibus Loan and Security Agreement (OLSA) - MMSS3	12,210,645	17,730,985
	46,789,883	52,259,660
Less current portion	5,005,655	5,520,340
Noncurrent portion	P41,784,228	P46,739,320

Movements in this account are as follows:

	2025	2024
Principal		
Balance at beginning of year	P52,797,099	P56,046,914
Availments	-	35,000,000
Payments	(5,555,200)	(38,249,815)
Balance at end of year	47,241,899	52,797,099
Unamortized debt issue cost		
Balance at beginning of year	537,439	405,437
Additions	-	474,802
Amortization	(85,423)	(342,800)
Balance at end of year	452,016	537,439
	P46,789,883	P52,259,660

Retail Bond Issue

As discussed in Note 1, in December 2024, the Parent Company issued the Bonds to the public with aggregate principal amount of P35,000.0 million in three (3) tranches.

The fund-raising exercise generated net proceeds of P34,525.2 million, after deducting fees, taxes, commissions and related expenses.

The Bonds were issued in three (3) series as follows:

	Principal	Interest Rate	Term
Series A Bonds	P10,560,100	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, 2025 and 2024.

The unamortized debt issue cost on the drawn loan balance amounting to ₱420.8 million and ₱471.3 million as at December 31, 2025 and 2024, respectively, is amortized using the effective interest rate method over the term of the loan. Effective interest rate ranges from 5.75% to 7.12% in 2025 and 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 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 range from 5.75% to 6.20% in 2024 and 2023. 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 Loan Facility includes the assignment of the rights title and interest of the Parent Company over its shareholding in SMC SKYWAY.

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, 2025, 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 ₱31.3 million and ₱66.1 million as at December 31, 2025 and 2024, respectively, is amortized using the effective interest rate method over the term of the loan. Effective interest rate ranges from 7.43% to 10.40% in 2025 and 2024. 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 ₱12,241.9 million and ₱17,797.1 million as at December 31, 2025 and 2024, 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, 2025 and 2024, MMSS3 has complied with the required financial ratios. In 2025, MMSS3 obtained a waiver from creditor banks for the partial payment of advances from S3CTHC.

Maturity Schedule

The annual maturities of long-term debt are as follows:

	Gross Amount	Debt Issue Costs	Net
2026	₱5,084,000	₱78,345	₱5,005,655
2027	7,157,899	65,809	7,092,090
2028 and thereafter	35,000,000	307,862	34,692,138
	<u>₱47,241,899</u>	<u>₱452,016</u>	<u>₱46,789,883</u>

Interest Expense and Other Financing Charges

Interest incurred by the Group follows:

	Note	2025	2024	2023
Interest on long-term debt		₱3,773,358	₱4,143,685	₱4,354,046
Amortization of debt issue cost		85,423	342,800	138,892
Accretion of interest on infrastructure restoration obligation	14	15,062	16,332	14,210
Net interest cost on retirement liabilities	19	4,400	4,254	3,026
Interest on lease liabilities	20	274	207	378
		₱3,878,517	₱4,507,278	₱4,510,552

Accrued interest amounted to ₱224.4 million and ₱263.9 million as at December 31, 2025 and 2024, 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.

Restricted cash presented in the consolidated statements of financial position amounted to ₱6,914.9 million and ₱9,884.4 million as at December 31, 2025 and 2024, respectively.

Interest income from the restricted cash amounted to ₱394.2 million, ₱554.7 million and ₱411.2 million in 2025, 2024 and 2023, 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					2025
	2024	Availments	Payments	Interest Expense	Noncash Item	
Long-term debt	₱52,259,660	₱-	(₱5,555,200)	₱-	₱85,423	₱46,789,883
Accrued interest payable	263,911	-	(3,812,888)	3,773,358	-	224,381
Dividends to non-controlling interest	96,025	-	(364,234)	-	364,234	96,025
Lease liabilities	2,345	-	(1,744)	274	13,556	14,431
	₱52,621,941	₱-	(₱9,734,066)	₱3,773,632	₱463,213	₱47,124,720

	Cash flows					2024
	2023	Availments	Payments	Interest Expense	Noncash Item	
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)	4,143,685	-	263,911
Dividends to non-controlling interest	283,316	-	(1,006,818)	-	819,527	96,025
Lease liabilities	5,828	-	(3,602)	207	(88)	2,345
	₱56,161,186	₱34,525,198	(₱43,370,574)	₱4,143,892	₱1,162,239	₱52,621,941

14. Provision for Infrastructure Restoration Obligation

Provision for infrastructure restoration 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 infrastructure restoration obligation as at December 31 as follows:

	Note	2025	2024
Balance at beginning of year		₱298,908	₱264,370
Accretion of interest	13	15,062	16,332
Provision for infrastructure restoration obligation	17	14,401	18,206
Balance at end of year		328,371	298,908
Less current portion		139,743	126,323
Noncurrent portion		₱188,628	₱172,585

Key assumptions used to determine the provision for infrastructure restoration obligation are as follows:

	2025	2024
Replacement period:		
At-grade	8 years	8 years
Elevated	10 years	10 years
Discount rate range	5.04% to 6.07%	6.05% to 6.18%
Price increase	1.70%	3.20%

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.

In 2023, the Parent Company was restricted from declaring, making and paying any 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 13). As discussed in Note 13, the Loan Facility was fully settled in 2024.

As at December 31, 2025 and 2024, the retained earnings of the Parent Company is in excess of its paid-in capital stock by ₱28,848.0 million and ₱28,363.9 million, respectively.

Event After the Reporting Date

On March 9, 2026, the BOD approved the appropriation of retained earnings amounting to ₱32,071.0 million to fund the New Decongestion Facilities, expected to be utilized until 2031.

16. Revenue

Revenue from Contracts with Customers

Disaggregation of the Group's revenue from contracts with customers is as follows:

	Note	2025	2024	2023
Revenue recognized at a point in time -				
Revenue from toll operations		₱22,027,247	₱20,769,042	₱19,860,979
Revenue recognized over time:				
Construction revenue	8	2,462,217	2,217,585	953,695
Toll operations and maintenance fee	18, 20	405,000	405,000	405,000
		2,867,217	2,622,585	1,358,695
		₱24,894,464	₱23,391,627	₱21,219,674

17. Cost of Services and Operating Expenses

Cost of services and operating expenses consist of:

	Note	2025	2024	2023
Cost of Services				
Depreciation and amortization	9	₱3,541,383	₱3,485,150	₱3,385,816
Government fees	20	692,249	631,838	606,384
Contracted services		636,005	478,239	408,126
Personnel		622,126	611,202	589,012
Operations and maintenance fee	20	322,164	322,164	322,164
Repairs and maintenance		197,457	226,887	241,692
Insurance		92,210	93,635	81,678
Provision for infrastructure restoration obligation	14	14,401	18,206	7,980
Taxes and licenses		238	269	286
Others		143,358	153,469	135,854
		₱6,261,591	₱6,021,059	₱5,778,992
Operating Expenses				
Management fees	18	₱579,759	₱363,218	₱327,578
Taxes and licenses		284,220	184,986	174,139
Contracted services		151,660	95,073	105,634
Personnel		112,573	129,419	106,434
Merchant fees		75,836	72,219	69,393
Corporate communication		29,594	20,027	66,386
Depreciation and amortization	9	18,225	14,462	19,042
Repairs and maintenance		18,000	103,700	117,213
Transportation and travel		9,065	11,391	11,479
Office supplies		7,690	17,964	17,808
Communication, light and water		4,860	6,932	10,531
Representation and entertainment		3,679	17,508	19,045
Insurance		1,041	990	321
ECL on receivables	6	-	25,612	8,038
Others		114,185	55,770	66,475
		₱1,410,387	₱1,119,271	₱1,119,516

Personnel are composed of the following:

	Note	2025	2024	2023
Salaries and wages		₱416,515	₱450,212	₱428,169
Retirement expense	19	23,807	25,829	18,547
Other employee benefits		294,377	264,580	248,730
		₱734,699	₱740,621	₱695,446

Other employee benefits represent employees' transportation allowances and medical insurance, among others.

18. Related Party Disclosures

The Parent Company and related parties purchase products and services from one another in the normal course of business. The Parent Company requires approval of the BOD for related party transactions amounting to at least ten percent (10%) of the total consolidated assets based on its latest audited financial statements. Amounts owed by/owed to related parties are collectible/will be settled in cash.

The following are the transactions with related parties and the outstanding balances as at December 31:

	Note	Amount of Transactions			Outstanding Balance		Terms and Conditions
		2025	2024	2023	2025	2024	
Receivables	6						
Entities under common control		₱352,768	₱573,373	₱1,890,134	₱84,792	₱29,262	30 days; noninterest-bearing, unsecured
Due from Related Parties							
Entities under common control		₱2,667,800	₱-	₱-	₱2,217,800	₱-	Interest bearing ranging from 7.35% to 7.73%, unsecured and collectible in 2045
Interest Receivable	11						
Entities under common control		₱62,668	₱-	₱-	₱59,218	₱-	Noninterest-bearing, unsecured and collectible until 2045
ROU Assets	20						
Entity under common control		₱2,523	₱3,335	₱3,353	₱14,885	₱-	Lease of office and parking spaces
Security Deposits	7						
Entities under common control		₱1,018	₱17	₱17	₱1,018	₱595	Refundable upon termination of lease
Accounts Payable and Other Current Liabilities	12						
Entities under common control		₱17,529,733	₱16,141,590	₱12,662,243	₱312,311	₱185,256	Five -30 days; noninterest-bearing, unsecured
Intermediate Parent		579,759	372,623	327,578	1,016	44,533	Five -30 days; noninterest-bearing, unsecured
					₱313,327	₱229,789	
Due to a Related Party							
Intermediate Parent	12	₱-	₱-	₱-	₱61,844	₱61,844	On demand, noninterest-bearing, unsecured
Lease Liabilities	20						
Entity under common control		₱1,744	₱3,602	₱3,520	₱14,431	₱2,345	Lease of office and parking spaces
Fair Value of Plan Assets	19						
Entities under common control		₱52,699	₱29,975	₱32,385	₱134,003	₱116,052	Under SMHC Multi-Employer Plan

In 2025, 2024, and 2023, the Group has not provided ECL on 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, 2025 and 2024.

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 (TCS) 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 ₱150.4 million, ₱367.1 million and ₱1,705.7 million in 2025, 2024 and 2023, respectively. The Group has toll receivable amounting to ₱40.3 million and ₱10.5 million as at December 31, 2025 and 2024, respectively (see Note 6).
- b. SOMCO received reimbursement on expenses incurred for SLEX. Total reimbursement amounted to nil in 2025 and 2024 and ₱6.3 million in 2023. No outstanding receivable as at December 31, 2025 and 2024.
- 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 ₱38.6 million, ₱35.1 million and ₱30.3 million in 2025, 2024 and 2023, respectively. The outstanding rental receivable amounted to ₱17.5 million and ₱9.5 million as at December 31, 2025 and 2024, 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 ₱36.5 million, ₱23.4 million and ₱22.8 million in 2025, 2024 and 2023, respectively. The outstanding rental receivable amounted to ₱13.0 million and ₱4.9 million as at December 31, 2025 and 2024, 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 in 2025, 2024 and 2023. Moreover, SOMCO received reimbursement on expenses incurred for NAIAX amounting to ₱2.3 million, ₱22.8 million and nil in 2025, 2024 and 2023, respectively, which is presented as part of "Others - net" account under "Other income (charges)" in the consolidated statements of comprehensive income. Outstanding receivable amounted to ₱14.0 million and ₱4.3 million as at December 31, 2025 and 2024, respectively (see Note 6).

Due from Related Parties

The Company entered into loan agreements with related parties to finance upcoming infrastructure projects and other financing requirements. The loans have term of 20 years and bear an annual interest ranging from 7.35% to 7.73% subject to repricing. The loans and interest shall be collectible in full and in cash on maturity date.

In 2025, the Company has extended advances to related parties amounting to ₱2,667.8 million. Moreover, the Company has collected ₱450.0 million of advances during the year.

Interest income generated from the loan amounted to ₱62.7 million in 2025 (see Note 5). Outstanding interest receivable amounted to ₱59.2 million as at December 31, 2025 (see Note 11).

Security Deposits

The Group also entered into lease agreements with entities under common control for the lease of office and parking spaces. The lease agreement is for a period of one year and renewable every year thereafter unless terminated by either party. Security deposits amounting to ₱1.0 million and ₱0.6 million as at December 31, 2025 and 2024, respectively, 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 ₱10,482.5 million, ₱9,308.7 million and ₱7,183.1 million in 2025, 2024 and 2023, respectively. The Group has toll payable to SLEX amounting to ₱76.0 million and ₱47.0 million as at December 31, 2025 and 2024, 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 ₱1,682.2 million, ₱1,615.4 million and ₱1,419.3 million in 2025, 2024 and 2023, respectively. Outstanding payable to NAIAX amounted to ₱14.3 million and ₱6.0 million as at December 31, 2025 and 2024, 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 transactions amounted to ₱1,926.0 million, ₱1,816.6 million and ₱1,490.9 million in 2025, 2024 and 2023, respectively. Outstanding payable to SIDC amounted to ₱16.5 million and ₱1.2 million as at December 31, 2025 and 2024, respectively.
- d. The Group entered into a one-year lease agreement, renewable for another year with MATES for the lease of machinery and equipment used for construction and road repairs. Total related transaction amounted to ₱0.8 million, ₱2.2 million and ₱16.5 million in 2025, 2024 and 2023, respectively. Outstanding payable to MATES amounted to ₱0.8 million and ₱0.1 million as at December 31, 2025 and 2024, respectively.
- e. Pursuant to a MOA entered into by SMC SKYWAY and SMC TPLEX, dated February 27, 2019, the Group shall collect and remit to SMC TPLEX all toll fees collected from the ETC users of Tarlac-Pangasinan-La Union Expressway (TPLEX). Total related transactions amounted to ₱2,817.5 million, ₱2,670.5 million and ₱1,864.9 million in 2025, 2024 and 2023, respectively. Outstanding payable to SMC TPLEX amounted to ₱39.7 million and ₱46.0 million as at December 31, 2025 and 2024, 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 renewable on a yearly basis. Total related transactions amounted to ₱383.2 million, ₱377.7 million and ₱303.1 million 2025, 2024 and 2023, respectively. Outstanding payable to IETC amounted to ₱76.5 million and ₱39.8 million as at December 31, 2025 and 2024, 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 ₱237.5 million, ₱350.5 million and ₱384.4 million in 2025, 2024 and 2023, respectively. Outstanding payable for these transactions amounted to ₱88.5 million and ₱45.2 million as at December 31, 2025 and 2024, 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 ₱579.8 million, ₱363.2 million and ₱327.6 million in 2025, 2024 and 2023, respectively (see Note 17). Outstanding payable to SMHC amounted to ₱1.0 million and ₱35.1 million as at December 31, 2025 and 2024, respectively.

- b. In 2024, the Parent Company received advances from SMHC intended for the payment of SEC registration fees amounting to ₱9.4 million. Outstanding payable for this transaction amounted to nil and ₱9.4 million as at December 31, 2025 and 2024, respectively.

Fair Value of Plan Assets

The Plan will provide, through a retirement fund, the payment of the benefits to each participating company's regular employees when they are retired, disabled or separated from service, or in the event of death at definite amounts to their beneficiaries.

The Group has contributions to the Plan amounting to ₱51.8 million, ₱31.8 million, and ₱24.9 million in 2025, 2024 and 2023, respectively. Moreover, the Group transfer to (from) the plan amounted to ₱0.8 million, (₱1.8 million), and ₱7.5 million in 2025, 2024, and 2023, respectively (see Note 19).

Due to a Related Party

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

Key Management Personnel Compensation

The compensation of key management personnel in 2025, 2024 and 2023 follows:

	2025	2024	2023
Short-term employee benefits	₱13,619	₱25,437	₱26,864
Post-employment benefits	1,147	1,876	18,483
	₱14,766	₱27,313	₱45,347

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

19. Defined Benefit Retirement Liabilities - Net

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 for the year ended December 31, 2025.

The following tables summarize the retirement expense recognized in the consolidated statements of comprehensive income and retirement plan liabilities recognized in the consolidated statements of financial position.

The components of retirement expense charged to operations are as follows:

	Note	2025	2024	2023
Retirement expense*	17	₱23,807	₱25,829	₱18,547
Net interest cost	13	4,400	4,254	3,026
		₱28,207	₱30,083	₱21,573

**including current service cost and settlement loss*

Components of the net retirement liabilities recognized in the consolidated statements of financial position as at December 31 as follows:

	2025	2024
Present value of defined benefit obligation (DBO)	₱184,576	₱195,634
Fair value of plan assets (FVPA)	(134,003)	(116,052)
Effect of asset ceiling	25	198
	₱50,598	₱79,780

Changes in the present value of DBO are as follows:

	2025	2024
Balance at beginning of year	₱195,634	₱173,714
Benefits paid	(37,622)	(16,585)
Current service cost	23,807	23,404
Interest cost	11,915	10,647
Remeasurement loss (gain):		
Change in financial assumptions	(9,375)	947
Experience adjustment	(623)	2,926
Transfer to (from) the plan	840	(1,844)
Settlement loss	-	2,425
Balance at end of year	₱184,576	₱195,634

Changes in the FVPA are as follows:

	2025	2024
Balance at beginning of year	₱116,052	₱98,007
Contributions	51,829	31,819
Benefits paid	(37,622)	(16,585)
Interest income	7,527	6,417
Remeasurement loss arising from return on plan assets	(4,623)	(1,762)
Transfer to (from) the plan	840	(1,844)
Balance at end of year	₱134,003	₱116,052

Changes in the effect of asset ceiling are as follows:

	2025	2024
Balance at beginning of year	P198	P396
Remeasurement gain	(185)	(222)
Interest cost	12	24
Balance at end of year	P25	P198

The cumulative amount of remeasurement losses recognized in the OCL as at December 31 as follows:

	2025		Net
	Cumulative Remeasurement Losses	Deferred Income Tax (see Note 21)	
Balance at beginning of year	(P30,489)	P6,367	(P24,122)
Remeasurement gain	5,560	(1,536)	4,024
Balance at end of year	(P24,929)	P4,831	(P20,098)

	2024		Net
	Cumulative Remeasurement Losses	Deferred Income Tax (see Note 21)	
Balance at beginning of year	(P25,076)	P5,015	(P20,061)
Remeasurement loss	(5,413)	1,352	(4,061)
Balance at end of year	(P30,489)	P6,367	(P24,122)

	2023		Net
	Cumulative Remeasurement Losses	Deferred Income Tax (see Note 21)	
Balance at beginning of year	(P1,235)	(P585)	(P1,820)
Remeasurement loss	(23,841)	5,600	(18,241)
Balance at end of year	(P25,076)	P5,015	(P20,061)

Amounts recognized in OCL 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:

	2025	2024	2023
Discount rate	6.47%	6.10%	6.12%
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	
		2025	2024
Discount rate	+100	(P20,246)	(P22,035)
	-100	24,378	26,716
Salary rate	+100	24,495	26,740
	-100	(20,690)	(22,438)

Assumptions regarding future mortality are based on published statistics and mortality tables. The average duration of the defined benefit obligation is 12.0 years and 12.7 years as at December 31, 2025 and 2024, respectively.

The expected future benefit payments are as follows:

	2025	2024
Less than 1 year	P15,980	P20,732
More than 1 year to 5 years	51,265	41,491
More than 5 years to 10 years	84,886	100,281

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, 2025 and 2024, 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.

	2025	2024
Equity securities	65.71%	57.67%
Cash and cash equivalents	9.89%	14.42%
Debt instruments - government bonds	23.63%	27.24%
Others	0.77%	0.67%
	100.00%	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 three (3) years 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	2025	2024	2023
Advertising spaces		₱109,418	₱88,653	₱70,665
Investment properties	9	3,323	3,323	3,323
		₱112,741	₱91,976	₱73,988

Rent receivables amounted to ₱40.7 million and ₱22.3 million as at December 31, 2025 and 2024, respectively. Rent receivables that were fully provided with allowance amounting to ₱3.3 million were written off in 2024 (see Note 6).

The minimum future operating lease commitments as at December 31 follows:

	2025	2024	2023
Within one year	₱14,079	₱25,052	₱14,188
More than one year but less than 5 years	–	1,939	–
	₱14,079	₱26,991	₱14,188

The Group as Lessee

The Group entered into several lease agreements for its office and parking spaces ranging from one (1) to three (3) years with 3% annual escalation and an option to renew subject to mutually agreeable terms and conditions.

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 ₱1.0 million and ₱0.6 million as at December 31, 2025 and 2024, respectively, and are to be refunded upon termination of the agreements (see Note 7). In 2025, the Group paid advance rental amounting to ₱1.0 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	2025	2024
Cost			
Balance at beginning of year		₱18,539	₱19,492
Additions		16,057	–
Effect of lease modifications		(18,539)	(953)
Balance at the end of year		16,057	18,539
Accumulated Amortization			
Balance at beginning of year		15,837	13,373
Amortization	9	2,523	3,335
Effect of lease modifications		(17,188)	(871)
Balance at end of year		1,172	15,837
Carrying Amount		₱14,885	₱2,702

The balance and movements in lease liabilities are as follows:

	Note	2025	2024
Balance at beginning of year		₱2,345	₱5,828
Additions		15,039	–
Lease payments		(1,744)	(3,602)
Interest on lease liabilities	13	274	207
Effect of lease modifications		(1,483)	(88)
Balance at end of year		14,431	2,345
Less current portion		5,017	2,345
Noncurrent portion		₱9,414	₱–

In 2025 and 2024, MMSS3 pre-terminated lease agreement on its parking spaces resulting to a gain on lease modification amounting to ₱132 and ₱6, respectively.

The minimum future lease payments as at December 31 follows:

	2025	2024	2023
Within one year	₱5,719	₱2,381	₱3,622
More than one year but less than 5 years	5,320	–	2,450
	₱11,039	₱2,381	₱6,072

The amount recognized in consolidated statements of comprehensive income related to the lease agreements follows:

	Note	2025	2024	2023
Amortization of ROU assets	9	₱2,523	₱3,335	₱3,353
Interest on lease liabilities	13	274	207	378
Gain on lease modification		132	6	–

Total cash outflow amounted to ₱1.7 million, ₱3.6 million and ₱3.5 million in 2025, 2024, and 2023, respectively.

Government fees

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 ₱692.2 million, ₱631.8 million and ₱606.4 million in 2025, 2024 and 2023, respectively (see Note 17).

Outstanding payable to PNCC amounted to ₱66.7 million and ₱93.2 million as at December 31, 2025 and 2024, 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 in 2025, 2024 and 2023 (see Note 17). In 2025, SOMCO 3 billed MMSS3 for the reimbursement of expenses incurred amounting to ₱36.8 million, which is presented as part of “Contracted services” under “Cost of services” account. Outstanding payable to SOMCO 3 amounted to ₱40.4 million and nil as at December 31, 2025 and 2024, respectively, which is included as part of “Payable to contractors” under “Accounts payable and other current liabilities” in the consolidated statements of financial position.

Revenue recognized by SOMCO amounted to ₱280.0 million in 2025, 2024 and 2023, respectively, which is presented under “Toll operations and maintenance fee” in the consolidated statements of comprehensive income. Moreover, SOMCO billed reimbursement on expenses incurred amounting to ₱35.0 million in 2025, which is presented as part of “Others - net” under “Other income (charges)” account in the consolidated statements of comprehensive income. Outstanding receivables amounted to ₱39.2 million and nil as at December 31, 2025 and 2024, respectively (see Note 6).

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.

MMSS3's ITH incentive expired in March 2025, accordingly, taxable income from April 2025 onward is subject to RCIT.

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:

	2025	2024	2023
Current	P2,266,085	P1,404,075	P1,356,047
Final	264,109	233,391	192,313
Deferred	(29,023)	(29,847)	(25,557)
	P2,501,171	P1,607,619	P1,522,803

The net deferred tax liabilities recognized in the consolidated statements of financial position relate to the following temporary differences:

	Note	2025	2024
Deferred tax liabilities on:			
Fair value adjustment on service concession rights	10	(P258,421)	(P273,533)
Unamortized capitalizable interest cost		(101,302)	(107,908)
Unamortized cost of TCS		(31,312)	(33,355)
Excess ROU amortization and interest expense on lease liabilities over rental payments		(97)	-
Unrealized foreign exchange gain		(65)	-
		(391,197)	(414,796)
Deferred tax asset on -			
Provision for infrastructure restoration obligation		49,256	44,836
Net deferred tax liabilities		(P341,941)	(P369,960)

The Group recognized deferred tax assets in the consolidated statements of financial position relating to the following temporary differences of SOMCO:

	2025	2024
Net retirement liabilities	P12,537	P20,217
Past service cost	12,316	6,149
Excess MCIT over RCIT	983	-
Unrealized foreign exchange loss	1	2
	P25,837	P26,368

As at December 31, 2025 and 2024, 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.

	2025	2024
NOLCO	P1,734,347	P2,635,263
Allowance for ECL	183,412	183,412
Unrealized foreign exchange gain	(3,895)	(3,956)
Excess MCIT over RCIT	1,267	-
Net retirement liabilities (asset)	883	(272)
Net effect of PFRS 16	(17)	(89)
	P1,915,997	P2,814,358

The presentation of net deferred tax assets (liabilities) as follows:

	Note	2025	2024
Through profit or loss		(P320,935)	(P349,959)
Through other comprehensive loss	19	4,831	6,367
		(P316,104)	(P343,592)

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	Applied	Ending Balance	Expiry Year
2025	P-	P57,489	P-	P-	P57,489	2028
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	-	(1,337,059)	(61,227)	-	2025
	P10,541,209	P57,489	(P3,600,003)	(P61,227)	P6,937,468	

MCIT amounting to P2.3 million incurred in 2025 which can be claimed as deduction from future taxable payable until 2028.

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:

	2025	2024	2023
Income tax computed at statutory tax rate	25.00%	25.00%	25.00%
Change in unrecognized deferred tax assets	(7.22)	5.85	5.30
Tax effects of:			
Difference between itemized and OSD	(7.37)	(6.74)	(7.09)
Expired NOLCO and MCIT	7.23	-	-
Income tax holiday	(2.31)	(9.21)	(7.89)
Nondeductible interest and other expenses	5.30	0.46	0.49
Interest income already subjected to final tax	(0.53)	(0.54)	(0.48)
Nontaxable income	-	(0.01)	-
	20.10%	14.83%	15.33%

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), restricted cash, receivables, due from related parties, security deposits (included under "Other current assets" and "Other noncurrent assets" accounts), miscellaneous deposits (included under "Other noncurrent assets" account), accounts payable and other current liabilities (excluding statutory payables), retention payable, long-term debt, dividends payable, 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:

	2025		2024	
	Change in Basis Points	Effect on Income Before Income Tax	Change in Basis Points	Effect on Income Before Income Tax
Increase	+0.15	(R58,515)	+0.08	(P211,130)
Decrease	-0.15	58,515	-0.08	211,130

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:

	2025				
	Neither Past Due nor Impaired		Past due but not impaired	Impaired	Total
	High Grade	Standard Grade			
Cash and cash equivalents*	₱23,157,014	₱-	₱-	₱-	₱23,157,014
Restricted cash	6,914,936	-	-	-	6,914,936
Receivables	-	447,844	15,531	733,649	1,197,024
Due from related parties	2,217,800	-	-	-	2,217,800
Interest receivable***	59,218	-	-	-	59,218
Security deposits**	-	1,018	-	-	1,018
Miscellaneous deposits***	-	2,147	-	-	2,147
	₱32,348,968	₱451,009	₱15,531	₱733,649	₱33,549,157

*Excluding cash on hand amounting to ₱2.6 million as at December 31, 2025

** Included under "Other current assets" and "Other noncurrent assets" accounts

***Included under "Other noncurrent assets" account

	2024				
	Neither Past Due nor Impaired		Past due but not impaired	Impaired	Total
	High Grade	Standard Grade			
Cash and cash equivalents*	₱17,276,370	₱-	₱-	₱-	₱17,276,370
Restricted cash	9,884,391	-	-	-	9,884,391
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" and "Other noncurrent assets" accounts

***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 as at December 31, 2025 and 2024 (see Note 6). Management assessed that the allowance is sufficient to cover the ECL of receivables.

Generally, 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 due from related parties and interest receivable, ECL is not significant as the Group considered the financial capacity of the counterparty to pay.
- 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, 2025	Carrying Amount	Contractual Cash Flow	One Year or Less	>One Year - Two Years	>Two Years - Five Years	Over Five Years
Accounts payable and other current liabilities*	P4,704,189	P4,704,189	P4,704,189	P-	P-	P-
Long-term debt**	46,789,883	66,822,206	8,606,263	11,252,908	17,099,056	29,863,979
Retention payable	166,782	166,782	45,678	121,104	-	-
Dividends payable	96,025	96,025	96,025	-	-	-
Lease liabilities	14,431	14,079	8,759	3,332	1,988	-
	P51,771,310	P71,803,281	P13,460,914	P11,377,344	P17,101,044	P29,863,979

*Excluding statutory payables amounting to P270.3 million and retention payable amounting to P45.7 million.

**Including interest payable to maturity amounting to P16,693.0 million.

December 31, 2024	Carrying Amount	Contractual Cash Flow	One Year or Less	>One Year - Two Years	>Two Years - Five Years	Over Five Years
Accounts payable and other current liabilities*	P5,048,349	P5,048,349	P5,048,349	P-	P-	P-
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	-	-	-
	P57,980,227	P80,440,934	P15,010,063	P8,478,808	P14,629,936	P42,322,127

*Excluding statutory payables amounting to P482.0 million and retention payable amounting to P495.3 million.

**Including interest payable to maturity amounting to P21,923.2 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 2025, 2024 and 2023.

23. Non-Controlling Interest

Movements of the Group's NCI are as follows:

	2025	2024
Balance at beginning of year	P5,582,066	P5,072,828
Net income attributable to non-controlling interest	1,351,743	1,330,478
Cash dividends attributable to non-controlling interest	(364,234)	(819,527)
Other comprehensive income (loss)	1,867	(1,713)
Balance at end of year	P6,571,442	P5,582,066

Cash dividends declared by the SMC SKYWAY are as follows:

Date Approved	Per Share	Total Amount
March 10, 2025	₱20	₱1,361,480
December 2, 2025	24	1,633,777
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

Total dividends paid to NCI amounted to ₱364.2 million, ₱1,006.8 million and ₱908.4 million in 2025, 2024 and 2023, respectively. Dividends payable to NCI amounted to ₱96.0 million as at December 31, 2025 and 2024.

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:

	2025		2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Cash and cash equivalents	₱23,159,616	₱23,159,616	₱17,279,552	₱17,279,552
Restricted cash	6,914,936	6,914,936	9,884,391	9,884,391
Receivables	463,375	463,375	239,148	239,148
Due from related parties	2,217,800	2,217,800	-	-
Interest receivable**	59,218	59,218	-	-
Security deposits*	450	450	595	595
Miscellaneous deposits**	2,021	2,021	2,206	2,206
	₱32,817,416	₱32,817,416	₱27,405,892	₱27,405,892
Financial Liabilities				
Accounts payable and other current liabilities***	₱4,704,189	₱4,704,189	₱5,048,349	₱5,048,349
Long-term debt	46,789,883	50,233,188	52,259,660	55,699,868
Retention payable	166,782	166,782	573,848	573,848
Dividends payable	96,025	96,025	96,025	96,025
Lease liabilities	14,431	13,691	2,345	2,306
	₱51,771,310	₱55,213,875	₱57,980,227	₱61,420,396

*Included under "Other current assets" account

**Included under "Other noncurrent assets" account

***Excludes statutory payables and retention payable totaling ₱316.0 million and ₱977.3 million as at December 31, 2025 and 2024, 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, Receivables, Due from Related Parties, Interest Receivable, Accounts Payable and Other Current Liabilities (excluding statutory payables), Retention Payable, and Dividends Payable. 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 3 (significant unobservable 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 3 (significant unobservable 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, 2025 and 2024.

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):

	2025	2024	2023
Net income attributable to the holders of the Parent Company (a)	P8,591,124	P7,907,168	P7,207,064
Divide by weighted average shares outstanding common shares (b)	69,538	69,538	69,538
Basic/diluted earnings per share (a/b)	P123.55	P113.71	P103.64

The Parent Company has no potential dilutive common shares in 2025, 2024 and 2023. Accordingly, the basic and diluted earnings per share 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.

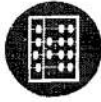
On a consolidated basis, the Group's performance is evaluated based on core net income for the year. Core net income for the year is measured as consolidated net income.

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, 2025, 2024 and 2023:

	2025				Total
	Toll Concession	Toll Operation	Others	Eliminations	
REVENUE	P21,127,247	P1,305,000	P2,631,023	(P2,631,023)	P22,432,247
COST OF SERVICES	(5,069,921)	(1,131,221)	-	(60,449)	(6,261,591)
GROSS PROFIT	16,057,326	173,779	2,631,023	(2,691,472)	16,170,656
OPERATING EXPENSES	(1,163,078)	(229,287)	(18,022)	-	(1,410,387)
CONSTRUCTION REVENUE (COSTS)					
Construction revenue	2,462,217	-	-	-	2,462,217
Construction costs	(2,462,217)	-	-	-	(2,462,217)
	-	-	-	-	-
OTHER INCOME (CHARGES)					
Interest expense	(1,465,096)	(4,467)	(2,408,954)	-	(3,878,517)
Interest income	839,288	1,234	542,693	-	1,383,215
Rental income	112,741	-	-	-	112,741
Net foreign exchange loss	14	-	-	-	14
Share in net earnings of an associate	773	-	-	(773)	-
Others - net	987	64,649	680	-	66,316
	(511,293)	61,416	(1,865,581)	(773)	(2,316,231)
INCOME BEFORE INCOME TAX	14,382,955	5,908	747,420	(2,692,245)	12,444,038
INCOME TAX EXPENSES	2,415,036	3,976	97,271	(15,112)	2,501,171
NET INCOME	11,967,919	1,932	650,149	(2,677,133)	9,942,867
OTHER COMPREHENSIVE INCOME					
<i>Not to be reclassified to profit or loss in subsequent period</i>					
Remeasurement gain (loss) on net retirement liabilities - net of deferred tax	(709)	4,607	126	-	4,024
Share of other comprehensive loss of an associate	1,843	-	-	(1,843)	-
	1,134	4,607	126	(1,843)	4,024
TOTAL COMPREHENSIVE INCOME	P11,969,053	P6,539	P650,275	(P2,678,976)	P9,946,891
SEGMENT ASSETS	P99,410,058	P476,801	P123,992,230	(P109,546,110)	P114,332,979
SEGMENT LIABILITIES	P42,304,005	P254,599	P67,547,059	(P56,704,228)	P53,401,435
Other Information					
Cost of services and operating expenses excluding depreciation and amortization	P2,774,369	P1,319,979	P18,022	P-	P4,112,370
Depreciation and amortization	3,458,631	40,529	-	-	3,499,160
Additions to service concession rights, property and equipment and ROU assets	2,538,145	61,733	-	-	2,599,878

	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)					
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 - net	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	1,604,906	5,845	11,980	(15,112)	1,607,619
NET INCOME	11,758,575	6,078	3,440,563	(5,967,570)	9,237,646
OTHER COMPREHENSIVE INCOME					
<i>Not to be reclassified to profit or loss in subsequent period</i>					
Remeasurement gain (loss) on net retirement liabilities - net of deferred tax	(159)	(4,057)	155	-	(4,061)
Share of other comprehensive loss of an associate	(1,623)	-	-	1,623	-
	(1,782)	(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)					
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 - net	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					
<i>Not to be reclassified to profit or loss in subsequent period</i>					
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



**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTAL SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**

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

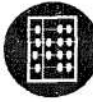
We have audited in accordance with Philippines Standards on Auditing, the accompanying consolidated financial statements of SMC Tollways Corporation (a wholly-owned subsidiary of Atlantic Aurum Investments B.V.) and its subsidiaries (the Group) as at December 31, 2025 and 2024, and for the years ended December 31, 2025, 2024 and 2023, and have issued our report dated March 9, 2026. 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, 2025 and 2024, and for the years ended December 31, 2025, 2024 and 2023 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
SEC Accreditation No. 107615-SEC Group A
Issued October 2, 2025
Valid for Financial Periods 2025 to 2029
BIR Accreditation No. 08-005144-016-2025
Valid until January 16, 2028
PTR No. 10764039
Issued January 2, 2026, Makati City

March 9, 2026
Makati City, Metro Manila



**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, 2025 and 2024 and for the years ended December 31, 2025, 2024 and 2023 and have issued our report dated March 9, 2026. 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, 2025
- Conglomerate map as at December 31, 2025
- Schedules as Required by Part II of the Revised Securities Regulation Code (SRC) Rule, as at December 31, 2025

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. S. LANGAD
Partner

CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782/P-019; Valid until June 6, 2026
SEC Accreditation No. 107615-SEC Group A
Issued October 2, 2025
Valid for Financial Periods 2025 to 2029
BIR Accreditation No. 08-005144-016-2025
Valid until January 16, 2028
PTR No. 10764039
Issued January 2, 2026, Makati City

March 9, 2026
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, 2025 and 2024

(Amounts in Thousands)

	2025	2024
Total current assets	P32,944,629	P30,717,320
Divided by: Total current liabilities	10,905,522	12,125,211
Liquidity ratio	3.02:1	2.53:1
Net income before depreciation and amortization	P13,502,475	P12,737,258
Divided by: Total liabilities	53,401,435	59,565,370
Solvency ratio	0.25:1	0.21:1
Total liabilities	P53,401,435	P59,565,370
Divided by: Total equity	60,931,544	51,348,887
Debt-to-equity ratio	0.88:1	1.16:1
Total assets	P114,332,979	P110,914,257
Divided by: Total equity	60,931,544	51,348,887
Asset-to-equity ratio	1.88:1	2.16:1
Net income	P9,942,867	P9,237,646
Divided by: Total assets	114,332,979	110,914,257
Return on asset	8.70%	8.33%
Net income	P9,942,867	P9,237,646
Divided by: Total equity	60,931,544	51,348,887
Return on equity	16.32%	17.99%
EBITDA	P19,812,445	P18,869,210
Divided by: Total interest cost	3,878,517	4,507,278
Interest coverage ratio	5.11:1	4.19:1
Net income	P9,942,867	P9,237,646
Divided by: Revenue	22,432,247	21,174,042
Net profit margin	44.32%	43.63%

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, 2025
(Amounts in Thousands)

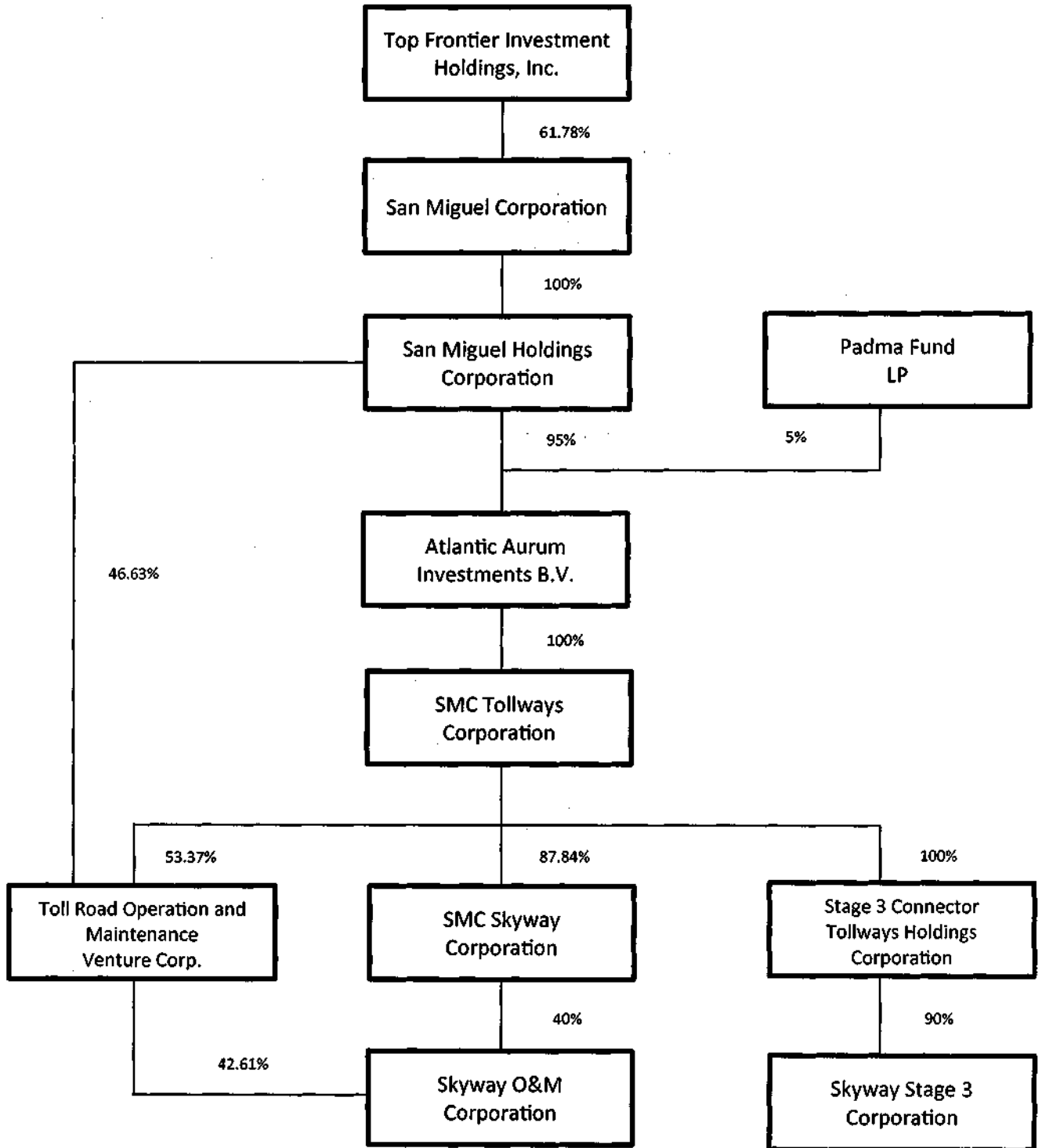
Unappropriated retained earnings, beginning of reporting period	P35,317,710
Add: Net income for the current year	484,127
<hr/>	
Total retained earnings, end of the reporting period available for dividend declaration	P35,801,837
<hr/>	

Event After the Reporting Date

On March 9, 2026, the BOD approved the appropriation of retained earnings amounting to P32,071.0 million to fund the New Decongestion Facilities, expected to be utilized until 2031.

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

CONGLOMERATE MAP
DECEMBER 31, 2025



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, 2025

Table of Contents

<u>Schedule</u>	<u>Description</u>	<u>Page</u>
A	Financial Assets	<u>N/A</u>
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	<u>N/A</u>
C	Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements	<u>1</u>
D	Long-term Debt	<u>2</u>
E	Indebtedness to Related Parties*	<u>N/A</u>
F	Guarantees of Securities of Other Issuers	<u>N/A</u>
G	Capital Stock	<u>3</u>

**Indebtedness to related parties are classified as current as at December 31, 2025.*

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, 2025

Name and designation of debtor	Balance at beginning of year	Additions	Deductions		Ending Balance		Balance at end of year
			Amounts collected	Reversal of write off	Current	Not current	
Stage 3 Connector Tollway Holdings Corporation	P32, 660,000,000	P-	P-	P-	P32, 660,000,000	P-	P32, 660,000,000
SMC Skyway Stage 3 Corporation	28,434,664,166	7,870,323	(5,007,492,203)	-	3,792,286	23,431,250,000	23,435,042,286
SMC Skyway Corporation	810,515,090	13,420,130,701	(13,364,242,868)	-	866,402,923	-	866,402,923

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

D. Long Term Debt
DECEMBER 31, 2025

<i>Title of Issue and Type of Obligation</i>	<i>Amount Authorized by Indenture</i>	<i>Amount shown as Current</i>	<i>Amount shown as Noncurrent</i>	<i>Total Outstanding Loans Payable</i>	<i>Interest Rate</i>
Retail Bond Issue	P35,000,000,000	P-	P34,579,237,788	P34,579,237,788	6.48% to 6.93%
Omnibus Loan and Security Agreement	31,000,000,000	5,060,152,749	7,150,492,046	12,210,644,795	7.43% to 10.69%
	P66,000,000,000	P5,060,152,749	P41,729,729,834	P46,789,882,583	

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

G. CAPITAL STOCK
DECEMBER 31, 2025

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	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Capital Stock - P100 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, 2025

	Current Year	Prior Year
Total Audit Fees	₱5,358,000	₱5,110,100
Non-audit service fees:		
Other assurance services	-	-
Tax services	-	-
All other services	-	-
Total Non-audit Fees	-	-
Total Audit and Non-audit Fees	₱5,358,000	₱5,110,100
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	₱-	₱-

Annex "A"

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

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position 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, 2025. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2025 and 2024, 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, 2025. All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2025 and the financial performance and cash flows for the year ended December 31, 2025 and for all the other periods presented, have been made.

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

I. 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		
	2025	2024	2023
REVENUE	₱22,432,247	₱21,174,042	₱20,265,979
COST OF SERVICES	(6,261,591)	(6,021,059)	(5,778,992)
GROSS PROFIT	16,170,656	15,152,983	14,486,987
OPERATING EXPENSES	(1,410,387)	(1,119,271)	(1,119,516)
OTHER INCOME (CHARGES)	(2,316,231)	(3,188,447)	(3,437,154)
INCOME BEFORE INCOME TAX	12,444,038	10,845,265	9,930,317
INCOME TAX EXPENSE	2,501,171	1,607,619	1,522,803
NET INCOME	9,942,867	9,237,646	8,407,514
NET INCOME ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT COMPANY	8,591,124	7,907,168	7,207,064
NON-CONTROLLING INTEREST	1,351,743	1,330,478	1,200,450

2025 vs 2024

(Amounts in Thousands)	DECEMBER 31		Horizontal Analysis		Vertical Analysis	
	2025	2024	Amount	%	2025	2024
REVENUE						
Revenue from toll operations	₱22,027,247	₱20,769,042	₱1,258,205	6%	98%	98%
Toll operation and maintenance fee	405,000	405,000	-	0%	2%	2%
	22,432,247	21,174,042	1,258,205	6%	100%	100%
COST OF SERVICES	(6,261,591)	(6,021,059)	240,532	4%	(28%)	(28%)
GROSS PROFIT	16,170,656	15,152,983	1,017,673	7%	72%	72%
OPERATING EXPENSES	(1,410,387)	(1,119,271)	291,116	26%	(6%)	(5%)
CONSTRUCTION REVENUE (COSTS)						
Construction revenue	2,462,217	2,217,585	244,632	11%	11%	10%
Construction costs	(2,462,217)	(2,217,585)	244,632	11%	(11%)	(10%)
	-	-	-	-	-	-

(forward)

(Amounts in Thousands)	DECEMBER 31		Horizontal Analysis		Vertical Analysis	
	2025	2024	Amount	%	2025	2024
OTHER INCOME (CHARGES)						
Interest expense and other financing charges	(P3,878,517)	(P4,507,278)	(P628,761)	(14%)	(17%)	(21%)
Interest income	1,383,215	1,166,975	216,240	19%	6%	6%
Rental income	112,741	91,976	20,765	23%	1%	0%
Income from insurance claims	-	11,829	(11,829)	(100%)	0%	0%
Others - net	66,330	48,051	18,279	38%	0%	0%
	(2,316,231)	(3,188,447)	(872,216)	(27%)	(10%)	(15%)
INCOME BEFORE INCOME TAX	12,444,038	10,845,265	1,598,773	15%	55%	51%
INCOME TAX EXPENSE	2,501,171	1,607,619	893,552	56%	11%	8%
NET INCOME	P9,942,867	P9,237,646	P705,221	8%	44%	44%
Net income attributable to:						
Equity holders of the Parent Company	P8,591,124	P7,907,168	P683,956	9%	38%	37%
Non-controlling interest	1,351,743	1,330,478	21,265	2%	6%	6%
	P9,942,867	P9,237,646	P705,221	8%	44%	44%

Consolidated total revenue amounted to P22,432.2 million, a 6% increase from P21,174.0 million in 2024. Higher revenue was mainly due to higher traffic volume.

For the year 2025, traffic volume increased across all classes. SMC Skyway Corporation ("SMC SKYWAY") achieved an Annual Average Daily Traffic (AADT) of 284,466, higher by 3% from 276,850 in 2024, while SMC Skyway Stage 3 Corporation ("MMSS3") achieved an AADT of 179,763, higher by 10% from 163,031 in 2024.

Consolidated cost of services posted an increase of P240.5 million or 4% mainly due to (a) increase in government fees due to higher revenues of SMC SKYWAY and MMSS3, and (b) increase in contracted services due to higher manpower services and RFID subscriber management fee. These were offset by decrease in repairs and maintenance due to reclassification of maintenance services to contracted services.

Consolidated operating expenses recorded an increase of P291.1 million mainly due to (a) higher management fees due to additional allocation, (b) increase in taxes and licenses due to higher revenue tax base for business permits, (c) increase in contracted services due to higher third-party services, and (d) increase in corporate communication due to higher advertising cost. These were offset by (a) decrease in personnel due to lower manpower headcount from last year, and (b) decrease in other expenses due to lower utilities, fuel and oil, and repair and maintenance costs.

Consolidated construction revenue and construction costs posted an increase of P244.6 or 11% due to higher costs incurred for MMSS3 Quirino SB on and off ramp, MMSS3 Section 2A Prime and SKYWAY Widening projects.

For other income and charges, the Group recorded lower interest expense and other financing charges by P628.8 million due to lower outstanding balance of the long-term debt. Interest income increased by P216.2 million due to higher funds available for placements. Rental income also posted an increase of P20.8 million due to higher advertising space rentals.

Income tax expense increased by P893.6 million as a result of higher taxable income, and cessation of income tax holiday for MMSS3.

Consolidated net income increased by P705.2 million or 8% as a result of higher toll revenue.

2024 vs. 2023

(Amounts in Thousands)	DECEMBER 31		Horizontal Analysis		Vertical Analysis	
	2024	2023	Amount	%	2024	2023
REVENUE						
Revenue from toll operations	₱20,769,042	₱19,860,979	₱908,063	5%	98%	98%
Toll operation and maintenance fee	405,000	405,000	-	0%	2%	2%
	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%	10%	5%
Construction costs	(2,217,585)	(953,695)	(1,263,890)	133%	(10%)	(5%)
	-	-	-	-	-	-
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%
	₱9,237,646	₱8,407,514	₱830,132	10%	44%	41%

Consolidated 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 achieved an AADT of 276,850, higher by 2% from 272,383 in 2023, while 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 (a) additional amortization of Skyway Extension and recognition of depreciation expense on machinery and equipment acquired during the year, (b) increase in government fees which is directly proportional to the increase in toll revenue, (c) increase in personnel costs due to salary adjustments and related benefits, (d) higher manpower services and RFID subscriber management fee, and (e) 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 (a) lower representation expense due to lesser external meetings, (b) decrease in contracted services due to lower manpower services, (c) decrease in cost of utilities due to lower consumption of power and water, and (d) lower insurance expense, seminars and trainings, and other expenses. These were offset by the (a) increase in management fees due to inflationary increase, and (b) 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 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 due to higher advertising space rentals. 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 taxable income, and increased final taxes from interest income.

II. FINANCIAL POSITION

2025 vs 2024

(Amounts in Thousands)	DECEMBER 31		Horizontal Analysis Increase/(Decrease)		Vertical Analysis	
	2025	2024	Amount	%	2025	2024
ASSETS						
Current Assets						
Cash and cash equivalents	₱23,159,616	₱17,279,552	5,880,064	34%	20%	16%
Restricted cash	6,914,936	9,884,391	(2,969,455)	(30%)	6%	9%
Receivables	463,375	239,148	224,227	94%	0%	0%
Input VAT	2,190,545	2,981,449	(790,904)	(27%)	2%	3%
Other current assets	216,157	332,780	(116,623)	(35%)	0%	0%
Total Current Assets	32,944,629	30,717,320	2,227,309	7%	29%	28%
Noncurrent Assets						
Service concession rights	78,056,505	79,084,191	(1,027,686)	(1%)	68%	71%
Due from related parties	2,217,800	-	2,217,800	100%	2%	0%
Goodwill	483,452	483,452	-	0%	0%	0%
Property and equipment	254,168	204,361	49,807	24%	0%	0%
Deferred tax assets	25,837	26,368	(531)	(2%)	0%	0%
Other noncurrent assets	350,588	398,565	(47,977)	(12%)	0%	0%
Total Noncurrent Assets	81,388,350	80,196,937	1,191,413	1%	71%	72%
	₱114,332,979	₱110,914,257	3,418,722	3%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	₱5,020,202	₱6,025,663	(1,005,461)	(17%)	4%	5%
Current portion of:						
Long-term debt – net of debt issue costs	5,005,655	5,520,340	(514,685)	(9%)	4%	5%
Infrastructure restoration obligation	139,743	126,323	13,420	11%	0%	0%
Lease liabilities	5,017	2,345	2,672	114%	0%	0%
Dividends payable	96,025	96,025	-	0%	0%	0%
Income tax payable	638,880	354,515	284,365	80%	1%	0%
Total Current Liabilities	10,905,522	12,125,211	(1,219,689)	(10%)	10%	11%
Noncurrent Liabilities						
Noncurrent portion of:						
Long-term debt – net of debt issue costs	41,784,228	46,739,320	(4,955,092)	(11%)	36%	42%
Infrastructure restoration obligation	188,628	172,585	16,043	9%	0%	0%
Retention payable	121,104	78,514	42,590	54%	0%	0%
Lease liabilities	9,414	-	9,414	100%	0%	0%
Defined benefit retirement liabilities – net	50,598	79,780	(29,182)	(37%)	0%	0%
Net deferred tax liabilities	341,941	369,960	(28,019)	(8%)	0%	0%
Total Noncurrent Liabilities	42,495,913	47,440,159	(4,944,246)	(10%)	37%	43%
Total Liabilities	53,401,435	59,565,370	(6,163,935)	(10%)	47%	54%
Equity						
Capital stock	6,953,846	6,953,846	-	0%	6%	6%
Retained earnings	61,013,838	52,422,714	8,591,124	16%	53%	47%
Other comprehensive loss	(13,308)	(15,465)	(2,157)	(14%)	0%	0%
Equity reserves	(13,594,274)	(13,594,274)	-	0%	(12%)	(12%)
Equity attributable to equity holders of the						
Parent Company	54,360,102	45,766,821	8,593,281	19%	48%	41%
Non-controlling interest	6,571,442	5,582,066	989,376	18%	6%	5%
Total Equity	60,931,544	51,348,887	9,582,657	19%	53%	46%
	₱114,332,979	₱110,914,257	₱3,418,722	3%	100%	100%

Consolidated total assets as of December 31, 2025 amounted to ₱114,333.0 million, ₱3,418.7 million higher than December 31, 2024. The increase was primary driven by higher cash and cash equivalent, receivables and due from related parties, partly offset by the decrease in restricted cash, input VAT and service concession rights.

Cash and cash equivalents increased by ₱5,880.1 million or 34% due to higher cash generated from operations as a result of higher traffic in Skyway and MMSS3.

Restricted cash decreased by ₱2,969.5 million or 30% due to lower cash balance required by loan covenants.

Receivables increased by ₱224.2 million or 94% mainly due to higher toll receivable from credit card transactions.

Input VAT posted a decrease of ₱790.9 million or 27% due to higher output VAT from toll revenue claimed against input VAT.

Other current assets decreased by ₱116.6 million or 35% due to amortization of deferred input VAT.

Service concession rights posted a net decrease of ₱1,027.7 million or 1% due to amortization of service concession rights.

Due from related parties amounted to ₱2,217.8 million pertains to loans provided to various related parties to finance constructions of their respective infrastructures.

Property and equipment posted a net increase of ₱49.8 million or 24% due to acquisition of various fixed assets to be used in business activities.

Other noncurrent assets decreased by ₱48.0 million or 12% mainly due to recoupment of advances to contractor in progress billings.

Consolidated total liabilities as of December 31, 2025 amounted to ₱53,401.4 million, ₱6,163.9 million lower than December 31, 2024. The decrease was primary due to lower accounts payable and accrued expenses, and payments of long-term debt.

Accounts payable and accrued expenses decreased by ₱1,005.5 million or 17% due to payments to third-party payables and release of retention payable.

Income tax payable increased by ₱284.4 million or 80% due to higher taxable income and cessation of income tax holiday for MMSS3.

Current and non-current portion of long term-debt - net of debt issue costs, posted a net decrease of ₱5,469.8 million due to principal payments.

Noncurrent portion of retention payable increased by ₱42.6 million or 54% is due to on-going construction in MMSS3.

Consolidated total equity as of December 31, 2025 amounted to ₱60,931.5 million, higher by ₱9,582.7 million or 19% compared to December 31, 2024. The increase was mainly due to the net income generated for the year.

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%
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%
Goodwill	483,452	483,452	-	0%	0%	0%
Property and equipment	204,361	145,349	59,012	41%	0%	0%
Deferred tax assets	26,368	27,153	(785)	(3%)	0%	0%
Other noncurrent assets	398,565	216,114	182,451	84%	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 accrued expenses	₱6,025,663	₱4,950,650	₱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%
Infrastructure restoration 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%
Income tax payable	354,515	280,499	74,016	26%	0%	0%
Total Current Liabilities	12,125,211	14,765,318	(2,640,107)	(18%)	11%	14%
Noncurrent Liabilities						
Noncurrent portion of:						
Long-term debt – net of debt issue costs	46,739,320	46,505,921	233,399	1%	45%	44%
Infrastructure restoration 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%
Defined benefit retirement liabilities – net	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						
Capital 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%)
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.

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 or 2% 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.

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 increased by ₱182.5 million or 84% mainly due to additional payment for contractors, net of recoupment.

Accounts payable and accrued expenses 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 costs, 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.

III. SOURCES AND USES OF CASH

A brief summary of cash flow movement is shown below.

(Amounts in Thousands)	December 31		
	2025	2024	2023
Net cash provided by operating activities	₱17,726,953	₱18,911,860	₱16,363,762
Net cash used in investing activities	(5,082,446)	(2,332,105)	(1,838,152)
Net cash used in financing activities	(6,764,611)	(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.

Net cash used in investing activities includes the following:

(Amounts in Thousands)	December 31		
	2025	2024	2023
Additions to:			
Service concession rights	(P2,462,217)	(P2,217,585)	(P953,695)
Due from related parties	(2,217,800)	-	-
Property and equipment	(121,603)	(113,648)	(42,411)
Computer software	(5,980)	-	-
Net additions to (payments of) retention payable	(407,066)	171,404	(1,869,426)
Decrease (increase) in other noncurrent assets	124,792	(185,868)	1,026,188
Proceeds from disposal of property and equipment	7,428	1,763	1,192
Proceeds from insurance claims	-	11,829	-

Net cash used in investing activities pertains to capital expenditures for MMSS3 Quirino SB on and off ramp, MMSS3 Section 2A Prime and SKYWAY Widening projects, and acquisition of property and equipment.

Net cash used in financing activities includes the following:

(Amounts in Thousands)	December 31		
	2025	2024	2023
Payments of:			
Long-term debt	(P5,555,200)	(P38,249,815)	(P7,320,477)
Interest	(3,812,888)	(4,110,339)	(4,389,709)
Dividends to non-controlling interest	(364,234)	(1,006,818)	(908,386)
Lease liabilities	(1,744)	(3,602)	(3,520)
Net additions to (reductions from) in restricted cash	2,969,455	(1,421,087)	(2,064,356)
Proceeds from availment of long-term debt – net of debt issue costs	-	34,525,198	-

The effect of exchange rate changes on cash and cash equivalents amounted to P0.2 million, P2.2 million and (P2.4 million) for the years ended December 31, 2025, 2024 and 2023, respectively.

IV. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

As at December 31, 2025, 2024 and 2023, the Parent Company's retained earnings is in excess of its paid-in capital stock by P28,848.0 million, P28,363.9 million, and P24,934.7 million, respectively. The management is planning to use the excess retained earnings for future business opportunities.

The Group's unappropriated retained earnings include accumulated earnings in subsidiaries, which are not available for declaration as dividends until declared by the respective investees.

EVENTS AFTER THE REPORTING DATE

On March 9, 2026, the Board of Directors (BOD) approved the appropriation of retained earnings amounting to P32,071 million to fund the New Decongestion Facilities, expected to be utilized until 2028.

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 I "Financial Performance" and II "Financial Position" for the discussion of certain Key Performance Indicators.

Ratio	Formula	December 31	
		2025	2024
Current ratio	Total Current Assets	32,944,629	30,717,320
	Divided by: Total Current Liabilities	10,905,522	12,125,211
	Current ratio	3.02	2.53
Acid test ratio	Total Current Assets	32,944,629	30,717,320
	Less: Other current assets	(143,754)	(332,780)
	Quick assets	32,800,875	30,384,540
	Divided by: Total Current Liabilities	10,905,522	12,125,211
	Acid test ratio	3.01	2.51
Net Debt-to-equity ratio	Total liabilities	11,419,622	17,249,123
	Divided by: Total equity	30,537,775	25,575,963
	Net debt-to-equity ratio	0.37	0.67
Asset-to-equity ratio	Total assets	114,332,979	110,914,257
	Divided by: Total equity	60,931,544	51,348,887
	Asset-to-equity ratio	1.88	2.16
Solvency ratio	Net income before depreciation and amortization	13,502,475	12,737,258
	Divided by: Total liabilities	53,401,435	59,565,370
	Solvency ratio	0.25	0.21
Profitability			
Return on equity	Net income attributable to equity holders of the Parent Company	8,591,124	7,907,168
	Divided by: Equity attributable to equity holders of the Parent Company	54,360,102	45,766,821
	Return on equity	15.80%	17.28%
Return on assets	Net income	9,942,867	9,237,646
	Divided by: Total assets	114,332,979	110,914,257
	Return on assets	8.70%	8.33%
Net profit margin	Net income	9,942,867	9,237,646
	Divided by: Total revenue	22,432,247	21,174,042
	Net profit margin	44.32%	43.63%
Interest coverage ratio	Earnings before interest, taxes depreciation and amortization	10,726,592	12,225,499
	Divided by: Interest expense	2,428,516	2,544,953
	Interest coverage	4.42	4.80

Ratio	Formula	December 31	
		2025	2024
Revenue Growth	Current period revenue	22,432,247	21,174,042
	Divided by: Prior period revenue	21,174,042	20,265,979
	Revenue growth	6%	4%

V. OFF-BALANCE SHEET ARRANGEMENTS

The Group does not have material off-balance sheet arrangements with other entities.

VI. OTHER MATTERS

a. Commitments

The outstanding purchase commitments of the Group amounted to ₱4,719.4 million as at December 31, 2025.

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

- b. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position, Financial Performance and Cash Flows.
- c. There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.
- d. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group does not anticipate within the next 12 months any cash flow or liquidity problems. The Group was not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring payments. There were no significant amount of the Group's trade payables that have not been paid within the stated trade terms.
- e. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on revenues or income from continuing operation.
- f. There were no known events that will trigger a direct or contingent financial obligation that is material to the Group, including any defaults or acceleration of an obligations. No material contingencies and any events or transactions exist that are material to an understanding of the current period.
- g. There are no significant elements of income or loss that did not arise from continuing operations.
- h. The effects of seasonality or cyclicity on the operations of the business of the Group are not material.
- i. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period.