

COVER SHEET

for
SEC FORM 17-A

SEC Registration Number

A 1 9 9 7 0 1 4 5 1

COMPANY NAME

N L E X C O R P O R A T I O N (A S U B S I D I A R Y
O F M E T R O P A C I F I C T O L L W A Y S (C O R
P O R A T I O N)

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

N L E X C O M P O U N D , B A L I N T A W A K , C A L
O O C A N C I T Y , M E T R O M A N I L A

Form Type

1 7 - A

Department requiring the report

M S R D

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address

nlexsec@mptc.com.ph

Company's Telephone Number

(02) 8-580-8900

Mobile Number

0998-962-0895

No. of Stockholders

19

Annual Meeting (Month / Day)

Any Day in 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. Maria Theresa O. Wells

Email Address

towells@nlex.com.ph

Telephone Number/s

(02) 8-580-8900

Mobile Number

0998-962-0895

CONTACT PERSON'S ADDRESS

NLEX Compound, Balintawak, Caloocan City, Metro Manila

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SEC FORM 17-A

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

1. For the fiscal year ended: **December 31, 2023**
2. SEC Identification Number: **A1997-01451** 3. BIR Tax Identification No. : **004-984-946-000**

4. Exact name of issuer as specified in its charter:

NLEX Corporation

5. **Metro Manila, Philippines**

6. (SEC Use Only)

Province, Country or other jurisdiction of
incorporation or organization

Industry Classification Code:

7. **NLEX Compound, Balintawak, Caloocan City**
Address of principal office

1400
Postal Code

8. **+632-8-580-8900**
Issuer's telephone number, including area code

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

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

Title of Each Class

Number of Shares of Common Stock
Outstanding and Amount of Debt Outstanding

Fixed Rate Bonds Due 2024
Series A Bonds Due 2025
Series B Bonds Due 2028

Php2,600,000,000.00
Php4,000,000,000.00
Php2,000,000,000.00

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

Yes [] No []

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

N/A

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [] No []

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

Yes [] No []

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant: **N/A**

TABLE OF CONTENTS

| | |
|---|-----------|
| PART I - BUSINESS AND GENERAL INFORMATION | 4 |
| Item 1. Business | 4 |
| Item 2. Properties | 7 |
| Item 3. Legal Proceedings..... | 10 |
| Item 4. Submission of Matters to a Vote of Security Holders..... | 15 |
| PART II - OPERATIONAL AND FINANCIAL INFORMATION..... | 16 |
| Item 5. Market for Issuer's Common Equity and Related Stockholder Matters..... | 16 |
| Item 6. Management's Discussion and Analysis or Plan of Operation | 18 |
| Item 7. Financial Statements..... | 37 |
| Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure..... | 37 |
| PART III - CONTROL AND COMPENSATION INFORMATION | 38 |
| Item 9. Directors and Executive Officers of the Issuer | 38 |
| Item 10. Executive Compensation | 48 |
| Item 11. Security Ownership of Certain Beneficial Owners and Management | 49 |
| Item 12. Certain Relationships and Related Transactions..... | 51 |
| PART IV – CORPORATE GOVERNANCE..... | 52 |
| Item 13. Corporate Governance..... | 52 |
| PART V - EXHIBITS AND SCHEDULES..... | 64 |
| Item 14. Exhibits and Reports on SEC Form 17-C..... | 64 |

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Company Overview

NLEX Corporation (“NLEX Corp” or “Company”) was incorporated under the laws of the Republic of the Philippines on February 4, 1997. NLEX Corp is engaged in the development, design, construction, financing, operation, and maintenance of toll roads. It was organized for the primary purpose of constructing, financing, operating and maintaining toll road projects. As of the date of this report, NLEX Corp holds the concession for the North Luzon Expressway (“NLEX”) Project and the NLEX Connector Road Project, as well as the right to manage, operate and maintain the Subic-Clark-Tarlac Expressway (“SCTEX”).

NLEX Corp previously operated the NLEX and the SCTEX through Tollways Management Corporation (“TMC”), which served as its operations and maintenance service provider under an Operations and Management Agreement. TMC was incorporated under the laws of the Republic of the Philippines and was registered with the SEC on August 2, 2000, primarily to engage in and carry on the operations and maintenance of tollways, its facilities, interchanges and related works, or otherwise engage in the operation and maintenance of roads, highways, bridges, buildings, and structures of all kinds.

On October 19, 2016, the Board of Directors of TMC and NLEX Corp approved the merger between the two companies, with NLEX Corp as the surviving corporation (the “Merger”). The Merger became effective on December 14, 2018, which was 15 days after approval by the SEC on November 29, 2018.

The NLEX Project

The NLEX currently spans approximately 105 kilometers (“km”) or 598 lane-kms, and services an average of 323,791 vehicles per day as of end-2023. The NLEX is the main infrastructure backbone that connects Metro Manila to central and northern Luzon. NLEX Corp has operated the NLEX since February 2005 after completing the rehabilitation of the toll road under Phase I of the NLEX Concession.

In October 2008, the Toll Regulatory Board (“TRB”) approved the extension of the concession period to December 31, 2037 in view of NLEX Corp’s implementation of the 2.7-km NLEX-Mindanao Avenue Link, or Segment 8.1 of the NLEX Project, which is the first segment under Phase II of the NLEX Concession.

On June 5, 2010, Segment 8.1 was opened to the public, allowing motorists to have alternative access to NLEX from Mindanao Avenue in Quezon City, bypassing the Balintawak Toll Plaza.

On March 19, 2015, the 2.4-km Karuhatan Interchange, or Segment 9 of the NLEX Project, was opened to the public. Segment 9 connects NLEX, from Mindanao Avenue to the MacArthur Highway in Valenzuela City. It provides motorists with a third alternative access point to and from NLEX.

On April 28, 2014, NLEX Corp started the construction of Segment 10 of the NLEX Project under a target cost contract with Leighton Contractors Asia Ltd (“LCAL”). Segment 10 is an all-elevated 5.6-km expressway from MacArthur Highway in Valenzuela to C-3 Road in Caloocan City. On February 28, 2019, the Company formally opened Segment 10.

On April 2017, the TRB granted NLEX Corp a notice to proceed with respect to the R-10 Section of Segment 10 that will provide a direct link to the Manila Port area by way of an elevated ramp spanning 2.6 km along C-3 Road to R-10. On June 15, 2020, the Company formally opened the R-10 Section of Segment 10.

Likewise on February 19, 2021, the Company formally opened the new and expanded section of NLEX Segment 7 or SFEX following completion of the SFEX Capacity Expansion Project, which involved increasing the carriageway capacity of the existing SFEX between Brgy. Tipo and the Subic Bay Metropolitan Area.

SCTEX

The SCTEX is a 91-km or 362 lane-kms, stretching from Subic-Tipo until La Paz, Tarlac, connecting the special economic zones in Subic and Clark, Olongapo City, to Tarlac City. It was completed by the Bases Conversion and Development Authority (“BCDA”) in 2008 using Official Development Assistance financing from the Japan Bank of International Cooperation.

In October 2009, the BCDA conducted a competitive bidding for the selection of a private sector partner for the management, operation, and maintenance of SCTEX. NLEX Corp participated in the selection process and was eventually awarded the SCTEX Concession in June 2010. After an extended period of commercial negotiations and regulatory approvals, NLEX Corp took over the SCTEX toll facilities on October 27, 2015.

In 2016, the SCTEX toll operations were fully integrated with NLEX’s toll operations. NLEX Corp re-configured the major toll barriers between NLEX and SCTEX and installed the new NLEX toll collection system in all SCTEX toll plazas to make travel between both expressways seamless. In 2023, the average daily vehicle entries in SCTEX reached 78,600.

NLEX Connector Road Project

The NLEX Connector Road Project involves the design, financing, construction, operation, and maintenance of an 8-km elevated toll expressway over the right-of-way of the Philippine National Railways. The alignment starts at the junction of Segment 10 at C-3 Road/5th Avenue in Caloocan City and ends at the Polytechnic University of the Philippines in Sta. Mesa, Manila.

The project was approved by the National Economic and Development Authority (“NEDA”) Board under the Build-Operate-Transfer (“BOT”) Law and its Implementing Rules and Regulations (“IRR”). On September 19, 2016, Metro Pacific Tollways North Corporation (“MPT North”) (formerly Metro Pacific Tollways Development Corporation) and its subsidiary, NLEX Corp formally received the Notice of Award from the DPWH as the winning proponent for the Connector Road Project.

On November 23, 2016, NLEX Corp and Department of Public Works and Highways (“DPWH”) signed the Connector Road Concession Agreement.

Currently, the DPWH has turned over 100% of the ROW for the España section (“Section 1”) and 92% for the Sta. Mesa section (“Section 2”).

On March 29, 2023, the first 5.15-kilometer Section 1 of the NLEX Connector Road Project has been completed and opened to the public.

On October 28, 2023, NLEX Corp opened the Commercially Operable Portion of the NLEX-SLEX Connector Road Section 2. The Commercially Operable Portion is a 1.84-km portion of Section 2, starting from the end of Connector Road Section 1 at España Blvd., up to the Magsaysay Interchange via Magsaysay On- and Off-Ramps.

Presently, the construction of the connection between NLEX Connector Road and Metro Manila Skyway Segment 3 ("MMSS3") is ongoing.

Merger between NLEX Corp. and TMC

TMC, a company previously registered with the Philippine Securities and Exchange Commission ("SEC"), was primarily engaged in the operations and maintenance of tollways, its facilities, interchanges, and related works, or otherwise engage in the operation and maintenance of roads, highways, bridges, buildings and structures of all kinds.

On November 29, 2018, the SEC approved the Merger and issued a Certificate of Filing of the Articles and Plan of Merger between NLEX Corp. (surviving corporation) and TMC (absorbed corporation). The Merger became effective on December 14, 2018.

Competitive Strengths

The Company's principal strengths are the following:

- Proven track record in toll road development and management.
- Robust concessions over high-growth service areas.
- Stable traffic base.
- Dominant shareholders in the field of infrastructure development.
- Experienced management team.

Business Strategy

The Company's strategy is anchored on its mission, vision, and purpose statements.

Mission

We bring progress to communities through sustainable infrastructure and innovative mobility solutions.

Vision

We are the leader in providing safe and convenient mobility experience to all travelers.

Item 2. Properties Description and Location of Principal Properties

NLEX Corp’s principal properties are the buildings and facilities along the NLEX that were constructed for purposes of performing the management, operations, and maintenance obligations of the Company under the NLEX Supplemental Toll Operation Agreement (“STOA”).

The corporate headquarters of the Company is located at the NLEX Compound, Balintawak, Caloocan City where the Operations Management Center (“OMC”) is also located. The OMC is where the main hub of automated operations, namely the central toll computer system (“CTCS”) and the traffic control room (“TCR”), are installed.

The main maintenance and traffic management center is the Sta. Rita District Building located at Sta. Rita, Guiguinto, Bulacan. NLEX Corp also has a field office along Subic-Tipo Road for the management of NLEX Segment 7 (“SFEX”).

Other key facilities for operations located around the toll plazas along the NLEX include: the toll supervision buildings located beside major toll plazas, the mini buildings beside smaller toll plazas, customer service centers mainly for motorists’ assistance and Easytrip account reloading facilities.

Technical shelter buildings are stand-alone small structures along the stretch of the NLEX which contain electrical and telecommunications equipment.

| Location | NLEX Corp Property |
|--|---|
| NLEX Compound, Balintawak, Caloocan City | Main Office Buildings: 1. Head Office - Integrity Building 2. Head Office - Customer Focus Building 3. Head Office – Excellence Building 4. NLEX One Life Building 1 Security Admin Office, 3 Guard Houses, 1 Pump Station, 1 Genset Room, 1 Employee Lounge, 1 Pump House, 1 Electrical Service Center, 1 Point of Sale, |
| Sta. Rita, Guiguinto, Bulacan | Sta. Rita Operations District Building 1 Mech/Elec Garage, 1 Central Warehouse, 1 ODB Wellness Hub, Bulk/Chemical Storage, Service Provider Tamfacil, 1 Pump House, 1 Guard House, 1 EMS Staff Office, 1 Electrical Service Center, 1 Covered Court, 1 TMS CR, 1 Visitors Waiting Area |
| Toll Plaza Locations | |
| 1. Balintawak (Barrier), Caloocan City | 24 Payment Lanes + 1 Toll Supervision Building, 1 Customer Service Center, 1 Electrical Service Center, 1 Pump Station, 1 EMS Staff Office, 1 AOV Station |
| 2. Mindanao Avenue, Valenzuela City | 8 Payment Lanes, 1 Customer Service Center, 1 Mini Building, 1 Electrical Service Center, 1 Pump House, 1 Guard House, 1 Patrol Crew Site Toilet, |
| 3. Karuhatan, Valenzuela City | 6 Payment Lanes, 1 Mini Building, 1 Electrical Service Center, 1 Pump House, 1 Guard House, 1 Patrol Crew Site Toilet, |

| | |
|---|---|
| 4. Paso de Blas, Valenzuela City | 7 Payment Lanes, 1 Toll Supervision Building, 1 Customer Service Center, 1 Mini Building, 1 Electrical Service Center, 3 Pump Houses, 1 Guard House, 1 Pump Station, 1 Electrical/Genset Room, 1 Traffic Post |
| 5. Lawang Bato, Valenzuela City | 1 Temporary Payment Lane |
| 6. Meycauayan, Bulacan | 8 Payment Lanes, 1 Toll Supervision Building, 1 Point of Sale Building, 1 Mini Building, 1 Electrical Service Center, 2 Pump Houses, 1 Guard House, 1 Traffic Post |
| 7. Marilao, Bulacan | 6 Payment Lanes, 2 Mini Buildings, 1 Point of Sale Building, 2 Electrical Service Center, 1 Document Storage Room, 1 Guard House, 2 Pump Houses |
| 8. Ciudad De Victoria, Bocaue, Bulacan | 8 Payment Lanes, 2 Temporary Payment Lanes, 1 Patrol Crew Site Toilet |
| 9. Bocaue, Bulacan | 11 Payment Lanes + 1 Spare Lane, 3 Entry, 2 Mini Buildings, 1 Electrical Service Center, 1 Pump House, 1 Traffic Post, 1 Rest Room |
| 10. Bocaue (Barrier), Bulacan | 19 Payment Lanes + 3 Spare Lane, 1 Toll Supervision Building, 1 Electrical Service Center, 1 Pump House, 1 Guard House, 1 AOVP Stations, 1 Patrol Crew Site Toilet |
| 11. Bocaue (Barrier Expansion), Bulacan | 8 Payment Lanes |
| 12. Tambubong, Bocaue, Bulacan | 7 Payment Lanes, 1 Mini Building |
| 13. Balagtas, Bulacan | 9 Entry Lanes, 1 Toll Supervision Building, 1 Electrical Service Center, 1 Pump House, 1 Guard House, 1 Point of Sale |
| 14. Tabang, Bulacan | 6 Payment Lanes + 2 Spare Lane, 4 Entry Lanes, 1 Toll Supervision Building, 1 Electrical Service Center, 1 Pump House, 1 Guard House, 1 Point of Sale, |
| 15. Santa Rita, Bulacan | 7 Payment Lanes + 2 Spare Lane, 5 Entry Lanes, 1 Toll Supervision Building, 1 Mini Building, 2 Electrical Service Center, 1 Pump House, 1 Guard House, 1 EMS Staff Office, 1 Point of Sale, |
| 16. Pulilan, Bulacan | 6 Payment Lanes, 4 Entry Lanes, 1 Toll Supervision Building, 1 Mini Building, 1 Electrical Service Center, 1 Pump House, 1 Impounding Facility, 1 Guard House, 1 Rest Room Entry, |
| 17. San Simon, Pampanga | 5 Payment Lanes, 4 Entry Lanes + 2 Spare Lane, 1 Toll Supervision Building, 1 Mini Building, 1 Electrical Service Center, 1 Pump House, 1 Guard House, 1 Rest Room, 1 Point of Sale, |
| 18. San Fernando, Pampanga | 10 Payment Lanes + 8 Entry Lanes, 1 Toll Supervision Building, 1 Mini Building, 2 Electrical Service Centers, 1 Pump House, 1 Guard House, 1 Rest Room, |

| | |
|---|--|
| 19. Sindalan/Mexico, Pampanga | 2 Payment Lanes + 2 Entry Lanes, 1 Mini Building, 1 Electrical Service Center, 1 Pump House, 1 Storage Facility, 1 Guard House, 1 Impounding Area, |
| 20. Angeles City, Pampanga | 5 Payment Lanes + 2 Entry Lanes, 1 Mini Building, 1 Electrical Service Center, 1 Pump House, |
| 21. Dau, Pampanga | 4 Payment Lanes + 4 Entry Lanes, 1 Mini Building, 2 Electrical Service Centers, 1 Toll Supervision Building, 2 Pump Houses, 3 Rest Rooms, 1 Guard House, |
| 22. Subic Freeport Expressway, Hermosa, Bataan | 4 Entry Lanes, 1 Standard Field Office, 2 Mini Building(Entry and Exit), |
| 23. Sta. Ines, Pampanga | 3 Payment Lanes + 3 Entry Lanes, 1 Mini Building, 1 Electrical Service Center, 1 Toll Supervision Building, 1 Pump House, |
| 24. Connector Road España Toll Barrier | 8 Payment Lanes, 1 Mini Building, 1 Electrical Room |
| Technical Shelter Buildings (Various locations) | 24 Technical Shelter Buildings |

NLEX Corp also owns 166 units of transportation equipment, mainly service vehicles used for day-to-day operations.

In SCTEX, BCDA retains the ownership of the properties, buildings, and facilities which the Company manages and operates pursuant to the SCTEX Business Agreement.

There are no mortgages, liens, or encumbrance over the properties described above, other than liens arising by operation of law. These are all maintained in good working condition and will be handed over to the Government with no consideration at the end of the concession period for the NLEX Project.

NLEX Corp does not own the parcels of land over which the NLEX has been built, as these are owned by the Government. The entire NLEX roadway, including interchanges, entry/exit ramps, service roads, bridges, pedestrian and vehicular overpasses, farm crossings, and viaducts are properties of public dominion and are owned by the Government. The NLEX roadway is maintained in good working condition through periodic resurfacing of the pavement. The NLEX bridges, the biggest of which is the Candaba viaduct, are likewise regularly maintained to keep it structurally sound. These will also be handed over to the Government at no consideration at the end of the concession period for the NLEX Project.

Properties to be Acquired

While there are no definite plans to acquire properties within the next 12 months, NLEX Corp continues to evaluate its business opportunities and may, from time to time, acquire additional properties to support future expansion projects.

Item 3. Legal Proceedings

The following legal proceedings shall not materially and adversely affect NLEX Corp’s ability to conduct its business in the ordinary course.

A. Petitions for Periodic Toll Rate Adjustments

As of April 1, 2024, NLEX Corp has filed the following petitions for periodic toll rate adjustments with the TRB:

I. NLEX

| Date of Filing | Nature of Petition | Status |
|---|--|--|
| June 19, 2012 (Original) June 28, 2012 (Amended) September 27, 2012 (Supplemented) | Periodic toll rate adjustment for adjustment of toll rates for the NLEX, effective January 1, 2013 | On February 15, 2019, NLEX Corp received the Consolidated Resolution dated October 2018 issued by the TRB, which approved and allowed NLEX Corp to implement the toll rate adjustments on a staggered basis: 2019 (1 st tranche), 2020 (2 nd tranche), 2021 (3 rd tranche), and 2023 (4 th tranche). |
| September 30, 2014 | Periodic toll rate adjustment for adjustment of toll rates for the NLEX, effective January 1, 2015 | The following are the Notices to Start Collection issued by the TRB: 1 st tranche – March 20, 2019 2 nd tranche – October 9, 2020 3 rd tranche – May 6, 2021 4 th tranche – February 7, 2023. Please refer to the discussion below regarding the arbitration proceedings. |
| September 30, 2016 | Periodic toll rate adjustment for adjustment of toll rates for the NLEX, effective January 1, 2017 | On January 7, 2022, NLEX Corp received a Resolution dated July 14, 2021 issued by the TRB, which approved and allowed NLEX Corp to implement the toll rate adjustments on a date not earlier than January 1, 2022. On March 22, 2022, the TRB issued a Notice to Start Collection. |
| September 28, 2018 | Periodic toll rate adjustment for adjustment of toll rates for the NLEX, effective January 1, 2019 | On April 17, 2023, NLEX Corp received a Consolidated Resolution dated February 16, 2023 issued by the TRB, which approved and allowed NLEX Corp to implement the provisional toll rate adjustments on a staggered basis on two (2) equal tranches: 2023 (1 st tranche) and 2024 (2 nd tranche), |
| September 30, 2020 | Periodic toll rate adjustment for adjustment of toll rates for the NLEX, effective January 1, 2021 | |

| Date of Filing | Nature of Petition | Status |
|-----------------------|--|---|
| | | to implemented on a date not earlier than April 1, 2023. On May 25, 2023, the TRB issued a Notice to Start Collection for the 1 st tranche. |
| September 23, 2022 | Periodic toll rate adjustment for adjustment of toll rates for the NLEX, effective January 1, 2023 | Pending. |

II. SCTEX

| | | |
|--------------------|---|--|
| September 29, 2016 | Periodic toll rate adjustment for adjustment of toll rates for the SCTEX, effective January 1, 2017 | On April 22, 2022, NLEX Corp received a Resolution dated January 26, 2022 issued by the TRB, which approved and allowed NLEX Corp to implement the toll rate adjustments immediately. On May 24, 2022, the TRB issued a Notice to Start Collection. |
| September 30, 2020 | Periodic toll rate adjustment for adjustment of toll rates for the SCTEX, effective January 1, 2021 | On July 5, 2023, NLEX Corp received the Consolidated Resolution dated April 24, 2023 issued by the TRB, which approved and allowed NLEX Corp to implement the provisional toll rate adjustments on a staggered basis: 2023 (1 st tranche), 2024 (2 nd tranche), and 2025 (3 rd tranche). The 1 st tranche to be implemented not earlier than July 1, 2023. |
| September 30, 2022 | Periodic toll rate adjustment for adjustment of toll rates for the SCTEX, effective January 1, 2023 | On August 15, 2023, the TRB issued a Notice to Start Collection for the 1 st tranche. |
| September 29, 2023 | Periodic toll rate adjustment for adjustment of toll rates for the SCTEX, effective January 1, 2024 | Pending. |

B. Petitions for Initial Toll Rate

I. NLEX-SLEX Connector Road

| Date of Filing | Nature of Petition | Status |
|-----------------------|---|---|
| March 10, 2023 | Petition for the Implementation of the Fractional Initial Base Toll for Section 1 of the NLEX-SLEX Connector Road Project, effective April 15, 2023 | On May 3, 2023, NLEX Corp received an Order dated April 27, 2023 issued by the TRB, which approved and allowed NLEX Corp to implement the provisional Fractional Initial Base Toll for Section 1. |

| Date of Filing | Nature of Petition | Status |
|------------------|---|--|
| | | On June 21, 2023, the TRB issued a Notice to Start Collection. |
| November 6, 2023 | Supplemental Petition for the Implementation of the Updated Fractional Initial Base Toll for Section 1 and the Commercially Operable Portion Section 2 of the NLEX-SLEX Connector Road Project, effective December 11, 2023 | Pending. |

C. Arbitration Proceedings

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

In view of the failure of the ROP/TRB to heed the Final Demand, NLEX Corp was constrained to issue a Notice of Arbitration and Statement of Claim to the ROP/TRB on April 4, 2016 to preserve its rights under the STOA.

On June 24 to 27, 2019, the arbitration hearings were held in Singapore. On September 7, 2021, NLEX Corp received notice of the ruling of the Arbitral Tribunal. While the Arbitral Tribunal ruled that it has jurisdiction over the claims presented by NLEX Corp, the Arbitral Tribunal held that under the factual circumstances of the case, the TRB is not liable for unreasonable delay on the petitions for toll rate adjustment filed in 2012 and 2014 (the “2012 and 2014 Petitions”). The Arbitral Tribunal also noted that the TRB already decided on the 2012 and 2014 Petitions when the TRB issued its resolution in October 2018 approving the staggered implementation of the toll adjustments under the 2012 and 2014 Petitions, which have been implemented since March 2019. Based on the foregoing, the Arbitral Tribunal also denied NLEX Corp’s claim for damages. The Arbitral Tribunal also ruled that each party will bear the costs of arbitration in equal shares and will bear their own costs of legal representation and assistance.

Meanwhile, the ROP/TRB filed a Petition for Recognition and Enforcement of a Foreign Arbitral Award dated February 2, 2022 (“Petition”) with the Regional Trial Court (“RTC”). On May 12, 2022, NLEX Corp received the RTC’s Order dated April 21, 2022 (Order), with the Petition attached to the Order, requiring it to file its opposition to the Petition. On June 13, 2022, NLEX Corp filed its opposition and prayed that the Honorable Court deny the Petition insofar as it pertains to a particular paragraph of the foreign arbitral award’s dispositive portion.

On June 30, 2022, NLEX Corp received the RTC’s Order dated June 17, 2022 requiring the parties to file their legal briefs since the RTC deems that the issues presented are mostly legal.

On December 23, 2022, the RTC issued a Decision recognizing and enforcing in the Philippines the Final Award dated March 3, 2021, which was rendered in Singapore.

On February 2, 2023, NLEX Corp filed a Manifestation Ad Cautelam stating that NLEX Corp will not file either a Motion for Reconsideration or, or an appeal from, the Decision.

On March 31, 2023, the RTC issued a Certificate of Finality and Entry of Judgement.

D. Other Matters

I. Garlitos, Jr. v. Bases Conversion and Development Authority, Manila North Tollways Corporation and the Executive Secretary, Supreme Court (G.R. No. 217001)

Atty. Onofre G. Garlitos, Jr. filed with the Supreme Court a Petition for Prohibition and Mandamus with Prayer for Issuance of Temporary Restraining Order and/or Writ of Preliminary Injunction dated March 17, 2015, against the BCDA, NLEX Corp, and the Executive Secretary. The Petition prays that (a) a writ of preliminary mandatory and prohibitory injunction be issued enjoining the BCDA, NLEX Corp, and Executive Secretary from proceeding with the SCTEX project and compelling the BCDA to rebid the SCTEX operation and maintenance project, and (b) an order be issued (i) annulling the bidding procedure, direct negotiations, and the Price Challenge conducted by the BCDA, and the Concession Agreement, Business and Operating Agreement, and all subsequent amendments and modifications thereto and (ii) compelling the BCDA to rebid the operation and maintenance of the SCTEX.

NLEX Corp filed its comment praying that the Petition be denied. The BCDA, through the Office of the Government Corporate Counsel, and the Executive Secretary, through the OSG, also filed their respective Comment praying that the Petition be denied due course and dismissed for lack of merit. In November and December 2015, the petitioner filed a Manifestation and Motion to Resolve Prayer for TRO and/ or Writ of Preliminary Injunction. On July 4, 2016, the Supreme Court issued a Resolution noting the Manifestations of the petitioner. In February 2020, the Supreme Court issued a Notice that petitioner's counsel had failed to pay the ₱1,000 fine due to his failure to comply with a show cause resolution for non-filing of a consolidated reply to the separate comments of the Executive Secretary and BCDA. In July 2020, the Supreme Court issued another Notice for the petitioner's counsel to pay an increased fine of ₱2,000 and to comply with the resolution to file a consolidated reply to the separate comments of the Executive Secretary and BCDA. On October 28, 2020, NLEX Corp's counsel received from BCDA's counsel a Motion for Leave to File Manifestation with Motion for Submission for Resolution dated October 1, 2020. In a Resolution dated January 27, 2021, the Supreme Court noted the notice of withdrawal of petitioner's counsel. In a Resolution dated March 28, 2022, the Supreme Court (a) imposed upon petitioner's (withdrawing) counsel an additional fine which, together with the original fine, shall be paid to the Supreme Court and (b) ordered petitioner's (withdrawing) counsel to submit a consolidated reply to the separate comments of the Executive Secretary and BCDA. The case is pending.

II. Real Property Tax Issues

In July 2008 and April 2013, NLEX Corp filed Petitions for Review under Section 226 of the Local Government Code with the Local Board of Assessment Appeals of the Province of Bulacan seeking to declare as null and void tax declarations issued by the Provincial Assessor of the Province of Bulacan. The said tax declarations were issued in the name of NLEX Corp as owner/administrator/beneficial user of the NLEX and categorized the NLEX as a commercial property subject to real property tax. NLEX Corp argues that NLEX is property of the public dominion and exempt from RPT. The cases are pending.

In September 2013, NLEX Corp. received notices of realty tax delinquencies for the years 2006 to 2012 and 2013 issued by the Provincial Treasurer of Bulacan stating that if NLEX

Corp fails to pay or remit the alleged delinquent taxes, the remedies provided for under the law for the collection of delinquent taxes shall be applied to enforce collection. On September 27, 2013, the Bureau of Local Government Finance of the Department of Finance wrote a letter to the Province of Bulacan advising it to hold in abeyance any further course of action pertaining to the alleged real property tax delinquency. In October 2013, the Provincial Treasurer of Bulacan has respected the directive from the DOF-BLGF to hold the enforcement of any collection remedies in abeyance. In January 2017, the Provincial Treasurer of Bulacan issued a notice of realty tax delinquencies amounting to ₱459 million for the years 2006 to 2017 stating that it could apply the remedies provided under the law for the collection of delinquent taxes. The matter is pending.

III. Local Business Taxes

In March 2019, TMC filed an application for cessation of its business operations in Caloocan City pursuant to its merger with NLEX Corp. In April 2019, NLEX Corp received an assessment for alleged deficiency local business taxes for taxable year 2018 in the total amount of ₱13.4 million. In June 2019, NLEX Corp filed its protest on the assessment. Due to the inaction of the Office of the City Treasurer, in September 2019, NLEX Corp filed a complaint for annulment of the assessment with the Regional Trial Court of Caloocan City with a claim for refund in the amount of ₱5.4 million, representing excess LBT paid for taxable year 2018. The parties submitted their respective memoranda. On June 7, 2023, the Regional Trial Court of Caloocan City issued a decision dismissing the NLEX Corp complaint and ruled in favor of the City of Caloocan. On August 2, 2023, NLEX Corp. filed a motion for reconsideration while the City of Caloocan filed its opposition to NLEX Corp's motion for reconsideration on September 5, 2023. On September 11, 2023, NLEX Corp filed a motion to admit with reply with the Regional Trial Court of Caloocan City. On October 31, 2023, the Regional Trial Court of Caloocan City denied the NLEX's Motion for Reconsideration. Hence, on December 7, 2023, NLEX Corp. filed a Petition for Review with the Court of Tax Appeals ("CTA"). The case is pending with the CTA.

In September 2019, the Business Permit and Licensing Office ("BPLO") of the City of Valenzuela issued a demand to pay billing statement for alleged deficiency local business tax amounting to ₱47.8 million. Subsequently, the BPLO cancelled the initial billing and issued a revised assessment for alleged deficiency local business taxes in the reduced amount of ₱26.5 million. In November 2019, NLEX Corp paid the reduced amount under protest. In January 2020, NLEX Corp filed its protest with a claim for refund of the revised assessment. Due to the inaction of the Office of the City Treasurer, NLEX Corp filed a complaint for annulment of the assessment with the Regional Trial Court of Caloocan City. In April 2023, NLEX Corp received the Regional Trial Court's decision dated March 13, 2023 granting the refund of the ₱22.8M representing revenues from toll services. The refund of the ₱3M portion pertaining to signage services was denied on the ground of lack of jurisdiction. NLEX Corp and the City of Valenzuela filed their respective partial motion for reconsideration. In May 2023, the Regional Trial Court issued an order denying NLEX Corp's and the City of Valenzuela's respective partial motion for reconsideration. In June 2023, the City of Valenzuela filed a petition for review before the Court of Tax Appeals ("CTA"), which was docketed as CTA Case No. 296 while in July 2023, NLEX Corp filed a petition for review before the CTA which was docketed as CTA Case No. 297. On August 22, 2023, the City of Valenzuela filed its comment/opposition to the petition filed by NLEX Corp. On August 23, 2023, NLEX Corp filed with the CTA a motion for consolidation of the CTA Case Nos. 296 and 297. On August 30, 2023, the CTA issued a resolution for CTA Case No. 296 directing NLEX Corp. to file a comment to the petition filed by the City of Valenzuela and a resolution for CTA Case No. 297 directing the parties to submit their respective memoranda. The City of Valenzuela was ordered in the CTA's resolution for CTA Case No. 296 to file its comment to the motion for consolidation of the CTA Case Nos. 296 and 297. On October 9, 2023, NLEX Corp filed its memorandum in CTA Case No. 297. On October 16, 2023, NLEX Corp filed its

comment to the petition filed by the City of Valenzuela. On November 15, 2023, the CTA issued a Minute of Resolution, noting the Comment/Opposition filed by the City of Valenzuela to NLEX Motion to Consolidate. In view thereof, the said Motion to Consolidate is now pending for resolution. The City of Valenzuela's Petition for Review is likewise submitted for resolution.

In November 2019, the City Treasurer of Valenzuela issued to NLEX Corp an assessment for alleged deficiency LBT for the years 2013 to 2019 in the amount of ₱9.9 million. The assessment pertains to the imposition of LBT on the VAT component of NLEX Corp's gross receipts for the said years. In November 2019, NLEX Corp timely filed its protest to the assessment. The City Treasurer of Valenzuela failed to act on the protest filed by NLEX Corp within the period provided in the Local Government Code. Hence, in February 2020, NLEX Corp filed a complaint for the annulment of the assessment with the Regional Trial Court of Valenzuela City. The Regional Trial Court issued a decision cancelling and setting aside the deficiency assessment. The City of Valenzuela filed a motion for reconsideration but the trial court issued a resolution denying the motion for reconsideration. In April 2023, the City of Valenzuela filed a petition for review with the CTA, while NLEX Corp filed its comment to the City of Valenzuela's petition on August 24, 2023. On September 12, 2023, the CTA issued a resolution ordering NLEX Corp to file a Memorandum. On October 12, 2023, NLEX Corp filed a Memorandum. On November 23, 2023, the City of Valenzuela filed its Memorandum with the CTA. The case is submitted for resolution as both parties have filed their respective Memorandum.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

NLEX Corp has an authorized capital stock of ₱4,000,000,000.00 comprised of 40,000,000 common shares with a par value of ₱100 per common share. As of the date of this report, 18,786,000 common shares of NLEX Corp's authorized capital stock have been issued and are outstanding. The common shares of NLEX Corp are not traded in any market, nor are they subject to outstanding warrants to purchase, or securities convertible into common shares of NLEX Corp.

Holders

As of April 1, 2024, NLEX Corp has 19 stockholders, 14 of whom are individuals with at least one (1) share each. The following sets out the shareholdings of the 19 stockholders and the approximate percentages of their respective shareholdings to NLEX Corp's total outstanding common stocks:

| Name of Stockholder | Class of Securities | Number of Shares | % of Outstanding Shares |
|--|---------------------|-------------------|-------------------------|
| Metro Pacific Tollways Corporation | Common | 13,297,011 | 70.78% |
| BDO Unibank, Inc. | Common | 2,197,800 | 11.70% |
| Egis Investment Partners Philippines, Inc. | Common | 1,909,379 | 10.16% |
| Globalfund Holdings, Inc. | Common | 732,598 | 3.90% |
| Republic of the Philippines | Common | 649,198 | 3.46% |
| Manuel V. Pangilinan | Common | 1 | 0.00% |
| Jose Ma. K. Lim | Common | 1 | 0.00% |
| Rogelio L. Singson | Common | 1 | 0.00% |
| Christopher Daniel C. Lizo | Common | 1 | 0.00% |
| Rodrigo E. Franco | Common | 1 | 0.00% |
| J. Luigi L. Bautista | Common | 1 | 0.00% |
| Jose T. Sio | Common | 1 | 0.00% |
| Frederic C. DyBuncio | Common | 1 | 0.00% |
| Matthieu Ulivieri | Common | 1 | 0.00% |
| Catherine L. Fong | Common | 1 | 0.00% |
| Arlyn Sicangco – Villanueva | Common | 1 | 0.00% |
| Lisset Laus-Velasco | Common | 1 | 0.00% |
| Emmanuel G. Herbosa | Common | 1 | 0.00% |
| Elpidio C. Jamora, Jr. | Common | 1 | 0.00% |
| TOTAL | | 18,786,000 | 100% |

Dividend Policy

Under Philippine law, dividends may be declared out of a corporation's unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders based on outstanding stock held by them. The approval of the board of directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of the stockholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular or special meeting duly called for the purpose. Dividends may be declared at the discretion of the board of directors and will depend upon the future results of operations and general financial condition, capital requirements, legal, regulatory, and contractual restrictions, loan obligations and other factors the Board of Directors may deem relevant.

Historical Dividends

The Company's Board of Directors has approved the declaration and payment of the following dividends to the shareholders in the past three years, as follows:

2023

| Date of Approval | Date of Record | Type of Dividend | Amount (₱) | Dividend per Share (₱) |
|-------------------|-------------------|------------------|-------------------|------------------------|
| March 6, 2023 | March 21, 2023 | Cash | ₱1,400,000,000.00 | ₱74.52 |
| July 17, 2023 | August 1, 2023 | Cash | ₱3,500,000,000.00 | ₱186.31 |
| December 15, 2023 | December 29, 2023 | Cash | ₱2,800,000,000.00 | ₱149.05 |

2022

| Date of Approval | Date of Record | Type of Dividend | Amount (₱) | Dividend per Share (₱) |
|-------------------|-------------------|------------------|-------------------|------------------------|
| July 6, 2022 | August 10, 2022 | Cash | ₱2,700,000,000.00 | ₱143.72 |
| December 15, 2022 | December 31, 2022 | Cash | ₱1,300,000,000.00 | ₱69.20 |

2021

| Date of Approval | Date of Record | Type of Dividend | Amount (₱) | Dividend per Share (₱) |
|-------------------|-------------------|------------------|-------------------|------------------------|
| July 28, 2021 | August 6, 2021 | Cash | ₱2,168,000,000.00 | ₱115.41 |
| December 16, 2021 | December 31, 2021 | Cash | ₱2,036,000,000.00 | ₱108.38 |

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

Other than the promissory notes issued in connection with NLEX Corp's loan agreements, NLEX Corp has not sold unregistered or exempt securities, nor has it issued securities constituting an exempt transaction within the past three (3) years.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited financial statements and the related notes as of December 31, 2023, December 31, 2022 and December 31, 2021 and for the years ended December 31, 2023, December 31, 2022 and December 31, 2021 included elsewhere in this report. This discussion contains forward-looking statements that reflect our current views with respect to future events and our future financial performance. These statements involve risks and uncertainties, and our actual results may differ materially from those anticipated in these forward-looking statements.

Financial Highlights and Key Performance Indicators:

Statement of Income Data

| In ₱, Millions | For the year 2023 (Audited) | For the year 2022 (Audited) | Increase (Decrease) | |
|---|-----------------------------------|-----------------------------------|------------------------|------|
| | | | Amount | % |
| Operating revenues | ₱21,616 | ₱18,178 | ₱3,438 | 19 |
| Cost of services | (7,527) | (6,669) | 858 | 13 |
| General and administrative expenses | (1,171) | (960) | 211 | 22 |
| Interest expense and other finance costs – net of interest income of ₱137 million in 2023 and ₱60 million in 2022 | (967) | (1,061) | 94 | 9 |
| Foreign exchange loss - net | 1 | 1 | - | - |
| Other income | 240 | 298 | (58) | (19) |
| Provision for income tax | (2,179) | (1,783) | 396 | 22 |
| Net income | ₱10,013 | ₱8,004 | ₱2,009 | 25 |
| Net income margin | 46% | 44% | | |

Statement of Financial Position

| In ₱, Millions | Dec 2023 (Audited) | Dec 2022 (Audited) | Increase (Decrease) | |
|---------------------------|-----------------------|-----------------------|------------------------|------|
| | | | Amount | % |
| Cash and cash equivalents | ₱4,048 | ₱5,404 | (₱1,356) | (25) |
| Total assets | 86,712 | 78,133 | 8,579 | 11 |
| Total liabilities | 58,570 | 52,293 | 6,277 | 12 |
| Total equity | ₱28,142 | ₱25,840 | ₱2,302 | 9 |

Business Overview

NLEX Corp holds the concession to operate and maintain the NLEX and the SCTEX. The Company also holds the concession to construct, operate and maintain the NLEX Connector Road ("Connector Road"). The Company generates revenues mainly from toll fees collected from motorists who use the NLEX, SCTEX, and the partially completed section of the Connector Road Project in travelling from Metro Manila going to the Central and Northern Luzon regions and vice versa.

The NLEX currently spans approximately 105 kilometers or 598 lane-kms and provided passage to an average of 323,791 vehicles per day in 2023. The NLEX is the main infrastructure backbone that connects Metro Manila to Central and Northern Luzon.

Phase 1 of the NLEX concession was completed in February 2005, while Phase II, a purely "greenfield" expressway, is being constructed progressively and certain segments will be opened to commercial traffic as these are completed. Completed projects under Phase II include Segment 8.1, Segment 9 and Segment 10.

On February 28, 2019, the Company inaugurated and opened NLEX Segment 10. On June 15, 2020, the Company officially opened the R10 Section of Segment 10, further extending Segment 10 to Radial Road 10 in Manila. In 2021, the Company opened the newly widened NLEX Segment 7 or the SFEX.

Since October 27, 2015, NLEX Corp also holds the concession for the management, operation and maintenance of the SCTEX as private-sector partner of BCDA. The SCTEX is a 91-km expressway which spans from Subic-Tipo in Olongapo, Zambales to La Paz, Tarlac.

The average daily traffic for NLEX in 2023 reached 323,791 daily entries, while for SCTEX average daily traffic was at 78,600 vehicle entries. Traffic figures for 2023 were higher than 2022 figures by 13% and 9%, respectively, due to the sustained recovery in travel demand and implementation of toll rate adjustments during the year. In addition, NLEX Connector traffic reached 12,688 daily entries since the partial operations of Section 1 on August 8, 2023.

This resulted in consolidated total revenues of ₱21.6 billion, 19% or ₱3.4 billion higher from 2022 figures. Net income for 2023 amounted to ₱10.0 billion, 25% higher than 2022 figures due to higher traffic volume, increased cost efficiencies and impact of toll rate adjustments implemented during the year. In addition, the Company generates non-toll revenues from utilities and toll service facilities.

Results of Operations

The tables in the following page show the consolidated revenues, expenses, other income, income before income tax, and net income of NLEX Corp for the years ended December 31, 2023 and December 31, 2022.

December 31, 2023 Compared to December 31, 2022

Revenues

The following table shows the breakdown of revenues for the years ended December 31, 2023 and 2022 by revenue source:

| In ₱, Millions | For the year 2023 (Audited) | | For the year 2022 (Audited) | | Higher (Lower) | |
|-------------------------------------|--------------------------------|-----|--------------------------------|-----|----------------|------|
| | Amount | % | Amount | % | Amount | % |
| Toll fees - net | ₱21,498 | 99 | ₱18,072 | 100 | ₱3,426 | 19 |
| Income from toll service facilities | 111 | 1 | 85 | - | 26 | 31 |
| Income from utility facilities | 7 | - | 21 | - | (14) | (67) |
| Total revenues | ₱21,616 | 100 | ₱18,178 | 100 | ₱3,438 | 19 |

The Company's operating revenues were derived mainly from toll fees in NLEX, SCTEX and NLEX Connector. The Company also generated other income from fees collected from toll service facilities located along NLEX.

As of December 31, 2023, toll revenues reached ₱21.5 billion, ₱3.7 billion or 19% higher compared to the prior year due to higher traffic figures and implementation of overdue toll rate adjustments.

The Company's toll revenues were comprised of 81% from NLEX and 18% from SCTEX. In addition, NLEX Connector started to contribute to the Company's toll revenues starting August 8, 2023.

The Company also generated higher revenues from toll services facilities in 2023 amounting to ₱111 million, higher by ₱26 million or 31% versus the ₱85 million recorded in 2022.

Cost of Services

The Company's cost of services consists mainly of concession fees to BCDA and PNCC, repairs and maintenance of roads and tollways, amortization of service concession assets and salaries and employee benefits which altogether account for around 69% of the total cost of toll operations.

Cost of services increased to ₱7.5 billion, ₱858 million or 13% higher than 2022 figures. The increase in costs was largely due to higher concession and PNCC fees which were charged as a fixed percentage of toll revenues, higher pavement repairs and maintenance costs of roads and tollways and higher amortization of concession assets due to the higher traffic and toll rate adjustments implemented in 2023.

The table below shows the details of the costs of services for the years ended December 31, 2023 and 2022.

| In ₱, Millions | For the year 2023 (Audited) | | For the year 2022 (Audited) | | Higher (Lower) | |
|---------------------|--------------------------------|----|--------------------------------|----|----------------|-----|
| | Amount | % | Amount | % | Amount | % |
| Concession fees | ₱1,946 | 26 | ₱1,629 | 24 | ₱317 | 19 |
| Amortization of SCA | 1,350 | 18 | 1,219 | 18 | 131 | 11 |
| Outside services | 1,066 | 14 | 1,127 | 17 | (61) | (5) |
| PNCC fee | 1,026 | 14 | 872 | 13 | 154 | 18 |

| | | | | | | |
|---|---------------|-----|--------|-----|-------|------|
| Salaries and employee benefits | 860 | 11 | 721 | 11 | 139 | 19 |
| Repairs and maintenance of roads and tollways | 442 | 6 | 277 | 4 | 165 | 60 |
| Insurance | 142 | 2 | 136 | 3 | 6 | 4 |
| Light & Water | 128 | 2 | 114 | 2 | 14 | 12 |
| Fuel & oil | 103 | 1 | 113 | 2 | (10) | (9) |
| Provision for heavy maintenance | 98 | 1 | 219 | 3 | (121) | (55) |
| Depreciation of property and equipment | 65 | 1 | 67 | 1 | (2) | (3) |
| Advertising & promotions | 57 | 1 | 28 | 0 | 29 | 104 |
| TRB Fee | 55 | 1 | 46 | 1 | 9 | 20 |
| Provisions | 55 | 1 | 14 | 0 | 41 | 293 |
| Professional Fee | 31 | 0 | 18 | 0 | 13 | 72 |
| Toll collection and medical services | 18 | - | 15 | - | 3 | 20 |
| Taxes and Licenses | 15 | - | 11 | - | 4 | 36 |
| Amortization of other intangible assets | 9 | - | 9 | - | - | - |
| Others | 61 | 1 | 34 | 1 | 27 | 79 |
| Total cost of services | ₱7,527 | 100 | ₱6,669 | 100 | ₱858 | 13 |

General and Administrative Expenses

The following table shows the breakdown of general and administrative expenses for the years ended December 31, 2023 and December 31, 2022:

| In ₱, Millions | For the year 2023 (Audited) | | For the year 2022 (Audited) | | Higher (Lower) | |
|---|--------------------------------|-----|--------------------------------|-----|----------------|-------|
| | Amount | % | Amount | % | Amount | % |
| Salaries and employee benefits | ₱401 | 36 | ₱395 | 41 | ₱6 | 2 |
| Professional fees | 148 | 13 | 199 | 21 | (51) | (26) |
| Advertising and marketing expenses | 139 | 12 | 68 | 7 | 71 | 104 |
| Taxes and licenses | 135 | 12 | 95 | 10 | 40 | 42 |
| Outside services | 90 | 8 | 45 | 5 | 45 | 100 |
| Provisions | 55 | 5 | 23 | 2 | 32 | 139 |
| Representation and travel | 35 | 3 | 16 | 2 | 19 | 119 |
| Provision for estimated credit losses | 35 | 3 | 5 | 1 | 30 | 600 |
| Depreciation of property and equipment | 34 | 3 | 35 | 4 | (1) | (3) |
| Management fees | 31 | 3 | 10 | 1 | 21 | 210 |
| Office supplies | 13 | 2 | 9 | 1 | 4 | 44 |
| Training and development costs | 11 | 1 | 10 | 1 | 1 | 10 |
| Rentals | 3 | 1 | 3 | - | - | - |
| Communication, light and water | 2 | 1 | 3 | - | (1) | (33) |
| Repairs and maintenance | 2 | 1 | 36 | 4 | (34) | (94) |
| Directors' Fees | 2 | 1 | 3 | - | (1) | (33) |
| Amortization of other intangible assets | - | - | 1 | - | (1) | (100) |
| Others | 35 | 3 | 4 | - | 31 | 775 |
| Total G&A expense | ₱1,171 | 100 | ₱960 | 100 | ₱211 | 22 |

General and administrative expenses in 2023 amounted to ₱1.2 billion, ₱211 million or 22% higher than 2022 figures. This was due to the increase in advertising and marketing expenses,

outside services, taxes and licenses, provisions, and management fees offset by lower professional fees and repairs and maintenance.

Interest and Financing Costs

Interest expense and other finance costs (net of interest income) amounted to ₱967 million, ₱94 million or 9% lower than 2022 figures. Interest expense on loans amounting to ₱1.1 billion was at par with last year's figures mainly due to the refinancing of matured loans. In addition, interest income for 2023 reached ₱137 million, 128% or ₱77 million higher than 2022 figures.

In addition, borrowing costs associated with existing expansion projects have been capitalized. Total borrowing costs capitalized amounted to ₱1,510.8 million and ₱1,004.5 million for the years ended December 31, 2023 and 2022, respectively.

The table below shows the breakdown of interest expense and other finance costs for the years ended December 31, 2023 and 2022:

| In ₱, Millions | For the year 2023 (Audited) | | For the year 2022 (Audited) | | Higher (Lower) | |
|----------------------------------|--------------------------------|-----|--------------------------------|-----|----------------|------|
| | Amount | % | Amount | % | Amount | % |
| Interest Expense on: | | | | | | |
| Bank loans | (₱1,040) | 94 | (₱1,040) | 93 | ₱- | - |
| Provision for heavy maintenance | (30) | 3 | (61) | 5 | (31) | (51) |
| Finance Cost: | | | | | | |
| Amortization of DIC | (18) | 2 | (16) | 2 | (2) | 13 |
| Lenders' fee | (16) | 1 | (4) | 0 | (12) | 300 |
| Bank charges | 0 | 0 | 0 | 0 | - | - |
| Total Interest & Financing Costs | (1,105) | 100 | (1,121) | 100 | (17) | (2) |
| Interest Income: | | | | | | |
| Cash and cash equivalents | 136 | 99 | 59 | 98 | 77 | 131 |
| Others | 1 | 1 | 1 | 2 | - | - |
| Total Interest Income | 137 | 100 | 60 | 100 | 77 | 128 |
| Net Interest Expense | (₱967) | | (₱1,061) | | (₱94) | (9) |

Net Income

Net income ended at ₱10.0 billion, with ₱2.0 billion or 25% increase from last year's results driven by higher toll revenues and controlled costs.

December 31, 2022 Compared to December 31, 2021

Revenues

The following table shows the breakdown of revenues for the years ended December 31, 2022 and 2021 by revenue source:

| In ₱, Millions | For the year 2022 (Audited) | | For the year 2021 (Audited) | | Higher (Lower) | |
|-------------------------------------|--------------------------------|------------|--------------------------------|-----|----------------|-------|
| | Amount | % | Amount | % | Amount | % |
| Toll fees - net | ₱18,072 | 100 | ₱14,031 | 100 | ₱4,041 | 29 |
| Income from advertising | - | - | 7 | - | (7) | (100) |
| Income from toll service facilities | 85 | - | 53 | - | 32 | 60 |
| Income from utility facilities | 21 | - | 5 | - | 16 | 320 |
| Total revenues | ₱18,178 | 100 | ₱14,096 | 100 | ₱4,082 | 29 |

The Company's operating revenues were derived mainly from toll fees in NLEX and SCTEX. The Company also generated other income from toll service facilities located along the NLEX and rental revenues.

As of December 31, 2022, toll revenues reached ₱18.2 billion, ₱4.1 billion or 29% higher compared to the prior year due to lifted restriction mobility. The increase in revenues was due to the higher traffic figures, due to revenge travel and the toll rate adjustments implemented during the year.

The Company's toll revenues are comprised of 82% from NLEX toll revenues, while SCTEX contributed 18% to the total toll revenues reported in 2022.

In addition to toll revenues, the Company also generated higher revenues from toll services and utility facilities in 2022 amounting to ₱106 million higher by 83% versus the ₱58 million recorded in 2021.

The increase in non-toll revenues are attributed to the increase in TSF royalty fees, due to the increase in traffic volume, and the higher revenues from utility facilities.

Cost of Services

The Company's cost of services consists mainly of concession fees to BCDA and PNCC, amortization of service concession assets and salaries and employee benefits which altogether account for around 68% of the total cost of toll operations.

Cost of services increased to ₱6.7 billion, ₱1.3 billion or 24% higher than 2021 figures. The increase in costs was largely due to higher concession and PNCC fees which were charged as a fixed percentage of toll revenues and higher amortization of concession assets due to the higher traffic and toll rate adjustments implemented in 2022.

The table below shows the details of the costs of services for the years ended December 31, 2022 and 2021.

| In ₱, Millions | For the year 2022 (Audited) | | For the year 2021 (Audited) | | Higher (Lower) | |
|---|--------------------------------|-----|--------------------------------|-----|----------------|------|
| | Amount | % | Amount | % | Amount | % |
| Concession fees | ₱1,629 | 25 | ₱1,116 | 21 | ₱513 | 46 |
| Amortization of SCA | 1,219 | 18 | 993 | 19 | 226 | 23 |
| Outside services | 1,127 | 17 | 650 | 12 | 477 | 73 |
| PNCC fee | 872 | 13 | 718 | 14 | 154 | 21 |
| Salaries and employee benefits | 721 | 11 | 827 | 15 | (106) | (13) |
| Repairs and maintenance of roads and tollways | 277 | 4 | 283 | 5 | (6) | (2) |
| Provision for heavy maintenance | 219 | 3 | 209 | 4 | 10 | 5 |
| Insurance | 136 | 2 | 140 | 3 | (4) | (3) |
| Light & Water | 114 | 2 | 94 | 2 | 20 | 21 |
| Fuel & oil | 113 | 2 | 67 | 1 | 46 | 69 |
| Depreciation of property and equipment | 67 | 1 | 82 | 2 | (15) | (18) |
| TRB Fee | 46 | 1 | 23 | - | 23 | 100 |
| Advertising & promotions | 28 | - | 27 | 1 | 1 | 4 |
| Professional Fee | 18 | - | 13 | - | 5 | 38 |
| Toll collection and medical services Provisions | 15 | - | 16 | - | (1) | (6) |
| Provisions | 14 | - | 23 | - | (9) | (39) |
| Amortization of other intangible assets | 9 | - | 8 | - | 1 | 13 |
| Others | 45 | 1 | 73 | 1 | (28) | (38) |
| Total cost of services | ₱6,669 | 100 | ₱5,362 | 100 | ₱1,307 | 24 |

General and Administrative Expenses

The following table shows the breakdown of general and administrative expenses for the years ended December 31, 2022 and December 31, 2021:

| In ₱, Millions | For the year 2022 (Audited) | | For the year 2021 (Audited) | | Higher (Lower) | |
|--|--------------------------------|----|--------------------------------|----|----------------|------|
| | Amount | % | Amount | % | Amount | % |
| Salaries and employee benefits | ₱395 | 41 | ₱281 | 27 | ₱114 | 41 |
| Professional fees | 199 | 21 | 160 | 17 | 39 | 24 |
| Taxes and licenses | 95 | 10 | 85 | 9 | 10 | 12 |
| Advertising and marketing expenses | 68 | 7 | 51 | 5 | 17 | 33 |
| Outside services | 45 | 5 | 17 | 2 | 28 | 165 |
| Repairs and maintenance | 36 | 4 | 24 | 3 | 12 | 50 |
| Depreciation of property and equipment | 35 | 4 | 32 | 3 | 3 | 9 |
| Provisions | 23 | 2 | 30 | 3 | (7) | (23) |
| Representation and travel | 16 | 2 | 11 | 1 | 5 | 45 |
| Training and development costs | 10 | 1 | 2 | - | 8 | 400 |
| Management fees | 10 | 1 | 187 | 19 | (177) | (95) |
| Office supplies | 9 | 1 | 8 | 1 | 1 | 13 |
| Provision for estimated credit losses | 5 | 1 | 2 | - | 3 | 150 |
| Rentals | 3 | - | 3 | - | - | - |

| | | | | | | |
|---|-------------|-----|------|-----|------|-------|
| Directors' Fees | 3 | - | 2 | - | 1 | 50 |
| Communication, light and water | 3 | - | 3 | - | - | - |
| Amortization of other intangible assets | 1 | - | 2 | - | (1) | (50) |
| Decline in value of asset | - | - | 27 | 3 | (27) | (100) |
| Decline in value of inventories | - | - | 4 | - | (4) | (100) |
| Others | 4 | - | 29 | 3 | (25) | (86) |
| Total G&A expense | ₱960 | 100 | ₱960 | 100 | ₱- | - |

General and administrative expenses in 2022 amounted to ₱960 million, same as in 2021. The 95% reduction in management fee was a result of the reversal of capitalized 2019 to 2020 management fees to expense which amounts to ₱132.3 million that was reflected in 2021.

Interest and Financing Costs

Interest expense and other finance costs (net of interest income) amounted to ₱1.1 billion, ₱98 million or 8% lower than 2021 figures. Interest expense on loans amounting to ₱1.1 billion was lower by 6% versus last year due to the reduction in loan facilities which are not currently capitalized. In addition, interest income was higher by 50% or ₱30 million at ₱60 million in 2022.

In addition, borrowing costs associated with existing expansion projects have been capitalized. Total borrowing costs capitalized amounted to ₱1,004.5 million and ₱703.7 million for the years ended December 31, 2022 and 2021, respectively.

The table below shows the breakdown of interest expense and other finance costs for the years ended December 31, 2022 and 2021:

| In ₱, Millions | For the year 2022 (Audited) | | For the year 2021 (Audited) | | Higher (Lower) | |
|----------------------------------|--------------------------------|-----|--------------------------------|-----|----------------|-------|
| | Amount | % | Amount | % | Amount | % |
| Interest Expense on: | | | | | | |
| Bank loans | (₱1,040) | 93 | (₱1,098) | 92 | (₱58) | (5) |
| Provision for heavy maintenance | (61) | 5 | (29) | 2 | 32 | 110 |
| Finance Cost: | | | | | | |
| Amortization of DIC | (16) | 2 | (24) | 2 | (8) | (33) |
| Loan prepayment fees | 0 | 0 | (32) | 3 | (32) | (100) |
| Lenders' fee | (4) | 0 | (6) | 1 | (2) | (33) |
| Bank charges | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Interest & Financing Costs | (1,121) | 100 | (1,189) | 100 | (68) | (6) |
| Interest Income: | | | | | | |
| Cash and cash equivalents | 59 | 98 | 28 | 93 | 31 | 111 |
| Investment in bonds-AFS | 0 | 0 | 2 | 7 | (2) | (100) |
| Others | 1 | 2 | 0 | 0 | 1 | 100 |
| Total Interest Income | 60 | 100 | 30 | 100 | 30 | 100 |
| Net Interest Expense | (₱1,061) | | (₱1,159) | | ₱98 | 8 |

Net Income

Net income for the year 2022 amounted to ₱8.0 billion, 35% or ₱2.1 billion higher than last year mainly due to higher recorded revenues offset by the concession fees and amortization costs during the year.

December 31, 2021 Compared to December 31, 2020

Revenues

The following table shows the breakdown of revenues for the years ended December 31, 2021 and 2020 by revenue source:

| In ₱, Millions | For the year 2021 (Audited) | | For the year 2020 (Audited) | | Higher (Lower) | |
|-------------------------------------|--------------------------------|-----|--------------------------------|-----|----------------|------|
| | Amount | % | Amount | % | Amount | % |
| Toll fees - net | ₱14,031 | 100 | ₱10,860 | 99 | ₱3,171 | 29 |
| Income from advertising | 7 | - | 72 | 1 | (65) | (90) |
| Income from toll service facilities | 53 | - | 38 | - | 15 | 39 |
| Income from utility facilities | 5 | - | 4 | - | 1 | 25 |
| Total revenues | ₱14,096 | 100 | ₱10,974 | 100 | ₱3,122 | 28 |

The Company's operating revenues were derived mainly from toll fees in NLEX and SCTEX. The Company also generated other income from advertising placements, fees from toll service facilities located along the NLEX and rental revenues.

As of December 31, 2021, toll revenues reached ₱14.1 billion, ₱3.1 billion or 28% higher compared to the prior year due to lifted restriction mobility. The increase in revenues was due to the higher traffic figures, because of the gradual re-opening of the economy since the start of the COVID-19 pandemic. The higher traffic figures were also supported by the toll rate adjustments implemented in May 2021.

The Company's toll revenues are comprised of 84% from NLEX toll revenues, while SCTEX contributed 16% to the total toll revenues reported in 2021.

In addition to toll revenues, the Company also generated revenues arising from advertising, toll services and utility facilities 2021 amounting to ₱65 million lower by 42% versus the ₱114 million recorded in 2020. The decrease in non-toll revenues is attributed also to the agreement between NLEX Corp and NLEX Ventures appointing the latter as exclusive partner for advertising within expressways in which NLEX Corp assigned all its rights and obligations under the advertising contract to NVC starting February 1, 2021.

Cost of Services

The Company's cost of services consists mainly of concession fees to BCDA and PNCC, amortization of service concession assets and salaries and employee benefits which altogether account for around 68% of the total cost of toll operations.

Cost of services increased to ₱5.4 billion, ₱795 million or 17% higher than 2020 figures. The increase in costs was largely due to higher concession and PNCC fees which were charged as a fixed percentage of toll revenues and higher amortization of concession assets due to the higher traffic in NLEX and SCTEX in 2021.

The table below shows the details of the costs of services for the years ended December 31, 2021 and 2020.

| In ₪, Millions | For the year 2021 (Audited) | | For the year 2020 (Audited) | | Higher (Lower) | |
|---|--------------------------------|-----|--------------------------------|-----|----------------|------|
| | Amount | % | Amount | % | Amount | % |
| Concession fees | ₪1,116 | 21 | ₪898 | 20 | ₪218 | 24 |
| Amortization of SCA | 993 | 19 | 759 | 17 | 234 | 31 |
| Salaries and employee benefits | 827 | 15 | 655 | 14 | 172 | 26 |
| PNCC fee | 718 | 13 | 555 | 12 | 163 | 29 |
| Outside services | 650 | 12 | 449 | 10 | 201 | 45 |
| Repairs and maintenance of roads and tollways | 283 | 5 | 318 | 7 | (35) | (11) |
| Provision for heavy maintenance | 209 | 4 | 311 | 7 | (102) | (33) |
| Insurance | 140 | 3 | 121 | 2 | 19 | 16 |
| Light & Water | 94 | 2 | 74 | 2 | 20 | 27 |
| Depreciation of property and equipment | 82 | 2 | 79 | 2 | 3 | 4 |
| Fuel & oil | 67 | 1 | 49 | 1 | 18 | 37 |
| Supplies | 28 | 1 | 25 | 1 | 3 | 12 |
| Advertising & promotions | 27 | 1 | 102 | 2 | (75) | (74) |
| Provisions | 23 | - | 16 | - | 7 | 44 |
| Toll collection and medical services | 16 | - | 18 | - | (2) | (11) |
| Professional Fee | 13 | - | 10 | - | 3 | 30 |
| Others | 76 | 1 | 128 | 3 | (52) | (41) |
| Total cost of services | ₪5,362 | 100 | ₪4,567 | 100 | ₪795 | 17 |

General and Administrative Expenses

The following table shows the breakdown of general and administrative expenses for the years ended December 31, 2021 and December 31, 2020:

| In ₪, Millions | For the year 2021 (Audited) | | For the year 2020 (Audited) | | Higher (Lower) | |
|--|--------------------------------|----|--------------------------------|----|----------------|------|
| | Amount | % | Amount | % | Amount | % |
| Salaries and employee benefits | ₪281 | 29 | ₪435 | 48 | (₪154) | (35) |
| Management fees | 187 | 20 | 59 | 7 | 128 | 217 |
| Professional fees | 160 | 17 | 93 | 10 | 67 | 72 |
| Taxes and licenses | 85 | 9 | 114 | 12 | (29) | (25) |
| Advertising and marketing expenses | 51 | 5 | 44 | 5 | 7 | 16 |
| Depreciation of property and equipment | 32 | 3 | 41 | 4 | (9) | (22) |
| Provisions | 30 | 3 | 24 | 3 | 6 | 25 |
| Decline in value of asset | 27 | 3 | 0 | 0 | 27 | 100 |
| Repairs and maintenance | 24 | 3 | 13 | 1 | 11 | 85 |
| Outside services | 17 | 2 | 33 | 4 | (16) | (48) |
| Representation and travel | 11 | 1 | 18 | 2 | (7) | (39) |
| Office supplies | 8 | 1 | 10 | 1 | (2) | (20) |
| Decline in value of inventories | 4 | - | 6 | 1 | (2) | 33 |
| Communication, light and water | 3 | - | 3 | - | - | - |
| Training and development costs | 2 | - | 4 | - | (2) | (50) |
| Provision for estimated credit losses | 2 | - | 8 | 1 | (6) | (75) |

| | | | | | | |
|---|-------------|-----|------|-----|-----|-------|
| Amortization of other intangible assets | ₱2 | - | ₱- | - | ₱2 | 100 |
| Provision for unclaimable input VAT | - | - | 1 | - | (1) | (100) |
| Miscellaneous | 34 | 4 | 7 | 1 | 27 | 386 |
| Total G&A expense | ₱960 | 100 | ₱913 | 100 | ₱47 | 5 |

General and administrative expenses in 2021 amounted to ₱960 million, ₱47 million higher than in 2020. This was due to higher management fees, professional fees, advertising and repairs and maintenance offset by lower salaries and employee benefits. The 35% decrease in salaries and employee benefits was also a result of the decrease in the provision for long-term incentive plan and retirement benefit.

Interest and Financing Costs

Interest expense and other finance costs (net of interest income) amounted to ₱1.2 billion, ₱166 million or 17% higher than 2020 figures. Interest expense on loans amounting to ₱1.2 billion was higher by 16% versus last year due to the recognition of interest expense from the loans used to finance the construction of Segment 10: C3-R10 Section which commenced commercial operations on June 15, 2020. Prior to operations, these interest payments were capitalized. In addition, interest income was slightly higher by 3% or ₱1.0 million at ₱30.0 million in 2021.

In addition, borrowing costs associated with existing expansion projects have been capitalized. Total borrowing costs capitalized amounted to ₱703.7 million and ₱850.7 million for the years ended December 31, 2021 and 2020, respectively.

The table below shows the breakdown of interest expense and other finance costs for the years ended December 31, 2021 and 2020:

| In ₱, Millions | For the year 2021 (Audited) | | For the year 2020 (Audited) | | Higher (Lower) | |
|----------------------------------|--------------------------------|-----|--------------------------------|-----|----------------|------|
| | Amount | % | Amount | % | Amount | % |
| Interest Expense on: | | | | | | |
| Bank loans | (₱1,098) | 92 | (₱986) | 96 | (₱112) | 11 |
| Provision for heavy maintenance | (29) | 2 | (9) | 1 | (20) | 222 |
| Finance Cost: | | | | | | |
| Amortization of DIC | (24) | 2 | (22) | 2 | (2) | 9 |
| Loan prepayment fees | (32) | 3 | - | - | (32) | 100 |
| Lenders' fee | (6) | 1 | (5) | - | (1) | 20 |
| Bank charges | - | - | - | - | - | - |
| Total Interest & Financing Costs | (1,189) | 100 | (1,022) | 100 | (167) | 16 |
| Interest Income: | | | | | | |
| Cash and cash equivalents | 28 | 93 | 24 | 83 | 4 | 17 |
| Investment in bonds-AFS | 2 | 7 | 5 | 17 | (3) | (60) |
| Others | - | - | - | - | - | - |
| Total Interest Income | 30 | 100 | 29 | 100 | 1 | 3 |
| Net Interest Expense | (₱1,159) | | (₱993) | | (₱166) | 17 |

Net Income

Net income for the year 2021 amounted to ₱5.9 billion, 64% or ₱2.3 billion higher than last year mainly due to higher recorded revenues offset by the financing and amortization costs and one-off costs of the employee separation program.

Balance Sheet

December 31, 2023 Compared to December 31, 2022

The table below shows the balance sheet highlights as of December 31, 2023 and December 31, 2022.

| In ₱, Millions | Dec 2023 (Audited) | Dec 2022 (Audited) | Increase (Decrease) | |
|---------------------------|-----------------------|-----------------------|---------------------|------|
| | | | Amount | % |
| Cash and cash equivalents | ₱4,048 | ₱5,404 | (₱1,356) | (25) |
| Total assets | 86,712 | 78,133 | 8,579 | 11 |
| Total liabilities | 58,570 | 52,293 | 6,277 | 12 |
| Total equity | ₱28,142 | ₱25,840 | ₱2,302 | 9 |

Assets

As of December 31, 2023, the balance of total assets amounted to ₱86.7 billion, higher by ₱8.6 billion or 11% versus last year.

Cash and cash equivalents as of December 31, 2023 stood at ₱4.0 billion, lower by ₱1.4 billion or 25% versus ₱5.4 billion in December 31, 2022. The ending cash balance for 2023 was slightly lower than last year mainly due to the Company's liquidity management strategy aimed at lowering the cost of debt.

Service concession assets increased to ₱73.0 billion, higher by ₱10.3 billion or 16% versus last year's figures due to the completion of NLEX Connector Road – Section 1 and ongoing construction works for NLEX Connector Road – Section 2, various toll plaza expansions, and bridge retrofitting works implemented during the year.

Liabilities and Stockholder's Equity

Total liabilities mostly comprise of accounts payable, long-term debt and other payables.

Accounts payable increased to ₱4.8 billion from ₱4.4 billion last year, 9% or ₱378 million higher due to the on-going construction of the NLEX Connector Road Project and the enhancement of fixed operating equipment on various toll plazas.

Total long-term reached ₱42.5 billion as of December 31, 2023, slightly higher by ₱986 million or 2% compared to the ₱41.5 billion balance as of December 31, 2022. In addition, the Company obtained short-term loans in 2023 amounting to ₱3.0 billion for bridge-financing as long-term interest rates remained on the high side at yearend.

As of December 31, 2023, retained earnings amounted to ₱16.4 billion, 16% or ₱2.3 billion higher compared to the ₱14.1 billion as of December 31, 2022.

Key Financial Indicators

The following table shows the relevant financial ratios for NLEX Corp:

| | | December 2023 | December 2022 |
|--------------------------------|------------------------------|---------------|---------------|
| Current ratio | Total Current Assets | 0.35 | 0.73 |
| | Total Current Liabilities | | |
| Debt-to-equity (DE) ratio | Interest Bearing Liabilities | 1.63 | 1.61 |
| | Stockholders' Equity | | |
| Net profit margin | Net income | 46% | 44% |
| | Revenues | | |
| Return on assets | Net income | 12% | 11% |
| | Average Total Assets | | |
| Return on stockholders' equity | Net income | 37% | 34% |
| | Average Stockholders' Equity | | |

As of December 31, 2023, current ratio decreased to 0.35 times from 0.73 times as of December 31, 2022, due to the Company's liquidity management strategy aimed at lowering cost of debt. As of year-end, the Company still had ₱8.0 billion available from a committed term loan facility and Php14.4 billion available in short-term credit lines for working capital requirements.

Debt-to-Equity ratio was slightly higher at 1.63x as of December 31, 2023, due to the short-term and long-term loans availed during the last quarter of 2023.

Net profit margin increased to 46% due to higher revenues in 2023.

Return on assets and return on equity increased to 12% and 37%, respectively, due to higher net income as a proportion of asset and stockholder's equity.

December 31, 2022 Compared to December 31, 2021

The table below shows the balance sheet highlights as of December 31, 2022 and December 31, 2021.

| In ₱, Millions | Dec 2022 (Audited) | Dec 2021 (Audited) | Increase (Decrease) | |
|---------------------------|-----------------------|-----------------------|---------------------|----|
| | | | Amount | % |
| Cash and cash equivalents | ₱5,404 | ₱3,855 | ₱1,548 | 40 |
| Total assets | 78,133 | 68,073 | 10,060 | 15 |
| Total liabilities | 52,293 | 46,197 | 6,096 | 13 |
| Total equity | 25,840 | 21,876 | 3,964 | 18 |

Assets

Total assets as of December 31, 2022 amounted to ₱78.1 billion, higher by ₱10.1 billion or 15% versus last year.

Cash and cash equivalents as of December 31, 2022 stood at ₱5.4 billion, higher by ₱1.5 billion or 40% from ₱3.9 billion in December 31, 2021. Cash balance increased due to the loan drawdowns made during the year from its Corporate Notes Facility and its recent Term Loan Facility. These were offset by the payment of dividends, principal payment of term loans, and principal payment of corporate notes amounting to ₱4.7 billion, ₱600 million, and ₱100 million, respectively. Receivables for the year increased by 123% or ₱1,060.4 million to

₱1,921.7 million from ₱861.3 million in 2021 due to the additional advances to DPWH relating to NLEX Connector Road Project.

Service concession assets increased by ₱7.7 billion to ₱62.7 billion due to the ongoing construction works for the NLEX Connector Road – Section 1 and Section 2, various toll plaza expansions, bridge retrofitting and RFID advance reading project made during the year.

Liabilities and Stockholder's Equity

Total liabilities are mostly comprised of accounts payable, long-term debt and other payables.

Accounts payable increased to ₱4.4 billion from ₱4.0 billion last year, 10% or ₱432 million higher due to the on-going construction of the NLEX Connector Road Project and the purchase of fixed operating equipment on various toll plazas.

Long-term debt reached ₱41.5 billion as of December 31, 2022, higher by ₱6.3 billion or 18% compared to the ₱35.2 billion as of December 31, 2021. The increase was due to the additional drawdowns made from the Corporate Notes Facility and the 2022 Term Loan Facility.

As of December 31, 2022, retained earnings amounted to ₱14.1 billion, 40% or ₱4.0 billion higher compared to the ₱10.1 billion as of December 31, 2021.

Key Financial Indicators

The following table shows the relevant financial ratios for NLEX Corp:

| | | December 2022 | December 2021 |
|--------------------------------|------------------------------|---------------|---------------|
| Current ratio | Total Current Assets | 0.73 | 0.65 |
| | Total Current Liabilities | | |
| Debt-to-equity (DE) ratio | Interest Bearing Liabilities | 1.61 | 1.61 |
| | Stockholders' Equity | | |
| Net profit margin | Net income | 44% | 42% |
| | Revenues | | |
| Return on assets | Net income | 11% | 9% |
| | Average Total Assets | | |
| Return on stockholders' equity | Net income | 33% | 28% |
| | Average Stockholders' Equity | | |

As of December 31, 2022, current ratio increased to 0.73 times from 0.65 times as of December 31, 2021 due to the increase in cash and cash equivalents and receivables.

Debt-to-Equity ratio was slightly higher at 1.61x as of December 31, 2022 due to the recent drawdown from the Corporate Notes facility and Metrobank Term Loan facility.

Net profit margin increased to 44% due to higher revenues in 2022.

Return on assets and return on equity increased to 11% and 33%, respectively, due to higher net income as a proportion of asset and stockholder's equity growth.

December 31, 2021 Compared to December 31, 2020

The table below shows the balance sheet highlights as of December 31, 2021 and December 31, 2020.

| In ₱, Millions | Dec 2021 (Audited) | Dec 2020 (Audited) | Increase (Decrease) | |
|---------------------------|-----------------------|-----------------------|---------------------|----|
| | | | Amount | % |
| Cash and cash equivalents | ₱3,855 | ₱2,343 | ₱1,513 | 65 |
| Total assets | 68,073 | 62,787 | 5,286 | 8 |
| Total liabilities | 46,197 | 42,673 | 3,524 | 8 |
| Total equity | 21,876 | 20,114 | 1,762 | 9 |

Assets

Total assets as of December 31, 2021 amounted to ₱68.1 billion, higher by ₱5.3 billion or 8% versus last year.

Cash and cash equivalents as of December 31, 2021 stood at ₱3.9 billion, higher by ₱1.5 billion or 65% from ₱2.4 billion in December 31, 2020. Cash balance increased due to the loan drawdowns from its Corporate Notes Facility offset by the payment of dividends and maturity of its 7-year tranche of its fixed rate bonds issued on March 31, 2014 amounting to ₱5.7 billion and ₱4.4 billion, respectively. Receivables for the year decreased by 31% or ₱388.3 million to ₱861.3 million from ₱1,249.6 million in 2020 due to the collection of the proceeds from the sale of NVC amounting to ₱744 million.

Service concession assets increased to ₱55.0 billion from ₱51.4 billion due to the construction works for the NLEX Connector Road – Section 1, SFEX Capacity Expansion, various toll plaza expansions, bridge retrofitting and RFID advance reading project made during the year.

Liabilities and Stockholder's Equity

Total liabilities are mostly comprised of accounts payable, long-term debt and other payables.

Accounts payable decreased to ₱4.0 billion from ₱4.4 billion last year, 10% or ₱439 million lower due to the payment of outstanding payables related to SFEX Expansion project civil works and fixed operating equipment on various toll plazas.

Long-term debt reached ₱35.2 billion as of December 31, 2021, higher by ₱3.9 billion or 13% compared to the ₱31.3 billion as of December 31, 2020. The increase was due to the corporate notes financing obtained by the Company during the year.

As of December 31, 2021, retained earnings amounted to ₱10.1 billion, 21% or ₱1.7 billion higher compared to the ₱8.4 million as of December 31, 2020.

Key Financial Indicators

The following table shows the relevant financial ratios for NLEX Corp:

| | | December 2021 | December 2020 |
|---------------------------|------------------------------|---------------|---------------|
| Current ratio | Total Current Assets | 0.65 | 0.31 |
| | Total Current Liabilities | | |
| Debt-to-equity (DE) ratio | Interest Bearing Liabilities | 1.61 | 1.56 |
| | Stockholders' Equity | | |
| Net profit margin | Net income | 42% | 32% |

| | Revenues | | |
|--------------------------------|------------------------------|-----|-----|
| Return on assets | Net income | 9% | 6% |
| | Average Total Assets | | |
| Return on stockholders' equity | Net income | 28% | 18% |
| | Average Stockholders' Equity | | |

As of December 31, 2021, the current ratio increased to 0.65 times from 0.31 times as of end-2020 due to the increase in cash and cash equivalents and the decrease in the current portion of long-term debt as the result of the payment of the 7-year tranche fixed rate bonds issued on March 31, 2014 amounting to ₱4.4 billion.

Debt-to-Equity ratio slightly increased to 1.61x as of December 31, 2021 from 1.56x as of December 31, 2020 due to the recent drawdown from the corporate notes facility.

Net profit margin increased to 42% due to higher revenues in 2021.

Return on assets and return on equity increased to 9% and 28%, respectively, due to the higher net income and equity balance at the end of the year.

Cash Flows

December 31, 2023 Compared to December 31, 2022

The following table shows the company's cash flows for the year ended December 31, 2023 and 2022:

| In ₱, millions | December 2023 (Audited) | December 2022 (Audited) |
|--|----------------------------|----------------------------|
| Cash, beginning balance | ₱5,404 | ₱3,855 |
| Net cash provided by operating activities | 12,620 | 9,246 |
| Net cash by used in investing activities | (10,660) | (8,173) |
| Net cash flows from (used in) financing activities | (3,314) | 475 |
| Effect of exchange rate changes | (1) | 1 |
| Net increase in cash | (1,355) | 1,548 |
| Cash, ending balance | ₱4,048 | ₱5,404 |

As of December 31, 2023, cash and cash equivalents stood at ₱4.0 billion, lower by ₱1.4 billion or 25% than in 2022 mainly due to the Company's liquidity management strategy aimed at lowering the cost of debt.

Cash Flows from Operating Activities

The cash flows from operating activities amounted to ₱12.6 billion, higher by ₱3.4 billion or 36% versus last year's figures mainly due to higher toll revenues collected during the year offset by operating costs, concession fees, payment for income taxes and trade payables, among others.

Cash Flows from Investing Activities

The cash flows used in investing activities are primarily related to the ongoing construction of the NLEX Connector Road and Candaba 3rd Viaduct Projects. As of December 31, 2023, additions to service concession assets amounted to ₱11.3 billion.

Cash Flows from Financing Activities

Net cash flows used in financing activities as of December 31, 2023 includes payment of cash dividends amounting to ₱6.2 billion, interest on loans and debt issuance costs worth ₱1.0 billion, and principal repayment of ₱4.0 billion. This was offset by cash inflows from short-term and long-term loan availment amounting to ₱8.0 billion. As a result, net cash used in financing activities amounted to ₱3.3 billion.

December 31, 2022 Compared to December 31, 2021

The following table shows the company's cash flows for the year ended December 31, 2022 and 2021:

| In ₱, millions | December 2022 (Audited) | December 2021 (Audited) |
|--|----------------------------|----------------------------|
| Cash, beginning balance | ₱3,855 | ₱2,343 |
| Net cash provided by operating activities | 9,246 | 7,244 |
| Net cash by used in investing activities | (8,173) | (4,352) |
| Net cash flows from (used in) financing activities | 475 | (1,382) |
| Effect of exchange rate changes | 1 | 2 |
| Net increase in cash | 1,548 | 1,510 |
| Cash, ending balance | ₱5,404 | ₱3,855 |

As of December 31, 2022, cash and cash equivalents stood at ₱5.4 billion, 40% or ₱1.5 billion higher than in 2021 mainly due to the loan drawdowns from its ₱20-billion Corporate Notes Facility and ₱7-billion Metrobank Term Loan Facility totaling to ₱3.0 billion and ₱4.0 billion, respectively offset by the payment of dividends, principal payment of term loans, and principal payment of corporate notes amounting to ₱4.7 billion, ₱600 million, and ₱100 million, respectively.

Cash Flows from Operating Activities

The cash flows from operating activities amounted to ₱9.2 billion mainly coming from toll revenues collected during the year offset by income tax payments and payment of trade payables.

Cash Flows from Investing Activities

The cash flows used in investing activities are primarily related to the settlement of payables for bridge retrofitting, construction of new toll plazas, enhancement of existing ones in certain areas of Phase I, and construction of tunnel, new bridges and roadworks development related to the SFEX Capacity Expansion and NLEX Connector Road Project. As of December 31, 2022, additions to service concession assets amounted to ₱8.4 billion.

Cash Flows from Financing Activities

Net cash flows used in financing activities as of December 31, 2022 includes payment of cash dividends amounting to ₱4.7 billion, interest on loans and debt issuance costs worth ₱1.1 billion and loan principal payment of ₱700 million. This was offset by cash inflows from the loan drawdown amounting to ₱7.0 billion.

December 31, 2021 Compared to December 31, 2020

The following table shows the company's cash flows for the year ended December 31, 2021 and 2020:

| In ₱, millions | December 2021 (Audited) | December 2020 (Audited) |
|---|----------------------------|----------------------------|
| Cash, beginning balance | ₱2,343 | ₱4,398 |
| Net cash provided by operating activities | 7,244 | 5,830 |
| Net cash used in investing activities | (4,352) | (7,286) |
| Net cash used in financing activities | (1,382) | (600) |
| Effect of exchange rate changes | 2 | 1 |
| Net increase (decrease) in cash | 1,510 | (2,056) |
| Cash, ending balance | ₱3,855 | ₱2,343 |

As of December 31, 2021, cash and cash equivalents stood at ₱3.9 billion, 65% or ₱1.6 billion higher than in 2020 mainly due to the loan drawdowns from its ₱20.0 billion Corporate Notes Facility totaling to ₱6.6 billion and ₱5.4 billion for Tranche A and B Facilities, respectively offset by the payment of dividends and 7-year tranche of its fixed rate bonds issued on March 31, 2014.

Cash Flows from Operating Activities

The cash flows from operating activities amounted to ₱7.2 billion mainly coming from toll revenues collected during the year offset by income tax payments and payment of trade payables.

Cash Flows from Investing Activities

The cash flows used in investing activities are primarily related to the settlement of payables for bridge retrofitting, construction of new toll plazas, enhancement of existing ones in certain areas of Phase I, and construction of tunnel, new bridges and roadworks development related to the SFEX Capacity Expansion and NLEX Connector Road Project. As of December 31, 2021, additions to service concession assets amounted to ₱3.5 billion.

Cash Flows from Financing Activities

Net cash flows used in financing activities as of December 31, 2021 includes payment of cash dividends amounting to ₱4.1 billion, interest on loans and debt issuance costs worth ₱1.3 billion and loan principal payment of ₱8.0 billion. This was offset by cash inflows from the loan drawdown amounting to ₱12.0 billion.

Other Financial Information

(i) Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

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

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

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

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

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

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

On February 1, 2023, NLEX awarded to Leighton Asia – Philippine Branch the contract for the design and construction of the new five-kilometer 3rd Candaba viaduct with a target-cost of ₱6.1 billion. Proceeds from the 2022 Term Loan Facility will partially fund the construction costs for the year.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations.

a. Tariff Increase – the uncertainty in the approval of the tariff increase from regulatory authorities in the expressway can hamper the growth in net revenues of the Company moving forward.

On June 15, 2023, NLEX Corp. implemented the 4th and last tranche of the NLEX 2012 and 2014 Periodic toll adjustments and 1st tranche of the NLEX 2018 and 2020 Periodic toll adjustments.

On August 8, 2023, NLEX Corp implemented the provisional Fractional Initial Toll for Section 1 of the NLEX – SLEX Connector Road Project.

On October 17, 2023, the Company implemented the 1st tranche of the SCTEX 2020 and 2022 Periodic toll adjustments.

b. Higher Fuel Prices – vehicle operating costs normally go higher with the increase in fuel prices, thereby decreasing the demand for travel. Uncertainties in the movement of crude prices in the world market would affect the expected traffic volume growth in NLEX and SCTEX.

c. COVID-19 Pandemic – In case the Government re-imposes travel restrictions in response to a resurgence of the Covid-19 pandemic within Metro Manila and nearby provinces, demand for expressway travel could be affected which could reduce the Company's operating revenues.

(vi) Any significant elements of income or loss that did not arise from the registrant’s continuing operations.

During the period, there are no significant elements of income or loss that arise from transactions outside the registrant’s continuing operations.

Item 7. Financial Statements

The financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

SyCip Gores Velayo & Co. (“SGV & Co.” or the “Auditor”), independent auditors, audited the consolidated financial statements of NLEX Corp as of December 31, 2023, December 31, 2022 and December 31, 2021 and for the years ended December 31, 2023, December 31, 2022, and December 31, 2021, all included in this Report. SGV & Co. has no shareholdings in NLEX Corp, or any right, whether legally enforceable or not, to nominate or to subscribe to the securities of NLEX Corp, in accordance with the professional standards on independence set by the Board of Accountancy and Professional Regulation Commission.

The named independent auditor has not acted and will not act as promoter, underwriter, voting trustee, officer or employee of NLEX Corp.

The aggregate fees billed by SGV & Co. in 2023 are shown below (with comparative figures for 2022 and 2021):

| | 2023 | 2022 | 2021 |
|------------------------------|--------------|--------------|--------------|
| Audit and Audit Related Fees | ₱8.1 Million | ₱7.3 Million | ₱6.9 Million |

NLEX Corp has no disagreements with its independent auditors on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedures.

NLEX Corp’s Audit Committee has an existing policy to review and to approve the audit and non-audit services before NLEX Corp’s independent auditors renders the same. It does not allow NLEX Corp to engage the independent auditors for certain non-audit services expressly prohibited by SEC regulations to be performed by an independent auditor for its audit clients. This is to ensure that the independent auditors maintain the highest level of independence from NLEX Corp, both in fact and appearance.

The Audit Committee has reviewed the nature of non-audit services rendered by SGV & Co. and the corresponding fees and concluded that these are not significant to impair the independence of the auditors.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Board of Directors

The Board is principally responsible for the Company's overall direction and governance. The Company's Articles of Incorporation provide for thirteen (13) members of the Board, who shall be elected by the stockholders. Each director holds office for one (1) year and until their successors are elected and qualified in accordance with the By-Laws.

As of April 1, 2024, the following are the members of the Board of Directors of the Company:

| Name | Age | Citizenship | Year Position was Assumed |
|----------------------------|-----|-------------|---------------------------|
| Manuel V. Pangilinan | 77 | Filipino | 2008 |
| Jose Ma. K. Lim | 71 | Filipino | 2008 |
| Rogelio L. Singson | 75 | Filipino | 2023 |
| Christopher Daniel C. Lizo | 51 | Filipino | 2008 |
| Rodrigo E. Franco | 65 | Filipino | 2008 |
| Jose Luigi L. Bautista | 65 | Filipino | 2016 |
| Jose T. Sio | 84 | Filipino | 2010 |
| Frederic C. DyBuncio | 64 | Filipino | 2014 |
| Matthieu Olivieri | 32 | French | 2023 |
| Catherine L. Fong | 46 | Filipino | 2023 |
| Arlyn Sicangco-Villanueva | 67 | Filipino | 2014 |
| Lisset Laus-Velasco | 50 | Filipino | 2019 |
| Emmanuel G. Herbosa | 70 | Filipino | 2024 |

The following is a brief description of the business experience of each of director for at least the past five (5) years:

Manuel V. Pangilinan

Mr. Pangilinan graduated cum laude from the Ateneo de Manila University, with a Bachelor of Arts degree in Economics. He received his MBA degree from the Wharton School at the University of Pennsylvania. In Manila, he worked for Philippine Investment Management Consultants Inc. (PHINMA) in the Philippines, and in Hong Kong with Bancom International Limited and American Express Bank. Thereafter he founded First Pacific in May 1981.

Mr. Pangilinan served as Managing Director of First Pacific from its founding in 1981 until 1999. He was Executive Chairman until June 2003, after which he was named Managing Director and Chief Executive Officer.

Mr. Pangilinan holds the positions of President Commissioner of PT Indofood Sukses Makmur Tbk in Indonesia. In the Philippines, Mr. Pangilinan is the Chairman, President and Chief Executive Officer of Metro Pacific Investments Corporation, the Chairman and Chief Executive Officer of Manila Electric Company (Meralco), the Chairman, President, and Chief Executive Officer of PLDT Inc., and the Chairman of Smart Communications, Inc., PLDT Communications and Energy Ventures, Inc., Global Business Power Corporation, Maynilad Water Services, Inc., Metro Pacific Tollways Corporation, NLEX Corporation, Philex Mining Corporation, PXP Energy Corporation, Landco Pacific Corporation, Medical Doctors, Inc. (Makati Medical Center), Colinas Verdes Corporation (Cardinal Santos Medical Center),

Mediaquest Holdings, Inc. and Associated Broadcasting Corporation (TV 5), and the Vice Chairman of Roxas Holdings, Inc.

In recognition of Mr. Pangilinan's contributions to the country, the Philippine Air Force awarded him the rank of Lieutenant Colonel (Res) in a promotion list approved by the Philippine President in July 2021. In 2010, the Office of the President of the Philippines awarded Mr. Pangilinan the Order of Lakandula with the rank of Bayani. Mr. Pangilinan was awarded the First Honorary Doctorate Degree in Management by the Asian Institute of Management in 2016, Honorary Doctorate in Science by Far Eastern University in 2010, in Humanities by Holy Angel University in 2008, by Xavier University in 2007 and by San Beda College in 2002 in the Philippines. He was formerly Chairman of the Board of Trustees of the Ateneo de Manila University and was a member of the Board of Overseers of the Wharton School.

In civic duties, Mr. Pangilinan sits as Chairman of the Philippine Business for Social Progress (PBSP), PLDT-Smart Foundation Inc., One Meralco Foundation Inc., and Co-Chairman of the Philippine Disaster Resilience Foundation (PDRF), and is a Director of the Philippine Business for Education (PBED). He is Chairman of the Board of Trustees of San Beda College and Co-Chairperson of the Board of Trustees of Stratbase Albert del Rosario Institute and the U.S.–Philippine Society.

In sports, Mr. Pangilinan is Chairman of the MVP Sports Foundation, Inc. and Chairman Emeritus of the Samahang Basketbol ng Pilipinas

Jose Ma. K. Lim

Mr. Jose Ma. K. Lim is an Executive Adviser and Board Member of Metro Pacific Investments Corporation (MPIC) and has served as the Company's President and CEO for 15 years until his retirement in December 2021. As an Executive Adviser, he continues to provide expert advice to the Company and also serves as Director in several MPIC subsidiaries and affiliates.

He has been with the MPIC Group for 26 years, holding various executive positions through the years. Prior to joining the Group, he built himself a solid reputation in foreign banking institutions as Vice President of the Equitable Banking Corporation and Director for Investment Banking of the First National Bank of Boston.

He is a founding member of the Shareholders Association of the Philippines and an active member in various business organizations in the country.

He has received various recognitions as Best CEO from global institutions such Finance Asia, Institutional Investor and Corporate Governance Asia to name a few. He was also accorded the Triple A award from Asian Institute of Management for his excellent performance in his field of profession.

Mr. Jose Ma. K. Lim earned his Bachelor of Arts degree in Philosophy from Ateneo de Manila University and his Master of Business Administration degree from the Asian Institute of Management.

Rogelio L. Singson

Mr. Singson is currently the President and Chief Executive Officer of Metro Pacific Tollways Corporation ("MPTC") and Metro Pacific Water ("MPW"). He is also the President MPW's subsidiaries, Metro Iloilo Bulk Water Supply Corp., Metro Pacific Iloilo Water Inc., Metro Pacific Dumaguete Water Services Inc., and Cagayan De Oro Bulk Water.

Mr. Singson currently serves as a member of the Board of Trustees of De La Salle University and was President of the Management Association of the Philippines, from July 1 to December 31, 2022, to serve the unexpired term of Dr. Alfredo Pascual.

Prior to joining Metro Pacific Water, Mr. Singson served as the President and Chief Executive Officer of Meralco PowerGen Corporation, and Light Rail Manila Corporation.

Mr. Singson completed a full six-year term (July 2010 to June 2016) as Secretary of the Department of Public Works and Highways (DPWH) where he led the Good Governance and Anti-Corruption Program, and the implementation of major government infrastructure projects nationwide.

Before he was appointed DPWH Secretary in 2010, he was President and Chief Executive Officer of Maynilad Water Services for three (3) years and led the successful turnaround of one of the two major water concessionaires in Metro Manila. Among his previous positions in the private and public sectors were as Senior Vice President of Citadel Holdings, and as Chairman and President of Bases Conversion and Development Authority (BCDA) from 1998 to 2002. Mr. Singson was directly involved in the major projects of SBMA, Clark SEZ & BCDA including the privatization and development of Bonifacio Global City.

In June 2016, Mr. Singson was conferred the Order of Lakandula with the rank of Grand Cross (Bayani). He was also a recipient of the Outstanding Filipino Award for Government/Public Service and was named the Most Distinguished Alumnus by the UP Alumni Engineers in November 2011. He received other significant awards and recognitions, including the Outstanding Exemplar in Government Service, Lifetime Distinguished Achievement Award from the UP Alumni Association; and the Outstanding Manilan Award for Public Service.

Mr. Singson holds a Bachelor of Science in Industrial Engineering from the University of the Philippines. He is a covenanted member of Ang Ligaya ng Panginoon Community.

Christopher Daniel C. Lizo

Christopher Daniel C. Lizo is the Group Chief Finance Officer of Metro Pacific Tollways Corporation (MPTC), the toll road development and operations arm of Metro Pacific Investment Corporation (MPIC).

He also serves as the Chairman of the Board for Easytrip Services Corporation (ESC), Treasurer and Director of NLEX Corporation (NLEX), MPCALA Holdings, Inc. (MPCALA), Cavitex Infrastructure Corporation (CIC), Metro Pacific Tollways South Corporation (MPTSC), Metro Pacific Tollways South Management Corporation (MPTSMC), and MPT Mobility Corporation (Mobility).

He also extends his financial expertise in Cebu Cordova Link Expressway Corporation (CCLEC) and Metro Pacific Tollways Digital Inc. (MPTDI) as its Chief Finance Officer (CFO) and Treasurer.

Mr. Lizo's position also expands overseas as Director of CII Bridges & Roads (CII B&R) in Vietnam and Nusantara Infrastructure (NI) in Indonesia. He was with NLEX as Chief Finance Officer from 2008 to 2016 and Compliance Officer in 2014.

With over 30 years in the Metro Pacific Group, he has built a robust background in finance, accounting, and treasury management. In 2000, he successfully managed the retirement of Metro Pacific Group's seven-year debt reduction program that propelled its reorganization and recapitalization. When MPIC started its operations in 2006, he was appointed as Controller

and Vice President for Treasury to oversee its strategic business and financial planning process. As one of MPIC's pioneering leaders, he fortified the processes of its finance, credit and risk management, budget and accounting departments. In 2007, he became a Director in MPTC.

Mr. Lizo is a Certified Public Account and completed his Accounting degree from De La Salle University. In 2015, he finished the Executive Management Course at the Wharton School of the University of Pennsylvania, USA.

Rodrigo E. Franco

Rodrigo E. Franco was previously the President and Chief Executive Officer of Metro Pacific Tollways Corp. (MPTC) until his retirement from the company in May 2023. He is currently a Business Consultant at MPTC and a Director of NLEX Corp. and MPT Mobility Corporation, two subsidiaries of MPTC.

Mr. Franco started his career in tollways in 2003 when he served as Chief Finance Officer and eventually, President and Chief Executive Officer at the Manila North Tollways Corporation (MNTC), concessionaire of the North Luzon Expressway (NLEX). Under his presidency, he integrated NLEX with another major Luzon artery, the Subic Clark Tarlac Expressway (SCTEX) thus ensuring a seamless travel experience and upgraded operations and maintenance.

In 2016, he led the merger of MNTC and operator Tollways Management Corp to form NLEX Corporation, then constructed the NLEX Harbor Link and the NLEX Connector. Concurrently, Mr. Franco was installed as the President and CEO of MPTC, the parent company of NLEX Corp. Apart from NLEX Corp., the MPTC group has in its fold major toll road companies such as Cavite Infrastructure Corporation, MPCALA Holdings, and Cebu Cordova Link Expressway Corporation.

He also steered MPTC's expansion into the ASEAN region with investments in P.T. Nusantara Infrastructure Tbk, an Indonesian infrastructure developer and operator with interests in toll roads, power generation and water supply and waste treatment; and CII Bridges and Roads in Vietnam.

Mr. Franco also expanded the tollways group to the Visayas region, via the iconic Cebu-Cordova Link Expressway (CCLEX), a tolled bridge recognized to connect not only the islands of Cebu but businesses, trade, people, and communities on the region.

Under Mr. Franco's helm, MPTC broadened its product portfolio and gave birth to MPT Mobility and MPT Digital Services Inc. MPT Mobility houses subsidiaries, products and services that will complete the customers' expressway mobility ecosystem, while MPT Digital is envisioned to drive the group's internal and external digital transformation, leverage on data for business insights, and implement enterprise support systems

Prior to his tollways industry stint, Mr. Franco had more than 20 years of experience with JPMorgan Chase Bank where he ended his banking career as Vice President for Investment Banking in 2002. While in banking, he assisted in the fundraising activities of several Philippine companies through international loan and capital markets transactions. He likewise was involved in several mergers and acquisitions, equity market, and loan and bond restructuring transactions. Mr. Franco received his Bachelor of Science in Management Engineering and Master of Business Administration from the Ateneo de Manila University.

J. Luigi L. Bautista

Mr. Bautista is the President and General Manager of NLEX Corporation. Prior to his appointment in NLEX, Mr. Bautista concurrently held the position of President and CEO of CIC and MPCALA Holdings Corporation and Senior Vice President for Technical Operations of Metro Pacific Tollways Development Corporation (MPTDC). Prior to CIC, MPCALA and MPTDC, he held various positions in the Manila North Tollways Corporation (MNTC) as Senior Vice President for Program Management and First Philippine Infrastructure Development Corporation as Assistant Vice President for Contracts Administration and the Chief-of-Staff under the Office of the President/General Manager.

He has close to twenty-nine (29) years of involvement in the development, construction and modernization of the NLEX Project since 1995. His areas of expertise are in developing and constructing Tollroad Infrastructure Projects, as well as in overseeing their Operation and Maintenance. Among his recent involvements include the construction of the extension of the CAVITEX's C5 South Link, Cavite-Laguna Expressway (CALAX), Harborlink Segment 10 and C3/R10 Extension, and NLEX-SLEX Connector Projects. In terms of developing new projects, Mr. Bautista has led the team that acquired the Original Proponent Status (OPS) for the Cavite-Tagaytay-Batangas Expressway (or CTBEX) in 2017.

Mr. Bautista is among the top 20 successful examinees of the Professional Regulations Commission in 1981. He is a member of the Philippine Institute of Civil Engineers and the Management Association of the Philippines.

Mr. Bautista has a certificate in strategic business economics having completed his post-graduate studies in Master's in Business Economics at the University of Asia and Pacific (formerly the Center for Research and Communication) in Pasig City. He has earned several units in Master's in Construction Management at the Polytechnic University of the Philippines and Master's in Business Administration at the Ateneo de Manila University.

Jose T. Sio

Mr. Jose T. Sio has served as Director of NLEX Corp since 2010 and is a member of the Company's Executive and Audit Committees. He is concurrently the Chairman Emeritus of the Board of Directors of SM Investments Corporation and a member of the Board of Directors of the following companies listed in the Philippine Stock Exchange (PSE): (i) China Banking Corporation; (ii) Atlas Consolidated Mining and Development Corporation; and (iii) Far Eastern University (as Independent Trustee). He is also Adviser to the Board of Directors of PSE-listed BDO Unibank, Inc., Belle Corporation and Premium Leisure Corporation. Mr. Sio also serves as Director of the following companies not listed in the PSE: (i) Ortigas Land Corporation; (ii) Carmen Copper Corporation; and (iii) First Asia Realty Development Corporation. He is Chairman, President and Trustee of SM Foundation, Inc.

Mr. Sio was a Senior Partner of SyCip Gorres Velayo & Co. (SGV). He was voted as CFO of the Year in 2009 by the Financial Executives of the Philippines (FINEX). He was also awarded as Best CFO (Philippines) in various years by Hong Kong-based business publications such as Alpha Southeast Asia, Corporate Governance Asia, Finance Asia and The Asset. In June 2022, he received Parangal San Mateo, the highest honor that can be conferred upon an accounting professional by the Philippine Institute of Certified Public Accountants (PICPA). In March 2023, he was honored by the Professional Regulatory Board of Accountancy with the Accountancy Centenary Award of Excellence.

Mr. Sio is a Certified Public Accountant and holds a Bachelor of Science degree in Commerce, major in Accounting, from the University of San Agustin. He obtained his Master's degree in Business Administration from New York University, U.S.A.

Frederic C. DyBuncio

Mr. Frederic C. DyBuncio has served as Director of the Company since February 2014. He serves as President and Chief Executive Officer of SM Investments Corporation. He is the Chairman of the Board of Atlas Consolidated Mining and Development Corporation. Concurrently, he is the Chairman, President and Chief Executive Officer of 2GO Group, Inc. Prior to holding the post, he was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong and Manila.

Mr. DyBuncio graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and finished a Master's Degree in Business Administration program at Asian Institute of Management.

Matthieu Olivieri

Mr. Olivieri has served as a Director and Second Vice Chairman of the Board in NLEX Corporation since July 2023.

Mr. Matthieu Olivieri serves as the Executive Vice President and Chief Operating Officer of Egis Projects Philippines, Inc. ("EPPI"), the Philippine subsidiary of Egis Projects. EPPI is focused on the development and implementation of Egis Projects services in the Philippines and Asia.

Mr. Olivieri has held various positions within the Egis organization since 2015. In his early career with Egis, he was part of the London M25 motorway network project and thereafter managed the operation and maintenance, road user and mobility services business line in Asia.

He joined Egis in the Philippines in 2020 to lead its O&M and, since 2022, took over leadership of Egis local team and the role of Egis Regional Director for PPP/O&M in Asia.

Mr. Olivieri completed his Post-Graduate Studies in Ecole des Mines de Paris concentrating in Sciences and Executive Engineering, minor in Industrial Economy.

Catherine L. Fong

Atty. Fong has served as a Director and First Vice Chairman of the Board in NLEX Corporation since July 2023.

Atty. Catherine L. Fong has worked in public-private partnerships ("PPP") for almost 20 years. A lawyer by background, she has worked with both public and private sectors in various PPP projects.

Appointed by the president in July 2022, Ms. Fong now serves as the Undersecretary for Privatization and Corporate Affairs at the Department of Finance ("DOF"), entrusted with the task of creating a more enabling environment for PPPs to flourish, among other critical mandates. Prior to her role in the DOF, Cathy was a valuable member of the transaction advisory team of the Office of Public-Private Partnership of the Asian Development Bank, where she had served since its creation in 2015.

Atty. Fong received her Juris Doctor degree from Ateneo de Manila University in 2004, and her AB Communications degree in 1999.

Arlyn Sicangco-Villanueva

Dr. Arlyn Sicangco-Villanueva has served as an Independent Director of the Company since February 2014 and is the Chairman of the Audit Committee of NLEX Corporation. She is also a member of the Compensation and Remuneration Committee of NLEX Corporation. She is a Certified Public Accountant and is currently the Managing Partner of Sicangco Menor Villanueva & Co., CPAs. She likewise sits as a member of the Board of Trustees of the City College of Angeles since November 2023. She was a member of the Professional Regulatory Commission's Board of Accountancy from 2016 to 2022.

Dr. Villanueva is a fellow of the Institute of Corporate Directors since 2014. She obtained her Accounting degree from Holy Angel University in 1977. She obtained her Master's degree in Business Management from the Ateneo Graduate School of Business in 1982 and her Doctorate Degree in Business Administration from the De La Salle Graduate School of Business in 2003, graduating "With Distinction". In 2011, she completed the Advance Management Program at the Harvard Business School (HBS AMP181); and in 2014, completed the one-year course on Challenges of Leadership at the INSEAD Business School at its Fontainebleau, France campus.

Lisset Laus-Velasco

Ms. Lisset Laus-Velasco has served as an Independent Director since 2019. She is the Chairman and Chief Executive Officer of Laus Group of Companies and the Director of Corporate Guarantee and Insurance Company, Inc. She was also the past President of Entrepreneurs Organization Philippines and Area Director I for EO Southeast Asia. Currently, Ms. Velasco serves as a Trustee of the Philippine Business for Social Progress ("PBSP") and is the Corporate Secretary of Philippine Automotive Dealers Association.

She was recently named as one of the ASEAN Women Entrepreneurs in 2023 as well as the 2022 Woman Entrepreneur of the Year Philippines by Ernst & Young. She is also an Honoree and the only woman recipient of the 2021 Salute to Dealer award given by Ford Motor Company globally and the only representative in the International Markets Group.

M s. Velasco graduated from Dela Salle University - College of Saint Benilde with a degree in Bachelor of Arts Major in Human Resource Management. She obtained her Master's degree in Business Management in Asian Institute of Management.

Emmanuel G. Herbosa

Mr. Herbosa was elected as an Independent Director of the Company on April 1, 2024.

Mr. Herbosa has served as the President and CEO of the Development Bank of the Philippines (DBP) from March 2019 to January 2023. Prior to joining DBP, he also served as the President and CEO of the Philippine Export-Import Credit Agency, Executive Vice President of the Bank of Commerce, and Senior Vice President of Bank of the Philippine Islands.

Mr. Herbosa graduated from Dela Salle University with a degree in Bachelor of Science in Industrial Management Engineering in 1975. He earned his Master's degree in Business Administration from Wharton School of the University of Pennsylvania in 1979.

Independent Directors of the Board

As of the date of this report, the Company's Board of Directors has three independent directors.

The independent directors shall have at least one (1) share of the stock of the Company in their respective names, are college graduates and possess integrity, probity and assiduousness. They are persons who, apart from their shareholdings in the Company and fees received as directors of the Company, are independent of management and the controlling stockholders and are free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with their exercise of independent judgment in carrying out their responsibilities as directors of the Company.

The independent directors of the Company do not possess any of the disqualifications enumerated under the Revised Manual of Corporate Governance of the Company.

EXECUTIVE / CORPORATE OFFICERS

The name, age, citizenship and position of the executive officers and all other officers of NLEX Corp as of April 1, 2024 are as follows:

| Name | Age | Citizenship | Position | Year Position was Assumed |
|------------------------------------|------------|--------------------|--|----------------------------------|
| Manuel V. Pangilinan* | 77 | Filipino | Chairman of the Board | 2008 |
| Matthieu Ulivieri* | 32 | French | 2 nd Vice Chairman of the Board | 2023 |
| J. Luigi L. Bautista* | 65 | Filipino | President and General Manager | 2018 |
| Christopher Daniel C. Lizo* | 51 | Filipino | Treasurer | 2008 |
| Maria Theresa O. Wells | 56 | Filipino | Chief Finance Officer, Chief Risk Officer, and Senior Vice President for Finance | 2016 |
| Baby Lea M. Wong | 58 | Filipino | Senior Vice President for Human Resources and Administration | 2016 |
| Ma. Corazon Joy S. Orig | 49 | Filipino | Compliance Officer and Vice President for Legal Services | 2023 |
| Enrico C. Rullan | 39 | Filipino | Chief Audit Officer and Vice President | 2021 |
| Alex Erlito S. Fider | 70 | Filipino | Corporate Secretary | 2008 |

* Member of the Board

Maria Theresa O. Wells

Ms. Maria Theresa O. Wells was appointed as the Chief Finance Officer of NLEX Corp in January 2016. Prior to this, she has been the Vice President for Treasury & Comptrollership of the Company since December 2005. She has more than 20 years of experience in various fields of financial management, ranging from project finance, liability management,

comptrollership and supply chain management. Prior to joining NLEX Corp, she was assistant to the Chief Finance Officer of a publicly-listed holding company where she handled various finance-related assignments, including full-time secondment to project companies and acquisitions. Prior to taking her post-graduate degree, she started her career with the management consultancy services division of SGV & Co. Ms. Wells received her Master's in Business Management degree from the Asian Institute of Management in 1995 and her undergraduate degree from the University of the Philippines at Los Banos in 1987.

Baby Lea M. Wong

Ms. Lea M. Wong is the Senior Vice President for Human Resources and Administration of NLEX Corp. She has over 30 years of professional experience in human resource management gained from various industries. She has a strong human resource generalist background with knowledge of advanced human resource theory and practice and hands-on experience in all aspects of human resources such as organization effectiveness, compensation design and administration, staffing, employee relations, and learning and development.

Ms. Wong is a Behavioral Science graduate from University of Santo Tomas where she also completed all academic requirements for Master's in Business Administration.

Ma. Corazon Joy S. Orig

Atty. Ma. Corazon Joy Somera Orig is the Vice President for Legal Services and Compliance Officer of NLEX Corporation. Atty. Orig obtained her Juris Doctor and undergraduate degree from the University of the Philippines. Prior to joining the Company in 2004, she was Legal Manager for a bank and an Legal Associate of Castillo Laman Tan Pantaleon and San Jose Law Offices. Her legal practice covered banking and corporate law, labor and immigration law, and litigation. After 14 years with the Company, Atty. Orig was appointed as the Legal Services Division Head of MPCALA Holdings, Inc., Cavite Infrastructure Corporation, and Metro Pacific Tollways South Management Corporation, where she handled various legal and regulatory issues and requirements of the Cavite Laguna Expressway and the Manila-Cavite Toll Expressway Projects from 2018 to 2023.

Enrico C. Rullan

Mr. Enrico C. Rullan was appointed as the Chief Audit Officer of NLEX Corp in August 2021. He has more than 15 years of experience in various assurance engagements, including audit, review, security offering, and financial accounting advisory. Prior to working with NLEX, he was a Senior Director in the Banking and Capital Markets Group of SGV & Co. He handled audits of banks and other financial institutions. He also assisted clients in their capital market transactions, such as public and private offerings of equity and debt securities. He was a resource person in US Generally Accepted Accounting Principles ("GAAP") matters and has handled audits of US-SEC registered entities that are subject to Section 404 of the Sarbanes-Oxley Act of 2002 and Public Accounting Oversight Board requirements. He was also a member of the Accounting Standards Group and served as a resource person for complex accounting transactions.

As part of SGV's secondment program, he worked at the EY Global IFRS Desk in London for two years and EY SG Capital Markets Centre in Singapore for a year. He graduated with a Bachelor of Science in Accountancy from Wesleyan University-Philippines. He is a Certified Public Accountant and a Certified Internal Auditor.

Alex Erlito S. Fider

Atty. Alex Erlito S. Fider is the Corporate Secretary of NLEX Corp since 2008. He serves as the Corporate Secretary of MPT North, MPTC, Smart Communications, Inc., Maynilad Water Services, Inc., Voyager Innovations Inc., Maya Bank, and as Director of Roxas Holdings, Inc. and Mediaquest Holdings Inc.

Atty. Fider is a special counsel at Picazo Buyco Tan Fider Santos Law Offices. He was admitted to the Philippine Bar in 1985 and has been in the practice of law since 1985. His legal experience spans over 38 years of involvement in corporate transactions and projects that involved legal counseling on Philippine law, including legal advice on the appropriate transaction structure, crafting of documents and legal diligence audit, and as lead counsel in corporate acquisitions and investments, joint ventures, privatizations, corporate finance, divestments and restructuring.

Atty. Fider is a fellow of the Institute of Corporate Directors and a member of Financial Executives Institute of the Philippines.

Atty. Fider obtained his Bachelor of Arts degree in Economics and Bachelor of Laws from the University of the Philippines and attended a course on Strategic Business Economics.

Significant Employees

While all employees are expected to make a significant contribution to the Company, there is no employee, nor an executive officer, who is expected to make a significant contribution to the business of the Company on his or her own.

Family Relationships

None of the directors/independent directors and executive officers of the Company or persons nominated to such positions has any family relationships up to the fourth civil degree either by consanguinity or affinity.

Involvement of Directors and Officers in Certain Legal Proceedings

The Company is not aware, and none of the directors/independent directors and executive officers or persons nominated for election to such positions has informed the Company, of any of the following events that occurred during the past five years:

- (a) any bankruptcy petition filed by or against any business of which a director/independent director or executive officer or person nominated to become a director/independent director or executive officer was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
- (b) any conviction by final judgment in a criminal proceeding, domestic or foreign, or any criminal proceeding, domestic or foreign, pending against any director/independent director or executive officer or person nominated to become a director/independent director or executive officer;
- (c) any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any director/independent director or executive officer or person nominated to become a director/independent director or executive

officer in any type of business, securities, commodities or banking activities; and

- (d) any finding 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 electronic marketplace or self-regulatory organization, that any director/independent director or executive officer or person nominated to become a director/independent director or executive officer, has violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Item 10. Executive Compensation

Compensation of Directors

Article III, Section 8 of NLEX Corp’s By-Laws provides that the remuneration of the Directors shall be determined by, and be subject to the approval of, the shareholders.

The Directors each receive per diems amounting to ₱20,000.00 for their attendance to board meetings and ₱20,000.00 for their attendance to committee meetings. There are no other arrangements for compensation either by way of payments for committee participation or consulting contracts. The Directors do not have employment contracts except for Executive Directors.

Compensation

The following table below sets forth the total annual compensation (salary and other variable pay) paid in 2021 to 2023 to: (i) the President and General Manager and the four (4) most highly compensated officers of NLEX Corp as a group, and (ii) all other executive officers, and other officers, as a group.

| Name | Position | Year | Salary (₱ millions) | Bonus (₱ millions)* |
|--|---|------|------------------------|------------------------|
| 1. J. Luigi L. Bautista 2. Christopher C. Lizo 3. Maria Theresa O. Wells 4. Joseph J. Marigomen 5. Lea M. Wong | President Treasurer SVP FVP SVP | | | |
| President and General Manager and four highest-compensated executive officers | | 2023 | 72.6 | 24.1 |
| | | 2022 | 68.0 | 104.3 |
| | | 2021 | 60.5 | 20.6 |
| All other executive officers and managers as a group (excluding the President and General Manager and four highest-compensated executive officers) | | 2023 | 246.5 | 77.1 |
| | | 2022 | 224.3 | 216.5 |
| | | 2021 | 186.7 | 55.5 |

*Bonus includes 13th month pay, mid-year bonus, performance bonus, and the LTIP payout in 2022 for the past 3-year performance cycle.

The executive officers are covered by standard employment contracts and employees’ retirement plan and can be terminated upon appropriate notice. 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.

Long-Term Incentive Plan

NLEX Corp’s long-term incentive plan, or LTIP, is a cash plan that is intended to provide meaningful and contingent financial incentive compensation for eligible executives, officers and advisors of MPTC and its subsidiaries (the “MPTC Group”), who are consistent performers and contributors to the achievement of the long-term strategic plans and objectives, as well as the functional strategy and goals of the MPTC Group. The LTIP is administered by the Executive Compensation Committee (“ECC”) and the Board of Directors which has the authority to determine: (a) eligibility and identity of participants; (b) the award attributable to each participant based on the participant’s annual base compensation and taking into account such participant’s seniority, responsibility level, performance potential, tenure with the MPTC Group, job difficulty and such other measures as the Committee deems appropriate; (c) the level of achievement of the performance objectives; and (d) the actual award payable to each participant based on the level of achievement of the performance objectives. The LTIP payable of the Company will be based on profit targets for the covered performance cycle.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(a) Security Ownership of Certain Records and Beneficial Owners of more than 5% as of April 1, 2024:

| Title of class | Name and Address of Record Owner and Relationship with Issuer | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | No. of Shares Held | % of Out-standing |
|----------------|--|---|-------------|--------------------|-------------------|
| Common | Metro Pacific Tollways Corporation 5 th floor, Tower 1, Rockwell Business Center, Ortigas Avenue, Barangay Ugong, 1604 Pasig City, Philippines | Same as record owner | Filipino | 13,297,011 | 70.78% |
| Common | BDO Unibank, Inc. BDO Corporate Center, 7899 Makati Avenue, Makati City | Same as record owner | Filipino | 2,197,800 | 11.70% |
| Common | Egis Investment Partners Philippines Inc., Unit 703, Citystate Center, 709 Shaw Blvd., Pasig City | Same as record owner | French | 1,909,379 | 10.16% |

(b) Security Ownership of Directors and Management as of April 1, 2024:

| Title of Class | Name of Shareholder | Amount and Nature of Ownership | Citizenship | % of Outstanding |
|-----------------------|----------------------------|---------------------------------------|--------------------|-------------------------|
| Common | Manuel V. Pangilinan | 1 share (of record) | Filipino | 0.00% |
| Common | Jose Ma K. Lim | 1 share (of record) | Filipino | 0.00% |
| Common | Rogelio L. Singson | 1 share (of record) | Filipino | 0.00% |
| Common | Christopher Daniel C. Lizo | 1 share (of record) | Filipino | 0.00% |
| Common | Rodrigo E. Franco | 1 share (of record) | Filipino | 0.00% |
| Common | J. Luigi L. Baustista | 1 share (of record) | Filipino | 0.00% |
| Common | Jose T. Sio | 1 share (of record) | Filipino | 0.00% |
| Common | Frederic C. DyBuncio | 1 share (of record) | French | 0.00% |
| Common | Matthieu Ulivieri | 1 share (of record) | Filipino | 0.00% |
| Common | Catherine L. Fong | 1 share (of record) | Filipino | 0.00% |
| Common | Arlyn Sicangco-Villanueva | 1 share (of record) | Filipino | 0.00% |
| Common | Lisset Laus-Velasco | 1 share (of record) | Filipino | 0.00% |
| Common | Emmanuel G. Herbosa | 1 share (of record) | Filipino | 0.00% |

None of the members of the NLEX Corp's Board of Directors and Management owns 2.0% or more of the outstanding capital stock of NLEX Corp.

(c) Voting Trust Holders of 5% or more

NLEX Corp is not aware of any person holding more than 5% of common shares under a voting trust or similar agreement.

(d) Changes in Control

No change in control in the Company has occurred since the beginning of its last fiscal year.

Item 12. Certain Relationships and Related Transactions

NLEX Corp, in the ordinary course of business, has entered into transactions with stockholders, affiliates, and other related parties principally consisting of advances and reimbursement of expenses, construction contracts, and development, management, underwriting, marketing, leasing and administrative service agreements. Sale and purchase of goods and services to and from related parties are made on an arm's length basis and at current market prices at the time of the transactions.

Except for the transactions discussed in Note 18 (Related Party Disclosure) to the accompanying financial statements, there were no other material related party transactions during the last three financial years, nor are there any material transactions currently proposed between NLEX Corp and any: (i) director or executive officer, direct or indirect owner of 10% or more of the outstanding shares in NLEX Corp; (ii) close family member of such director, executive officer or owner; (iii) associates of NLEX Corp; (iv) enterprises controlling, controlled by or under common control with NLEX Corp or (v) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any director, executive officer or owner of 10% or more of the outstanding shares in NLEX Corp or any close family member of such director, executive officer or owner.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Company recognizes the importance of corporate governance in building and sustaining its long-term growth and profitability as well as enhancing stakeholders' interests in the Company. The Company believes that the practice of corporate governance beyond mere compliance with rules and legislation, through a process of developing the proper competencies in order to establish an ethical corporate culture of principled business within the framework of its core values of accountability, integrity, fairness, and transparency. As strong advocates of accountability, transparency, and integrity in all aspects of the business, the Board of Directors, management, officers, and employees of NLEX Corp commit themselves to the principles and best practices of governance in the attainment of its corporate goals.

Policies

The basic mechanisms for corporate governance are principally contained in NLEX Corp's Articles of Incorporation and By-Laws. These constitutive documents lay down, among others, the basic structure of governance, minimum qualifications of directors, and the principal duties of the Board and officers of NLEX Corp.

The NLEX Corp's Corporate Governance Manual ("Governance Manual") is based on the Corporate Governance Manual of its parent company, the MPTC which was adopted and approved by the MPTC Board of Directors on February 3, 2014. On July 2, 2019, the NLEX Corp formally adopted the MPTC Corporate Governance Manual which supplements and complements its Articles of Incorporation and By-Laws by institutionalizing the principles of good governance that the Board of Directors and management believe to be a necessary component of sound business management. It was adopted pursuant to the various administrative issuances of the SEC which sought to codify rules and principles of Corporate Governance beginning with the Code of Corporate Governance, or the Philippine SEC Governance Code, that was promulgated by the SEC, under SEC Memorandum Circular No. 2, Series of 2002, dated April 5, 2002, which was amended by SEC Memorandum Circular No. 6, Series of 2009 dated June 22, 2009, SEC Memorandum Circular No. 9, Series of 2014 dated May 6, 2014, and SEC Memorandum Circular No. 19, Series of 2016 dated November 22, 2016. It was updated in 2020 in line with SEC Memorandum Circular No. 24 Series of 2019 dated December 19, 2019 and was further updated on May 2, 2022, when NLEX Corp adopted its Revised Corporate Governance Manual (the "Revised Corporate Governance Manual").

In compliance with the current Philippine SEC Governance Code and consistent with the relevant provisions of the Securities Regulation Code and the Revised Corporation Code of the Philippines, the Revised Corporate Governance Manual covers the following key areas:

1. The qualifications and grounds for disqualification for directorship;
2. The requirement that at least three (3) Independent Directors or such number as to constitute 1/3 of the members of the Board of Directors and the standards/criteria for the determination of independent directors;

3. The duties and responsibilities of the Board of Directors and the individual directors;
4. The requirement on board diversity and limitation on multiple board seats;
5. The adoption of principles on enterprise risk management, related party transactions, and significant influence;
6. The Board committees, specifically, the nomination committee, audit and risk committee, corporate governance committee, and compensation and remuneration committee, the composition and the principal duties and responsibilities of such committees and grounds for permanent and temporary disqualification;
7. The active role of the chairman in board meetings in ensuring compliance with the corporate governance principles;
8. Self-assessment of the Board of Directors and assessment of Management by the Board of Directors;
9. The role of our president/chief executive officer in ensuring that our organizational and procedural controls are adequate and effective to ensure reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations and contracts;
10. The duties and responsibilities of the corporate secretary/assistant corporate secretary in terms of the support services that they need to provide the Board in upholding sound corporate governance;
11. The duties and responsibilities of the head of the internal audit organization that would provide the board of directors, management and shareholders with reasonable assurance that the key organizational and procedural controls are appropriate, adequate, effective and reasonably complied with;
12. The functions of the independent auditors that would reasonably ensure an environment of sound corporate governance as reflected in the financial records and reports; the requirement that non-audit work of the independent auditors should not conflict with their function as independent auditors; the requirement to rotate, at least once every five years, the independent auditors or the lead partner assigned to handle the independent audit of the financial statements;
13. The commitment to respect and promote shareholders' rights such as voting right, pre-emptive right, inspection right, dividend right, appraisal right, and right to receive information about the background, business experience, compensation and shareholdings of the directors and officers and their transactions with us;

14. The requirement to appoint a compliance officer and the active duties and responsibilities of such compliance officer including the establishment of an evaluation system to determine and measure compliance with the provisions of the Governance Manual; and
15. The penalties for violations of the Governance Manual.

NLEX Corp also has a Code of Commitment (“Code”). The Code defines the behavior that is acceptable or not acceptable within the organization. It details the offenses versus the Company’s or the person’s property, the schedule of penalties for each offense according to its gravity, and the grievance process, and defines the roles of the different people involved in disciplinary action. The Code covers all Directors, employees, consultants, product and service providers, and anyone who acts in the name of NLEX Corp.

NLEX Corp also adopted the MPTC Code of Business Conduct and Ethics which sets forth the Company’s business principles and values that guide and govern all business relationships of the Company, its directors, officers, and employees, including their decisions and actions when performing their respective duties and responsibilities. The spirit of the said Code means that all actions of the Company, must, at all times, be consistent with the principles of accountability, integrity, fairness, and transparency.

Apart from the Revised Corporate Governance Manual and the Code of Business Conduct and Ethics, NLEX Corp also adopted on July 2, 2019 the various Corporate Governance Policies of the MPTC, its parent company, as follows:

1. Conflict of Interest Policy
2. Related Party Transactions Policy
3. Policy on Gifts, Entertainment, and Sponsored Travel
4. Policy on Gift Giving Activities
5. Insider Trading Policy; and
6. Policy on Handling of Employee Whistleblowing

In a meeting of its Board of Directors on March 4, 2024, NLEX Corp adopted the following MPTC policies:

1. Anti-Corruption and Anti-Bribery Policy; and
2. Policy on the Respect for and Protection of the Rights of the People.

Board of Directors

Key Roles

The Board of Directors is the highest authority in matters of governance. The Board establishes the vision, mission, and strategic direction of NLEX Corp, monitors over-all corporate performance, and protects the long-term interests of the various stakeholders by ensuring transparency, accountability, and fairness. The Board exercises an oversight role over the risk management function while ensuring the adequacy of internal control mechanisms, reliability of financial reporting and compliance with applicable laws and regulations. In addition, certain matters are reserved specifically for the Board’s disposition, including the approval of corporate operating and capital budgets, major acquisitions and disposals of assets, major investments and changes in authority and approval limits.

Composition

The Board consists of thirteen (13) seats. They bring together immense value in terms of experience in running and directing various businesses and organizations. This expertise is applied in good measure to the pursuit of NLEX Corp's continued growth and profitability. Such a commitment requires, as well, a keen observance of corporate governance principles and policies adopted to ensure the objective and effective performance of its oversight functions over management.

The Board currently has three (3) independent directors with no material relationship with NLEX Corp. They are Dr. Arlyn Sicangco-Villanueva, Ms. Lisset Laus-Velasco, and Mr. Emmanuel G. Herbosa. These directors are independent of management, and free from any relationship that may interfere with their judgment.

Eight (8) out of the thirteen seats (13) seats of the Board are occupied by either Non-Executive Directors or Independent Directors and thus, Non-Executive Directors and independent Directors compromise a majority of the Board.

To further enhance Board independence, NLEX Corp maintains the practice of keeping the posts of Chairman of the Board and the President and General Manager separate. Each position has been given distinct and separate duties and responsibilities pursuant to the provisions of NLEX Corp's By-Laws and Governance Manual.

Selection of Directors

The Board itself is responsible for screening its own members and in recommending them for nomination by the Nomination Committee. The Chairman and the President and General Manager have direct input in the screening process while the final set of the nominees for directors is determined by the Nomination Committee. Directors are elected during the annual stockholders' meeting; however, in case of vacancies (due to causes other than removal by the stockholders or by expiration of term) in the Board between annual stockholders' meetings, the Board if still constituting quorum, may elect directors who shall serve for the remaining portion of the term of the previous directors until their successors are elected and duly qualified.

Mix of Directors

Consistent with the policy on diversity, there is a mix of executive, non-executive, and independent directors on the Board. Senior management executives other than the Chairman, and the President and General Manager attend Board meetings on a regular basis even though they are not members of the Board. On matters of corporate governance, while the Board assumes decisions will be made by the Directors, input in any policy formulation and discussion from Directors who are employees are welcome and expected unless the issue involves an actual conflict of interest with such Directors.

Criteria for Independence for Independent Directors

The Board assesses the independence of each director and of each individual nominated for election to the Board as an independent director. As part of this analysis, the Board must review and conclude whether each nominee for independent director satisfies the requirements of the rules of the SEC, the By-Laws and the Governance Manual. Independent directors (i) are not directors or officers or substantial stockholders of NLEX Corp or its related companies or any of its substantial shareholders (other than as independent directors of any of the foregoing); (ii) are not relatives of any director, officer or substantial shareholder of NLEX Corp, or any of its related companies or any of its substantial shareholders; (iii) are not acting as nominees or representatives of a substantial shareholder of NLEX Corp, or any of its related companies or any of its substantial shareholders; (iv) not a securities broker-dealer of listed companies and registered issuers of securities; (v) have not been employed in any executive capacity by NLEX Corp, or any of its related companies or by any of its substantial shareholders within the last two (2) years; (vi) are not retained as professional advisers by NLEX Corp, any of its related companies or any of its substantial shareholders within the last two (2) years, either personally or through their firms; (vii) have not engaged and do not engage in any transaction with NLEX Corp or with any of its related companies or with any of its substantial shareholders, whether by themselves or with other persons or through a firm of which they are partners or companies of which they are directors or substantial shareholders, other than transactions which are conducted at arm's length and are immaterial, (viii) not affiliated with any non-profit organization that receives significant funding from NLEX Corp or any of its related companies or substantial shareholders, and (viii) do not own more than 2% of the shares of NLEX Corp and/or its related companies or any of its substantial shareholders.

Board Performance

The Board regularly meets to review the performance of NLEX Corp and approve any pertinent plans, budgets, and financial statements, set guidelines for management and discuss any various matters requiring Board attention and approval. Any member of the Board may ask management to give special reports and analysis on certain issues.

The regular meetings of the Board are normally held at least six (6) times a year, in addition to the special meetings of the Board and the annual organizational board meeting. The Board met thirteen (13) times in 2023. The attendance of the individual Directors at these meetings is duly recorded, as follows:

| | Regular and Special Meetings | |
|---------------------------------|------------------------------|--------|
| | Present | Absent |
| Manuel V. Pangilinan | 11 | 2 |
| Jose Ma. K. Lim | 13 | - |
| Rogelio L. Singson ¹ | 9 | - |
| Rodrigo E. Franco | 13 | - |
| Christopher Daniel C. Lizo | 12 | 1 |
| J. Luigi L. Bautista | 13 | - |
| Raul L. Ignacio ² | 4 | - |
| Roberto V. Bontia | 13 | - |
| Jose T. Sio | 12 | 1 |
| Frederic C. DyBuncio | 12 | 1 |
| Patrick Viellard ³ | 7 | 1 |

| | Regular and Special Meetings | |
|--------------------------------|------------------------------|--------|
| | Present | Absent |
| Matthieu Ulivieri ⁴ | 5 | - |
| Catherine L. Fong ⁵ | 6 | 1 |
| Arlyn Sicangco-Villanueva | 13 | - |
| Lisset Laus-Velasco | 13 | - |

¹ Elected on 19 June 2023

² Resigned effective 19 June 2023

³ Resigned effective 26 July 2023

⁴ Elected on 26 July 2023

⁵ Elected on 21 July 2023

The average attendance rate of members of the Board was at 95.65%.

Prior to the Board meetings, all of the Directors are provided with board materials which include reports on NLEX Corp's strategic, operational and financial performance and other regulatory matters. The Board also has access to the Corporate Secretary who, among other functions, oversees the flow of information to the Board prior to the meetings and who serves as adviser to the Directors relevant issues presented to the Board. The members of the Board also have access to management should they need to clarify matters concerning items submitted for their consideration.

Board Committees

The Board of Directors is authorized under the Company's By-Laws to create committees, as it may deem necessary. In addition to the executive committee, there are four (4) other standing Board committees, namely, (1) the audit committee, (2) the corporate governance and risk committee, (3) the nomination committee, and (4) the compensation and remuneration committees.

A. Audit Committee

In October 2020, the Audit and Risk Committee was renamed into the Audit Committee while the risk function was moved to the Corporate Governance Committee which was renamed as the Governance and Risk Committee.

NLEX Corp's Audit Committee is composed of four (4) voting members, all of whom are members of the Board of Directors, preferably with accounting and finance backgrounds, and one (1) of whom must be an independent director and another with audit experience. The Audit Committee is chaired by an independent director.

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibility for: (i) NLEX Corp's accounting and financial reporting principles and policies and internal audit controls and procedures; (ii) the integrity of NLEX Corp's financial statements and the independent audit thereof; (iii) NLEX Corp's compliance with legal and regulatory requirements; (iv) the performance of the internal audit organization and the external auditors, and (v) the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness. To carry its direct responsibility for the appointment, setting of compensation, retention and removal of the external auditors, the Audit Committee has the following duties and powers:

- Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations.
- Check all financial reports for compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.
- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management. This function shall include the regular receipt from management of information on risk exposures and risk management activities.
- Perform direct interface functions with the internal and external auditors. To ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel in the performance of their respective audit functions.
- Review of the annual audit plan to ensure its conformity with the objectives of NLEX Corp. The plan includes the audit scope, resources and budget necessary to implement it.
- Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
- Organize an internal audit department and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.
- Monitor and evaluate the adequacy and effectiveness of NLEX Corp's internal control system, including financial reporting control and information technology security.
- Review the reports submitted by the internal and external auditors.
- Review the quarterly, half-year and annual financial statements before its submission to the Board, with particular focus on the following matters:
 - Any change/s in accounting policies and practices
 - Major judgment areas
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements
- Coordinate, monitor and facilitate compliance with laws, rules and regulations.
- Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
 - A definitive timetable within which the accounting system of NLEX Corp will be 100% Philippine Accounting Standard (PAS) compliant.
 - An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.

- Develop a transparent financial management system that will ensure the integrity of internal control activities throughout NLEX Corp through a step-by-step procedures and policies handbook that will be used by the entire company.
- Coordinate, monitor and facilitate compliance with laws, rules and regulations.
- Evaluate and determine non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to NLEX Corp's overall consultancy expenses to disallow any non-audit work that will conflict with external auditor's duties and poses a threat to his independence. Non-audit works, if allowed, are disclosed in NLEX Corp's annual report.
- Establish and identify reporting line of the Chief Audit Executive to properly enable him or her to fulfil his or her duties and responsibilities. The Chief Audit Executive shall functionally report directly to the Audit Committee.
- To ensure that the performance of the work of Chief Audit Executive is free from interference by outside parties.

The Audit Committee also has the authority to retain or obtain advice from special counsel or other experts or consultants in the discharge of their responsibilities without the need for Board approval.

Internal Audit

To ensure independence, the Chief Audit Executive, head of the internal audit organization, reports functionally to our Audit Committee and administratively to a member of senior management. He is accountable to management and our Audit Committee in the discharge of his duties and is required to:

1. Provide annually an assessment on the adequacy and effectiveness of our processes for controlling our activities and managing our risks;
2. Report significant issues related to the processes of controlling our activities, including potential improvements to those processes, and provide information concerning such issues;
3. Periodically provide information on the status and results of the annual audit plan and the sufficiency of our internal audit organization's resources; and
4. Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, and external audit).

The internal audit organization has a charter that has been approved by the Audit Committee. It seeks to comply with the Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors in the discharge of its scope of work and responsibilities.

Audit Committee Report

The Audit Committee meets at least once every year and invites non-members, including the President and General Manager, Chief Finance Officer, independent and internal auditors, and other key persons involved in company governance, to attend meetings where necessary.

During these meetings:

- The committee reviews the financial statements and all related disclosures and reports certified by the Chief Finance Officer and released to the public and/or submitted to the Philippine SEC for compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements. The Committee, after its review of the annual audited financial statements of NLEX Corp endorses these to the Board for approval.
- The committee meets with the internal and independent auditors, and discusses the results of their audits, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal controls and compliance issues.
- The committee reviews the performance and recommends the appointment, retention or discharge of the independent auditors, including the fixing of their remuneration, to the full Board. On an annual basis, the committee also assesses the independent auditor's qualifications, skills, resources, effectiveness and independence. The committee also reviews and approves the proportion of audit and non-audit work both in relation to their significance to the auditor and in relation to NLEX Corp's total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the independent auditor.
- The committee reviews the plans, activities, staffing and organizational structure and assesses the effectiveness of the internal audit function, including conformance with international standards.
- The committee provides oversight of the financial reporting and operational risks, specifically on financial statements, internal controls, legal or regulatory compliance, corporate governance, risk management and fraud risks. The committee also reviews the results of management's annual risk assessment exercise.
- The committee assists 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 confident position to make well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities.

To ensure compliance with regulatory requirements and assess the appropriateness of the existing charter for enabling good corporate governance, the committee also reviews and assesses the adequacy of its charter annually, seeking Board approval for any amendments.

B. Corporate Governance and Risk Committee

The Corporate Governance and Risk Committee is primarily tasked to assist the Board in the performance of its corporate governance responsibilities. The Governance and Risk Committee is currently composed of five directors, two of whom are Independent Directors.

The chairperson is an Independent Director. The Governance and Risk Committee has the following duties and responsibilities:

- Oversee 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 Company's size, complexity of operations and business strategy, as well as its business and regulatory environments;

- Oversee the periodic performance evaluation of the Board and the Board Committees as well as the executive management, and conduct an annual evaluation of the said performance;

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

- Recommend the continuing education/training programs for directors, assignment of tasks/projects to Board Committees, succession plan or the members of the Board and senior officers, and remuneration packages for corporate and individual performance;
- Adopt corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance;
- Propose and plan relevant trainings for the members of the Board;
- Develop a formal enterprise risk management plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (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;
- Oversee the implementation of the enterprise risk management plan through Enterprise Risk Management teams in the business units. NLEX Corp has appointed a Chief Risk Officer to manage the implementation of the Company's ERM System. The Audit Committee 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;
- Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The Audit Committee revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;
- Advise the Board on its risk appetite levels and risk tolerance limits;
- Review 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 when major events occur that are considered to have major impacts on the company;
- Assess 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;
- Provide oversight over 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

- Report 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.

C. Nomination Committee

The Nomination Committee is composed of three (3) voting members, all of whom are regular members of the Board of Directors and one (1) of whom must be independent, and one (1) non-voting member in the person of the Human Resource Director/Manager.

The principal functions and responsibilities of the Nomination Committee are to:

- review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval;
- assess the effectiveness of the Board's processes and procedures in the election or replacement of directors; and
- pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications set forth in the Company's Manual on Corporate Governance.

D. Compensation and Remuneration Committee

The Compensation and Remuneration Committee is composed of three (3) voting members, all of whom are regular members of the Board of Directors and one (1) of whom must be independent.

The principal functions and responsibilities of the Compensation and Remuneration Committee are to:

- establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of Directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with NLEX Corp's culture, strategy and control environment;
- designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run NLEX Corp successfully;
- establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers;
- develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;
- disallow any director to decide his or her own remuneration;

- provide in NLEX Corp's annual reports, information and proxy statements a clear, concise and understandable disclosure of all fixed and variable compensation paid, directly or indirectly, to its executive officers, directors and management officers for the previous fiscal year and the ensuing year; and

review the existing Human Resources Development Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.

As of April 1, 2024, the members of each Board committee are as follows:

| | Audit Committee | Nomination Committee | Compensation and Remuneration Committee | Corporate Governance and Risk Committee |
|-------------------|----------------------------------|-----------------------------|--|--|
| Chairman | Arlyn Sicangco-Villanueva (Ind.) | Jose Ma. K. Lim | Manuel V. Pangilinan | Lisset Laus-Velasco (Ind.) |
| Members | Jose T. Sio | Rogelio L. Singson | Rogelio L. Singson | Christopher C. Lizo |
| | Matthieu Ulivieri | Lisset Laus-Velasco (Ind.) | Arlyn Sicangco-Villanueva (Ind.) | Frederic C. DyBuncio |
| | Emmanuel G. Herbosa (Ind.) | | | Arlyn Sicangco-Villanueva (Ind.) |
| | | | | Matthieu Ulivieri |
| Non-voting Member | | Baby Lea M. Wong | | |

Compliance Officer

NLEX Corp has appointed a Compliance Officer in the person of Atty. Ma. Corazon Joy S. Orig who is tasked to ensure the Company's observance of corporate governance best practices and provide recommendations to the Board for continuous improvement towards full compliance and adoption of global best practices.

Deviations from the Company's Manual of Corporate Governance

As of April 1, 2024, the Company is in the process of fully implementing the provisions of its Manual on Corporate Governance.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

Exhibits

The Company's Audited Financial Statements for the period ended December 31, 2023, 2022 and 2021 are attached herewith as Exhibit A.

Reports on SEC Form 17-C

The following are the filed SEC 17-C for the past twelve months:

| Disclosure | Date |
|---|------------|
| 1. Award of Construction Contract for the Candaba 3 rd Viaduct | 2/9/2023 |
| 2. Results of March 2023 Board Meeting (<i>Declaration of Cash Dividends</i>) | 3/6/2023 |
| 3. Inauguration of NLEX-SLEX Connector Road Section 1 | 3/27/2023 |
| 4. Results of April 2023 Board Meeting (<i>Schedule of AGM</i>) | 4/25/2023 |
| 5. PhilRating - Issue Credit Rating Press Release | 5/23/2023 |
| 6. Implementation of NLEX Toll Rate Adjustments (<i>4th Tranche of 2014 and 2014 Petitions, and 50% of 2018 and 2020 Petitions</i>) | 6/10/2023 |
| 7. Resignation and Election of Director | 6/19/2023 |
| 8. Results of July 2023 Board Meeting (<i>Declaration of Cash Dividends</i>) | 7/17/2023 |
| 9. Results of July 21, 2023 Annual General Meeting ("AGM") | 7/21/2023 |
| 10. Resignation and Election of Director | 7/26/2023 |
| 11. Press Release on NLEX-SLEX Connector Section 1 | 8/3/2023 |
| 12. Implementation of SCTEX Toll Rate Adjustments | 10/14/2023 |
| 13. Results of November 2023 Board Meeting (<i>Appointment of Officer</i>) | 11/20/2023 |
| 14. Results of December 2023 Board Meeting (<i>Declaration of Cash Dividends</i>) | 12/15/2023 |
| 15. Press Release on Signing of Term Loan Agreement with BPI | 12/18/2023 |
| 16. Results of March 2024 Board Meeting (<i>Schedule of AGM</i>) | 3/8/2024 |
| 17. Resignation and Election of Director | 4/4/2024 |

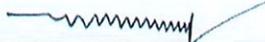
SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 177 of the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of MAKATI CITY on APR 12 2024.

By:



J. Luigi L. Bautista
President & General Manager



Maria Theresa O. Wells
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this APR 12 2024 affiant(s) exhibiting to me his/their Competent Evidence of Identity, as follows:

| NAMES | COMPETENT EVIDENCE OF IDENTITY | DATE OF ISSUE | PLACE OF ISSUE |
|------------------------|--------------------------------|------------------|----------------|
| J. Luigi L. Bautista | Passport No. P6422469A | 15 March 2018 | DFA NCR South |
| Maria Theresa O. Wells | Passport No. P8579456A | 3 September 2018 | DFA NCR South |



Notary Public
ISABELLE ALEXIS P. YASON
Appointment No. M-322
Notary Public for Makati City
Until December 31, 2024
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 83429
PTR No. 10081154/Makati City/01-09-2024
IBP No. 301890/PPLM/01-05-2024
Admitted to the bar in 2022

Doc No. 440 ;
Page No. 89 ;
Book No. VI ;
Series of 2024.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section ¹⁷⁷ of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on APR 12 2024.

By:



Alex Erlito S. Fider
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 12 2024 affiant(s) exhibiting to me his Competent Evidence of Identity, as follows:

| NAMES | COMPETENT EVIDENCE OF IDENTITY | DATE OF ISSUE | PLACE OF ISSUE |
|----------------------|--------------------------------|-----------------|----------------|
| Alex Erlito S. Fider | Passport No. P56548874A | 17 January 2018 | DFA, Manila |



Notary Public
ISABELLE ALEXIS P. YASON
Appointment No. M-322
Notary Public for Makati City
Until December 31, 2024
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 83429
PTR No. 10081154/Makati City/01-09-2024
IBP No. 301890/PPLM/01-05-2024
Admitted to the bar in 2022

Doc No. 383 ;
Page No. 72 ;
Book No. VI ;
Series of 2024.

April 05, 2024

BUREAU OF INTERNAL REVENUE

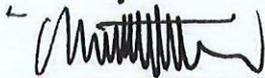
BIR National Office Bldg.,
Agham Road, Diliman,
Quezon City, Philippines

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN**

The Management of **NLEX Corporation** (the Company) is responsible for all information and representations contained in the Annual Income Tax Return for the year ended **December 31, 2023**. Management is likewise responsible for all the information contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value-added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended **December 31, 2023** and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) the Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.



J. LUIGI L. BAUTISTA
President and General Manager



MARIA THERESA O. WELLS
Chief Finance Officer

NLEX CORPORATION

NLEX Compound, Balintawak, Caloocan City, Philippines, 1400
Phone: +632 8580 8900 | +632 8580 8500 | www.nlex.com.ph

SUBSCRIBED AND SWORN TO before me, a Notary Public for and in the **MAKATI CITY**, this **APR 08 2024**, affiants being personally known to me and signed this instrument in my presence and avowed under penalty of law to the whole truth of contents thereof.

| Name | Government Issued ID No. | Date/Place Issued |
|------------------------|--------------------------|------------------------------------|
| J. Luigi L. Bautista | Passport No. P6422469A | 15 March 2018/ DFA NCR South |
| Maria Theresa O. Wells | Passport No. P8579456A | 3 September 2018/ DFA NCR South |

IN WITNESS WHEREOF, I hereunto set my hand and affix my notarial seal on the date and at the place above written.

Doc. No. 146 ;
Page No. 25 ;
Book No. 11 ;
Series of 2024.


DIANNE FAYE A. LOSA
Appointment No. M-037
Notary Public for Makati City
Until December 31, 2024
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 83870
PTR No. 10081152/Makati City/01-09-2024
IBP No. 301888/Camarines Sur/01-05-2024
Admitted to the bar in 2022

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

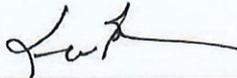
The management of **NLEX Corporation** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2023 and 2022**, in accordance with the Philippine Financial Reporting Standards, and for such internal 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 operation, or has no realistic alternative but to do so.

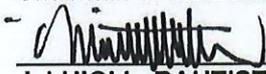
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SGV and Co., the independent auditor 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, has expressed its opinion on the fairness of presentation upon completion of such audit.



MANUEL V. PANGILINAN
Chairman of the Board



J. LUIGI L. BAUTISTA
President and General Manager



MARIA THERESA O. WELLS
Chief Finance Officer

Signed this 5th day of April 2024.

SUBSCRIBED AND SWORN TO before me, a Notary Public for and in the **MAKATI CITY**, this **APR 08 2024**, affiants being personally known to me and signed this instrument in my presence and avowed under penalty of law to the whole truth of contents thereof.

| Name | Government Issued ID No. | Date/Place Issued |
|------------------------|--------------------------|------------------------------------|
| Manuel V. Pangilinan | Passport No. P9969361A | 18 December 2018/ DFA NCR East |
| J. Luigi L. Bautista | Passport No. P6422469A | 15 March 2018/ DFA NCR South |
| Maria Theresa O. Wells | Passport No. P8579456A | 3 September 2018/ DFA NCR South |

IN WITNESS WHEREOF, I hereunto set my hand and affix my notarial seal on the date and at the place above written.

Doc. No. 167 :
Page No. 25 :
Book No. III :
Series of 2024.


DIANNE FAYE A. LOSA
Appointment No. M-037
Notary Public for Makati City
Until December 31, 2024
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 83870
PTR No. 10081152/Makati City/01-09-2024
IBP No. 301888/Camarines Sur/01-05-2024
Admitted to the bar in 2022

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| A | 1 | 9 | 9 | 7 | 0 | 1 | 4 | 5 | 1 |
|---|---|---|---|---|---|---|---|---|---|

COMPANY NAME

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|--|---|---|---|---|---|---|---|---|---|---|---|---|---|
| N | L | E | X | | C | O | R | P | O | R | A | T | I | O | N | | (| A | | S | u | b | s | i | d | i | a | r | y |
| o | f | | M | e | t | r | o | | P | a | c | i | f | i | c | | T | o | l | l | w | a | y | s | | C | o | r | p |
| o | r | a | t | i | o | n |) | | | | | | | | | | | | | | | | | | | | | | |

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

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|--|---|---|---|
| N | L | E | X | | C | o | m | p | o | u | n | d | , | | B | a | l | i | n | t | a | w | a | k | , | | C | a | l |
| o | o | c | a | n | | C | i | t | y | , | | M | e | t | r | o | | M | a | n | i | l | a | | | | | | |

Form Type
A A F S

Department requiring the report
C R M D

Secondary License Type, If Applicable

COMPANY INFORMATION

| | | |
|---|---|---|
| Company's Email Address nlexsec@mptc.com.ph | Company's Telephone Number (02) 8580-8900 | Mobile Number 0998-962-0895 |
| No. of Stockholders 19 | Annual Meeting (Month / Day) Any Day in 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 Maria Theresa O. Wells | Email Address <u>towells@nlex.com.ph</u> | Telephone Number/s (02) 8-580-8900 | Mobile Number 0998-962-0895 |
|---|--|--|---------------------------------------|

CONTACT PERSON'S ADDRESS

NLEX Compound, Balintawak, Caloocan City, Metro Manila

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
NLEX Corporation
NLEX Compound, Balintawak, Caloocan City, Metro Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NLEX Corporation (a subsidiary of Metro Pacific Tollways Corporation) (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Recoverability of goodwill and service concession assets not yet available for use

Under Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, the Company is required to perform annual impairment tests on its goodwill and service concession assets not yet available for use. The annual impairment test is significant to our audit because: (a) the balances of goodwill and service concession assets are material to the financial statements; and (b) the determination of the recoverable amount of the cash-generating units (CGUs) to which the goodwill is attributed, and as it relates to the service concession assets, involves significant management judgment and assumptions which are subject to higher level of estimation uncertainty, specifically on revenue growth, gross margin and discount rate.

Refer to Note 6 to the financial statements for the details of goodwill and Notes 3 and 9 to the financial statements for the details of service concession assets not yet available for use.

Audit response

We obtained an understanding of the Company's impairment testing process and the related controls. We also involved our internal specialist in evaluating the methodologies and the assumptions used by management, which include the revenue growth, gross margins and discount rates. We compared the revenue growth and gross margins against the historical data of the CGUs and evaluated management's plans to support these assumptions. We also compared the Company's key assumptions for revenue growth such as expected traffic volume against historical data and toll rates against the toll rate adjustment provided in the toll operation agreement. We tested the parameters used in the determination of the discount rates against market data. Furthermore, we evaluated the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect in determining the recoverable amount of the service concession assets not yet available for use.

Amortization of service concession assets using the units-of-production method

The Company amortizes the service concession assets using the units-of-production (UOP) method. The amortization is based on the ratio of the actual traffic volume to the total expected traffic volume of the underlying toll expressways over the remaining concession periods under the concession agreements. The Company's UOP amortization is a key audit matter as the UOP method involves significant management judgment in the use of assumptions which are subject to higher level of estimation uncertainty, particularly in determining the total expected traffic volume over the remaining concession periods.

Refer to Notes 3, 4 and 9 to the financial statements for the related discussions on service concession assets.



Audit response

We obtained an understanding of management's processes and controls in the estimation of traffic volume. We evaluated the competence, capabilities and objectivity of management's specialists who are involved in the estimation of expected traffic volumes considering their qualification, experience and reporting responsibilities. We evaluated the methodology and assumptions used in the estimation of the expected traffic volume. Furthermore, we compared the actual traffic volume during the year against the data generated from the toll collection system and the prior year's estimate of the expected traffic volume for this year. We recalculated the amortization expense of the service concession assets for the year ended December 31, 2023 based on the ratio of the actual traffic volume to the total expected traffic volume of the underlying toll expressways over the remaining concession periods.

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), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.

Our opinion on the 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 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 financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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 audit.



We also provide those charged with governance with 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 33 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of NLEX Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Richie Jackson T. Padilla.

SYCIP GORRES VELAYO & CO.



Richie Jackson T. Padilla

Partner

CPA Certificate No. 125656

Tax Identification No. 267-165-440

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-152-2022, November 7, 2022, valid until November 6, 2025

PTR No. 10079989, January 6, 2024, Makati City

April 5, 2024



NLEX CORPORATION
(A Subsidiary of Metro Pacific Tollways Corporation)
STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|--|------------------------|-----------------|
| | 2023 | 2022 |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (Notes 7, 28 and 29) | ₱4,048,262,416 | ₱5,404,188,440 |
| Financial assets at fair value through profit or loss (FVTPL) (Notes 12, 28 and 29) | 2,288,629 | 2,196,992 |
| Receivables (Notes 8, 16, 28 and 29) | 1,904,740,214 | 1,921,665,238 |
| Inventories: | | |
| At net realizable value | 59,008,236 | 57,811,201 |
| At cost | 19,673,677 | 12,866,821 |
| Other current assets (Note 13) | 464,198,494 | 344,536,154 |
| Total Current Assets | 6,498,171,666 | 7,743,264,846 |
| Noncurrent Assets | | |
| Service concession assets (Note 9) | 72,978,605,480 | 62,681,739,665 |
| Goodwill (Note 6) | 6,213,799,383 | 6,213,799,383 |
| Advances to contractors and other noncurrent assets (Notes 9 and 27) | 547,570,735 | 1,131,487,218 |
| Property and equipment (Note 10) | 404,162,463 | 343,042,600 |
| Other intangible assets (Note 11) | 69,861,710 | 19,959,866 |
| Total Noncurrent Assets | 80,213,999,771 | 70,390,028,732 |
| | ₱86,712,171,437 | ₱78,133,293,578 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable and other current liabilities (Notes 14, 16, 28 and 29) | ₱4,813,746,738 | ₱4,436,812,866 |
| Income tax payable | 593,248,525 | 497,090,129 |
| Current portion of provisions (Note 15) | 210,306,331 | 398,950,130 |
| Dividends payable (Notes 16, 19, 28 and 31) | 2,800,000,000 | 1,300,000,000 |
| Short-term loans payable (Note 17) | 2,999,260,274 | – |
| Current portion of long-term debt (Notes 17, 28 and 29) | 6,890,034,589 | 3,914,366,049 |
| Total Current Liabilities | 18,306,596,457 | 10,547,219,174 |
| Noncurrent Liabilities | | |
| Long-term debt - net of current portion (Notes 17, 28 and 29) | 35,638,489,851 | 37,627,173,696 |
| Service concession fees payable (Notes 18, 28 and 29) | 3,701,582,561 | 3,491,276,228 |
| Provisions - net of current portion (Note 15) | 596,732,362 | 251,955,051 |
| Pension liability (Note 23) | 56,527,102 | 89,469,403 |
| Deferred tax liabilities - net (Note 26) | 221,088,787 | 240,561,897 |
| Long-term incentive plan payable (Note 23) | 48,772,160 | 45,586,762 |
| Total Noncurrent Liabilities | 40,263,192,823 | 41,746,023,037 |
| Total Liabilities | 58,569,789,280 | 52,293,242,211 |

(Forward)



| | December 31 | |
|--------------------------------------|------------------------|------------------------|
| | 2023 | 2022 |
| Equity | | |
| Capital stock (Note 19) | ₱1,878,600,000 | ₱1,878,600,000 |
| Additional paid-in capital (Note 19) | 9,965,880,147 | 9,965,880,147 |
| Retained earnings | 16,400,352,785 | 14,087,590,760 |
| Other comprehensive loss (Note 19) | (102,450,775) | (92,019,540) |
| Total Equity | 28,142,382,157 | 25,840,051,367 |
| | ₱86,712,171,437 | ₱78,133,293,578 |

See accompanying Notes to Financial Statements.



NLEX CORPORATION
(A Subsidiary of Metro Pacific Tollways Corporation)

STATEMENTS OF INCOME

| | Years Ended December 31 | | |
|---|--------------------------------|-----------------|-----------------|
| | 2023 | 2022 | 2021 |
| OPERATING REVENUES | | | |
| Toll fees (net of discounts amounting to ₱383,192,962 in 2023, ₱458,513,112 in 2022 and ₱416,826,912 in 2021) | ₱21,498,021,364 | ₱18,071,782,867 | ₱14,031,321,063 |
| Sales of magnetic cards | 6,384 | 5,804 | 1,339 |
| Net toll revenues | 21,498,027,748 | 18,071,788,671 | 14,031,322,402 |
| Non-toll revenues (Note 20) | 117,822,617 | 106,319,661 | 64,918,292 |
| Total revenues | 21,615,850,365 | 18,178,108,332 | 14,096,240,694 |
| COST OF SERVICES (Note 21) | (7,527,351,886) | (6,669,081,338) | (5,361,703,172) |
| GROSS PROFIT | 14,088,498,479 | 11,509,026,994 | 8,734,537,522 |
| CONSTRUCTION REVENUES (Note 4) | 9,978,033,878 | 7,691,633,570 | 3,524,331,104 |
| CONSTRUCTION COSTS (Note 4) | (9,978,033,878) | (7,691,633,570) | (3,524,331,104) |
| GENERAL AND ADMINISTRATIVE EXPENSES (Note 22) | (1,170,882,919) | (959,845,655) | (960,143,259) |
| INTEREST EXPENSE AND OTHER FINANCE COSTS (Note 25) | (1,104,525,205) | (1,121,229,080) | (1,188,545,195) |
| INTEREST INCOME (Note 24) | 136,899,104 | 59,596,505 | 29,841,505 |
| FOREIGN EXCHANGE GAIN - Net | 1,456,994 | 786,713 | 2,774,048 |
| OTHER INCOME - Net (Notes 10, 12 and 16) | 240,000,825 | 298,194,579 | 265,684,704 |
| INCOME BEFORE INCOME TAX | 12,191,447,278 | 9,786,530,056 | 6,884,149,325 |
| PROVISION FOR INCOME TAX (Note 26) | | | |
| Current | 2,196,317,557 | 1,768,313,306 | 1,250,999,605 |
| Deferred | (17,632,304) | 14,189,453 | (285,701,899) |
| | 2,178,685,253 | 1,782,502,759 | 965,297,706 |
| NET INCOME | ₱10,012,762,025 | ₱8,004,027,297 | ₱5,918,851,619 |

See accompanying Notes to Financial Statements.



NLEX CORPORATION
(A Subsidiary of Metro Pacific Tollways Corporation)

STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|--|-------------------------|----------------|----------------|
| | 2023 | 2022 | 2021 |
| NET INCOME | ₱10,012,762,025 | ₱8,004,027,297 | ₱5,918,851,619 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i> | | | |
| Gain on financial assets at fair value through other comprehensive income - net (Notes 12 and 19) | - | - | 3,855,000 |
| Income tax effect (Notes 19 and 26) | - | - | - |
| | - | - | 3,855,000 |
| <i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i> | | | |
| Remeasurement gain (loss) on defined benefit retirement plan (Notes 19 and 23) | (12,272,041) | (53,246,617) | 96,316,345 |
| Income tax effect (Notes 19 and 26) | 1,840,806 | 13,311,654 | (52,877,945) |
| | (10,431,235) | (39,934,963) | 43,438,400 |
| OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX | (10,431,235) | (39,934,963) | 47,293,400 |
| TOTAL COMPREHENSIVE INCOME | ₱10,002,330,790 | ₱7,964,092,334 | ₱5,966,145,019 |

See accompanying Notes to Financial Statements.



NLEX CORPORATION

(A Subsidiary of Metro Pacific Tollways Corporation)

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

| | Capital Stock (Note 19) | Additional Paid-in Capital (Note 19) | Retained Earnings (Note 19) | Other Comprehensive Loss (Note 19) | Other Reserves | Total Equity |
|--|----------------------------|--|-----------------------------------|---|-------------------|-----------------|
| At January 1, 2023 | ₱1,878,600,000 | ₱9,965,880,147 | ₱14,087,590,760 | (₱92,019,540) | ₱- | ₱25,840,051,367 |
| Cash dividends (Note 19) | - | - | (7,700,000,000) | - | - | (7,700,000,000) |
| Net income | - | - | 10,012,762,025 | - | - | 10,012,762,025 |
| Other comprehensive loss (Note 19) | - | - | - | (10,431,235) | - | (10,431,235) |
| Total comprehensive income (loss) for the year | - | - | 10,012,762,025 | (10,431,235) | - | 10,002,330,790 |
| At December 31, 2023 | ₱1,878,600,000 | ₱9,965,880,147 | ₱16,400,352,785 | (₱102,450,775) | ₱- | ₱28,142,382,157 |
| At January 1, 2022 | ₱1,878,600,000 | ₱9,965,880,147 | ₱10,083,563,463 | (₱52,084,577) | ₱- | ₱21,875,959,033 |
| Cash dividends (Note 19) | - | - | (4,000,000,000) | - | - | (4,000,000,000) |
| Net income | - | - | 8,004,027,297 | - | - | 8,004,027,297 |
| Other comprehensive income (Note 19) | - | - | - | (39,934,963) | - | (39,934,963) |
| Total comprehensive income (loss) for the year | - | - | 8,004,027,297 | (39,934,963) | - | 7,964,092,334 |
| At December 31, 2022 | ₱1,878,600,000 | ₱9,965,880,147 | ₱14,087,590,760 | (₱92,019,540) | ₱- | ₱25,840,051,367 |
| At January 1, 2021 | ₱1,878,600,000 | ₱9,965,880,147 | ₱8,355,677,562 | (₱99,377,977) | ₱13,034,282 | ₱20,113,814,014 |
| Cash dividends (Note 19) | - | - | (4,204,000,000) | - | - | (4,204,000,000) |
| Net income | - | - | 5,918,851,619 | - | - | 5,918,851,619 |
| Other comprehensive loss (Note 19) | - | - | - | 47,293,400 | - | 47,293,400 |
| Reclassification | - | - | 13,034,282 | - | (13,034,282) | - |
| Total comprehensive income (loss) for the year | - | - | 5,931,885,901 | 47,293,400 | (13,034,282) | 5,966,145,019 |
| At December 31, 2021 | ₱1,878,600,000 | ₱9,965,880,147 | ₱10,083,563,463 | (₱52,084,577) | ₱- | ₱21,875,959,033 |

See accompanying Notes to Financial Statements.



NLEX CORPORATION
(A Subsidiary of Metro Pacific Tollways Corporation)
STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|--|-------------------------------------|-------------------------|--------------------------|
| | 2023 | 2022 | 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before income tax | ₱12,191,447,278 | ₱9,786,530,056 | ₱6,884,149,325 |
| Adjustments for: | | | |
| Amortization of service concession assets (Notes 9 and 21) | 1,350,184,970 | 1,218,683,362 | 993,247,621 |
| Interest expense and other finance costs (Note 25) | 1,104,525,205 | 1,121,229,080 | 1,188,545,195 |
| Interest income (Note 24) | (136,899,104) | (59,596,505) | (29,841,505) |
| Depreciation of property and equipment (Notes 10, 21 and 22) | 99,030,882 | 101,791,771 | 114,238,151 |
| Net movements in: | | | |
| Provisions | 126,544,279 | (62,914,629) | (25,742,440) |
| Pension costs | (45,214,342) | (3,674,776) | (63,500,658) |
| Provision for estimated credit losses (Notes 8 and 22) | 34,910,120 | 5,489,140 | 1,733,734 |
| Amortization of intangible assets (Notes 11, 21 and 22) | 9,471,042 | 10,373,978 | 9,339,912 |
| Gain on disposals of property and equipment (Note 10) | (6,097,178) | (4,600,581) | (54,165,676) |
| Unrealized foreign exchange (loss) gain - net Unrealized gain on financial assets at FVTPL (Note 12) | 1,405,493 (91,637) | (1,384,360) (40,614) | (1,762,377) (558,050) |
| Provision for (reversal of) decline in value of inventories (Note 22) | – | (17,556,624) | 4,131,399 |
| Loss on disposal/maturity of financial assets at fair value through other comprehensive income (FVOCI) (Notes 12 and 19) | – | – | 3,855,000 |
| Operating income before working capital changes | 14,729,217,008 | 12,094,329,298 | 9,023,669,631 |
| Decrease (increase) in: | | | |
| Other current assets | (119,662,340) | (52,094,791) | (6,044,398) |
| Receivables | (17,429,683) | (1,065,874,681) | 428,561,913 |
| Inventories | (8,003,891) | 30,635,311 | 4,693,474 |
| Increase (decrease) in: | | | |
| Accounts payable and other current liabilities | 132,745,015 | 170,335,974 | (1,020,724,533) |
| Long-term incentive plan payable | 3,185,398 | (240,533,936) | (19,349,542) |
| Cash generated from operations | 14,720,051,507 | 10,936,797,175 | 8,410,806,545 |
| Income tax paid | (2,100,159,161) | (1,691,171,572) | (1,167,033,378) |
| Net cash flows from operating activities | 12,619,892,346 | 9,245,625,603 | 7,243,773,167 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Decrease (increase) in advances to contractors and other noncurrent assets | 583,916,483 | 308,413,319 | (818,005,411) |
| Interest received | 136,343,691 | 59,596,505 | 41,018,650 |
| Additions to: | | | |
| Service concession assets (Notes 9 and 31) | (11,251,913,397) | (8,430,163,527) | (3,544,272,933) |
| Property and equipment (Notes 10 and 31) | (84,543,089) | (117,543,016) | (73,832,691) |
| Other intangible assets (Notes 11 and 31) | (51,878,962) | (3,071,774) | (10,152,179) |
| Financial assets at FVTPL (Note 12) | – | – | (370,000,000) |

(Forward)



| | Years Ended December 31 | | |
|---|--------------------------------|-----------------|-----------------|
| | 2023 | 2022 | 2021 |
| Proceeds from: | | | |
| Sale of property and equipment (Notes 10 and 31) | ₱7,710,823 | ₱9,362,850 | ₱3,616,446 |
| Sale of financial assets at FVTPL (Note 12) | - | - | 369,979,853 |
| Maturity of financial assets at FVOCI (Note 12) | - | - | 50,000,000 |
| Net cash flows used in investing activities | (10,660,364,451) | (8,173,405,643) | (4,351,648,265) |
| CASH FLOWS FROM FINANCING | | | |
| ACTIVITIES (Note 31) | | | |
| Proceeds from availment of: | | | |
| Long-term debt (Note 17) | 5,000,000,000 | 7,000,000,000 | 12,000,000,000 |
| Short-term loans (Note 17) | 3,000,000,000 | - | - |
| Payments of: | | | |
| Dividends (Note 19) | (6,200,000,000) | (4,736,000,000) | (4,068,000,000) |
| Long-term debt (Note 17) | (4,043,000,000) | (700,000,000) | (7,995,000,000) |
| Interest expense and other finance costs | (1,029,599,695) | (1,036,468,138) | (1,228,711,085) |
| Debt issue costs - long-term (Notes 17 and 22) | (39,578,868) | (52,500,000) | (90,000,000) |
| Debt issue costs - short-term (Notes 17 and 22) | (1,869,863) | - | - |
| Net cash provided by (used in) financing activities | (3,314,048,426) | 475,031,862 | (1,381,711,085) |
| NET INCREASE (DECREASE) IN CASH | | | |
| AND CASH EQUIVALENTS | (1,354,520,531) | 1,547,251,822 | 1,510,413,817 |
| EFFECT OF EXCHANGE RATE CHANGES | | | |
| ON CASH AND CASH EQUIVALENTS | (1,405,493) | 1,384,360 | 1,762,377 |
| CASH AND CASH EQUIVALENTS | | | |
| AT BEGINNING OF YEAR (Note 7) | 5,404,188,440 | 3,855,552,258 | 2,343,376,064 |
| CASH AND CASH EQUIVALENTS AT END OF | | | |
| YEAR (Note 7) | ₱4,048,262,416 | ₱5,404,188,440 | ₱3,855,552,258 |

See accompanying Notes to Financial Statements.



NLEX CORPORATION
(A Subsidiary of Metro Pacific Tollways Corporation)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

General

NLEX Corporation (NLEX Corp. or the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on February 4, 1997. NLEX Corp.'s primary purpose is to engage in, and carry on, a construction and contracting business, involving tollways, its facilities, interchanges and related works, including the operation and maintenance thereof, or otherwise engage in any work upon roads, bridges, buildings, and structures of all kinds.

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

Prior to November 4, 2022, the Company is 75.1% owned by Metro Pacific Tollways North Corporation (MPTNC) which is a wholly owned subsidiary of Metro Pacific Tollways Corporation (MPTC). Following the effectivity of the merger between MPTC and MPTNC, with MPTC as the surviving entity, MPTC currently owns 75.1% of the Company's shares. MPTC is 99.9% owned by Metro Pacific Investments Corporation (MPIC). MPIC is a publicly listed Philippine corporation and is 46.27% and 46.08% owned by Metro Pacific Holdings, Inc. (MPHI) as at December 31, 2023 and 2022, respectively.

As sole holder of the voting Class A Preferred Shares, MPHI's combined voting interest as a result of all its shareholdings is estimated at 58.32% and 59.09% as at December 31, 2023 and 2022, respectively. MPHI is a Philippine corporation whose stockholders are Enterprise Investment Holdings, Inc. (EIH) (60.0%), Intalink B.V. (26.7%) and First Pacific International Limited (FPIL) (13.3%). First Pacific Company Limited (FPC), a company incorporated in Bermuda and listed in Hong Kong, through its subsidiaries, Intalink B.V. and FPIL, holds 40.0% equity interest in EIH and an investment financing which under Hong Kong Generally Accepted Accounting Principles, require FPC to account for the results and assets and liabilities of EIH and its subsidiaries as part of FPC group of companies in Hong Kong.

The registered office address of the Company is NLEX Compound, Balintawak, Caloocan City, Metro Manila.

The financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 were authorized for issuance by the Company's BOD on April 5, 2024, as reviewed and recommended for approval by the Company's Audit Committee.

Toll Operations

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



The MNEP consists of three phases as follows:

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

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

Segment 8.1, a portion of Phase II, which is a 2.7 km-road designed to link Mindanao Avenue to the NLEX, had officially commenced tollway operation on June 5, 2010. Segment 9, a portion of Phase II, which is a 2.4 km-road connecting NLEX to the McArthur Highway, had officially commenced tollway operation on March 19, 2015. In May 2014, Segment 10, a portion of Phase II, which is a 5.76 km four-lane, elevated expressway that will start from the terminal of Segment 9 in Valenzuela City going to Circumferential Road 3 (C-3 Road) in Caloocan City above the alignment of Philippine National Railway (PNR) tracks. Segment 10 construction was completed on February 28, 2019, and officially opened to the public on March 1, 2019. The remaining portion of Phase II is under pre-construction works, while Phase III of the MNEP has not yet been started as at April 5, 2024.

Subic-Clark-Tarlac Expressway (SCTEX). Pursuant to the Toll Operation Certificate (TOC) received from the TRB and agreements covering the SCTEX, the Company has commenced the management, operation and maintenance of the SCTEX on October 27, 2015. The SCTEX is a 93.77-kilometer four-lane divided highway, traversing the provinces of Bataan, Pampanga and Tarlac.

NLEX-South Luzon Expressway (SLEX) Connector Road Project (NLEX-SLEX Connector Road). On November 23, 2016, NLEX Corp. was awarded the concession for the design, financing, construction, operation and maintenance of the NLEX-SLEX Connector Road. The NLEX-SLEX Connector Road is an elevated four-lane toll expressway structure with a length of 8 kilometer passing through and above the right of way of the PNR starting from NLEX Segment 10 at C-3 Road Caloocan City and seamlessly connecting to SLEX through Metro Manila Skyway Stage 3 Project in Manila. As at April 5, 2024, the construction of NLEX-SLEX Connector Road Section 1 is 100% complete, while the construction of Section 2 is still ongoing with 78.73% completion rate as at December 31, 2023. Full completion of the project is dependent on the completion of the interconnection structure that will connect the NLEX-SLEX Connector Road Section 2 to the Metro Manila Skyway Stage 3 (MMSS3).



2. Summary of Material Accounting Policy Information

Basis of Preparation

The financial statements, which are prepared for submission to the SEC and Bureau of Internal Revenue (BIR), have been prepared on a historical cost basis, except for financial assets at FVTPL and financial assets at FVOCI which are measured at fair value. The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by: At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).



- Amendments to PAS 12, *International Tax Reform - Pillar Two Model Rules*

The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as ‘Pillar Two legislation’ and ‘Pillar Two income taxes’, respectively.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after January 1, 2023.

The Company adopted the amendments beginning January 1, 2023. These amendments have no material impact on the financial statements of the Company.

Financial Instruments

Date of Recognition. The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Recognition, Measurement, Derecognition, and Impairment of Financial Instruments

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as financial assets measured at amortized cost, FVTPL and FVOCI. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVTPL, transaction costs that are attributable to the acquisition of the financial asset.

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, inclusive of directly attributable transaction costs (referred to herein as “debt issue costs”).

The Company has no financial assets at FVOCI and financial liabilities at FVTPL at December 31, 2023 and 2022.

Subsequent Measurement. For purposes of subsequent measurement financial assets are classified in three categories:

- Financial assets at FVTPL

Financial assets at FVTPL comprise of quoted financial instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVOCI.



As at December 31, 2023 and 2022, this category includes investments in unit investment trust funds (UITF) (see Notes 12, 28 and 29).

▪ Financial Assets at Amortized Cost

This category includes financial assets: (a) which are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and (b) which contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As at December 31, 2023 and 2022, this category includes cash and cash equivalents and receivables (excluding advances to officers and employees) (see Notes 7, 8 and 29).

▪ Financial Liabilities at amortized cost

After initial recognition, financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest rate (EIR) method.

Debt issue costs are amortized over the life of the debt instrument using the EIR method. Debt issue costs are netted against the related loans and borrowings allocated correspondingly between the current and noncurrent portion.

Gains and losses are recognized in the statement of income when the liabilities are derecognized, as well as through the amortization process.

As at December 31, 2023 and 2022, this category includes accounts payable and other current liabilities, dividends payable, short-term notes payable, long-term debt and service concession fees payable (see Notes 14, 17, 18, 21, 28 and 29).

Derecognition of Financial Assets and Financial Liabilities

Financial Assets. An entity shall derecognize a financial asset when, and only when:

- The contractual rights to the cash flows from the financial asset expire; or
- The Company transfers the contractual rights to receive the cash flows of the financial asset or retains the contractual rights to receive the cash flows of the financial assets, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement where:
 - a. The Company has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition.
 - b. The Company is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
 - c. The Company has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.



When the Company transfers a financial asset, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. The transfer of risks and rewards is evaluated by comparing the Company's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset. The Company has retained substantially all the risks and rewards of ownership of a financial asset if its exposure to the variability in the present value of the future net cash flows from the financial asset does not change significantly as a result of the transfer. The Company has transferred substantially all the risks and rewards of ownership of a financial asset if its exposure to such variability is no longer significant in relation to the total variability in the present value of the future net cash flows associated with the financial asset.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets. The Company's accounting for impairment losses for financial assets uses a forward-looking ECL approach. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows the Company expects to receive. For cash equivalents, trade receivables, deposits and other current receivables, the Company has applied the Simplified Approach and has calculated ECL based on lifetime ECL. For financial assets at FVOCI, the Company has applied the General Approach and has calculated ECL based on the 12-month ECL or lifetime ECL if Significant Increase in Credit Risk (SICR) is established. The Company takes into consideration the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Definition of Default and Credit-impaired Financial Assets. The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative Criteria.* For trade receivables and all other financial assets subject to impairment, default occurs when the receivable becomes 90 days past due.
- *Qualitative Criteria.* The counterparty meets unlikelihood to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
 - a. The counterparty is experiencing financial difficulty or is insolvent;
 - b. The counterparty is in breach of financial covenant(s);
 - c. An active market for that the financial assets has disappeared because of financial difficulties;
 - d. Concessions have been granted by the Company, for economic or contractual reasons relating to the counterparty's financial difficulty;
 - e. It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; and
 - f. Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to the ECL models throughout the Company's expected loss calculation.



Incorporation of Forward-looking Information. The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. To do this, the Company has considered a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs.

Based on the Company's evaluation and assessment and after taking into consideration external actual and forecast information, the Company considers two or more economic scenarios and the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Company considers macro-economic factors such as GDP growth rates and inflation rates in its analysis.

Predicted relationship between the key indicators and default and loss rates on portfolios of financial assets have been developed based on analyzing historical data. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Company has not identified any uncertain event that is relevant to its assessment of the risk of default occurring on the financial instrument.

Determining the Stage for Impairment. At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Company's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Company from the time of origination.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Write-off Policy. The Company's financial exposures are written off based on management's decision of whether receivables from counterparties are still collectible or not.

Fair Value Measurement

The Company measures financial assets at FVTPL and financial assets at FVOCI at fair value.

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or



- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the 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 (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at reporting date.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair-value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Notes 4, 12 and 28
- Quantitative disclosures of fair value measurement hierarchy Note 29
- Financial instruments (including those carried at amortized cost) Notes 12 and 29

Inventories

Inventories, which consist of magnetic cards and spare parts, are valued at the lower of cost and net realizable value (NRV). Cost includes purchase cost and import duties and is determined primarily on a weighted average method. For magnetic cards, NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. NRV for spare parts is the current replacement cost. Other inventories consisting of office and other supplies are valued at cost.



Advances to Contractors and Consultants

Advances to contractors and consultants represent the advance payments for mobilization of the contractors and consultants. These are stated at costs less than any impairment in value. These are progressively reduced upon receipt of the equivalent amount of services rendered by the contractors and consultants.

Service Concession Arrangements

The Company accounts for its concession arrangements in accordance with Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, under the intangible asset model as it receives the right (license) to charge users of public service.

Revenue and Cost Recognition. The Company recognizes and measures construction revenue in accordance with PFRS 15 for the services it performs. When the Company provides construction or upgrade services, the consideration received or receivable by the Company is recognized at its fair value. The revenue and cost from these services are recognized based on the percentage of completion measured principally on the basis of estimated completion of a physical proportion of the contract works, and by reference to the actual costs incurred to date over the estimated total cost of the project. Since the Company subcontracts the works to outside contractors, the construction revenue is equal to the construction cost.

Contractual Obligations. The Company recognizes its contractual obligations, (i) to maintain the toll roads to a specified level of serviceability or (ii) to restore the toll roads to a specified condition before it is handed over to the grantor at end of the concession term, in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, as the obligations arise which is as a consequence of the use of the toll roads and therefore it is proportional to the number of vehicles using the toll roads and increasing in measurable annual increments.

Service Concession Assets. The service concession assets (or the rights to charge users of the public service) are recognized initially at cost. The cost of the service concession assets consists of the construction or upgrade costs, including related borrowing costs; upfront fees payments on the concession agreements; and future fixed fee considerations in exchange for the license or right. The fixed fees are recognized at present value using the discount rate at the inception date with a corresponding liability recognized. Interest on the unwinding of discount of the liability is recognized as a borrowing cost that is capitalized as part of the service concession asset during construction of the infrastructure asset and as an expense in the period incurred starting from the commercial operations of the said infrastructure asset. Following initial recognition, the service concession assets are carried at cost less accumulated amortization and any impairment losses.

Subsequent costs and expenditures related to the toll road infrastructure arising from the Company's commitments to the concession agreements, or that increase future revenues are recognized as additions to the service concession assets and are stated at cost. Repairs and maintenance and other expenses that are routinary in nature are expensed and recognized in the statement of income as incurred.

The amortization will commence once the service concession asset will be available for use and will be based on the expected pattern of consumption of future economic benefits embodied in the service concession asset.

The service concession assets are amortized using the unit-of-production (UOP) method. The annual amortization of the service concession assets is calculated by applying the ratio of actual traffic volume of the underlying toll expressways compared to the total expected traffic volume of the underlying toll expressways over the respective remaining concession periods to the net carrying value of the assets. The expected traffic volume is estimated by management with reference to the traffic projection reports.



The amortization expense is recognized under the “Cost of services” account in the statement of income.

The concession fees paid in consideration for the concession which vary in relation to future activity (i.e., based on toll revenues) are treated as executory and are expensed as incurred.

The service concession asset will be derecognized upon turnover to the Grantor. There will be no gain or loss upon derecognition as the service concession assets which are expected to be fully amortized by then, will be handed over to the Grantor with no consideration.

Contract Assets. Contract assets, classified as part of service concession assets, refer to on-going construction and upgrade services on concession arrangements under the scope of Philippine Interpretation of IFRIC 12.

Deferred Project Costs. Costs directly attributable to the acquisition of a service concession asset are recorded as deferred project costs (under “Other noncurrent assets”) until commencement of the concession term, whereupon the costs are transferred to the “Service concession assets” account.

Property and Equipment

Property and equipment, except for land, are stated at cost less accumulated depreciation and any impairment in value. Land is carried at cost less any impairment in value. The cost of property and equipment consists of its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes the cost of replacing the part of such property and equipment when the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally recognized as expense in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the property and equipment.

Depreciation commences once the property and equipment are available for use and is calculated on a straight-line basis over the estimated useful life of the asset as follows:

| | |
|------------------------------------|---|
| Building and building improvements | 5-25 years |
| Leasehold improvements | 5 years or lease term, whichever is shorter |
| Transportation equipment | 5 years |
| Office equipment and others | 3-5 years |

An item of property and equipment 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 item) is included in the statement of income in the year the item is derecognized.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to the statement of income.

The assets’ residual values, useful lives and method of depreciation are reviewed at each financial year-end, and adjusted prospectively, if appropriate.



Other Intangible Assets (Software Cost)

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized.

Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.



In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indications exist, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such a reversal, the depreciation and amortization charges are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, 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.

Equity

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Retained earnings represent the accumulated earnings net of dividends declared, adjusted for the effects of changes in accounting policies as may be required by PFRSs' transitional provisions.

Other comprehensive income or loss includes items of income and expense, including recycling to profit or loss, that are not recognized in the statement of income as required or permitted by other PFRS.

Other reserves include the contribution from MPIC in relation to its executive stock option plan granted to NLEX Corp. employees accounted for as equity-settled share-based payment transactions.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has generally concluded that it is the principal in its revenue arrangements.



The following specific criteria must also be met before revenue is recognized:

- Revenue from toll fees is recognized upon the sale of toll tickets and passage on the toll roads. The Company recognizes toll revenues over time since the customer simultaneously receives and consumes the benefits, provided by NLEX Corp.'s performance of its obligation to operate and maintain toll roads, during the time of passage on the toll roads which occur on the same day.
- Construction revenue and construction costs are recognized and measured in accordance with PFRS 15 for the services it performs. When the Company provides construction or upgrade services, the consideration received or receivable by the Company is recognized at its fair value. The revenue and cost from these services are recognized based on the percentage of completion measured principally on the basis of estimated completion of a physical proportion of the contract works, and by reference to the actual costs incurred to date over the estimated total cost of the project. Since the Company subcontracted the works to outside contractors, the construction revenue is equal to the construction cost.
- Income from utility facility contracts, toll service facilities (TSF) and advertising, included in "Non-toll revenues" account in the statement of income, are recognized in accordance with the terms of agreement.

Contract Balances

Contract Assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract Liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration or an amount of consideration is due from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due, whichever is earlier. If the revenue recognized which is determined based on average period of listing is lower than the amount collected as of date arising from the contract with the customer, a contract liability is recognized for the difference.

Cost and Expenses Recognition

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Cost of services, general and administrative expenses and interest expense and other finance costs are recognized in the statement of income in the period these are incurred.

Leases

Short-term leases and leases of low-value assets. The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.



Foreign Currency-denominated Transactions and Translations

The Company's financial statements are presented in Philippine peso, which is also the Company's functional currency. The Company determines its own functional currency and items included in the financial statements are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing exchange rate at reporting date. All differences are taken to the statement of income with the exception of differences on foreign currency borrowings that are regarded as adjustments to interest cost and are capitalized as part of the cost of the service concession assets during the construction period, as applicable.

Borrowing Costs

Borrowing costs are capitalized as part of service concession assets if they are directly attributable to the acquisition and construction of the assets. Capitalization of borrowing costs commences when the activities to prepare for the construction of the assets are in progress and expenditures and borrowing costs are being incurred, until the assets are ready for their intended use.

Borrowing costs include interest charges, amortization of debt issue costs and other costs incurred in connection with the borrowing of funds, including exchange differences arising from foreign currency borrowings used to finance the assets, to the extent that they are regarded as adjustments to interest cost.

All other borrowing costs are expensed in the period they are incurred.

Retirement Costs

Defined Benefit Plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.



Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. 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.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Defined Contribution Plan. The Company has a funded, contributory defined contribution plan covering all of its regular and full-time employees. The Company's obligation for each period is determined by the amounts to be contributed for that period. Consequently, no actuarial assumptions are required to measure the obligation or the expense and there is no possibility of any actuarial gain or loss to the Company. Moreover, the obligations are measured on an undiscounted basis, except where they do not fall due wholly within twelve months after the end of the period in which the employees render the related service.

Employee Leave Entitlements

Employee entitlements to annual leave are recognized as a liability when earned by the employees and are calculated annually by a qualified independent actuary. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized under "Current portion of provisions" account in the statement of financial position for services rendered by employees up to the end of the reporting period. The liability for entitlements expected to be settled beyond one year after the end of reporting date are recognized under "Provisions - net of current portion" account in the statement of financial position and measured at the present value of the benefits as at the end of reporting date.

Share-based Payment

MPIC has an Executive Stock Option Plan (ESOP) for eligible executives to receive remuneration in the form of share-based payment transactions, whereby executives render services in exchange for the share option.

Executives of the Company are granted rights to equity instruments of MPIC as consideration for the services provided to the Company.

The Company shall measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, with a corresponding increase recognized in equity as a contribution from MPIC, provided that the share-based arrangement is accounted for as equity-settled in the consolidated financial statements of MPIC.

A parent grants rights to its equity instruments to the employees of its subsidiaries, conditional upon the completion of continuing service with the group for a specified period. An employee of one subsidiary may transfer employment to another subsidiary during the specified vesting period without the employee's rights to equity instruments of the parent under the original share-based payment arrangement being affected. Each subsidiary shall measure the services received from the employee by reference to the fair value of the equity instruments at the date those rights to equity instruments were originally granted by the parent, and the proportion of the vesting period served by the employee with each subsidiary.



Such an employee may fail to satisfy a vesting condition other than a market condition after transferring between group entities. In this case, each subsidiary shall adjust the amount previously recognized in respect of the services received from the employee. Hence, no amount is recognized on a cumulative basis for the services received from that employee in the financial statements of any subsidiary if the rights to the equity instruments granted by the parent do not vest because of an employee's failure to meet a vesting condition other than a market condition.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification.

After vesting date, the Company shall not reverse the amount recognized for services received from an employee if the vested equity instrument is later forfeited, or in case of share options, the options are not exercised. However, this does not preclude the Company from recognizing a transfer within equity such as a transfer from one component of equity to another.

Long-term Employee Benefits

MPTC has long-term incentive plan (LTIP) which grants cash incentives to eligible key executives of MPTC and its subsidiaries, including the Company. Liability under the LTIP is determined using the projected unit credit method. Employee benefit costs include current service costs, interest cost, actuarial gains and loss and past service costs. Past service costs and actuarial gains and losses are recognized immediately.

The liability under LTIP comprise the present value of the defined benefit obligation (using discount rate based on government bonds) vested at the reporting date.

Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the country where the Company operates and generates taxable income.

Current tax relating to items recognized directly in equity is recognized in equity and not in the statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax. Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or 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.
- In respect of taxable temporary differences associated with its investment in a subsidiary, when 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.



Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with its investment in a subsidiary, 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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside the statement of income is recognized outside the statement of income. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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 tax relate to the same taxable entity and the same taxation authority.

Contingencies

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Events after the Reporting Date

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

3. Service Concession Arrangements

Supplemental Toll Operation Agreement (STOA) for the Manila-North Expressway

By virtue of Presidential Decree (PD) No. 1113 issued on March 31, 1977 as amended by PD No. 1894 issued on December 22, 1983, PNCC was granted the franchise for the construction, operation and maintenance of toll facilities in the NLEX, SLEX and Metro Manila Expressway. PNCC executed a Toll Operation Agreement (TOA) with the Government of the Republic of the Philippines (ROP), by and through the TRB.



Pursuant to the Joint Venture Agreement (JVA) entered into by PNCC and MPTNC (then First Philippine Infrastructure Development Corporation or FPIDC) on August 29, 1995, PNCC assigned its rights, interests and privileges under its franchise to construct, operate and maintain toll facilities in the NLEX in favor of NLEX Corp., including the design, funding and rehabilitation of the NLEX, and installation of the appropriate collection system therein. MPTNC in turn assigned all its rights, interests and privileges to Segment 7, as defined in the Memorandum of Agreement (MOA) dated March 6, 1995, to NLEX Corp., which assumed all the rights and obligations as a necessary and integral part of the MNEP. The assignment of PNCC's usufructuary rights, interests and privileges under its franchise, to the extent of the portion pertaining to the NLEX, was approved by the then President of the ROP. On October 10, 1995, the Department of Justice issued Opinion No. 102, Series of 1995, noting the authority of the TRB to grant authority to operate a toll facility and to issue the necessary TOC. On November 24, 1995, in a letter by the then Secretary of Justice to the then Secretary of Public Works and Highways, the Secretary of Justice reiterated and affirmed the authority of the TRB to grant authority to operate a toll facility and to issue the necessary TOC in favor of PNCC and its joint venture partner for the proper and orderly construction, operation and maintenance of the NLEX as a toll road during the concession period.

In April 1998, the ROP (Grantor), acting by and through the TRB, PNCC (Franchisee) and NLEX Corp. (Concessionaire) executed the STOA for the Manila-North Expressway, whereby the ROP granted NLEX Corp. the rights, obligations and privileges including the authority to finance, design, construct, operate and maintain the project roads as toll roads (the "Concession") commencing upon the date the STOA comes into effect until December 31, 2030 or 30 years after the issuance of the TOP for the last completed phase, whichever is earlier, unless further extended pursuant to the STOA.

The PNCC franchise expired on May 1, 2007. Pursuant to the STOA, the TRB issued the necessary TOC for the NLEX in order to allow the continuation of the Concession. As further discussed in Note 30, NLEX Corp. pays a certain amount to PNCC.

Also, under the STOA, NLEX Corp. shall pay for the Grantor's project overhead expenses based on certain percentages of total construction costs or of periodic maintenance works on the project roads (see Note 21).

Upon expiry of the concession period, NLEX Corp. shall hand-over the project roads to the Grantor without cost, free from any and all liens and encumbrances and fully operational and in good working condition, including any and all existing land required, works, toll road facilities and equipment found therein directly related to and in connection with the operation of the toll road facilities.

In October 2008, in consideration of the construction of Segment 8.1, TRB approved NLEX Corp.'s proposal to extend the concession period for Phase I and Segment 8.1 of the MNEP until December 31, 2037.

From 2007 to 2010, NLEX Corp. obtained TRB's approval for certain amendments to the STOA for the MNEP which includes (a) the integration of Segment 10 into Phase II (approved in July 2007); (b) amendment of adjustment formula for the Authorized Toll Rate (ATR) by removing the foreign exchange factor (approved in June 2008); (c) adoption of an integrated operations period for Phase I and Segment 8.1 and extension of the concession period until December 31, 2037 (approved in October 2008); (d) modification of alignments of Phase II Segments 9 and 10 (approved in February 2010); and the following approvals in relation to Phase II Segments 9 and 10, and the R-10 Section projects: (i) adoption of the 2008 TRB approved ATR formula ("ATRF") for five (5) years following the completion of Segment 9; (ii) continuation of the implementation of the ATRF for ten (10) years from commercial operation of Segment 10; (iii) approval of the additional ₱6.00 (exclusive of value-added tax or VAT) adjustment to the Open System toll rate upon completion of Segment 10;



(iv) continuation of the implementation of the ATRF until 2034; and (v) approval of the additional ₱2.00 (exclusive of value-added tax or VAT) adjustment to the Open System toll rate upon completion of C-3 R-10 Exit Ramp Project.

Agreements covering the SCTEX

On February 26, 2015, NLEX Corp. and the Bases Conversion and Development Authority (BCDA) entered into the Business Agreement (BA) covering the assignment by BCDA to NLEX Corp. of its rights, interest and obligations under the TOA relating to the management, operation and maintenance of the SCTEX (which shall include the exclusive right to possess and use the SCTEX toll road and facilities and the right to collect toll). BCDA shall retain all rights, interests and obligations under the TOA relating to the design, construction and financing of the SCTEX. Nevertheless, NLEX Corp. and BCDA hereby acknowledge that BCDA has, as of date of the BA, designed, financed and constructed the SCTEX as an operable toll road in accordance with the TOA.

BCDA is a government instrumentality vested with corporate powers created by virtue of Republic Act (RA) No. 7227. Pursuant to Section 4 (b) of RA No. 7227, BCDA undertook the design, construction, operation and maintenance of the SCTEX, a major road project to serve as the backbone of a new economic growth in Central Luzon, pursuant to a TOA entered into between BCDA and the ROP, acting through the TRB, on June 13, 2007. In 2008, TRB has issued in favor of BCDA a TOP authorizing the commercial operations of and the collection of tolls in SCTEX.

The term of the BA shall be from October 27, 2015 (effective date), until October 30, 2043, and may be extended subject to mutual agreement of NLEX Corp. and BCDA and the relevant laws, rules and regulations and required government approvals. At the end of the contract term or upon termination of the BA, the SCTEX, as well as the as-built plans, specifications and operation/repair/maintenance manuals relating to the same shall be turned over to BCDA or its successor-in-interest conformably with law, and in all cases in accordance with and subject to the terms and conditions of the STOA. The STOA, which was a supplement to and revision to the TOA, was entered into, by and among the ROP, acting through the TRB, BCDA and NLEX Corp. on May 22, 2015, in order to fully allow NLEX Corp. to exercise its rights and interests under the BA.

In consideration for the assignment by BCDA to NLEX Corp. of its rights to and interests in SCTEX, NLEX Corp. paid BCDA an upfront cash of ₱3.5 billion (inclusive of VAT) upon the effectivity of the BA (the Upfront Payment). NLEX Corp. also pays BCDA monthly fees equivalent to 50% of the Audited Gross Toll Revenues of SCTEX from effective date to October 30, 2043. The Company recorded concession fees of ₱1,946.0 million, ₱1,629.2 million and ₱1,116.5 million in 2023, 2022 and 2021, respectively, which is included under “Cost of services” account in the statements of income (see Note 21).

NLEX Corp. also commits to undertake at its own cost the maintenance works/special/major emergency works, other additional works, enhancements and/or improvement works contained in the Maintenance Plans submitted by NLEX Corp. to BCDA from time to time.

On October 22, 2015, NLEX Corp. received the TOC from the TRB for the operation and maintenance of the SCTEX. NLEX Corp. officially took over the SCTEX toll facilities and officially commenced the management, operation and maintenance of SCTEX on October 27, 2015.

NLEX-SLEX Connector Road Concession Agreement

In July 2016, after a competitive and comparative public bidding process or Swiss Challenge, NLEX Corp. was declared as the winning proponent to undertake the NLEX-SLEX Connector Road in accordance with Section 10.1 of the Revised Build-Operate-Transfer (BOT) Law and its Revised Implementing Rules and Regulations of 2012.



On November 23, 2016, NLEX Corp. and Department of Public Works and Highways (DPWH) signed the Concession Agreement for the NLEX-SLEX Connector Road. Under the concession agreement, the ROP, acting through the DPWH, granted NLEX Corp. the rights and obligations to finance, design, construct, operate and maintain the NLEX-SLEX Connector Road, including the right to collect toll fees over the concession period as well as commercial revenues and fees from non-toll user related facilities, subject to the right of DPWH to receive revenue share of 5% of commercial revenues from toll user and non-toll user related facilities. The concession period shall commence on the commencement date (being the date of issuance of the Notice to Proceed (NTP) by the DPWH to begin the construction of the NLEX-SLEX Connector Road) and shall end on its thirty-seventh (37th) anniversary, unless otherwise extended or terminated in accordance with the Concession Agreement. The concession period includes both the construction period and the operation period and in no event be extended beyond the fiftieth (50th) anniversary of the operation period.

In consideration for granting the basic right of way for the NLEX-SLEX Connector Road, NLEX Corp. shall pay DPWH periodic payments of ₱243.2 million annually which will commence on the first anniversary of the construction completion deadline, as extended, until the expiry of the concession period and will be subject to an agreed escalation every two years based on the prevailing Consumer Price Index (CPI) for the two-year period immediately preceding the adjustment or escalation.

During the concession period, NLEX Corp. shall pay for the project overhead expenses to be incurred by the DPWH or the TRB in the process of monitoring, inspecting, evaluating and checking the progress and quality of the activities and works undertaken by NLEX Corp. NLEX Corp.'s liability for the payment of the project overhead expenses due to TRB shall not exceed ₱50.0 million and the liability for the payment of the project overhead expenses due the DPWH shall not exceed ₱200.0 million; provided, that these limits may be increased in case of inflation, or in case of additional work due to a concessionaire variation that will result in an extension of the construction period or concession period, upon mutual agreement of the parties in the concession agreement.

Legal title to the NLEX-SLEX Connector Road, including all assets and other improvements constructed therein and all additional and/or enhancement works contributed by NLEX Corp. during the concession period, shall remain with NLEX Corp. until the termination date. At the end of the concession period or upon the termination of the concession agreement, the NLEX-SLEX Connector Road, including all rights, title and interest in the aforesaid assets, shall be turned over to DPWH or to its successor-in-interest conformably with law, and in all cases in accordance with and subject to the terms and conditions of the Concession Agreement. NLEX Corp. shall be prohibited from transferring, alienating, selling, or otherwise disposing the NLEX-SLEX Connector Road.

Pursuant to the Concession Agreement, NLEX Corp. shall preserve the asset so it can be handed back to DPWH in a manner that complies with the pavement performance standards specified in the concession agreement and that all the building and equipment necessary to operate the expressway remain functional and in good condition that is equivalent to prudent industry practice. NLEX Corp. must also manage the maintenance of the assets so that there is a residual asset life that complies with the residual life standards stated in the concession agreement at the end of the concession period. As at April 5, 2024, the construction of NLEX-SLEX Connector Road Section 1 is 100% complete, while construction of Section 2 is ongoing with 78.73% completion rate as of December 31, 2023. Full completion of the project is dependent on the completion of the interconnection structure that will connect the NLEX-SLEX Connector Road Section 2 to the Metro Manila Skyway Stage 3 (MMSS3).



4. Significant Accounting Judgment, Estimates and Assumptions

The preparation of the financial statements in compliance with PFRSs requires management to make judgments, estimates and assumptions that affect certain reported amounts and disclosures.

In preparing the financial statements, management has made its best judgment and estimates of certain amounts, giving due consideration to materiality. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from those estimates, and such estimates will be adjusted accordingly.

The following represents a summary of these significant judgment and estimates and the related impact and associated risks in the financial statements.

Judgments

In the process of applying the Company's accounting policies, management has made a judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

Service Concession Arrangements. Philippine Interpretation IFRIC 12, outlines an approach to account for contractual arrangements arising from entities providing public services. Arrangements within the scope of Philippine Interpretation IFRIC 12 are those public-to-private service concession arrangements in which: (a) the grantor controls or regulates the services that the operator must provide using the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise. Infrastructure assets within scope are those constructed or acquired for the purpose of the service concession arrangement or existing infrastructure to which the operator is given access by the grantor for the purpose of the service concession arrangement.

Philippine Interpretation IFRIC 12 also provides that the operator should not account for the infrastructure as property, plant and equipment, but recognize a financial asset and/or an intangible asset.

The Company has made a judgment that the STOA for the Manila-North Expressway, the agreements covering the SCTEX and NLEX-SLEX Connector Road concession agreement are within the scope of Philippine Interpretation IFRIC 12 and qualify under the intangible asset model, wherein the service concession assets are recognized as intangible assets in accordance with PAS 38, *Intangible Assets*.

The Company also recognizes construction revenues and costs in accordance with PFRS 15. It measures contract revenue at the fair value of the consideration received or receivable. Given that NLEX Corp. has subcontracted the construction to outside contractors, the construction revenue recognized is equal to the construction costs. Construction revenue and costs recognized in the statements of income amounted to ₱9,978.0 million, ₱7,691.6 million and ₱3,524.3 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 9).

The Company also recognizes its contractual obligations to restore the toll roads to a specified level of serviceability. The Company recognizes a provision following PAS 37, as the obligation arises which is a consequence of the use of the toll roads and therefore it is proportional to the number of vehicles using the toll roads and increasing in measurable annual increments. Provision for heavy maintenance amounted to ₱664.4 million and ₱538.0 million as at December 31, 2023 and 2022, respectively (see Note 15).



Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Allowance for Estimated Credit Losses. Allowance for estimated credit losses is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the Company's historical credit loss experience and forward-looking factors specific to the debtors and the economic environment that may affect collectability. The Company applies the Simplified Approach for trade receivables and General Approach for other receivables, designed to identify potential charges to the allowance and is performed on a continuous basis throughout the period. Provisions for ECL amounted to ₱34.9 million, ₱5.5 million and ₱1.7 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Notes 8 and 22).

Receivables (excluding advances to officers and employees), net of allowance for estimated credit losses amounted to ₱1,848.6 million and ₱1,884.1 million as at December 31, 2023 and 2022, respectively. Allowance for estimated credit losses amounted to ₱81.0 million and ₱47.4 million as at December 31, 2023 and 2022, respectively (see Note 8).

Amortization of Service Concession Assets. The service concession assets are amortized using the UOP method. The amortization is based on the ratio of the actual traffic volume to the total expected traffic volume of the underlying toll expressways over the remaining concession period under the concession agreement. Adjustments may need to be made to the carrying amounts of service concession assets should there be a material difference between the total expected traffic volume and the actual results. The Company's management has reviewed the total expected traffic volume and made appropriate adjustments to the assumptions of the expected traffic volume with reference to the latest traffic studies. The management of the Company considers that these are calculated by reference to the best estimates of the total expected traffic volumes of the underlying toll expressways.

For the years ended December 31, 2023, 2022 and 2021, the Company reported amortization of service concession assets amounting to ₱1,350.2 million, ₱1,218.7 million and ₱993.2 million, respectively (see Notes 9 and 21). The carrying values of the service concession assets as at December 31, 2023 and 2022 amounted to ₱72,978.6 million and ₱62,681.7 million, respectively (see Note 9).

Impairment of Goodwill and Service Concession Assets Not Yet Available for Use. Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the concession period and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used. The key assumptions used to determine the recoverable amount are disclosed and further explained in Notes 6 and 9.



There was no impairment loss recognized in the statements of income for the years ended December 31, 2023, 2022 and 2021. The carrying amount of goodwill amounted to ₱6,213.8 million as at December 31, 2023 and 2022 (see Note 6). The carrying values of the Company's service concession assets not yet available for use amounted to ₱25,047.7 million and ₱17,622.2 million as at December 31, 2023 and 2022, respectively (see Note 9).

Recognition of Deferred Tax Assets. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow or part of the deferred tax assets to be utilized.

The Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the expected future taxable results of operations.

Deferred tax assets amounted to ₱691.3 million and ₱641.5 million as at December 31, 2023 and 2022, respectively (see Note 26).

Retirement Costs and Other Employee Benefits. The cost of defined benefit retirement plan and the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuations involve making various assumptions about discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each statement of financial position date. Further details about the assumptions used are presented in Note 23.

The Company recognized retirement benefit expense (income) in profit or loss amounting to ₱69.1 million, ₱36.5 million and (₱2.2 million) in 2023, 2022 and 2021, respectively (see Note 23). The Company recognized rereasurement gain and loss in the other comprehensive income, net of tax, amounting to ₱10.4 million, ₱39.9 million and ₱43.4 million in 2023, 2022 and 2021, respectively (see Notes 23 and 26).

Pension liability amounted to ₱56.5 million and ₱89.5 million as at December 31, 2023 and 2022, respectively (see Note 23).

Employee leave entitlements that are expected to be settled beyond one year after the end of the reporting date and recognized under the "Provisions" account in the statements of financial position amounted to ₱73.2 million and ₱56.1 million as at December 31, 2023 and 2022, respectively (see Notes 15 and 23)

Long-Term Incentives Benefits. The LTIP for key executives of the Company is based on profit targets for the covered performance cycle. The cost of LTIP is determined using the projected unit credit method based on prevailing discount rates and profit targets. While management's assumptions are believed to be reasonable and appropriate, significant differences in actual results or changes in assumptions may materially affect the Company's long-term incentives benefits.

LTIP payable amounted to ₱48.8 million and ₱45.6 million as at December 31, 2023 and 2022, respectively (see Note 23).

Provisions. The Company 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 determination is made.



The provision for the heavy maintenance requires an estimation of the periodic cost, generally estimated to be every seven (7) to nine (9) years or the expected heavy maintenance dates, to restore the assets to a level of serviceability during the concession term and in good condition before the turnover to the Grantor. This is based on the best estimate of management to be the amount expected to be incurred to settle the obligation at every heavy maintenance date discounted using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the liability.

Provisions (current and noncurrent) amounted to ₱807.0 million and ₱650.9 million as at December 31, 2023 and 2022, respectively (see Note 15).

Contingencies. The Company is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Company's management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the Company's financial statements (see Note 30).

5. Operating Segment Information

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

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

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

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

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



The revenues, net income, assets, liabilities, and other information of the Company's operations as at and for the years ended December 31, 2023, 2022 and 2021 are as follows:

| | 2023 | 2022 | 2021 |
|--|------------------------|-----------------|-----------------|
| Net toll revenues | ₱21,498,021,364 | ₱18,071,782,867 | ₱14,031,321,063 |
| Other income | 357,738,188 | 404,520,044 | 64,856,633 |
| Total revenues | 21,855,759,552 | 18,476,302,911 | 14,096,177,696 |
| Operating and maintenance costs | (5,903,951,929) | (5,137,818,305) | (3,795,489,875) |
| Operating expenses | (1,004,627,641) | (834,032,875) | (559,610,957) |
| EBITDA | 14,947,179,982 | 12,504,451,731 | 9,741,076,864 |
| Financing costs | (967,534,464) | (1,068,934,822) | (1,126,270,640) |
| Core income before depreciation, amortization and provisions | 13,979,645,518 | 11,435,516,909 | 8,614,806,224 |
| Depreciation, amortization and provisions* | (3,735,491,950) | (3,324,625,340) | (2,291,071,828) |
| Core income | 10,244,153,568 | 8,110,891,569 | 6,323,734,396 |
| Nonrecurring items | (231,391,543) | (106,864,272) | (404,882,777) |
| Net income | ₱10,012,762,025 | ₱8,004,027,297 | ₱5,918,851,619 |
| EBITDA margin for the year | 70% | 69% | 69% |
| Core income margin for the year | 48% | 45% | 45% |
| Net income margin for the year | 47% | 44% | 42% |
| Total assets | ₱86,712,171,437 | ₱78,133,293,578 | ₱68,073,269,969 |
| Total liabilities | 58,569,789,280 | 52,293,242,211 | 46,197,310,936 |
| Total equity | 28,142,382,157 | 25,840,051,367 | 21,875,959,033 |
| Other disclosures: | | | |
| Capital expenditure (consists of additions to service concession assets, property and equipment, and other intangible assets) | ₱11,868,720,756 | ₱8,547,706,543 | ₱3,628,257,803 |

* Includes provision for current and deferred taxes.

The following table shows the reconciliation of EBITDA to net income for the years ended December 31, 2023, 2022 and 2021.

| | 2023 | 2022 | 2021 |
|--|------------------------|-----------------|-----------------|
| EBITDA | ₱14,947,179,982 | ₱12,504,451,731 | ₱9,741,076,864 |
| Amortization of service concession assets (see Note 21) | (1,350,184,970) | (1,218,683,362) | (993,247,621) |
| Interest expense and other finance costs (see Note 25) | (1,104,525,205) | (1,121,229,080) | (1,156,670,195) |
| Provision for heavy maintenance (see Note 21) | (98,119,803) | (218,616,331) | (208,948,438) |
| Depreciation of property and equipment (see Notes 21 and 22) | (99,030,882) | (101,791,771) | (114,238,151) |
| Interest income (see Note 24) | 136,899,104 | 59,596,505 | 29,841,505 |
| Realized gain on investments | - | - | 537,903 |
| Amortization of other intangible assets (see Notes 21 and 22) | (9,471,042) | (10,373,978) | (9,339,912) |
| Unrealized gain on investments | 91,637 | 40,614 | 20,147 |

(Forward)



| | 2023 | 2022 | 2021 |
|---|-----------------|----------------|----------------|
| Nonrecurring items: | | | |
| Provisions | (P8,254,736) | (P22,324,217) | (P170,407,406) |
| Foreign exchange gain - net | 1,456,994 | 786,713 | 2,774,048 |
| Other charges - net | (224,593,801) | (85,326,768) | (237,249,419) |
| Income before income tax | 12,191,447,278 | 9,786,530,056 | 6,884,149,325 |
| Provision for (benefit from) income tax (see Note 26): | | | |
| Current | 2,196,317,557 | 1,768,313,306 | 1,250,999,605 |
| Deferred | (17,632,304) | 14,189,453 | (285,701,899) |
| | 2,178,685,253 | 1,782,502,759 | 965,297,706 |
| Net income | P10,012,762,025 | P8,004,027,297 | P5,918,851,619 |

The following table shows the reconciliation of the core income to the net income for the years ended December 31, 2023, 2022 and 2021.

| | 2023 | 2022 | 2021 |
|-----------------------------|-----------------|----------------|----------------|
| Core income for the year | P10,244,153,568 | P8,110,891,569 | P6,323,734,396 |
| Nonrecurring items: | | | |
| Provisions | (8,254,736) | (22,324,217) | (170,407,406) |
| Foreign exchange gain - net | 1,456,994 | 786,713 | 2,774,048 |
| Other charges - net | (224,593,801) | (85,326,768) | (237,249,419) |
| | (231,391,543) | (106,864,272) | (404,882,777) |
| Net income | P10,012,762,025 | P8,004,027,297 | P5,918,851,619 |

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

TMC, a company registered in the Philippines, was primarily engaged in the operations and maintenance of tollways, its facilities, interchanges and related works, or otherwise engage in the operation and maintenance of roads, highways, bridges, buildings and structures of all kinds.

Under an Operation and Maintenance Agreement with NLEX Corp., TMC provided services to NLEX Corp. as the operator of Phase I of the North Luzon Expressway (NLEX) consisting of Segments 1, 2, 3 and 7, Phase II of NLEX consisting of Segments 8.1 and 9, Plaridel Bypass Interchange, Bocaue North Bound Interchange, and SCTEX for a total consideration based on a minimum fixed annual amount with a variable component.

On October 19, 2016, the Company's BOD approved the proposed merger between NLEX Corp. and TMC, with NLEX Corp. as the surviving corporation (the Merger). On November 17, 2016, at least two-thirds of the stockholders of NLEX Corp. confirmed and ratified the merger.

In January 2017, the ROP exercised its appraisal right with respect to its shares held in TMC. ROP shall be entitled to an amount equal to the fair value of its shares held in TMC payable upon approval of the Merger by the SEC.

On April 17, 2017, NLEX Corp. and TMC executed the Plan and Articles of Merger. The Merger shall take effect 15 days from and after the approval by the SEC of the Plan and Articles of Merger and the issuance by the SEC of the Certificate of Filing of the Articles of Merger (Effective Merger Date). Upon the Effective Merger date, NLEX Corp.'s corporate existence shall continue and NLEX Corp. shall be deemed to have: (a) acquired all respective rights, businesses, assets and other properties of TMC as of the Effective Merger Date, and (b) assumed all the debts and liabilities of TMC to the extent not fully discharged as of the Effective Merger Date.



On May 18, 2018, the ROP, through the Department of Finance, formally conveyed its intention to withdraw the exercise of its appraisal right, and request the respective consent of NLEX Corp. and TMC to the said withdrawal.

On June 7, 2018, the BOD approved the execution of the updated Plan of Merger reflecting: (i) the withdrawal by the ROP of the exercise of its appraisal right and (ii) the issuance of NLEX Corp.'s shares to the ROP in exchange for the ROP's shares in TMC based on the conversion ratio provided in the Plan of Merger.

On June 26, 2018, the BOD of TMC approved the withdrawal of the appraisal right and approved the signing and delivery of an updated Plan of Merger to reflect the issuance of additional NLEX Corp. shares to the ROP in exchange for the ROP's shares in the Company based on the previously approved conversion ratio as a result of the withdrawal of the ROP's exercise of its appraisal rights.

On November 29, 2018, the SEC approved the certificate of filing of the Articles and Plan of Merger between NLEX Corp. (surviving corporation) and TMC (absorbed corporation). The Merger is effective on December 14, 2018.

Based on the Articles of Merger, NLEX Corp. shall be deemed to have acquired all assets and assumed all the liabilities of TMC, and NLEX Corp.'s corporate existence shall continue. NLEX Corp will have the ability to direct the relevant activities of TMC, which includes the operation and maintenance of tollways and related facilities and its main source of revenue of TMC.

The Merger between NLEX Corp. and TMC was accounted for using the acquisition method since the transaction has substance from the perspective of NLEX Corp. The Merger has substance based on the following: (i) there is a business purpose, (ii) the transaction involves third parties, (iii) the transaction was conducted at fair value, and (iv) NLEX Corp. and TMC have existing activities prior to the Merger.

NLEX Corp. issued 2.70 shares of stock for each stockholder of TMC, equivalent to a total of 1,026,000 common shares of stock. The total value of equity shares issued by NLEX Corp. amounted to ₱6,318.8 million, based on the independent valuation of third party financial advisor engaged by the Company. The fair value of identifiable net assets acquired amounted to ₱105.0 million.

The amount of goodwill resulting from the Merger between NLEX Corp. and TMC amounted to ₱6,213.8 million.

Impairment Testing of Goodwill

In assessing the impairment for goodwill, the Company compares the carrying amounts of the underlying assets against their recoverable amounts [the higher of the assets' fair value less costs of disposal and their value in use (VIU)].

The pre-tax discount rates of 14.9% and 13.4% applied to cash flow projections reflects the weighted average cost of capital as at December 31, 2023 and 2022, respectively. In the assessment of the recoverable amounts, the VIUs were calculated based on cash flow and gross margin projections as per the most recent financial budgets and forecasts, which represent management's reasonable and best estimates of the ranges of economic conditions that will exist over the forecast period. The average forecast periods used in the computations are 14 years and 15 years for 2023 and 2022, respectively. The forecasted period is more than 5 years as management can reliably estimate the cash flows for their entire concession period. The cash flows during the projection periods are derived using estimated average growth rates of traffic volume. Assumptions used in 2023 for traffic volume growth is at 7.4% average growth rate of daily vehicle traffic for NLEX open system, and



6.2% and 9.7% average growth rate of daily vehicle traffic for NLEX and SCTEX closed system, respectively. Assumptions used in 2022 for traffic volume growth is at 2.7% average growth rate of daily vehicle traffic for NLEX open system, and 3.8% and 7.8% average growth rate of daily vehicle traffic for NLEX and SCTEX closed system, respectively. Based on the impairment test, management did not identify any impairment loss on goodwill. Management also believes that no reasonably possible change in any of the key assumptions used would cause the carrying value of goodwill to materially exceed its recoverable amount.

7. Cash and Cash Equivalents

This account consists of:

| | 2023 | 2022 |
|---|-----------------------|----------------|
| Cash on hand and in banks | ₱2,689,518,425 | ₱4,987,658,407 |
| Short-term deposits as cash equivalents | 1,358,743,991 | 416,530,033 |
| | ₱4,048,262,416 | ₱5,404,188,440 |

Cash in banks earn interest at the prevailing bank deposit rates. Short-term deposits as cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Interest earned from cash and cash equivalents amounted to ₱135.9 million, ₱58.3 million and ₱28.1 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 24).

8. Receivables

This account consists of:

| | 2023 | 2022 |
|--|-----------------------|----------------|
| Advances to DPWH | ₱1,016,516,531 | ₱980,237,583 |
| Trade receivables: | | |
| Related parties (see Note 16) | 328,313,674 | 531,128,972 |
| Third parties | 4,347,025 | 45,556,217 |
| Non-trade receivables | | |
| Related parties (see Note 16) | 398,705,122 | 263,087,396 |
| Third parties | 72,845,878 | 22,044,792 |
| Receivable from motorists | 87,803,911 | 69,041,705 |
| Advances to officers and employees | 56,171,523 | 37,537,316 |
| Due from related parties (see Note 16) | 11,915,894 | 11,915,894 |
| Interest receivables | 9,100,091 | 8,544,678 |
| | 1,985,719,649 | 1,969,094,553 |
| Less allowance for estimated credit losses | (80,979,435) | (47,429,315) |
| | ₱1,904,740,214 | ₱1,921,665,238 |



Advances to DPWH is pursuant to the Reimbursement Agreement entered into by the Company with DPWH in 2013 where DPWH requested these advances in order to fast track the acquisition of right-of-way (ROW) for the construction of Segments 9 and 10, portions of Phase II of MNEP. The balance also includes direct advances to certain Segment 9 landowners as consideration for the grant of immediate ROW possession to NLEX Corp. ahead of the expropriation proceedings. Under a Deed of Assignment with Special Power of Attorney agreement, these landowners agreed to assign their receivables from DPWH to NLEX Corp. in consideration for the direct advances received from NLEX Corp. These advances to DPWH are non-interest bearing.

In its letters dated March 9, 2021 and July 1, 2021, the DPWH initially requested funding support from NLEX Corp. to address challenges in the availability of Government funding for ROW acquisition for the Connector Road Project. The DPWH proposed to offset the funding support against Periodic Payments due the Government under Clause 7.3.1.1 of the Concession Agreement (Periodic Payments). NLEX Corp.'s obligation to pay Periodic Payments to the Government will commence on the first anniversary of the construction completion deadline. In line with the offsetting arrangement, DPWH has requested subsequent amounts of funding support in its letter dated February 14, 2022 and subsequent letters to NLEX Corp. during the year, mainly to cover court deposits required for expropriation of affected properties. The total amount of funding support authorized by the BOD under the offsetting arrangement for the Connector Road Project is ₱968.5 million.

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

Non-trade receivables are noninterest-bearing and are collectible within a year.

Receivable from motorists pertain to property and accidental damaged caused to NLEX Corp.'s properties from day-to-day operations that are collectible within a year.

Advances to officers and employees are normally liquidated within the following month (see Note 16).

The terms and conditions of related party receivables are discussed in Note 16.

Interest receivables are collectible within three to six months.

Movements in the allowance for estimated credit losses as at December 31, 2023 and 2022 are as follows:

| | 2023 | | |
|--|--------------------------|----------------------------------|--------------------|
| | Trade Receivables | Receivable from motorists | Total |
| Balance at beginning of year | ₱3,936,375 | ₱43,492,940 | ₱47,429,315 |
| Provision for estimated credit losses (see Note 22) | 31,234,790 | 3,675,330 | 34,910,120 |
| Write-off | - | (1,360,000) | (1,360,000) |
| Balance at end of year | ₱35,171,165 | ₱45,808,270 | ₱80,979,435 |



| | 2022 | | |
|--|-------------------|---------------------------|--------------------|
| | Trade Receivables | Receivable from motorists | Total |
| Balance at beginning of year | ₱3,936,375 | ₱38,003,800 | ₱41,940,175 |
| Provision for estimated credit losses (see Note 22) | – | 5,489,140 | 5,489,140 |
| Balance at end of year | ₱3,936,375 | ₱43,429,940 | ₱47,429,315 |

9. Service Concession Assets

The movements in this account follow:

| | MNEP | SCTEX | NLEX-SLEX Connector Road | Total |
|----------------------------------|------------------------|-----------------------|-----------------------------|------------------------|
| Cost: | | | | |
| At January 1, 2022 | ₱50,950,105,814 | ₱5,003,401,167 | ₱10,439,172,380 | ₱66,392,679,361 |
| Additions | 1,407,690,787 | 344,538,543 | 7,183,062,197 | 8,935,291,527 |
| At December 31, 2022 | 52,357,796,601 | 5,347,939,710 | 17,622,234,577 | 75,327,970,888 |
| Additions | 4,069,040,441 | 152,520,560 | 7,490,513,345 | 11,712,074,346 |
| Reclassifications | – | – | (65,023,560) | (65,023,560) |
| At December 31, 2023 | ₱56,426,837,042 | ₱5,500,460,270 | ₱25,047,724,362 | ₱86,975,021,674 |
| Accumulated amortization: | | | | |
| At January 1, 2022 | ₱10,947,080,633 | ₱480,467,228 | ₱– | ₱11,427,547,861 |
| Amortization (see Note 21) | 1,144,056,124 | 74,627,238 | – | 1,218,683,362 |
| At December 31, 2022 | 12,091,136,757 | 555,094,466 | – | 12,646,231,223 |
| Amortization (see Note 21) | 1,270,842,997 | 79,341,974 | – | 1,350,184,971 |
| At December 31, 2023 | ₱13,361,979,754 | ₱634,436,440 | ₱– | ₱13,996,416,194 |
| Net book value: | | | | |
| At December 31, 2023 | ₱43,064,857,288 | ₱4,866,023,830 | ₱25,047,724,362 | ₱72,978,605,480 |
| At December 31, 2022 | 40,266,659,844 | 4,792,845,244 | 17,622,234,577 | 62,681,739,665 |

MNEP

The additions amounted to ₱4,069.0 million and ₱1,407.7 million for the years ended December 31, 2023 and 2022, respectively. Out of the total amount, ₱3,523.7 million and ₱1,295.3 million pertain primarily to the construction costs of bridge retrofitting, new toll plazas, enhancement of existing toll plazas in certain areas of Phase I, RFID advance reading project, automatic license plate recognition equipment and construction of tunnel, new bridges and roadworks development in 2023 and 2022, respectively. The Company capitalized borrowing costs, net of investment income, amounted to ₱545.3 million in 2023 and ₱112.4 million in 2022.

The additions to service concession assets of MNEP that remain unpaid and is included under “Accounts payable and other current liabilities” in the statements of financial position amounted to ₱214.8 million and ₱70.4 million as at December 31, 2023 and 2022, respectively (see Note 31).

The interest rates used to determine the amount of borrowing costs eligible for capitalization ranges from 4.00% to 7.15% in 2023 and 4.21% to 6.5% in 2022.

The concession term for fully operational Phase I and Segments 8.1, 9 and 10 of Phase II of the MNEP is until December 31, 2037. As at December 31, 2023 and 2022, the remaining concession term is 14 years and 15 years, respectively.



SCTEX

As discussed in Note 2, NLEX Corp. took over from BCDA the management, operation and maintenance of the SCTEX on October 27, 2015. The additions for the years ended December 31, 2023 and 2022 amounting to ₱152.5 million and ₱344.5 million, respectively, pertain to capitalized constructions costs for the installation of fixed operating equipment to SCTEX Bamban Toll Plaza Project and SCTEX Toll Plaza Expansion, Dinalupihan pavement raising project, construction of toll booths and other technical upgrades.

The additions to service concession assets of SCTEX that remain unpaid and included under “Accounts payable and other current liabilities” in the statements of financial position amounted to ₱8.3 million and ₱0.1 million as at December 31, 2023 and 2022, respectively (see Note 31).

The concession term for SCTEX is until October 30, 2043. As at December 31, 2023 and 2022, the remaining concession term is 20 years and 21 years, respectively.

NLEX-SLEX Connector Road

As discussed in Note 2, NLEX Corp. and DPWH signed the Concession Agreement for the NLEX-SLEX Connector Road on November 23, 2016. The additions for the years ended December 31, 2023 and 2022 amounting to ₱7,490.5 million and ₱7,183.1 million, respectively, pertain to construction costs in 2023 and 2022 amounting to ₱6,301.8 million and ₱5,873.8 million, respectively, and borrowing costs capitalized, net of investment income, in 2023 and 2022 amounting to ₱913.4 million and ₱1,091.8 million, respectively and service concession fees in 2023 and 2022 amounting to ₱210.3 million and ₱217.5 million, respectively (see Notes 17, 18, 24 and 25).

In 2023, land valued at ₱65.0 million was reclassified to "Property and Equipment" (see Note 10).

The additions to service concession assets related to NLEX-SLEX Connector Road that remain unpaid and included under “Accounts payable and other current liabilities” in the statements of financial position amounted to ₱26.8 million and ₱168.2 million as at December 31, 2023 and 2022, respectively (see Note 31).

The borrowing rates used to determine the amount of borrowing costs eligible for capitalization ranges from 4.21% to 6.5% in 2023 and 2022.

The concession period for NLEX-SLEX Connector Road is 37 years after the issuance by the DPWH of the NTP to start the construction of the NLEX-SLEX Connector Road in December 2020.

Contract Assets

Service concession assets with ongoing construction of NLEX-SLEX Connector Road amounting to ₱18,362.9 million and ₱12,026.4 million as at December 31, 2023 and 2022, respectively, are considered as contract assets under PFRS 15.

Advances to Contractors

Advances to contractors related to the construction of the projects amounted to ₱182.6 million and ₱718.6 million as at December 31, 2023 and 2022, respectively.

Impairment Testing of Service Concession Assets Not Yet Available for Use

For the purposes of impairment testing related to an intangible asset (service concession asset) not yet available for use under the requirements of PAS 36, *Impairment of Assets*, the Company has performed the analysis by comparing the recoverable amount and the carrying amount of the service concession assets as at reporting date.



The total carrying amount of NLEX-SLEX Connector Road which is not yet available for use amounted to ₱18,362.9 million and ₱12,026.4 million as at December 31, 2023 and 2022, respectively.

The recoverable amount of NLEX-SLEX Connector Road has been determined based on a value in use computation using the cash flow and gross margin projections from most recent financial forecast of NLEX Corp. For the impairment testing conducted, average traffic volume growth rates were 6.7% and 2.1% for December 31, 2023 and 2022, respectively. The pre-tax discount rates applied were 14.3% and 14.5% for December 31, 2023 and 2022 respectively, which were based on the weighted average cost of capital with estimated premium of 3.0% over cost of equity. The average forecast period used in the computation is 35 years. The forecast period is greater than 5 years as management can reliably estimate the cash flow for the entire duration of the concession period.

Based on the impairment testing, management did not identify an impairment loss for these service concession assets. Management also believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the service concession asset not yet available for use to materially exceed its respective recoverable amount.

10. Property and Equipment

The movements in this account follow:

| | Land | Building, Building Improvements and Leasehold Improvements | Transportation Equipment | Office Equipment and Others | Total |
|---------------------------------------|--------------------|--|-----------------------------|-----------------------------------|-----------------------|
| Cost: | | | | | |
| At January 1, 2022 | ₱- | ₱222,156,693 | ₱184,345,187 | ₱535,488,802 | ₱941,990,682 |
| Additions | - | 13,527,300 | 29,689,626 | 85,898,439 | 129,115,365 |
| Disposals (see Note 16) | - | - | (9,419,319) | (3,463,988) | (12,883,307) |
| Reclassifications | - | - | (42,857) | (1,182,221) | (1,225,078) |
| At December 31, 2022 | - | 235,683,993 | 204,572,637 | 616,741,032 | 1,056,997,662 |
| Additions | - | 11,955,559 | 48,465,811 | 36,852,154 | 97,273,524 |
| Disposals (see Note 16) | - | (1,120,714) | (10,979,062) | (6,060,719) | (18,160,495) |
| Reclassifications | 65,023,560 | - | - | (532,694) | 64,490,866 |
| At December 31, 2023 | ₱65,023,560 | ₱246,518,838 | ₱242,059,386 | ₱646,999,773 | ₱1,200,601,557 |
| Accumulated depreciation: | | | | | |
| At January 1, 2022 | ₱- | ₱91,533,156 | ₱111,541,415 | ₱417,623,154 | ₱620,697,725 |
| Depreciation (see Notes 9, 21 and 22) | - | 21,282,568 | 28,006,313 | 55,232,423 | 104,521,304 |
| Disposals (see Note 16) | - | - | (7,807,347) | (3,456,620) | (11,263,967) |
| At December 31, 2022 | - | 112,815,724 | 131,740,381 | 469,398,957 | 713,955,062 |
| Depreciation (see Notes 9, 21 and 22) | - | 17,412,170 | 29,992,274 | 51,626,438 | 99,030,882 |
| Disposals (see Note 16) | - | (1,120,714) | (9,629,062) | (5,797,074) | (16,546,850) |
| At December 31, 2023 | ₱- | ₱129,107,180 | ₱152,103,593 | ₱515,228,321 | ₱796,439,094 |
| Net book value: | | | | | |
| At December 31, 2023 | ₱65,023,560 | ₱117,411,658 | ₱89,955,793 | ₱131,771,452 | ₱404,162,463 |
| At December 31, 2022 | - | 122,868,269 | 72,832,256 | 147,342,075 | 343,042,600 |

Additions to property and equipment on account in 2023 and 2022 amounted to ₱12.2 million and ₱20.8 million, respectively (see Note 31).

In 2023, the Company reclassified land valued at ₱65.0 million from service concession asset, as it was determined that it would not be included in the Connector project (see Note 9).



The Company capitalized depreciation expense to SCA amounting to nil and ₱2.7 million in 2023 and 2022, respectively. The Company also expensed out costs amounting to ₱0.5 million and ₱1.2 million in 2023 and 2022, respectively.

The disposals made in 2023 and 2022 mostly pertain to employees' assigned laptop and car plan due for replacement and timekeeping devices. In 2021, the bulk of disposals of property and equipment pertains to the sale of heavy equipment and various tools and equipment for incident response to SAVICCE Corporation (SAVVICE) (formerly known as Southbend Express Services, Inc.). Proceeds from the sale of property and equipment amounted to ₱7.7 million, ₱9.4 million and ₱52.6 million in 2023, 2022 and 2021, respectively. Outstanding receivable from the sale of property and equipment amounted to ₱34.9 million and ₱52.9 million as at December 31, 2023 and 2022, respectively. Gain on disposal amounted to ₱6.1 million, ₱4.6 million and ₱54.2 million in 2023, 2022 and 2021, respectively.

As at December 31, 2023 and 2022, there are no items of property and equipment with lien or encumbrances or used as security of any outstanding loan.

11. Other Intangible Assets

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

| | 2023 | 2022 |
|------------------------------------|--------------------|--------------|
| Cost: | | |
| Balance at beginning of year | ₱148,974,728 | ₱144,631,587 |
| Additions | 59,372,886 | 6,503,677 |
| Write-offs | - | (2,160,536) |
| Balance at end of year | 208,347,614 | 148,974,728 |
| Accumulated amortization: | | |
| Balance at beginning of year | 129,014,862 | 118,640,884 |
| Amortization (see Notes 21 and 22) | 9,471,042 | 10,373,978 |
| Balance at end of year | 138,485,904 | 129,014,862 |
| Net book value | ₱69,861,710 | ₱19,959,866 |

In 2023 and 2022, the Company expensed out intangible assets amounting to nil and ₱2.2 million, respectively. Additions to intangible assets on account in 2023 and 2022 amounted to ₱7.5 million and ₱3.0 million, respectively (see Note 31).

12. Financial Assets at FVTPL and FVOCI

Financial assets at FVTPL

Details of this account are shown below:

| | 2023 | 2022 |
|------------------|------------|------------|
| Fair value | ₱2,288,629 | ₱2,196,992 |
| Principal amount | 1,921,954 | 1,921,954 |



The movements in this account follow:

| | 2023 | 2022 |
|---|-------------------|------------|
| Balance at beginning of year | ₱2,196,992 | ₱2,156,378 |
| Changes in fair value taken to profit or loss | 91,637 | 40,614 |
| Balance at end of year | ₱2,288,629 | ₱2,196,992 |

The fair value is based on the quoted market price of the financial instruments and directly observable inputs that is significant to fair value measurement as at December 31, 2023 and 2022.

Financial Assets at FVOCI

In 2021, investments in FVOCI amounting to ₱46.1 million matured at ₱50.0 million resulting to loss on disposal and maturity of financial assets amounting to ₱3.9 million. Interest earned from the financial asset amounted to ₱1.8 million for the year ended December 31, 2021 (see Note 24).

13. Other Current Assets

Details of other current assets follow:

| | 2023 | 2022 |
|---|---------------------|--------------|
| Deferred input VAT - current | ₱189,920,958 | ₱105,864,993 |
| Advances to suppliers (see Note 16) | 171,343,425 | 141,077,640 |
| Prepayments | 120,103,508 | 103,606,918 |
| Input VAT | 14,758,174 | 14,868,778 |
| Creditable withholding tax | 9,530,197 | 20,575,593 |
| | 505,656,262 | 385,993,922 |
| Less: | | |
| Allowance for unclaimable input VAT | (14,758,174) | (14,758,174) |
| Allowance for non-recoverability of advances to suppliers (see Note 22) | (26,699,594) | (26,699,594) |
| | ₱464,198,494 | ₱344,536,154 |

Deferred input VAT represents VAT paid to suppliers that can be claimed as credit against the Company's future output VAT liabilities without prescription.

Prepayments include prepaid insurance covering the service concession assets of the Company, permits and registration fees, and payments for hardware and software maintenance. These are expected to be consumed within the next operating cycle of the Company.

Input VAT pertains to VAT imposed on purchase of goods and services. These are expected to be offset against output VAT arising from the Company's revenue subject to VAT in the future.

Creditable withholding tax pertains to the excess tax credits to be claimed against income tax.



14. Accounts Payable and Other Current Liabilities

This account consists of:

| | 2023 | 2022 |
|---------------------------------|-----------------------|----------------|
| Accrued expenses: | | |
| Third parties | ₱1,435,495,933 | ₱923,540,276 |
| Related parties (see Note 16) | 713,605,531 | 741,213,059 |
| Trade payables: | | |
| Third parties | 814,901,867 | 1,489,617,317 |
| Related parties (see Note 16) | 184,821,004 | 86,830,707 |
| Retention payable: | | |
| Third parties | 637,994,524 | 657,636,006 |
| Related parties (see Note 16) | 102,653,726 | 62,301,752 |
| Output VAT - net | 441,593,957 | 78,566,121 |
| Withholding taxes payable | 147,993,421 | 153,929,778 |
| Interest payable | 109,053,061 | 81,495,127 |
| Deferred output VAT | 59,899,357 | 79,655,354 |
| Unearned revenue | | |
| Third parties | 12,397,371 | 12,407,862 |
| Related parties (see Note 16) | 2,502,624 | 2,461,213 |
| Due to affiliates (see Note 16) | - | 25,291 |
| Others | 150,834,362 | 67,133,003 |
| | ₱4,813,746,738 | ₱4,436,812,866 |

Accrued expenses consist of:

| | 2023 | 2022 |
|--|-----------------------|----------------|
| Construction costs | ₱662,675,180 | ₱164,836,528 |
| Outside services | 436,513,850 | 641,818,270 |
| TRB fee (see Note 27) | 315,283,738 | 259,888,031 |
| Concession fees (see Note 3) | 231,941,047 | 197,746,144 |
| PNCC fee | 99,164,553 | 86,824,773 |
| Operating and maintenance cost | 84,591,318 | 75,026,783 |
| Transportation and travel | 67,462,802 | 32,767,652 |
| Advertising and marketing expenses (see Note 16) | 51,790,012 | 39,814,906 |
| Repairs and maintenance (see Note 16) | 47,528,475 | 60,790,000 |
| Professional fees | 21,100,067 | 12,151,164 |
| Project insurance | 10,680,174 | 9,722,024 |
| Management fees (see Note 16) | 10,293,742 | 5,289,806 |
| Toll collection and medical services | 328,113 | 1,921,310 |
| Others | 109,748,393 | 76,155,944 |
| | ₱2,149,101,464 | ₱1,664,753,335 |

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

Retention payable is a percentage of the amount certified as due to the contractor on an interim certificate that is deducted from the amount due and retained by the Company. Retention payable is usually released at the end of the warranty period.



Output VAT - net pertains to net amount of VAT payable to taxation authority. Deferred output VAT is reported as output VAT upon collection of related receivables within the next reporting period. Withholding taxes and VAT payable are remitted to the government the following month.

Interest payable is settled within three to six months.

The terms and conditions of related party payables are discussed in Note 16.

15. Provisions

The movements in this account follow:

| | Heavy Maintenance | Others | Total |
|---------------------------------|----------------------|---------------------|---------------------|
| At January 1, 2022 | ₱446,128,685 | ₱206,938,495 | ₱653,067,180 |
| Additions (see Notes 21 and 22) | 218,616,331 | 37,107,980 | 255,724,311 |
| Accretion (see Note 25) | 60,752,630 | – | 60,752,630 |
| Payments | (187,531,144) | (99,090,406) | (286,621,550) |
| Reversal | – | (32,017,390) | (32,017,390) |
| At December 31, 2022 | 537,966,502 | 112,938,679 | 650,905,181 |
| Additions (see Notes 21 and 22) | 98,119,803 | 109,454,342 | 207,574,145 |
| Accretion (see Note 25) | 29,589,233 | – | 29,589,233 |
| Payments | (1,298,253) | (66,844,364) | (68,142,617) |
| Reversal | – | (12,887,249) | (12,887,249) |
| At December 31, 2023 | ₱664,377,285 | ₱142,661,408 | ₱807,038,693 |
| At December 31, 2023: | | | |
| Current | ₱101,070,481 | ₱109,235,850 | ₱210,306,331 |
| Noncurrent | 563,306,804 | 33,425,558 | 596,732,362 |
| | ₱664,377,285 | ₱142,661,408 | ₱807,038,693 |
| At December 31, 2022: | | | |
| Current | ₱325,195,101 | ₱73,755,029 | ₱398,950,130 |
| Noncurrent | 212,771,401 | 39,183,650 | 251,955,051 |
| | ₱537,966,502 | ₱112,938,679 | ₱650,905,181 |

As discussed in Note 4, provision for heavy maintenance pertains to the present value of the estimated contractual obligations of the Company to maintain the service concession assets to a specified level of serviceability during the service concession term and to restore the same assets in good condition prior to turnover of the assets to the Grantor. The amount of provision is reduced by the actual obligations paid for heavy maintenance of the service concession assets.

Other provisions include employee leave entitlements that is also expected to be settled beyond one year after the reporting date (see Note 23) and the provision for unclaimable input VAT pertaining to the adjustment made to deduct the tax benefit on depreciation of capitalized input VAT (see Note 22).



16. Related Party Disclosures

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.



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

| Related Party | Relationship | | Management Fees (see Note 22) | Outside Services (see Notes 21 and 22) | Repairs and Maintenance (see Notes 21 and 22) | Communication, Light and Water (see Notes 21 and 22) | Advertising and Marketing Expenses (see Notes 21 and 22) | Professional Fees (see Note 22) | Representation and Travel Expenses (see Note 22) | Fuel & Oil, Transportation, Rental (see Note 21) | Income from Utility Facilities (see Note 20) | Other Income |
|---|-----------------------------|------|----------------------------------|---|--|---|---|------------------------------------|---|---|---|--------------------|
| MPTC | Intermediate Parent Company | 2023 | ₱30,952,186 | ₱- | ₱705,076 | ₱- | ₱35,944,440 | ₱640,000 | ₱- | ₱- | ₱- | ₱64,124,356 |
| | | 2022 | 9,726,481 | - | 33,933,171 | 1,630,913 | - | 812,176 | - | - | - | 77,612,398 |
| | | 2021 | 31,991,554 | 244,878 | 17,885,828 | - | 825 | 55,965 | 64,287 | 46,703 | - | 26,336,002 |
| MPTNC | Parent Company | 2023 | - | - | - | - | - | - | - | - | - | - |
| | | 2022 | - | - | - | - | - | - | - | - | - | 21,626 |
| | | 2021 | 81,498,485 | - | - | - | - | - | 20,000 | - | - | 110,385 |
| Easytrip Services Corp. (ESC) | Subsidiary of MPTC | 2023 | - | 297,404,609 | - | - | 42,225,691 | - | - | - | - | 1,415,357 |
| | | 2022 | - | 387,903,540 | - | - | 28,552,434 | - | 9,386 | - | - | 5,982,127 |
| | | 2021 | - | 209,425,725 | - | - | 28,328,963 | - | 10,989 | - | - | 6,416 |
| Smart Communications Inc. (Smart) | Associate of FPC | 2023 | - | - | 23,420 | 5,002,022 | - | - | - | - | 434,693 | - |
| | | 2022 | - | - | 8,929 | 6,565,620 | 10,714 | - | - | - | - | - |
| | | 2021 | - | - | - | 4,424,360 | 30,557 | - | - | - | 872,459 | - |
| PLDT, Inc. (PLDT) | Associate of FPC | 2023 | - | - | - | 8,287,268 | - | - | - | - | 5,554,816 | - |
| | | 2022 | - | - | - | 6,892,158 | - | - | - | - | 19,720,994 | - |
| | | 2021 | - | - | - | 8,220,038 | - | - | - | - | 2,614,280 | - |
| Metro Pacific Tollways Digital Inc. (MPTDI) | Subsidiary of MPTC | 2023 | - | 77,451,444 | - | - | - | - | - | - | - | 7,165,641 |
| | | 2022 | - | 23,472,592 | 664,738 | - | - | - | - | - | - | 10,725,221 |
| | | 2021 | 73,790,994 | - | 664,738 | - | - | 870,532 | - | - | - | 7,101,062 |
| Cavitex Infrastructure Corp. (CIC) | Subsidiary of MPTC | 2023 | - | - | - | - | - | - | - | - | - | 47,359,834 |
| | | 2022 | - | - | - | - | 137 | - | - | 426 | - | 45,701,776 |
| | | 2021 | - | - | - | - | - | - | - | 40 | - | 18,567,123 |
| Metro Pacific Tollways South Management Corp (MPTSMC) | Subsidiary of MPTC | 2023 | - | - | - | - | - | - | - | - | - | - |
| | | 2022 | - | - | - | - | - | - | - | - | - | 949,162 |
| | | 2021 | - | - | - | - | - | - | - | - | - | 187,346 |
| Manila Electric Company (Meralco) | Associate of MPIC | 2023 | - | - | - | 75,226,385 | - | - | - | - | - | 58,164 |
| | | 2022 | - | - | - | 64,278,427 | 41,476 | - | - | - | - | - |
| | | 2021 | - | - | - | 57,095,900 | - | - | - | - | - | - |
| Maynilad | Subsidiary of MPIC | 2023 | - | - | - | 997,510 | - | - | - | - | - | - |
| | | 2022 | - | - | - | 777,310 | - | - | - | - | - | - |
| | | 2021 | - | - | - | 684,909 | - | - | - | - | - | - |
| Indra Philippines, Inc. (Indra) | Associate of MPIC | 2023 | - | - | 45,480,000 | - | - | - | - | - | - | - |
| | | 2022 | - | - | 31,549,288 | - | - | - | - | - | - | - |
| | | 2021 | - | - | 12,624,810 | - | - | - | - | - | - | - |
| Egis Projects Philippines Inc. (EPPI) | Associate of FPC | 2023 | - | - | 27,847,516 | - | - | 23,660,606 | - | - | - | - |
| | | 2022 | - | - | 41,504,011 | - | - | 17,690,332 | - | - | - | - |
| | | 2021 | - | - | 6,250,000 | - | - | 18,330,477 | - | - | - | 13,653 |
| Cebu Cordova Link Expressway (CCLEC) | Subsidiary of MPTC | 2023 | - | - | - | - | - | - | - | - | - | 3,321,593 |
| | | 2022 | - | - | - | - | - | - | - | - | - | 757,637 |
| | | 2021 | - | - | - | - | - | - | - | - | - | 48,842 |

(Forward)



| Related Party | Relationship | | Management Fees (see Note 22) | Outside Services (see Notes 21 and 22) | Repairs and Maintenance (see Notes 21 and 22) | Communication, Light and Water (see Notes 21 and 22) | Advertising and Marketing Expenses (see Notes 21 and 22) | Professional Fees (see Note 22) | Representation and Travel Expenses (see Note 22) | Fuel & Oil, Transportation, Rental (see Note 21) | Income from Utility Facilities (see Note 20) | Other Income |
|---|------------------------|-------------|----------------------------------|---|--|---|---|------------------------------------|---|---|---|---------------------|
| | | | ₱- | ₱- | ₱- | ₱- | ₱- | ₱- | ₱- | ₱- | ₱- | ₱- |
| Metro Pacific Tollways Vizmin (MPT Vizmin) | Subsidiary of MPTC | 2023 | - | - | - | - | - | - | - | - | - | 1,969,005 |
| | | 2022 | - | - | - | - | - | - | - | - | - | 560,949 |
| | | 2021 | - | - | - | - | - | - | - | - | - | - |
| SAVVICE Corporation (formerly known as Southbend Express Services, Inc) (SAVVICE) | Subsidiary of MPTC | 2023 | - | 476,715,890 | 1,393,875 | - | - | - | - | 53,234,163 | - | 2,289,501 |
| | | 2022 | - | 460,818,822 | 425,911 | 150,000 | 95,033 | - | - | 57,168,495 | - | - |
| | | 2021 | - | 247,877,569 | 2,125,667 | - | - | - | 1,022,840 | 15,132,189 | - | 6,427 |
| MPIC | Parent Company of MPTC | 2023 | - | - | - | - | 6,443 | - | - | - | - | - |
| | | 2022 | - | - | - | - | 108,254 | - | - | - | - | - |
| | | 2021 | - | - | - | - | - | - | - | - | - | - |
| MPT Mobility Corporation (formerly known as NLEX Ventures Corp.) | Subsidiary of MPTC | 2023 | - | 120,278,153 | - | - | - | - | - | - | - | 9,543,484 |
| | | 2022 | - | 112,478,732 | - | - | - | - | - | - | - | 56,831,782 |
| | | 2021 | - | 12,600,000 | - | - | - | - | 20,000 | 56,200 | - | 59,219,490 |
| MPCALA Holdings Inc. (MHI) | Subsidiary of MPTNC | 2023 | - | - | - | - | - | - | - | - | - | 28,736,014 |
| | | 2022 | - | - | - | - | - | - | - | - | - | 45,813,316 |
| | | 2021 | - | - | - | - | - | - | - | - | - | 18,486,914 |
| Total | | 2023 | ₱30,952,186 | ₱971,850,096 | ₱75,449,887 | ₱89,513,185 | ₱78,176,574 | ₱24,300,606 | ₱- | ₱53,234,163 | ₱5,989,509 | ₱164,013,944 |
| | | 2022 | 9,726,481 | 984,673,686 | 108,086,048 | 80,294,428 | 28,808,048 | 18,502,508 | 9,386 | 57,168,921 | 19,720,994 | 246,364,050 |
| | | 2021 | 187,281,033 | 470,148,172 | 39,551,043 | 70,425,207 | 28,360,345 | 19,256,974 | 1,138,116 | 15,235,132 | 3,486,739 | 130,644,609 |



Outstanding balances of receivables from/payables to related parties are carried in the statements of financial position under the following accounts:

| Related Party | Relationship | | Advances to Suppliers (see Note 13) | Receivables ⁽²⁾ (see Note 8) | Due from Related Parties ⁽¹⁾ (see Note 8) | Due to Affiliate ⁽²⁾ (see Note 14) | Accounts Payable and Other Current Liabilities and Dividends Payable ⁽²⁾ (see Notes 14 and 19) | Terms | Conditions |
|--|-----------------------------|-------------|--|--|---|--|--|--------------------------------------|--------------------------|
| | | | | | | | | | |
| MPTC | Intermediate Parent Company | 2023 | ₱- | ₱65,308,532 | ₱1,681,966 | ₱- | ₱1,991,317,835 | (1) On demand; noninterest-bearing | Unsecured; no impairment |
| | | 2022 | - | 28,754,220 | 1,681,966 | - | 5,697,783 | (2) 30-45 days; noninterest-bearing | impairment |
| MPTNC | Parent Company | 2023 | - | - | - | - | - | (1) On demand; noninterest-bearing | Unsecured; no impairment |
| | | 2022 | - | 28,842,803 | - | 25,291 | 920,347,763 | (2) 30-45 days; noninterest-bearing | impairment |
| Metro Pacific Tollways South Management Corp. | Subsidiary of MPTNC | 2023 | - | 370,287 | 377,544 | - | 13,212,718 | On demand; noninterest-bearing | Unsecured; no impairment |
| | | 2022 | - | 211,150 | 377,544 | - | 8,647,436 | | impairment |
| MPCALA Holdings, Inc. (MHI) | Subsidiary of MPTNC | 2023 | - | 6,168,214 | - | - | - | On demand; noninterest-bearing | Unsecured; no impairment |
| | | 2022 | - | 9,409,786 | - | - | 3,657,083 | | impairment |
| CIC | Subsidiary of MPTC | 2023 | - | 19,113,919 | 233,805 | - | 89,328 | On demand; noninterest-bearing | Unsecured; no impairment |
| | | 2022 | - | 9,656,527 | 233,805 | - | 5,519,383 | | impairment |
| ESC | Subsidiary of MPTC | 2023 | - | 295,749,191 | 91,350 | - | 245,936,583 | (1) On demand; noninterest-bearing | Unsecured; no impairment |
| | | 2022 | - | 419,553,667 | 91,350 | - | 258,233,500 | (2) 7 days; noninterest-bearing | impairment |
| Indra | Associate of MPIC | 2023 | - | - | - | - | 98,713,518 | Within one year; noninterest-bearing | Unsecured; no impairment |
| | | 2022 | 113,983 | - | - | - | 48,137,767 | | impairment |
| Smart | Associate of FPC | 2023 | 3,181 | 1,652,764 | - | - | 2,201,880 | 30-45 days; noninterest-bearing | Unsecured; no impairment |
| | | 2022 | - | 1,762,474 | - | - | 1,225,775 | | impairment |
| PLDT | Associate of FPC | 2023 | - | 29,776,113 | - | - | 700,671 | 30-45 days; noninterest-bearing | Unsecured; no impairment |
| | | 2022 | - | 25,986,805 | - | - | 2,706,268 | | impairment |
| Meralco | Associate of MPIC | 2023 | 17,977,322 | - | - | - | 10,006,499 | Within one year; noninterest-bearing | Unsecured; no impairment |
| | | 2022 | 21,279,828 | - | - | - | 6,299,520 | | impairment |
| Maynilad | Subsidiary of MPIC | 2023 | 85,890 | 335,517 | 65,237 | - | 84,935 | Within one year; noninterest-bearing | Unsecured; no impairment |
| | | 2022 | 80,890 | 335,517 | 65,237 | - | 47,376 | | impairment |
| MPTDI | Subsidiary of MPTC | 2023 | - | 16,418,464 | 8,708,393 | - | 34,192,684 | On demand; noninterest-bearing | Unsecured; no impairment |
| | | 2022 | - | 14,381,685 | 8,708,393 | - | 11,318,382 | | impairment |
| MPT Mobility | Subsidiary of MPTC | 2023 | - | 258,858,827 | 752,168 | - | 83,911,068 | On demand; noninterest-bearing | Unsecured; no impairment |
| | | 2022 | - | 201,653,614 | 752,168 | - | 147,049,214 | | impairment |
| Cebu Cordova Link Expressway Corporation | Subsidiary of MPTC | 2023 | - | 2,572,183 | 5,431 | - | 544,853 | On demand; noninterest-bearing | Unsecured; no impairment |
| | | 2022 | - | 2,911,172 | 5,431 | - | 544,853 | | impairment |
| SAVVICE | Subsidiary of MPTC | 2023 | 48,189,643 | 30,589,064 | - | - | 333,954,847 | On demand; noninterest-bearing | Unsecured; no impairment |
| | | 2022 | - | 50,013,132 | - | - | 332,895,846 | | impairment |
| MPIC | Parent Company of MPTC | 2023 | - | 8,159 | - | - | 2,713,635 | On demand; noninterest-bearing | Unsecured; no impairment |
| | | 2022 | - | 8,159 | - | - | - | | impairment |
| MPT Vizmin | Subsidiary of MPTC | 2023 | - | - | - | - | - | On demand; noninterest-bearing | Unsecured; no impairment |
| | | 2022 | - | 638,095 | - | - | - | | impairment |
| EPPI | Associate of FPC | 2023 | - | 97,562 | - | - | 106,223,427 | On demand; noninterest-bearing | Unsecured; no impairment |
| | | 2022 | - | 97,562 | - | - | 60,689,377 | | impairment |
| Egis Investment Partners Philippines, Inc. (EIPPI) | Stockholder | 2023 | - | - | - | - | 284,587,672 | On demand; noninterest-bearing | Unsecured |
| | | 2022 | - | - | - | - | 132,129,990 | | |
| Banco de Oro Unibank, Inc. (BDO) | Stockholder | 2023 | - | - | - | - | 389,237,363 | On demand; noninterest-bearing | Unsecured |
| | | 2022 | - | - | - | - | 152,088,790 | | |
| Global Fund Holdings, Inc. (Global Fund) | Stockholder | 2023 | - | - | - | - | 109,191,951 | On demand; noninterest-bearing | Unsecured |
| | | 2022 | - | - | - | - | 50,696,263 | | |
| Republic of the Philippines | Stockholder | 2023 | - | - | - | - | 96,761,418 | On demand; noninterest-bearing | Unsecured |
| | | 2022 | - | - | - | - | 44,924,944 | | |
| Total | | 2023 | ₱66,256,036 | ₱727,018,796 | ₱11,915,894 | ₱- | ₱3,803,582,885 | | |
| | | 2022 | 21,474,701 | 794,216,368 | 11,915,894 | 25,291 | 2,192,857,313 | | |



Settlement of outstanding balances at year-end occurs in cash for the outstanding receivables from/payables to related parties, while advances to contractors and consultants will be applied to future services rendered.

Transactions with Parent Companies

MPTC

- On January 1, 2018, NLEX Corp. entered into a management service agreement with MPTC, whereby MPTC provides management and other advisory services through the secondment and outsourcing of MPTC's employees. Consequently, MPTC shall be entitled to a monthly fixed fee in the amount of ₱5.1 million, which is inclusive of the standard administrative fee of 10% but is exclusive of VAT. The agreement shall remain in effect for a period of twelve (12) months and may be renewed or extended upon mutual agreement by NLEX Corp. and MPTC. On January 1, 2023 and 2022, the agreement was renewed for another 12 months, respectively which amended the fixed monthly fee to ₱2.6 million and ₱0.8 million (inclusive of 10% administrative fee but exclusive of VAT), respectively.
- In 2023 and 2022, NLEX Corp. billed also MPTC for the services rendered by Human Resources and Internal Audit with an annual service fee of ₱55.6 million and ₱83.6 million respectively, which is exclusive of the standard administrative fee of 10% and 12% VAT.
- In 2022, MPTC was merged with MPTNC. Total unpaid dividends to MPTC amounted to ₱1,981.9 million as at December 31, 2023. The dividends as at December 31, 2023 were subsequently paid on January 12, 2024.

MPTNC

- On January 1, 2018, NLEX Corp. entered into a management service agreement with MPTNC, whereby MPTNC provides management and other advisory services through the secondment and outsourcing of MPTNC's employees. Consequently, MPTNC shall be entitled to a monthly fixed fee in the amount of ₱2.9 million, which is inclusive of the standard administrative fee of 10% but is exclusive of VAT. The agreement shall remain in effect for a period of twelve (12) months and may be renewed or extended upon mutual agreement by NLEX Corp. and MPTNC. In 2021 and 2020, the agreement was renewed which amended the fixed monthly fee to ₱1.2 million and ₱4.4 million (inclusive of 10% administrative fee but exclusive of VAT), respectively, for a period of 9 months and 12 months, respectively. No renewal was made in 2022.
- Total unpaid dividends to MPTNC amounted to nil as at December 31, 2022. Following the merger between MPTC and MPTNC, the ₱920.1 million unpaid dividends was transferred to MPTC as at December 31, 2023.

Transactions with Other Related Parties

MPTDI

- On January 1, 2018, NLEX Corp. entered into a management service agreement with MPTDI, whereby MPTDI provides management and other advisory services through the secondment and outsourcing of MPTDI's employees. Consequently, MPTDI shall be entitled to a monthly fixed fee in the amount of ₱4.5 million, which is inclusive of the standard administrative fee of 10% but is exclusive of VAT. The agreement shall remain in effect for a period of twelve (12) months and may be renewed or extended upon mutual agreement by NLEX Corp. and MPTDI. In 2023 and 2022, the agreement was renewed which amended the fixed monthly fee to ₱6.5 million and



₱2.0 million (inclusive of 10% administrative fee but exclusive of VAT), respectively. The agreement shall remain in effect for twelve (12) months.

- In 2023 and 2022, NLEX Corp. billed also MPTDI for the services rendered by Human Resources and Internal Audit with an annual service fee of ₱5.9 million and ₱11.2 million respectively, which is exclusive of the standard administrative fee of 10% and 12% VAT.

ESC

- On December 5, 2007, NLEX Corp. engaged the services of ESC, a subsidiary of MPTC, to assist NLEX Corp. in increasing the usage of the electronic toll collection (ETC) facility along the NLEX which ended on April 30, 2010. On November 24, 2010, NLEX Corp. and ESC signed the Supplemental Agreement to the Service Agreement extending the services of ESC as ETC service provider for another eight years effective on May 1, 2010 with a five year extension. In accordance with the Supplemental Agreement, NLEX Corp. will pay ESC an annual fixed fee of ₱14.0 million for Class 1 vehicles and annual fixed fee of ₱5.0 million for Class 2 and Class 3 vehicles, which are to be maintained and escalated every year for labor index and CPI. NLEX Corp. shall also pay for variable fees of ₱0.75 or ₱2.5 per transaction for Class 1 vehicles depending on the number of transactions achieved during the year compared with prior year; and ₱3.0 and ₱4.0 per transactions for Class 2 and Class 3, respectively, which are also to be maintained and escalated every year for labor index and CPI.

Pursuant to the Service Agreement, amounts due to NLEX Corp. arising from the use of Easytrip tags in the NLEX shall be remitted by ESC to the designated NLEX Corp. bank accounts within seven (7) days immediately following the date when any vehicle using the Easytrip tags pass through the electronic payment lane of the NLEX. Any amount due to ESC arising from the reloading of the Easytrip tags in the NLEX shall be remitted by NLEX Corp. to the designated ESC bank accounts within seven (7) days immediately following the date of reloading.

- In 2023 and 2022, ESC billed NLEX Corp. for various outside services for RFID performance fees, beep cards and advertising and marketing expenses.
- In 2023, NLEX Corp. billed ESC for the services rendered by Human Resources and Internal Audit with an annual service fee of ₱1.2 million, which is exclusive of the standard administrative fee of 10% and 12% VAT.

Indra

- In 2023 and 2022, Indra billed NLEX Corp. for various repairs and maintenance services rendered to ETC facilities installed along NLEX.

EPPI

- On January 9, 2018, NLEX Corp. and EPPI entered into an agreement to engage EPPI to undertake consultancy and technical assistance services. Adhering to the agreement, an annual service fee of ₱22.0 million, inclusive of VAT, shall be paid by NLEX Corp. on a monthly basis equivalent to dividing the annual service fee into twelve (12) equal monthly payments. The contract is effective on January 1, 2018 and shall last for an undetermined period of time which shall not be less than the concession period of SCTEX.



MPTSMC

- In 2023 and 2022, NLEX Corp. billed MPTSMC for the services rendered by Human Resources and Internal Audit with an annual service fee of nil and ₱1.0 million respectively, which is exclusive of the standard administrative fee of 10% and 12% VAT.
- In 2023, services rendered by Human Resources and Internal Audit was separately billed to MPCALA and CIC.

MPCALA

- In 2023 and 2022, the Company paid various costs and expenses such as fuel and oil and transportation in behalf of MPCALA. NLEX Corp. billed also MPCALA for the services rendered by Human Resources and Internal Audit with an annual service fee of ₱24.6 million and ₱49.5 million in 2023 and 2022 respectively, which is exclusive of the standard administrative fee of 10% and 12% VAT.

CIC

- In 2023 and 2022, NLEX Corp. billed Cavitex Infrastructure Corp. for the services rendered by Human Resources and Internal Audit with an annual service fee of ₱21.8 million and ₱49.1 million respectively, which is exclusive of the standard administrative fee of 10% and 12% VAT.

MPT Vizmin

- In 2023 and 2022, NLEX Corp. billed also MPT Vizmin for the services rendered by Human Resources and Internal Audit with an annual service fee of nil and ₱2.2 million respectively, which is exclusive of the standard administrative fee of 10% and 12% VAT.

SAVVICE

- Previously, before the merger of TMC and NLEX Corp., TMC requires a service provider to perform the necessary preventive/routine maintenance activities for the facilities and equipment within the sheltered facilities of NLEX & SCTEX. In relation to the merger of TMC and NLEX Corp., it is understood that the novation will not alter all the rights and obligations of the parties to the current service agreement. In a letter dated December 27, 2018, NLEX Corp. formally confirmed the extension of service engagement for the Janitorial Maintenance Services and General Outsourced Support Services of SAVVICE for one (1) year effective January 1, 2019. This was renewed for another 5 years on January 1, 2022 and one (1) year on January 1, 2021 and 2020, respectively. SAVVICE shall provide qualified personnel, labor, supply of equipment and cleaning materials necessary to ensure the complete and efficient performance of Janitorial Maintenance Services.
- On July 2021, NLEX Corp. sold heavy equipment and various tools and equipment for incident response to SAVVICE. On February 2020, NLEX Corp. sold its vehicles for employee shuttling and administrative services to SAVVICE. In 2022 and 2021, proceeds from the sale of property and equipment amounted to ₱56.2 million and ₱83.0 million and a gain on disposal amounted to ₱54.2 million and ₱71.7 million (see Notes 10 and 29).
- In 2023 and 2022, SAVVICE billed NLEX Corp. for various expenses such as repairs and maintenance, communication, utilities, and fuel and oil.



- In 2023 and 2022, NLEX Corp. consolidated all the O&M support services performed by SESI into one Integrated Services Contract in order to benefit from sharing of resources and drive down costs. These are routine maintenance services, incident response services, vehicle weighing and data processing services, traffic management services and preventive and corrective maintenance of facilities and equipment. Janitorial and housekeeping services as well as fleet management services remained as stand-alone agreements.
- In 2023, NLEX Corp. billed also SAVVICE for the services rendered by Human Resources and Internal Audit with an annual service fee of ₱1.9 million, which is exclusive of the standard administrative fee of 10% and 12% VAT.

PLDT, Smart and Digitel

- On March 17, 2010, NLEX Corp. and PLDT entered into an agreement with respect to the commercial aspect of the Utility Facilities Contract for the Fiber Optic Overlay along Phase I of the NLEX, the contract of which was signed on February 18, 2013. Pursuant to the agreement, PLDT shall pay NLEX Corp. an annual fee of ₱1.3 million starting in the year 2010 which shall then be escalated annually by 9% on the succeeding years. The contract shall be effective for a period of 20 years from April 15, 2010 and may be renewed or extended upon mutual agreement by NLEX Corp. and PLDT.
- NLEX Corp. and PLDT entered into an agreement in relation to the installation of Fiber Optic Cable (FOC) along SFEX on August 24, 2016. Pursuant to the agreement, PLDT shall pay an annual fee of ₱0.2 million starting September 3, 2016 which shall be escalated annually using the inflation rate as determined by the National Economic and Development Authority but in no case lower than 5%. The contract shall be effective for a period of 5 years from the date of its execution and may be renewed or extended upon mutual agreement by NLEX Corp. and PLDT. The agreement was extended for another period of 5 years, from the date of its expiration in 2021.
- On January 5, 2011, NLEX Corp. and Smart (a subsidiary of PLDT) signed a Utility Facilities Contract where NLEX Corp. provides Smart an access for the construction, operation and maintenance of a cell site inside the NLEX right of way for an annual fee of ₱0.3 million which shall then be escalated annually to 4.5% starting on the fourth year of the contract and every year thereafter. The contract is effective from April 26, 2010 for a period of five (5) years which may be renewed or extended upon mutual agreement by NLEX Corp. and Smart.

On September 19, 2016, NLEX Corp. and Smart renewed its Utility Facilities Contract. The renewed contract shall be for a period of 5 years from April 27, 2015 to April 26, 2020. The annual fee shall be ₱0.3 million which shall be subject to 4.5% increase annually starting at the second year of the new contract period. On April 26, 2020, the contract was renewed for another five (5) years effective April 27, 2020 until April 26, 2025.

- In 2023 and 2022, PLDT and Smart billed the Company for its communication expenses.

Meralco

- As at December 31, 2018, NLEX Corp. has advances to Meralco for its new electric line applications for Segment 9, portion of Phase II of MNEP, and Balintawak and Valenzuela drainage system. These advances are consumable upon activation of the electric lines in Segment 9 and Balintawak and Valenzuela drainage system.



- In 2023 and 2022, the Company was billed by Meralco for its electric consumption in its head office; in Segment 9, portion of Phase II of MNEP, and for its drainage system in Balintawak and Valenzuela.

Maynilad

- In 2023 and 2022, the Company was billed by Maynilad for its water consumption in its head office.

MPT Mobility

- MPT Mobility and NLEX Corp. entered into a management services agreement effective April 1, 2016. Under the said agreement, NLEX Corp. is to provide management and financial advisory services, including advice on corporate initiatives to MPT Mobility which involves the coordination and utilization of MPT Mobility's resources and personnel and to assist MPT Mobility in its operations through secondment of appropriate personnel of NLEX Corp., its subsidiaries, or affiliates to MPT Mobility. Pursuant to the agreement, MPT Mobility pays NLEX Corp. a fixed monthly amount of ₱0.1 million to be escalated beginning the second year of the agreement. In 2020, the agreement was renewed which amended the fixed monthly fee to ₱ 0.2 million (exclusive of VAT). The agreement shall remain in effect for twelve (12) months.
- On February 1, 2021, the Company appointed MPT Mobility as an exclusive partner for the Out-of-office (OOH) advertising within its expressways. The Company granted MPT Mobility a limited and exclusive right to use portions of the NLEX and SCTEX rights-of-way for OOH advertising contracts, including the installation, construction and maintenance of OOH structures for an initial period of three (3) years which can be renewed if agreed by both parties. ROWs pertain to the OOH sites such as billboards, toll banners and traffic control gate, toll booth dress up, ATDM, roadside and lamp post banners, and pylons in certain locations as specified in the contract.
- In 2021, the MPTC Group formed a centralized customer service and contract support center called One-Hub, a unit under MPT Mobility servicing all the operating tollways in the MPTC Group. The centralization entailed the transfer of 42 employees from NLEX Corp. to MPT Mobility.
- In 2023 and 2022, NLEX Corp. billed also MPT Mobility for the services rendered by Human Resources and Internal Audit with an annual service fee of ₱6.2 million and ₱55.0 million respectively, which is exclusive of the standard administrative fee of 10% and 12% VAT.

CCLEC

- In 2023, NLEX Corp. billed also CCLEC for the services rendered by Human Resources and Internal Audit with an annual service fee of ₱3.0 million, which is exclusive of the standard administrative fee of 10% and 12% VAT.

Other Transactions

- In 2021, the Company acquired from and transferred employees to its related parties. The entities agreed that there will be no break in service due to the transfer and that the liabilities pertaining to these employees will be transferred with no corresponding asset transfers. The net acquired/(released) obligation, as a result of this transfer, is reflected in the movement of defined benefit obligation and movement in the net liability/(asset) recognized in balance sheet.



Acquisition of employees

| Releasing Company | Number of Employees | DBO | Provision for Sick Leave |
|-----------------------|---------------------|-------------------|--------------------------|
| NLEX | 4 | ₱7,202,360 | ₱869,200 |
| MPT Mobility | 5 | 406,877 | 22,074 |
| MPTDI | 2 | 352,713 | – |
| MPTSMC | 1 | 159,137 | 8,026 |
| CCLEC | 1 | 148,165 | 29,204 |
| Total released | | ₱8,269,252 | ₱928,504 |

Transfer of employees

| Receiving Company | Number of Employees | DBO | Provision for Sick Leave |
|-----------------------|---------------------|-------------------|--------------------------|
| MPTSMC | 9 | ₱7,202,360 | ₱869,200 |
| NLEX | 4 | 1,066,892 | 59,304 |
| Total released | | ₱8,269,252 | ₱928,504 |

- Compensation of key management personnel of the Company are as follows:

| | 2023 | 2022 |
|----------------------------------|---------------------|--------------|
| Short-term employee benefits | ₱256,834,359 | ₱248,948,591 |
| Retirement expense (see Note 23) | 14,969,040 | 15,201,262 |
| LTIP expense (see Note 23) | 689,639 | 8,384,827 |
| | ₱272,493,038 | ₱272,534,680 |

- NLEX Corp. acts as a surety or co-obligor with certain NLEX Corp. officers for the payment of valid corporate expenses through the use of corporate credit cards at specified approved amounts ranging from ₱0.9 million to ₱0.04 million both in 2023 and 2022, respectively.
- The Company paid directors fees amounting to ₱1.5 million and ₱2.7 million for the years ended December 31, 2023 and 2022, respectively, recorded under “General and administrative expenses” account in the statements of income (see Note 22).
- Advances to officers and employees has an outstanding balance of ₱56.2 million and ₱37.5 million as at December 31, 2023 and 2022, respectively (see Note 8).
- The Company paid construction works capitalized as project cost to D.M. Consunji, Inc., a subsidiary of First Pacific Company, amounting to ₱1.6 billion and ₱3.5 billion in 2023 and 2022.
- The Company paid the following to BDO Unibank, Inc. a stockholder of the Company:
 - interest expense amounting to ₱213.7 million in 2023 and ₱225.9 million in 2022;
 - loans repayment amounting to ₱250.0 million in 2023 and ₱250.0 million in 2022;
 - toll processing costs amounting to ₱4.1 million in 2023 and ₱3.9 million in 2022; and
 - trustee fees amounting to ₱2.5 million in 2023 and ₱2.5 million in 2022.

Review and Approval of Related Party Transactions

The review and approval of related party transactions shall be subject to the review process to determine whether a related party transaction is on arm’s length terms and is in the best interest of the Company and its shareholders as a whole. Related party transactions shall be reviewed and approved by the appropriate level of management depending on the approval threshold set by the Company.



17. Short-term Loans Payable and Long-term Debt

Short-term Loans Payable

On November 6, 2023, the Company availed of 91-day short-term loans from Rizal Commercial Banking Corporation (RCBC) and Philippine National Bank (PNB) amounting to ₱2.0 billion and ₱1.0 billion, respectively, both with an annual interest rate of 6.0% and maturity date of February 5, 2024. The proceeds were used to bridge finance the Company's capital expenditures. These short-term loans were paid on their maturity dates.

As at December 31, 2023, the balance of the short-term loans payable, net of unamortized portion of debt issue cost amounted to ₱2,999.3 million.

Interest expense from these short-term loans presented as part of "Interest expense and other finance costs" in the statements of income amounted to ₱9.2 million in 2023 (see Note 25).

Interest expense from these short-term loans capitalized as borrowing cost under "Service Concession Assets" in the statement of financial position amounted to ₱18.3 million in 2023.

Long-term Debt

Movements in principal amount of long-term debt as at December 31, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|--|-----------------|-----------------|
| Balance at beginning of year | ₱41,815,000,000 | ₱35,515,000,000 |
| Availments | 5,000,000,000 | 7,000,000,000 |
| Payments | (4,043,000,000) | (700,000,000) |
| Balance at end of year | 42,772,000,000 | 41,815,000,000 |
| Less current portion of long-term debt | 6,943,000,000 | 3,968,000,000 |
| Noncurrent portion of long-term debt | ₱35,829,000,000 | ₱37,847,000,000 |

Long-term debt, net of unamortized debt issue costs, consists of:

| | 2023 | 2022 |
|---|-----------------|-----------------|
| Peso-denominated Notes, Loans and Bonds: | | |
| Corporate Notes | ₱17,547,000,000 | ₱19,815,000,000 |
| Term Loan Facilities | 16,625,000,000 | 13,400,000,000 |
| Fixed-rate Bonds | 8,600,000,000 | 8,600,000,000 |
| | 42,772,000,000 | 41,815,000,000 |
| Less unamortized debt issue costs | 243,475,560 | 273,460,255 |
| | 42,528,524,440 | 41,541,539,745 |
| Less current portion of long-term debt - net of unamortized debt issue costs of ₱52,965,411 in 2023 and ₱53,633,951 in 2022 | 6,890,034,589 | 3,914,366,049 |
| | ₱35,638,489,851 | ₱37,627,173,696 |



The movements in debt issue costs are as follows:

| | 2023 | 2022 |
|--|---------------------|---------------------|
| Balance at beginning of year | ₱273,460,256 | ₱270,716,675 |
| Debt issue costs incurred during the year | 39,578,868 | 52,500,000 |
| Amortization during the year* (see Notes 9 and 25) | (69,563,564) | (61,724,905) |
| Reclassification | – | 11,968,485 |
| Balance at end of year | ₱243,475,560 | ₱273,460,255 |

*Includes amortization of debt issue costs capitalized to service concession assets amounting to ₱52,915,359 and ₱46,085,457 on December 31, 2023 and 2022, respectively.

2020 Corporate Notes Facility

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

The applicable interest rate for the initial drawdown for Tranche A (7-year tranche) was 4.040% from Issue Date until the day immediately prior to second (2nd) anniversary of the Initial Issue Date while for Tranche B (10-year tranche) was 4.293% from Issue Date until the day immediately prior to fifth (5th) anniversary of the Initial Issue Date.

From March 26, 2021 until May 2, 2022, NLEX Corp. made subsequent drawdowns from the ₱20.0 billion Corporate Notes Facility which were priced at prevailing market rates prior to drawdown date, ranging from 4.58% to 6.86% for Tranche A and 4.29% to 6.38% for Tranche B.

Term Loan Facilities

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

By December 27, 2019, the Company has fully availed of the loan, with interest rates ranging from 4.73%. 5.21% p.a.

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

On October 11, 2023, the Company fully paid the term loan with Sun Life.

Insular. On November 26, 2013, the Company entered into Term Loan Facility Agreement with Insular for a ₱200.0 million fixed-rate loan payables in lump sum after 10 years. The fixed interest rate on the loan is 5.03% per annum. Debt issue costs incurred in the availment of the loan amounted to ₱1.6 million. On November 29, 2023, the Company fully paid the term loan with Insular.



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

On December 15, 2021, the Company prepaid the term loan with Philam.

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

Philippine National Bank (PNB). On December 4, 2015, the Company entered into a new ten-year term loan facility agreement with PNB for a facility amount of ₱5.0 billion to finance capital expenditures such as the NLEX Lane Widening Project, NLEX-SCTEX Integration Project and the upgrade of the SCTEX.

From December 10, 2015 until October 24, 2017, the Company availed of the loan. Debt issue costs incurred amounted to ₱15.0 million on the initial drawdown and ₱14.2 million on the second drawdown, including the commitment fees.

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

On December 15, 2021, the Company partially prepaid its term loan facility with PNB amounting to ₱1.0 billion as well as other scheduled principal repayments under the loan agreement.

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

On July 24, 2017, the Company opted not to extend the availability period of the undrawn amount of the term loan facility. On August 9, 2017, Unionbank, billed the Company for the commitment fee of ₱12.1 million.

Interest payment shall be made quarterly until the date of maturity on February 3, 2026.

Metropolitan Bank and Trust Company (Metrobank). On November 11, 2022, the Company entered into a ₱7.0 billion, 10-year term loan agreement with Metrobank to finance its capital expenditures and other general corporate purposes. The loan is subject to intermediate re-pricing based on pre-agreed pricing options.

On November 16, 2022, the Company made an initial drawdown of ₱4.0 billion with an annual interest rate of 7.13%. On March 21, 2023, the Company made its second drawdown amounting to ₱3.0 billion with an annual interest rate of 7.50%.



Bank of the Philippine Islands (BPI). On December 18, 2023, the Company entered into a ₱10.0 billion, 10-year term loan agreement with BPI to finance partially fund its capital expenditures and refinance its maturing debt. The loan is subject to intermediate re-pricing based on pre-agreed pricing options.

On December 28, 2023, the Company made an initial drawdown of ₱2.0 billion with an annual interest rate of 6.57%. On February 2, 2024, the Company made its second drawdown amounting to ₱2.2 billion with an annual interest rate of 6.69%.

As at April 5, 2024, the loan facility has an undrawn balance of ₱5.8 billion which is available for drawdown until September 2024.

Fixed-rate Bonds

On March 31, 2014, the Company issued ₱4.4 billion principal amounts of fixed-rate bonds with terms of seven years at 5.07% per annum and ₱2.6 billion principal amounts of bonds with terms of ten years at 5.50% per annum, for public distribution and sale in the Philippines. Interest payments are payable quarterly in arrears on March 31, June 30, September 30 and December 31 starting on June 30, 2014. Total debt issue costs amounted to ₱76.0 million. The bonds are payable at the end of 7-year/10-year maturity periods. The proceeds were used by the Company to partially fund the construction cost of Segment 10, portion of Phase II of MNEP, which will connect the MacArthur Highway in Valenzuela City to C-3 Road in Caloocan City.

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

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

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

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

Compliance with Loan Covenants

The loan agreements of NLEX Corp. provides certain financial and non-financial covenants. Financial covenants include Maintenance Debt Service Coverage Ratio (DSCR) and Debt-to-Equity Ratio (DER). As at December 31, 2023 and 2022, the Company is compliant with the required financial ratios and other loan covenants (see Note 28). The Company's long-term debt is unsecured as at December 31, 2023 and 2022.



18. Service Concession Fees Payable

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

| | Amount |
|------------------------|-----------------------|
| At January 1, 2022 | ₱3,273,760,755 |
| Accretion (see Note 9) | 217,515,473 |
| At December 31, 2022 | 3,491,276,228 |
| Accretion (see Note 9) | 210,306,333 |
| At December 31, 2023 | ₱3,701,582,561 |

As discussed in Note 3, NLEX Corp. shall pay DPWH Periodic Payments in consideration for the grant of the basic right of way. The Periodic Payments are computed using the rate of four percent (4%) per annum applied to the agreed valuation of such portion of the basic right of way assigned for the use by the NLEX-SLEX Connector Road. The payment will commence on the first anniversary of the construction completion deadline, as extended, until the expiry of the concession period and will be subject to an agreed escalation every two years based on the prevailing CPI for the two-year period immediately preceding the adjustment or escalation.

The service concession fees payable is based on the discounted value of future fixed cash flows using the prevailing peso interest rates on November 23, 2016. The undiscounted estimated future periodic payments, excluding the effect of the CPI, is ₱8,510.4 million as of December 31, 2023 and 2022.

19. Equity

Capital Stock

Details of common shares of the Company as at December 31, 2023 and 2022 follow:

| Number of Shares | Number of Shares |
|-----------------------------|------------------|
| Authorized - ₱100 par value | 40,000,000 |
| Issued and outstanding | 18,786,000 |

Cash Dividends

The Company's BOD declared the following cash dividends in 2023, 2022 and 2021:

| Declaration Date | Record Date | Payment Date | Cash Dividend per Share | Total |
|--------------------------|--------------------------|---------------------------|----------------------------|-----------------------|
| December 15, 2023 | December 29, 2023 | January 12, 2024 | ₱149.05 | ₱2,800,000,000 |
| July 26, 2023 | August 1, 2023 | September 11, 2023 | 186.31 | 3,500,000,000 |
| March 6, 2023 | March 21, 2023 | April 14, 2023 | 74.52 | 1,400,000,000 |
| December 15, 2022 | December 31, 2022 | January 26, 2023 | 69.20 | 1,300,000,000 |
| July 26, 2022 | August 10, 2022 | September 12, 2022 | 143.72 | 2,700,000,000 |
| December 16, 2021 | December 31, 2021 | January 28, 2022 | 108.38 | 2,036,000,000 |
| July 28, 2021 | August 6, 2021 | September 3, 2021 | 115.41 | 2,168,000,000 |

Unpaid dividends of ₱2,800.0 million and ₱1,300.0 million, ₱2,036.0 million as at December 31, 2023, 2022 and 2021, respectively, were subsequently paid in January of the following year.



Other Comprehensive Loss

| | Re-measurement of Defined Benefit Plan (see Note 23) | Income Tax Related to Defined Benefit Plan (see Note 26) | Total |
|----------------------------------|---|---|----------------|
| Balance at January 1, 2023 | (P85,031,912) | (P6,987,628) | (P92,019,540) |
| Remeasurement loss (see Note 23) | (12,272,041) | 1,840,806 | (10,431,235) |
| Balance at December 31, 2023 | (P97,303,953) | (P5,146,822) | (P102,450,775) |

| | Re-measurement of Defined Benefit Plan (see Note 23) | Income Tax Related to Defined Benefit Plan (see Note 26) | Total |
|----------------------------------|---|---|---------------|
| Balance at January 1, 2022 | (P31,785,295) | (P20,299,282) | (P52,084,577) |
| Remeasurement loss (see Note 23) | (53,246,617) | 13,311,654 | (39,934,963) |
| Balance at December 31, 2022 | (P85,031,912) | (P6,987,628) | (P92,019,540) |

20. Non-toll Revenues

Details of non-toll revenues follow:

| | 2023 | 2022 | 2021 |
|---|--------------|--------------|-------------|
| Income from TSF | P110,498,447 | P85,320,501 | P52,793,349 |
| Income from utility facilities (see Note 16) | 7,324,170 | 20,999,160 | 4,806,357 |
| Income from advertising (see Note 16) | - | - | 7,318,586 |
| | P117,822,617 | P106,319,661 | P64,918,292 |

21. Cost of Services

This account consists of:

| | 2023 | 2022 | 2021 |
|--|----------------|----------------|----------------|
| Concession fees (see Note 3) | P1,946,026,412 | P1,629,211,883 | P1,116,491,489 |
| Amortization of service concession assets (see Note 9) | 1,350,184,970 | 1,218,683,362 | 993,247,621 |
| Outside services (see Note 16) | 1,066,477,987 | 1,127,151,139 | 649,724,736 |
| PNCC fee (see Note 27) | 1,025,780,169 | 871,614,432 | 717,652,419 |
| Salaries and employee benefits (see Note 23) | 860,148,965 | 720,949,065 | 827,499,047 |
| Repairs and maintenance (see Note 16) | 441,891,286 | 276,528,651 | 283,270,410 |
| Insurance | 142,397,987 | 135,725,718 | 139,550,624 |
| Light and Water (see Note 16) | 128,441,005 | 114,067,536 | 94,332,958 |
| Fuel and oil (see Note 16) | 102,640,115 | 112,560,727 | 67,025,195 |

(Forward)



| | 2023 | 2022 | 2021 |
|--|-----------------------|----------------|----------------|
| Provision for heavy maintenance (see Note 15) | ₱98,119,803 | ₱218,616,331 | ₱208,948,438 |
| Depreciation of property and equipment (see Note 10) | 64,564,404 | 66,997,546 | 82,174,075 |
| Advertising and promotions (see Note 16) | 57,293,014 | 28,490,446 | 27,166,348 |
| TRB Fee | 55,395,707 | 45,596,605 | 23,384,912 |
| Provisions (see Note 15) | 54,734,062 | 14,227,556 | 22,921,499 |
| Professional fee | 30,764,562 | 18,192,358 | 13,279,981 |
| Toll collection and medical services | 17,555,684 | 15,138,355 | 15,650,933 |
| Taxes and licenses | 15,353,684 | 11,503,758 | 16,552,506 |
| Amortization of other intangible assets (see Note 11) | 8,927,552 | 8,985,442 | 7,819,546 |
| Others (see Note 16) | 60,654,518 | 34,840,428 | 55,010,435 |
| | ₱7,527,351,886 | ₱6,669,081,338 | ₱5,361,703,172 |

22. General and Administrative Expenses

This account consists of:

| | 2023 | 2022 | 2021 |
|---|---------------------|--------------|--------------|
| Salaries and employee benefits (see Note 23) | ₱401,080,727 | ₱394,581,210 | ₱280,885,577 |
| Professional fees (see Note 16) | 147,582,502 | 198,949,112 | 160,425,736 |
| Advertising and marketing expenses (see Note 16) | 138,685,996 | 67,798,544 | 50,586,814 |
| Taxes and licenses | 135,095,352 | 94,710,431 | 84,975,740 |
| Outside services (see Note 16) | 90,437,425 | 44,761,917 | 16,990,927 |
| Provisions (see Note 15) | 54,720,280 | 22,880,424 | 30,327,596 |
| Representation and travel (see Note 16) | 34,922,949 | 16,030,559 | 11,057,192 |
| Provision for estimated credit losses (see Note 8) | 34,910,120 | 5,489,140 | 1,733,734 |
| Depreciation of property and equipment (see Note 10) | 34,466,478 | 34,794,225 | 32,064,076 |
| Management fees (see Note 16) | 30,952,186 | 9,726,481 | 187,281,033 |
| Office supplies | 12,772,913 | 8,962,675 | 8,305,181 |
| Training and development costs | 10,602,598 | 10,456,628 | 2,073,378 |
| Rentals | 2,981,656 | 2,977,009 | 3,487,638 |
| Communication, light and water (see Note 16) | 2,441,075 | 2,642,775 | 2,507,065 |
| Repairs and maintenance (see Note 16) | 1,913,641 | 36,484,844 | 24,080,943 |
| Directors' fees (see Note 16) | 1,548,544 | 2,721,266 | 2,420,000 |

(Forward)



| | 2023 | 2022 | 2021 |
|--|-----------------------|--------------|--------------|
| Amortization of other intangible assets (see Note 11) | ₱543,490 | ₱1,388,536 | ₱1,520,366 |
| Provision for non-recoverability of advances (see Note 13) | — | — | 26,699,594 |
| Others | 35,224,987 | 4,489,879 | 32,720,669 |
| | ₱1,170,882,919 | ₱959,845,655 | ₱960,143,259 |

23. Personnel Cost and Employee Benefits

This account consists of:

| | 2023 | 2022 | 2021 |
|---|-----------------------|----------------|----------------|
| Salaries expense | ₱762,579,880 | ₱905,325,690 | ₱923,704,190 |
| Retirement expense | 69,141,061 | 36,495,846 | — |
| LTIP | 3,185,398 | 37,801,347 | — |
| Other employee benefits | 426,323,353 | 135,907,392 | 184,680,434 |
| | ₱1,261,229,692 | ₱1,115,530,275 | ₱1,108,384,624 |
| Retirement income | ₱— | ₱— | ₱2,237,376 |
| Cost of services (see Note 21) | ₱860,148,965 | ₱720,949,065 | ₱827,499,047 |
| General and administrative expenses (see Note 22) | 401,080,727 | 394,581,210 | 280,885,577 |
| | ₱1,261,229,692 | ₱1,115,530,275 | ₱1,108,384,624 |

LTIP

The MPTC Group's LTIP is a cash plan that is intended to provide meaningful and contingent financial incentive compensation for eligible executives and officers of the MPTC Group, who are consistent performers and contributors to the achievement of the long-term financial targets, strategic plans and objective, as well as the functional strategy and goals of the MPTC Group. Likewise, the MPTC Group LTIP is intended to attract and retain talented employees to ensure the sustained growth and success of the MPTC Group.

In 2018, MPTC's management started to accrue for the LTIP of MPTC Group which is assumed to be effective January 1, 2018. The LTIP for key executives of the Company, which is fixed upon achievement of the cumulative target core income, was intended for the Performance Cycle 2018-2020, with additional benefit for consistently meeting annual core income targets. Non-achievement of the cumulative targets will result to non-payment of the LTIP benefit for the performance cycle.

In 2020, the MPTC Group was not able to achieve the necessary core income to fulfill the cumulative core income target for the LTIP cycle but there were informal discussions to replace in the cycle 2020 with 2021.

On April 7, 2022, the BOD approved the revised LTIP covering the years 2018, 2019 and 2021 performance cycle. On April 8, 2022, the payment for the LTIP related to the Performance Cycle 2018-2019 & 2021 was already released.



Total amount of LTIP under this Plan is fixed upon achievement of the target Core Income and is not affected by changes in future salaries of the employees covered. The long-term employee benefit liability comprises the present value of the defined benefit obligation (using discount rate based on government bonds) at the end of the reporting period.

The total cost of the LTIP recognized by the Company for the year ended December 31, 2023, 2022 and 2021 included in “Salaries and employee benefits” account under “General and administrative expenses” in the statements of income amounted to ₱3.2 million, ₱37.8 million and nil, respectively. The total long-term incentive plan payable amounted to ₱48.8 million and ₱45.6 million as at December 31, 2023 and 2022, respectively.

Retirement Costs

Defined Benefit Plan. The Company has a funded noncontributory defined benefit retirement plan covering all of its regular and permanent employees. The plan provides for a lump sum benefit payment upon retirement. Contributions and costs are determined in accordance with the actuarial study made for the plan which is normally obtained every two years. The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation was carried out as at December 31, 2023 by a certified actuary.

The funds are administered by a trustee bank. Subject to the specific instructions provided by Company in writing, the Company directs the trustee bank to hold, invest, and reinvest the funds and keep the same invested, in its sole discretion, without distinction between principal and income in, but not limited to, certain government securities and bonds, term loans, short-term fixed income securities and other loans and investments.

Under the existing regulatory framework, RA No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee’s retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Changes in pension liability in 2023 are as follows:

| | Present Value of Defined Benefit Obligation | Fair Value of Plan Assets | Pension Liability |
|---|--|--------------------------------------|------------------------------|
| At January 1, 2023 | (₱537,371,180) | ₱447,901,777 | (₱89,469,403) |
| Net benefit income (cost) in statement of income: | | | |
| Current service cost | (65,306,851) | – | (65,306,851) |
| Past service cost | – | – | – |
| Net interest | (34,432,391) | 30,598,181 | (3,834,210) |
| | (99,739,242) | 30,598,181 | (69,141,061) |
| Benefits paid | 12,891,644 | (12,891,644) | – |
| Net acquired obligation due to employee transfer (see Note 16) | 6,135,468 | – | 6,135,468 |

(Forward)



| | Present Value of Defined Benefit Obligation | Fair Value of Plan Assets | Pension Liability |
|---|--|------------------------------|----------------------|
| Remeasurement loss in other comprehensive income (see Note 19): | | | |
| Return on plan assets (excluding amount included in net interest) | P- | (P57,779,311) | (P57,779,311) |
| Actuarial changes arising from changes in financial assumptions | 40,266,438 | - | 40,266,438 |
| Actuarial changes due to experience adjustment | 5,240,832 | - | 5,240,832 |
| | 45,507,270 | (57,779,311) | (12,272,041) |
| Contribution | - | 108,219,935 | 108,219,935 |
| At December 31, 2023 | (P572,576,040) | P516,048,938 | (P56,527,102) |

Changes in pension liability in 2022 are as follows:

| | Present Value of Defined Benefit Obligation | Fair Value of Plan Assets | Pension Liability |
|---|--|------------------------------|----------------------|
| At January 1, 2022 | (P418,176,427) | P378,278,866 | (P39,897,561) |
| Net benefit income (cost) in statement of income: | | | |
| Current service cost | (35,468,800) | - | (35,468,800) |
| Past service cost | - | - | |
| Net interest | (19,416,774) | 18,389,728 | (1,027,046) |
| | (54,885,574) | 18,389,728 | (36,495,846) |
| Benefits paid | 635,415 | (635,415) | - |
| Net acquired obligation due to employee transfer (see Note 16) | 1,050,555 | - | 1,050,555 |
| Remeasurement loss in other comprehensive income (see Note 19): | | | |
| Return on plan assets (excluding amount included in net interest) | - | 12,748,532 | 12,748,532 |
| Actuarial changes arising from changes in financial assumptions | 236,288 | - | 236,288 |
| Actuarial changes due to experience adjustment | (66,231,437) | - | (66,231,437) |
| | (65,995,149) | 12,748,532 | (53,246,617) |
| Contribution | - | 39,120,066 | (39,120,066) |
| At December 31, 2022 | (P537,371,180) | P447,901,777 | (P89,469,403) |



In 2021, approximately 24% of the employees were involuntarily separated due to the implementation of RFID in toll plazas and transfer of employees to and from the Company's related parties (see Note 16). The settlement loss, as a result of this event, is reflected in the retirement expense as credit to past service cost.

| | |
|---|--------------------|
| Defined benefit obligation of involuntarily separated employees | ₱86,754,776 |
| Benefits paid | (22,467,408) |
| <u>Credit to past service cost due to effect of curtailment</u> | <u>₱64,287,368</u> |

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The actual return on plan assets amounted to ₱27.2 million and ₱31.1 million on December 31, 2023 and 2022, respectively.

The Company expects to contribute ₱55.4 million in 2024.

The major categories of plan assets as a percentage of the fair value of total plan assets follow:

| | 2023 | | 2022 | |
|---------------------------|---------------------|----------------|---------------------|----------------|
| | Amount | Percentage | Amount | Percentage |
| Investments in: | | | | |
| Government securities | ₱328,444,407 | 63.65% | ₱330,641,092 | 73.82% |
| Equity securities | 86,778,132 | 16.82% | - | - |
| Debt securities | 31,783,216 | 6.16% | 88,102,280 | 19.67% |
| UITFs | 5,684,562 | 1.10% | 447,902 | 0.10% |
| Cash and cash equivalents | 59,575,452 | 11.54% | 26,202,254 | 5.85% |
| Other receivables | 3,783,169 | 0.73% | 2,508,249 | 0.56% |
| | ₱516,048,938 | 100.00% | ₱447,901,777 | 100.00% |

The plan asset's carrying amount approximates its fair value since these are short-term in nature or marked-to-market.

The plan assets consist of the following:

- Investments in government securities consist primarily of fixed-rate treasury notes and retail treasury bonds that bear interest ranging from 1.93% to 8.63% per annum and have maturities from 2023 to 2029.
- Investments in debt instruments consist of quoted, unsecured, long-term corporate bonds and subordinated notes in holding firms, banks, real estate, telecommunications, and infrastructure companies, which bear interest ranging from 2.47% to 8.01% per annum and have maturities from 2024 to 2029.
- Investment in equity securities consist of non-voting perpetual preferred shares in listed entities such as holding firms, infrastructure, banks, telecommunications, real estate, casinos, gaming, retail and mining companies.
- As at December 31, 2023 and 2022, cash and cash equivalents include regular savings, time deposits and special savings deposit, which bear interest of 0.01% per annum.



- Other financial assets held by the plan are primarily dividends receivable from investment in equity securities and accrued interest income from cash and cash equivalents, investments in UITFs, investments in debt securities, and loans receivable.

The latest actuarial valuation of the Company is as at December 31, 2023.

The principal assumptions used to determine defined benefit cost as at December 31, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|----------------------|--------------|-------|
| Discount rate | 6.12% | 7.17% |
| Salary increase rate | 5.00% | 7.00% |

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2023 and 2022 assuming if all other assumptions were held constant:

| | | | Amount | |
|----------------------|-------------|-------------------------|-----------------------------|----------------|
| Discount rate | 2023 | (Actual + 1.00%) | 7.12% (P540,465,967) | |
| | | (Actual - 1.00%) | 5.12% 609,610,711 | |
| | 2022 | (Actual + 1.00%) | 8.17% | (P499,248,062) |
| | | (Actual - 1.00%) | 6.17% | 581,393,772 |
| Salary increase rate | 2023 | (Actual + 1.00%) | 6.00% P612,232,943 | |
| | | (Actual - 1.00%) | 4.00% (537,593,199) | |
| | 2022 | (Actual + 1.00%) | 8.00% | P583,584,375 |
| | | (Actual - 1.00%) | 6.00% | (496,665,195) |

The management performs an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Company's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans. The Company's current strategic investment strategy consists of 99.99% of debt and other instruments and 0.01% cash.

The average duration of the defined benefit obligation as at December 31, 2023 and 2022 is 10.18 years and 12 years.

Shown below is the maturity analysis of the undiscounted benefit payments:

| | 2023 | 2022 |
|--------------------------------|---------------------|---------------|
| Less than 1 year | P208,994,263 | P106,777,312 |
| More than 1 year to 5 years | 164,108,553 | 178,609,759 |
| More than 5 years to 10 years | 291,370,164 | 324,497,361 |
| More than 10 years to 15 years | 310,646,420 | 408,250,317 |
| More than 15 years to 20 years | 321,166,804 | 467,428,275 |
| More than 20 years | 840,852,564 | 1,408,468,120 |



Employee Leave Entitlements

This pertains to the accumulated sick leave entitlement benefits to employees of the Company.

Changes in accrued leaves payable are as follows:

| | 2023 | 2022 |
|--|----------------------|----------------------|
| At January 1 | (₱56,117,010) | (₱62,657,323) |
| Net benefit cost in the statements of income (see Note 22): | | |
| Current service cost | (4,899,016) | (4,058,829) |
| Net interest | (3,995,531) | (3,070,209) |
| Remeasurement loss | (10,215,175) | (7,098,518) |
| | (19,109,722) | (14,227,556) |
| Benefits paid | 1,204,216 | 20,616,126 |
| Net acquired obligation due to employee transfers (see Note 16) | 809,897 | 151,743 |
| At December 31 (see Note 15) | (73,212,619) | (56,117,010) |
| Current portion | (10,628,672) | (4,860,450) |
| Non-current portion | (₱62,583,947) | (₱51,256,560) |

The principal actuarial assumptions used in determining the liabilities for accumulated sick leave entitlement benefits of the Company as at December 31, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|----------------------|--------------|-------------|
| Discount rate | 6.24% | 7.12% |
| Salary increase rate | 5.00% | 7.00% |

The latest actuarial valuation study of the accumulated sick leave entitlement of the Company were made as at December 31, 2023.

Other Employee Benefits

Other employee benefits pertain to contributions to government agencies such as Social Security System, Pag-IBIG and Philippine Health Insurance Corporation, insurance, and allowance for rice, uniforms and recreational activities.

24. Interest Income

Sources of interest income follow:

| | 2023 | 2022 | 2021 |
|---|---------------------|--------------------|--------------------|
| Cash and cash equivalents (see Note 7) | ₱135,935,070 | ₱58,331,293 | ₱28,070,672 |
| Financial asset at FVOCI (see Note 12) | - | - | 1,770,833 |
| Others | 964,034 | 1,265,212 | - |
| | ₱136,899,104 | ₱59,596,505 | ₱29,841,505 |

Interest income earned for borrowings temporarily invested pending their expenditure that was deducted from borrowing costs incurred amounted to ₱52.1 million, ₱17.9 million, and ₱10.3 million in 2023, 2022, and 2021, respectively (see Note 9).



25. Interest Expense and Other Finance Costs

Sources of interest expense and other finance costs follow:

| | 2023 | 2022 | 2021 |
|---|-----------------------|----------------|----------------|
| Interest expense on: | | | |
| Long-term loans (see Note 17) | ₱1,031,601,458 | ₱1,040,306,455 | ₱1,097,605,618 |
| Short-term loans (see Note 17) | 9,166,667 | - | - |
| Provision for heavy maintenance (see Note 15) | 29,589,233 | 60,752,630 | 29,478,696 |
| Finance costs: | | | |
| Amortization of debt issue costs (see Note 17) | 17,778,342 | 15,639,448 | 23,693,639 |
| Lenders' fees | 16,293,033 | 4,439,244 | 37,543,522 |
| Bank charges | 96,472 | 91,303 | 223,720 |
| | ₱1,104,525,205 | ₱1,121,229,080 | ₱1,188,545,195 |

Interest expense and other finance costs capitalized as service concession assets amounted to ₱1,510.8 million, ₱1,004.5 million and ₱703.7 million as at 2023, 2022 and 2021, respectively (see Note 9).

26. Income Taxes

The provisions for income tax for years ended December 31, 2023, 2022 and 2021 are as follows:

| | 2023 | 2022 | 2021 |
|---|-----------------------|----------------|----------------|
| Current: | | | |
| Regular corporate income tax | ₱2,169,646,255 | ₱1,756,662,657 | ₱1,344,063,724 |
| Effect of CREATE law | - | - | (99,025,330) |
| Final tax on interest income from banks | 26,671,302 | 11,650,649 | 5,961,211 |
| | 2,196,317,557 | 1,768,313,306 | 1,250,999,605 |
| Deferred: | | | |
| Provision for (benefit from) deferred income tax | (17,632,304) | 14,189,453 | (200,545,475) |
| Effect of CREATE law | - | - | (85,156,424) |
| | (17,632,304) | 14,189,453 | (285,701,899) |
| | ₱2,178,685,253 | ₱1,782,502,759 | ₱965,297,706 |



The components of the Company's deferred tax assets and deferred tax liabilities are as follows:

| | 2023 | 2022 |
|---|-----------------------|----------------|
| Deferred tax assets: | | |
| Service concession fees payable | ₱556,447,401 | ₱523,691,434 |
| Provision for heavy maintenance | 100,158,529 | 81,196,912 |
| Accrued expenses and provisions | 20,486,313 | 18,546,065 |
| Pension liability | 13,996,841 | 18,079,447 |
| Unrealized foreign exchange loss | 210,824 | - |
| | 691,299,908 | 641,513,858 |
| Deferred tax liabilities: | | |
| Present value of concession fee payable capitalized as service concession asset | (556,447,401) | (523,691,434) |
| Difference in amortization of service concession assets | (349,693,444) | (351,445,520) |
| Unamortized realized foreign exchange losses capitalized | (6,234,104) | (6,679,398) |
| Unrealized foreign exchange gain | - | (253,312) |
| Fair value changes on investments in UITF | (13,746) | (6,091) |
| | (912,388,695) | (882,075,755) |
| Deferred tax liabilities - net | (₱221,088,787) | (₱240,561,897) |

For tax purposes, the Company used the UOP method of amortization for the civil works component of the service concession assets as approved by the BIR.

The reconciliation of provision for income tax computed at the statutory income tax rate to provision for income tax as shown in the statements of income is summarized as follows:

| | 2023 | 2022 | 2021 |
|--|------------------------|----------------|----------------|
| Income before income tax | ₱12,191,447,278 | ₱9,786,530,056 | ₱6,884,149,325 |
| Income tax computed at statutory tax rate of: | 3,047,861,820 | 2,446,632,514 | 1,721,037,331 |
| Deduct the tax effects of: | | | |
| Optional standard deduction | (862,508,741) | (661,213,191) | (385,439,025) |
| Change in deduction method | - | - | (184,619,681) |
| CREATE law | - | - | (184,181,754) |
| Interest income already subjected to final tax | (33,339,128) | (14,567,213) | (7,460,376) |
| Final tax on interest income | 26,671,302 | 11,650,649 | 5,961,211 |
| Provision for income tax | ₱2,178,685,253 | ₱1,782,502,759 | ₱965,297,706 |

On December 18, 2008, the BIR issued Revenue Regulations (RR) No. 16-2008, which implemented the provisions of RA No. 9504 on Optional Standard Deduction (OSD), which allowed both individual and corporate taxpayers to use OSD in computing their taxable income. For corporations, they may elect a standard deduction in an amount equivalent to 40% of gross income, as provided by law, in lieu of the itemized allowed deductions.

The Company opted to avail of the OSD for the taxable years 2023, 2022 and 2021.



The rollforward of net deferred tax liabilities is summarized as follows:

| | 2023 | 2022 | 2021 |
|---|---------------------|---------------------|---------------------|
| Balance at beginning of year | ₱240,561,897 | ₱239,684,098 | ₱472,508,052 |
| Provision for (benefit from) deferred income tax during the year recognized in the statements of income | (17,632,304) | 14,189,453 | (200,545,475) |
| Income tax effect of remeasurement gain (loss) during the year recognized in the statements of comprehensive income (see Note 19) | (1,840,806) | (13,311,654) | 52,877,945 |
| Effect of CREATE law | - | - | (85,156,424) |
| Balance at end of year | ₱221,088,787 | ₱240,561,897 | ₱239,684,098 |

27. Significant Contracts and Commitment

PNCC Fee

In consideration of the assignment by PNCC of its usufructuary rights, interests and privileges under its franchise, PNCC is entitled to receive payment equivalent to 6% and 2% of the toll revenues from the NLEX and Segment 7, respectively. Any unpaid balance carried forward will accrue interest at the rate of the latest Philippine 91-day Treasury bill rate plus 1% per annum. This entitlement, as affirmed in the Amended and Restated Shareholders' Agreement (ARSA) dated September 30, 2004, shall be subordinated to operating expenses and the requirements of the financing agreements and shall be paid out subject to availability of funds. In December 2006, NLEX Corp. entered into a letter agreement with PNCC to set out the detailed procedure for payment.

The PNCC franchise expired in May 2007. However, since the payment is a continuing obligation under the ARSA, the Company continues to accrue and pay the PNCC entitlement.

On December 2, 2010, the Company received a letter from the TRB dated November 30, 2010, citing a decision of the Supreme Court (SC) dated October 19, 2010 directing the Company to remit forthwith to the National Treasury, through TRB, all payments representing PNCC's percentage share of the toll revenues and dividends, if any, arising out of PNCC's participation in the MNEP. In the said decision, the SC ruled, among others, that after the expiration of the franchise of PNCC, its share/participation in the JVAs and STOAs, inclusive of its percentage share in toll fees collected by joint venture companies currently operating the expressways, shall accrue to the Philippine Government.

On April 12, 2011, the SC issued a resolution directing the Company to remit PNCC's share in the net income from toll revenues to the National Treasury and the TRB, with the assistance of the Commission on Audit, was directed to prepare and finalize the implementing rules and guidelines relative to the determination of the net income remittable by PNCC to the National Treasury.

In accordance with the TRB directive, 90% of the PNCC fee are to be remitted to the TRB, while the balance of 10% to PNCC.



On October 7, 2022, the Company was instructed by the TRB to remit the revenue share of the Government (PNCC Fee) on a monthly basis. The Company has requested the TRB to complete the documentation prior to implementing the monthly remittance.

The Company recorded PNCC Fee amounting to ₱1,066.5 million, ₱871.6 million and ₱717.7 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 22).

NLEX Harbor Link C3-R-10 Exit Ramp Project

On August 22, 2018, the Company entered into a ₱6.12 billion (inclusive of VAT) target cost contract with LCAL for the completion of the C3-R-10 Exit Ramp Project, a 2.6 km. elevated viaduct from C-3 Road to Navotas, Manila. The Company will fund the cost through a combination of debt and retained earnings.

On June 15, 2020, the Company opened the Harbor Link R-10 Exit Ramp to the public. The extension will boost the government's traffic decongestion efforts in Metro Manila, especially in the CAMANAVA area.

NLEX Harbor Link Port Extension to Anda Circle Project

On October 19, 2020, the recommendation of the Department of Public Works and Highways (DPWH) to Toll Regulatory Board (TRB) to implement the proposed Harbor Link Port Extension to Anda Circle Project of the Company has been approved. This project will be within the scope of the existing NLEX concession. The Company has been advised to proceed on the preparation, completion and submission of requirements, documents and processes that are necessary on the implementation of the project. As at April 5, 2024, the Company is still waiting for the approval of the project's legal framework.

NLEX Widening Project

On March 2, 2016, the Company signed a construction contract with First Balfour, Inc. and Haidee Construction and Development Corporation / 4B Construction Corporation for the NLEX lane widening covering the construction of an additional lane on each direction in Segment 2, portion of Phase 1 of MNEP (from Sta. Rita to San Fernando), and the expansion of the carriageway in Segment 3, portion of Phase 1 of MNEP (from Dau to Sta. Ines) from one-by-two to two-by-two lanes. It also covers the lane configuration of Candaba Viaduct from 2 to 3 lanes. The total project cost including civil works, independent design checking services, detailed engineering design and financing cost amounted to ₱2.6 billion, exclusive of VAT, for both Segment 2 and Segment 3. On December 2, 2016, the Segment 3 of the NLEX widening project has started commercial operations. Segment 2 of the NLEX widening project was completed and opened for public use in May 2017.

As part of Phase 2 of the NLEX Widening Project, the Company has also finalized the construction contract for the NLEX Segment 7 ("SFEX") Capacity Expansion Project with Sta. Clara International Corporation on May 3, 2019. The SFEX Capacity Expansion Project was estimated to cost around ₱1.6 billion, inclusive of VAT, and was sourced through internally generated cash and term loans. The expanded SFEX was fully opened to the public on February 19, 2021.

NLEX-SLEX Connector Road

On November 5, 2019, the Company awarded a ₱8.0 billion contract to DM Consunji Inc. (DMCI) for the construction of the first section of the Connector Road. The contract covers the main civil works for the Caloocan to España Boulevard section.

On December 1, 2021, the Company awarded a ₱4.2 billion contract to China Road and Bridge Corporation for the construction of the second section of the Connector Road. The contract covers the main civil works for the España Boulevard to Sta. Mesa section.



As at December 31, 2023, the construction of NLEX-SLEX Connector Road Section 1 is 100% complete while Section 2 is 78.73% complete.

Candaba Central Infill (3rd Viaduct)

On February 1, 2023, the Company entered into a Php₱6.12 billion target cost contract with LCAL for the design and construction of the Candaba 3rd Viaduct Project over a period of 23 months. The Project has been approved by the TRB last June 2022 based on the preliminary cost estimate. In January 2023, after completing the competitive selection of contractor with the most responsive preliminary engineering design (PED) and costing, the Company submitted an updated supplemental project information memorandum to the TRB. This incorporates the actual bid price of the preferred contractor and the corresponding investment recovery scheme in the form of an add-on toll in the closed system of NLEX. As at December 31, 2023, the construction of Candaba Central Infill (3rd Viaduct) is 31.46% complete.

Toll Collection Interoperability Agreement

On September 15, 2017, the Company, together with San Miguel Holdings Corporation, Private Infra Development Corporation, Citra Metro Manila Tollways Corporation, Skyway O&M Corporation, Citra Central Expressway Corporation, Vertex Tollways Development Incorporation, South Luzon Tollways Corporation, Manila Toll Expressway Systems Incorporated, Star Infrastructure Development Corporation, Star Tollway Corporation, MPTC, CIC, MHI, BCDA, Ayala Corporation, MCX Tollway, Inc., Department of Transportation (DOTr), DPWH, and Land Transportation Office, has signed the MOA for Toll Collection Interoperability with TRB; whereby the concessionaires or facility operators agreed to timely, smoothly, and fairly implement the interoperability of the electronic toll collection systems and cash payment systems of the covered expressways and of future toll expressways, consistent with and subject to the concessionaires and operators' respective concession agreements, toll operations agreements, and supplemental toll operations agreement, as applicable.

The agreement will be implemented in two phases and to be operationalized within twelve (12) months from the signing of the MOA. The first phase covers electronic collection interoperability, while the second phase covers cash collection interoperability. As at April 5, 2024, the implementation is still in progress.

Traffic Management Memorandum of Agreement

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

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

On June 29, 2020, the Company renewed its memorandum of agreement with the City Government of Meycauayan to address the traffic situation within the territorial jurisdiction of Meycauayan City.



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

28. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise long-term debt, the proceeds of which were used to finance the construction of the service concession assets. The Company has various other financial instruments such as cash and cash equivalents, financial assets at FVTPL, receivables from trade debtors, payables to trade creditors, which arise directly from its operations, and dividends payable.

The main risks arising from the Company's financial instruments are interest rate, credit, foreign currency, and liquidity risks which are discussed in detail below. The BOD reviews and approves policies of managing each of these risks and they are enumerated below:

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not significantly exposed to interest rate risk since the Company's interest-bearing financial instruments, particularly its short-term notes payable and long-term debt, bear fixed interest rates as at December 31, 2023 and 2022.

The following tables set out the principal amount, by maturity, of the Company's interest-bearing financial assets and liabilities (amounts in thousands):

| | | December 31, 2023 | | | | |
|--|----------------------------|---|--|--------------------------------|--------------------|--------------------|
| Interest Rate | Within 1 Year (‘000) | More than 1 Year to 3 Years (‘000) | More than 3 Years to 5 Years (‘000) | More than 5 Years (‘000) | Total (‘000) | |
| Financial assets at amortized cost | | | | | | |
| Cash and cash equivalents ^(a) | 0.10%–7.50% | P3,989,846 | P– | P– | P– | P3,989,846 |
| Financial Liabilities at Amortized Cost | | | | | | |
| Fixed-rate loans: | | | | | | |
| Term-loan facility | 4.83%–7.13% | P2,075,000 | P2,900,000 | P2,800,000 | P8,850,000 | P16,625,000 |
| Corporate Notes | 4.66%–4.97% | 2,268,000 | 4,536,000 | 2,366,250 | 8,376,750 | 17,547,000 |
| Fixed-rate bonds | 5.50%–6.90% | 2,600,000 | 4,000,000 | 2,000,000 | – | 8,600,000 |
| | | P6,943,000 | P11,436,000 | P7,166,250 | P17,226,750 | P42,772,000 |

^(a) Excluding cash on hand of P58.4 million



| December 31, 2022 | | | | | | |
|--|----------------------------|---|--|--------------------------------|-----------------|-------------|
| Interest Rate | Within 1 Year (‘000) | More than 1 Year to 3 Years (‘000) | More than 3 Years to 5 Years (‘000) | More than 5 Years (‘000) | Total (‘000) | |
| Financial assets at amortized cost | | | | | | |
| Cash and cash equivalents ^(a) | 0.10%–5.50% | ₱5,319,234 | ₱– | ₱– | ₱– | ₱ 5,319,234 |
| Financial Liabilities at Amortized Cost | | | | | | |
| Fixed-rate loans: | | | | | | |
| Term-loan facility | 4.73%–7.13% | ₱1,700,000 | ₱3,150,000 | ₱2,100,000 | ₱6,450,000 | ₱13,400,000 |
| Corporate Notes | 4.04%–7.15% | 2,268,000 | 4,536,000 | 4,544,250 | 8,466,750 | 19,815,000 |
| Fixed-rate bonds | 5.50%–6.90% | – | 6,600,000 | – | 2,000,000 | 8,600,000 |
| | | ₱3,968,000 | ₱14,286,000 | ₱6,644,250 | ₱16,916,750 | ₱41,815,000 |

^(a) Excluding cash on hand of ₱84.96 million

The other financial instruments of the Company that are not included in the above table are noninterest-bearing and are therefore not subject to cash flow interest rate risk.

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument, except for certain term loan facilities which will be repriced after five (5) years from their initial drawdown dates. Should the interest rate on the repricing date be significantly higher than the current fixed rate, the Company has an option to repay or refinance the loan.

The table below demonstrates the sensitivity of income to changes in interest rates with all other variables held constant. The management expects that interest rates will move by ± 50 basis points within the next reporting period. There is no other impact on the Company’s equity other than those already affecting the statement of income:

| | Increase/Decrease in Basis Points | Effect on Income Before Income Tax |
|-------------|--------------------------------------|---------------------------------------|
| 2023 | +50 | (₱204,000,000) |
| | -50 | 204,000,000 |
| 2022 | +50 | (₱182,000,000) |
| | -50 | 182,000,000 |

Credit Risk

Credit risk is the risk that the Company will incur a loss arising from customers, clients or counterparties that fail to discharge their contracted obligations. Exposure to credit risk is managed through a credit review where an analysis of the obligors to meet their obligations is considered.

Receivables arose mainly from toll fees of RFID subscribers plying NLEX and SCTEX using their subscription account with ESC and non-toll revenues in the form of fees due from MPT Mobility as exclusive advertising partner and inter-company charges to various affiliate companies for shared services and seconded employees billed by NLEX Corp., ESC and MPT Mobility are considered as low-risk counterparties as these are affiliates of NLEX corp. Receivables also arose from motorists who cause accidental damage to NLEX property from day-to-day operations. The Company also has outstanding ROW advances to DPWH, a Philippine government entity, which is covered by a Reimbursement Agreement in the case of Segment 9 and Segment 10 advances and an offsetting arrangement, in the case of the NLEX-SLEX Connector Road Project advances, chargeable to future Periodic Payments payable to DPWH.



The Company also generates non-toll revenues in the form of service fees collected from business locators, generally called TSF, along the stretch of the NLEX. The collection of such fees is provided in the STOA and is based on the principle that these TSF derive benefit from offering goods and services to NLEX motorists. The fees range from one-time access fees to recurring fees calculated as a percentage of sales. The arrangements are backed by a service facility contract between the Company and the various locators. The credit risk on these arrangements is minimal because the fees are collected on a monthly basis mostly from well-established companies. The exposure is also limited given that the recurring amounts are not significant and there are adequate safeguards in the contract against payment delinquency. Nevertheless, the Company closely monitors receivables from the TSF.

The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to carrying amount of these financial assets. The Company does not require collateral for its financial assets.

The table below shows the maximum exposure to credit risk for the Company's financial assets, without taking account of any collateral, credit enhancements and other credit risk mitigation techniques.

| | 2023 | 2022 |
|--|-----------------------|----------------|
| Financial assets at amortized cost: | | |
| Cash and cash equivalents ^(a) | ₱3,989,846,102 | ₱5,319,233,975 |
| Receivables ^(b) | 1,848,568,691 | 1,884,127,922 |
| Total credit risk exposure | ₱5,838,414,793 | ₱7,203,361,897 |

^(a) Excluding cash on hand.

^(b) Excluding advances to officers and employees and net of allowance for estimated credit losses

Cash and cash equivalents are placed with reputable local and international banks and companies and Philippine Government which meet the standards of the Company's BOD.

The financial assets, except for trade receivables, are grouped according to stage whose description is explained as follows:

Stage 1 - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - those that are considered in default or demonstrate objective evidence of impairment as of reporting date.



The table below shows determination of ECL stage of the Company's financial assets:

| | 2023 | | | |
|---|-----------------------|--------------|--------------------|-----------------------|
| | ECL Staging | | | Total |
| | Stage 1 | Stage 2 | Stage 3 | |
| | 12-month ECL | Lifetime ECL | Lifetime ECL | |
| Financial Assets at Amortized Cost | | | | |
| Cash and cash equivalents ^(a) | ₱3,989,846,102 | ₱- | ₱- | ₱3,989,846,102 |
| Receivables ^(b) : | | | | |
| Trade receivables | 297,489,534 | - | 35,171,165 | 332,660,699 |
| Advances to DPWH | 1,016,516,531 | - | - | 1,016,516,531 |
| Interest receivables | 9,100,091 | - | - | 9,100,091 |
| Due from related parties | 11,915,894 | - | - | 11,915,894 |
| Receivable from motorist: | | | | |
| Neither past due nor impaired | 41,995,641 | - | - | 41,995,641 |
| Past due and impaired | - | - | 45,808,270 | 45,808,270 |
| Other receivables | 471,551,000 | - | - | 471,551,000 |
| Gross Carrying Amount | ₱5,838,414,793 | ₱- | ₱80,979,435 | ₱5,919,394,228 |

^(a) Excluding cash on hand of ₱58,416,314 as at December 31, 2023.

^(b) Excluding advances to officers and employees

| | 2022 | | | |
|---|-----------------------|--------------|--------------------|-----------------------|
| | ECL Staging | | | Total |
| | Stage 1 | Stage 2 | Stage 3 | |
| | 12-month ECL | Lifetime ECL | Lifetime ECL | |
| Financial Assets at Amortized Cost | | | | |
| Cash and cash equivalents ^(a) | ₱5,319,233,975 | ₱- | ₱- | ₱5,319,233,975 |
| Receivables ^(b) : | | | | |
| Trade receivables | 572,748,814 | - | 3,936,375 | 576,685,189 |
| Advances to DPWH | 980,237,583 | - | - | 980,237,583 |
| Interest receivables | 8,544,678 | - | - | 8,544,678 |
| Due from related parties | 11,915,894 | - | - | 11,915,894 |
| Receivable from motorist: | | | | |
| Neither past due nor impaired | 25,548,765 | - | - | 25,548,765 |
| Past due and impaired | - | - | 43,492,940 | 43,492,940 |
| Other receivables | 285,132,188 | - | - | 285,132,188 |
| Gross Carrying Amount | ₱7,203,361,897 | ₱- | ₱47,429,315 | ₱7,250,791,212 |

^(a) Excluding cash on hand of ₱84,954,465 as at December 31, 2022.

^(b) Excluding advances to officers and employees

With the exception of the impaired portion and past due accounts, all of the Company's financial assets are considered high-grade receivable since these are receivable from counterparties who are not expected to default in settling their obligations. These counterparties include reputable local and international banks and companies and the Philippine government. Other counterparties also have corresponding collectibles from the Company for certain contracted services. The first layer of security comes from the Company's ability to offset amounts receivable from these counterparties against payments due to them.

Management has assessed that trade receivables which are above 30 days past due have no significant increase in credit risk based on the historical collection experience of the Company from its customers.



Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at December 31, 2023 and 2022, the Company is not significantly exposed to foreign currency risk. The minimal exposure to foreign currency risk relates to the Company's foreign currency denominated cash and cash equivalents and accounts payable as at December 31, 2023 and 2022.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is not exposed to significant liquidity risk because of the nature of its operations which provides daily transactions from RFID subscribers who have prepaid accounts. With the daily settlement arrangement with ESC, the Company is able to build up sufficient cash from operating revenues prior to the maturity of its regular payment obligations. In addition, the Company maintains short-term credit lines to supplement its ability to meet short-term liquidity needs. The Company has short-term and long-term credit lines amounting to ₱14,356.0 million and ₱8,000.0 million as at December 31, 2023 and 2022, respectively, and cash and cash equivalents amounting to ₱4,048.3 million and ₱5,404.2 million as at December 31, 2023 and 2022, respectively, that are allocated to meet the Company's short-term liquidity needs.

The tables below summarize the maturity profile of the Company's financial assets and financial liabilities as at December 31, 2023 and 2022 based on undiscounted payments:

| | December 31, 2023 | | | | Total |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
| | Within the Year | More than 1–2 Years | More than 2–5 Years | More than 5 Years | |
| Financial Assets at Amortized Cost | | | | | |
| Cash and cash equivalents | ₱4,048,262,416 | ₱– | ₱– | ₱– | ₱4,048,262,416 |
| Receivables ^(a) | 1,848,568,691 | – | – | – | 1,848,568,691 |
| Financial Assets at FVTPL | | | | | |
| Investments in UITFs | 2,288,629 | – | – | – | 2,288,629 |
| | ₱5,899,119,736 | ₱– | ₱– | ₱– | ₱5,899,119,736 |
| Financial Liabilities at Amortized Cost | | | | | |
| Accounts payable and other current liabilities ^(b) | ₱4,149,360,008 | ₱– | ₱– | ₱– | ₱4,149,360,008 |
| Dividends payable | 2,800,000,000 | – | – | – | 2,800,000,000 |
| Short-term loans | 3,000,000,000 | – | – | – | 3,000,000,000 |
| Long-term debt ^(c) | 6,943,000,000 | 11,436,000,000 | 7,166,250,000 | 17,226,750,000 | 42,772,000,000 |
| Service concession fees payable ^(d) | – | 243,154,581 | 486,309,163 | 7,780,946,605 | 8,510,410,349 |
| | ₱16,892,360,008 | ₱11,679,154,581 | ₱7,652,559,163 | ₱25,007,696,605 | ₱61,231,770,357 |

^(a) Excluding advances to officers and employees.

^(b) Excluding statutory liabilities and unearned revenues.

^(c) Excluding future interest payments.

^(d) Pertain to undiscounted balances.

| | December 31, 2022 | | | | Total |
|---|-----------------------|------------------------|------------------------|----------------------|-----------------------|
| | Within the Year | More than 1–2 Years | More than 2–5 Years | More than 5 Years | |
| Financial Assets at Amortized Cost | | | | | |
| Cash and cash equivalents | ₱5,404,188,440 | ₱– | ₱– | ₱– | ₱5,404,188,440 |
| Receivables ^(a) | 1,884,127,922 | – | – | – | 1,884,127,922 |
| Financial Assets at FVTPL | | | | | |
| Investments in UITFs | 2,196,992 | – | – | – | 2,196,992 |
| | ₱7,290,513,354 | ₱– | ₱– | ₱– | ₱7,290,513,354 |



| | December 31, 2022 | | | | Total |
|--|-----------------------|------------------------|------------------------|------------------------|------------------------|
| | Within the Year | More than 1–2 Years | More than 2–5 Years | More than 5 Years | |
| Financial Liabilities at Amortized Cost | | | | | |
| Accounts payable and other current liabilities ^(b) | ₱4,109,792,538 | ₱– | ₱– | ₱– | ₱4,109,792,538 |
| Dividends payable | 1,300,000,000 | – | – | – | 1,300,000,000 |
| Long-term debt | 3,968,000,000 | 14,286,000,000 | 6,644,250,000 | 16,916,750,000 | 41,815,000,000 |
| Service concession fee payable ^(d) | – | 243,154,581 | 486,309,163 | 7,780,946,605 | 8,510,410,349 |
| | ₱9,377,792,538 | ₱14,529,154,581 | ₱7,130,559,163 | ₱24,697,696,605 | ₱55,735,202,887 |

^(a) Excluding advances to officers and employees.

^(b) Excluding statutory liabilities and unearned revenues.

^(c) Excluding future interest payments.

^(d) Pertain to undiscounted balances.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value while complying with the financial covenants required by the lenders. Under the loan agreements, NLEX Corp. is required a Maintenance DSCR of not less than 1.5 times and DER not exceeding 3.0 times until the loan maturity. For the Fixed Rate Bonds, the Company is required to maintain a DER of not exceeding 3.0 times for the first three years after the date of the loan agreement and not exceeding 2.5 times after such period. The loan agreement provides that NLEX Corp. may incur new loans or declare dividends as long as the pro-forma DSCR for the relevant year is not less than 1.3 times.

The Company's DSCR stood at 2.7 times and 5.5 times for December 31, 2023 and 2022, respectively, indicating that the Company generates enough income to manage payments for a new loan and still make a profit. Debt to equity ratio stood at 1.62 times and 1.61 times for December 31, 2023 and 2022, respectively, indicating that the Company has the capacity to incur additional long-term debt to build up its capital.

| | 2023 | 2022 |
|---|------------------------|-----------------|
| Short-term loans payable and long-term debt | ₱45,527,784,714 | ₱41,541,539,745 |
| Total equity | 28,142,382,157 | 25,840,051,367 |
| Total capital | ₱73,670,166,871 | ₱67,381,591,112 |
| Debt to equity ratio | 1.62 times | 1.61 times |

The Company continuously evaluates whether its capital structure can support its business strategy. No changes were made in the objectives, policies or processes for managing capital during the year ended December 31, 2023 and 2022.



29. Financial Assets and Financial Liabilities

Fair Values

A comparison of carrying and fair values of all of the Company's financial instruments, other than those with carrying amounts that are reasonable approximate of fair values, by category as at December 31, 2023 and 2022 follows:

| | December 31, 2023 | | December 31, 2022 | |
|---------------------------------|------------------------|------------------------|-------------------|-----------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Financial Assets | | | | |
| Financial assets at FVTPL: | | | | |
| Investments in UITFs | ₱2,288,629 | ₱2,288,629 | ₱2,196,992 | ₱2,196,992 |
| | ₱2,288,629 | ₱2,288,629 | ₱2,196,992 | ₱2,196,992 |
| Financial Liabilities | | | | |
| Other financial liabilities: | | | | |
| Long-term debt | ₱42,528,524,440 | ₱41,241,623,095 | ₱41,541,539,745 | ₱39,648,345,969 |
| Service concession fees payable | 3,701,582,561 | 1,995,769,628 | 3,491,276,228 | 2,615,774,139 |
| | ₱46,230,107,001 | ₱43,237,392,723 | ₱45,032,815,973 | ₱42,264,120,108 |

The management assessed that fair values of cash and cash equivalents, receivables, restricted cash, accounts payable and other current liabilities and dividends payable approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Investments in UITFs

Fair value of investments in UITFs is determined based on published net asset value per share (NAVPS). NAVPS is computed as total assets of the fund less total liabilities over the total units outstanding as of the end of the reporting period. The funds are primarily invested in quoted securities in various industries and quoted government securities.

Long-term Debt

For fixed peso-denominated notes and loans, except the fixed-rate bonds where the fair value is based on its quoted market price as at December 31, 2023 and 2022, estimated fair value is based on the discounted value of future cash flows using the prevailing peso interest rates. In 2023 and 2022, the prevailing peso interest rates ranged from 5.12% to 6.12% and 5.21% to 7.22%, respectively.

Service Concession Fee Payable

The estimated fair value of the service concession fees payable is based on the discounted value of future cash flows using the prevailing peso interest rates. In 2023 and 2022, the prevailing peso interest rates ranged from 5.12% to 6.12% and 5.21% to 7.22%, respectively.



Fair Value Hierarchy

As at December 31, 2023 and 2022, the Company held the following financial instruments measured at fair value:

| | 2023 | Level 1 | Level 2 | Level 3 |
|--|-----------------|----------------|-----------------|----------------|
| Assets Measured at Fair Value | | | | |
| Financial assets at FVTPL: | | | | |
| Investments in UITFs | ₱2,288,629 | ₱– | ₱2,288,629 | ₱– |
| Liabilities for which Fair Values are Disclosed | | | | |
| Other financial liabilities: | | | | |
| Long-term debt | | | | |
| Fixed-rate bonds | ₱8,682,053,844 | ₱8,682,053,844 | ₱– | ₱– |
| Peso-denominated notes and loans | 32,559,569,251 | – | 32,559,569,251 | – |
| Service concession fees payable | 1,995,769,628 | – | – | 1,995,769,628 |
| | ₱43,237,392,723 | ₱8,682,053,844 | ₱32,559,569,251 | ₱1,995,769,628 |
| <hr/> | | | | |
| | 2022 | Level 1 | Level 2 | Level 3 |
| Assets Measured at Fair Value | | | | |
| Financial assets at FVTPL: | | | | |
| Investments in UITFs | ₱2,196,992 | ₱– | ₱2,196,992 | ₱– |
| Liabilities for which Fair Values are Disclosed | | | | |
| Other financial liabilities: | | | | |
| Long-term debt | | | | |
| Fixed-rate bonds | ₱8,648,418,607 | ₱8,648,418,607 | ₱– | ₱– |
| Peso-denominated notes and loans | 30,999,927,363 | – | 30,999,927,363 | – |
| Service concession fees payable | 2,615,774,138 | – | – | 2,615,774,138 |
| | ₱42,264,120,108 | ₱8,648,418,607 | ₱30,999,927,363 | ₱2,615,774,138 |

30. Contingencies and Others

a. VAT

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

- The BIR issued a Formal Letter of Demand on March 16, 2009 requesting NLEX Corp. to pay deficiency VAT plus penalties amounting to ₱1,010.5 million for taxable year 2006.
- A Final Assessment Notice was received from the BIR dated November 15, 2009 assessing NLEX Corp. deficiency VAT plus penalties amounting to ₱584.6 million for taxable year 2007.
- The BIR issued a Notice of Informal Conference dated October 5, 2009 assessing NLEX Corp. for deficiency VAT plus penalties amounting to ₱470.9 million for taxable year 2008. On May 21, 2010, the BIR issued another notice increasing the deficiency VAT for taxable year 2008 to ₱1,209.2 million (including penalties). On June 11, 2010, NLEX Corp. filed its Position Paper with the BIR reiterating its claim that it is not subject to VAT on toll fees.



- The BIR issued a Notice of Informal Conference on May 21, 2010 assessing NLEX Corp. deficiency VAT plus penalties amounting to ₱1,026.6 million for taxable year 2009. On June 11, 2010, NLEX Corp. filed its Position Paper with the BIR reiterating its claim that it is not subject to VAT on toll fees.

On April 3, 2014, the BIR accepted and approved NLEX Corp.'s application for abatement and issued a Certificate of Approval for the cancellation of the basic output tax, interest and compromise penalty amounting to ₱1,010.5 million and ₱584.6 million for taxable years 2006 and 2007, respectively. As at April 5, 2024, the VAT assessments for taxable years 2008 and 2009 remain pending with the BIR and there were no abatements made for these assessments.

Notwithstanding the foregoing, management believes, in consultation with its legal counsel, that in any event, the STOA amongst NLEX Corp., ROP, acting by and through the TRB, and PNCC, provides NLEX Corp. with legal recourse in order to protect its lawful interests in case there is a change in existing laws which makes the performance by NLEX Corp. of its obligations materially more expensive.

b. RPT

In July 2008 and April 2013, NLEX Corp. filed Petitions for Review under Section 226 of the Local Government Code with the Local Board of Assessment Appeals of the Province of Bulacan seeking to declare as null and void tax declarations issued by the Provincial Assessor of the Province of Bulacan. The said tax declarations were issued in the name of NLEX Corp. as owner/administrator/beneficial user of the NLEX and categorized the NLEX as a commercial property subject to real property tax. NLEX Corp. argues that NLEX is property of the public dominion and exempt from RPT. As at April 5, 2024, the cases are pending.

In September 2013, NLEX Corp. received notices of realty tax delinquencies for the years 2006 to 2012 and 2013 issued by the Provincial Treasurer of Bulacan stating that if NLEX Corp fails to pay or remit the alleged delinquent taxes, the remedies provided for under the law for the collection of delinquent taxes shall be applied to enforce collection. On September 27, 2013, the Bureau of Local Government Finance of the Department of Finance wrote a letter to the Province of Bulacan advising it to hold in abeyance any further course of action pertaining to the alleged real property tax delinquency. In January 2017, the Provincial Treasurer of Bulacan issued a notice of realty tax delinquencies of ₱459M for the years 2006 to 2017 stating that it could apply the remedies provided under the law for the collection of delinquent taxes. The matter is pending as of April 5, 2024.

c. Toll Rate Adjustments

In June 2012, NLEX Corp., as petitioner-applicant, filed a Petition for Approval of Periodic Toll Rate Adjustment with the TRB praying for the adjustment of the toll rates for the NLEX, effective January 1, 2013 (2012 Petition).

In September 2014, NLEX Corp., as petitioner-applicant, filed a Petition for Approval of Periodic Toll Rate Adjustment with the TRB praying for the adjustment of the toll rate for the NLEX, effective January 1, 2015 (2014 Petition).

On September 30, 2016, NLEX Corp., as petitioner-applicant, filed a Petition for Approval of Periodic Toll Rate Adjustment with the TRB praying for the adjustment of the toll rate for the NLEX effective January 1, 2017 (2016 Petition).



On September 28, 2018, NLEX Corp., as petitioner-applicant, filed a Petition for Approval of Periodic Toll Rate Adjustment with the TRB praying for the adjustment of the toll rate for the NLEX effective January 1, 2019 (2018 Petition).

On September 30, 2020, NLEX Corp., as petitioner-applicant, filed a Petition for Approval of Periodic Toll Rate Adjustment with the TRB praying for the adjustment of the toll rate for the NLEX effective January 1, 2021 (2020 Petition).

On September 23, 2022, NLEX Corp., as petitioner-applicant, filed a Petition for Approval of Periodic Toll Rate Adjustment with the TRB praying for the adjustment of the toll rate for the NLEX effective January 1, 2023 (2022 Petition).

On October 27, 2015, NLEX Corp. was granted the right and obligation to manage, operate, and maintain the SCTEX under the terms of the Business Agreement between NLEX Corp. and BCDA. Under the agreements covering the SCTEX, toll rate adjustment petitions shall be filed with the TRB yearly. Prior to October 27, 2015, the BCDA filed petitions for toll rate adjustment effective in 2012, 2013, and 2015 (SCTEX Petitions). Thereafter, on September 29, 2016 (2016 SCTEX Petition), and September 30, 2020 (2020 SCTEX Petition), NLEX Corp, as petitioner-applicant, filed a petition for toll rate adjustment effective January 1, 2017 and January 1, 2021 and January 1, 2023, respectively.

On January 22, 2019, NLEX Corp as petitioner-applicant, filed a Petition for Implementation of Approved Adjustment to Authorized Toll Rates with Application for Provisional Relief with the TRB praying for the adjustment of the toll rate for the NLEX Open System effective February 15, 2019 upon completion of the NLEX Harbor Link Project (NLEX Segments 9 and 10) (Segment 10 Add-on Toll Rate Petition).

On June 6, 2020, NLEX Corp. as petitioner-applicant, filed an Amended Petition for Implementation of Approved Adjustment to Authorized Toll Rates with Application for Provisional Relief with the TRB praying for the adjustment of the toll rate for the substantially completed Segment 10: C3-R10 Section (C3-R10 Add-on Toll Rate Petition).

On February 18, 2021, NLEX Corp. as petitioner-applicant, filed a Petition for Implementation of Adjustment to Authorized Toll Rates with Application for Provisional Relief with the TRB praying for the adjustment of the toll rate for the substantially completed expansion of NLEX Segment 7 and San Fernando Interchange (NLEX Lane Widening Phase 2 Add-on Toll Rate Petition).

2012 and 2014 Petitions

On February 15, 2019, NLEX Corp. received a Consolidated Resolution dated October 2018 issued by the TRB which approved and allowed NLEX Corp. to implement the toll rate adjustment indicated therein on a staggered basis in 2018, 2020, 2021, and 2023. On March 20, 2019, the TRB issued a Notice to Start Collection of the first tranche effective March 21, 2019. On September 30, 2020, NLEX Corp. filed with the TRB a Manifestation of Compliance stating the completion of publication of the toll fee matrix with the second tranche and praying for the issuance of a Notice to Start Collection. On October 9, 2020, the TRB issued a Notice to Start Collection of the second tranche effective immediately. On May 6, 2021, the TRB issued a Notice to Start Collection of the third tranche.

On February 7, 2023, the TRB issued a Notice to Start Collection of the fourth tranche. On June 15, 2023, NLEX Corp. implemented the fourth and last tranche of the periodic toll rate adjustments.



2016 Petition

On January 6, 2022, NLEX Corp. received a Resolution dated July 2021 issued by the TRB which approved and allowed NLEX Corp. to implement the toll rate adjustments indicated therein on a date not earlier than January 1, 2022 to protect the general welfare. The TRB directed NLEX Corp. to cause the publication of the adjusted authorized toll rates in a newspaper of general circulation prior to the issuance of a Notice to Start Collection. On March 22, 2022, the TRB issued a Notice to Start Collection. On May 12, 2022, NLEX Corp. implemented the periodic toll rate adjustment.

2018 and 2020 Petitions

On April 17, 2023, NLEX Corp. received a Consolidated Resolution dated February 16, 2023 issued by the TRB which approved and allowed NLEX Corp to implement the provisional toll rate adjustments in the said 2018 and 2020 Petitions on a staggered basis, equally distributed in two tranches for the years 2023 and 2024, not earlier than April 1, 2023. On May 25, 2023, the TRB issued a Notice to Start Collection. On June 15, 2023, NLEX Corp. implemented the first tranche of the periodic toll rate adjustments.

2022 Petition

NLEX Corp. has yet to receive regulatory approval for this Petition.

Segment 10 Add-on Toll Rate Petition.

On March 5, 2019, the TRB issued a letter to NLEX Corp stating that the TRB (a) conditionally approved the subject Petition and granted NLEX Corp. provisional authority to collect the add-on tolls for the Open System of the NLEX and (b) allowing the implementation of the new authorized toll price for the NLEX (Integrated Toll Fee Matrix) which is attached to the said letter. The Integrated Toll Fee Matrix includes both: (a) the first tranche of the approved adjusted toll rates in the 2012 and 2014 Petitions stated in the TRB's Consolidated Resolution dated October 2018; and (b) the provisionally approved add-on toll rates in the Segment 10 Add-on Toll Rate Petition. On March 20, 2019, the TRB issued a Notice to Start Collection effective March 21, 2019.

C3-R10 Add-on Toll Rate Petition

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

NLEX Lane Widening Phase 2 Add-on Toll Rate Petition

On October 21, 2021, the TRB issued a Notice to Start Collection of the provisional add-on toll for the Closed System. On May 12, 2022, NLEX Corp. implemented the add-on toll rate adjustment.

SCTEX Petitions

On June 14, 2019, NLEX Corp. implemented the Petition for Periodic Toll Rate Adjustment effective 2012 in the SCTEX. On June 1, 2022, NLEX Corp. implemented the 2020 SCTEX Petition effective 2017 in the SCTEX.



2020 and 2022 SCTEX Petitions

On July 5, 2023, NLEX Corp. received a Consolidated Resolution dated April 24, 2023 issued by the TRB which approved and allowed NLEX Corp. to implement the provisional toll rate adjustments in the 2020 and 2022 SCTEX Petitions on a staggered basis, in three (3) tranches, equally distributed for the years 2023, 2024 and 2025, not earlier than 01 July 2023. On August 15, 2023, the TRB issued a Notice to Start Collection of the first tranche. On October 17, 2023, NLEX Corp. implemented the first tranche of the periodic toll rate adjustments.

2023 SCTEX Petition

On September 28, 2023, NLEX Corp. filed a Petition for Periodic Toll Rate Adjustment effective 2024. NLEX Corp. has yet to receive regulatory approval for this Petition.

NLEX - SLEX Connector Road Project Petition

On March 9, 2023, NLEX Corp. filed a Petition for the Implementation of the Fractional Initial Base Toll for Section 1 of the NLEX-SLEX Connector Road Project with application for Provisional Relief with the TRB (Connector Section 1 Petition). On July 3, 2023, NLEX Corp. received the TRB Notice to Start Collection for the provisional Fractional Opening Base Toll Rate for Section 1 of the NLEX-SLEX Connector Road Project which shall take effect immediately. On July 20, 2023, the TRB issued an Order directing NLEX Corp. to publish in full the contents of the Connector Section 1 Petition, along with the applicable toll fee matrix, in a newspaper of general circulation at least once a week for three (3) consecutive weeks. On August 8, 2023, NLEX Corp. filed a Manifestation of Compliance of its full and complete compliance with the TRB Order dated July 20, 2023. On August 8, 2023, NLEX Corp. implemented the provisional Fractional Initial Toll for Section 1 of the NLEX-SLEX Connector Road Project. On November 6, 2023, NLEX Corp. filed a Supplemental Petition for Implementation of the Updated Fractional Initial Base Toll for Section 1 and the Commercially Operable Portion of Section 2 of the NLEX- SLEX Connector Road Project. As at April 5, 2024, NLEX Corp. has yet to receive regulatory approval for this Supplemental Petition.

d. Arbitration and Petition for Recognition and Enforcement of a Foreign Arbitral Award

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

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

In view of the failure of the ROP/TRB to heed the Final Demand, NLEX Corp. sent a Notice of Dispute to the ROP/TRB dated September 11, 2015 invoking STOA Clause 19 (Settlement of Disputes). On April 4, 2016, NLEX Corp. was constrained to issue a Notice of Arbitration and Statement of Claim to the ROP/TRB to preserve its rights under the STOA.

On June 24 to 27, 2019, the arbitration hearings were held in Singapore. In August 2019, NLEX Corp. and the ROP/TRB submitted their respective Post-Hearing Briefs.



On September 7, 2021, NLEX Corp. received notice of the ruling of the Arbitral Tribunal. While the Arbitral Tribunal ruled that it has jurisdiction over the claims presented by NLEX Corp., the Arbitral Tribunal held that under the factual circumstances of the case, the TRB is not liable for unreasonable delay on the petitions for toll rate adjustment filed in 2012 and 2014 (2012 and 2014 Petitions). The rejection of the claim is without prejudice to further review by the TRB of the said petitions. The Arbitral Tribunal also noted that the TRB already decided on the 2012 and 2014 Petitions when the TRB issued its resolution in 2018 approving an upward adjustment in the toll rates in NLEX, which have been implemented since March 2019. Based on the foregoing, the Tribunal also denied NLEX Corp.'s claim for damages. The Arbitral Tribunal also ruled that each Party will bear the costs of arbitration in equal shares and will bear their own costs of legal representation and assistance.

NLEX Corp. respects the decision of the Arbitral Tribunal and will continue to work with the TRB on pending toll rate petitions.

Meanwhile, the ROP/TRB filed a petition for recognition and enforcement of a foreign arbitral award dated February 2, 2022 (Petition) with the Regional Trial Court (RTC). On May 12, 2022, NLEX Corp. received the RTC's Order dated April 21, 2022 (Order), with the Petition attached to the Order, requiring it to file its opposition to the Petition. On June 13, 2022, NLEX Corp. filed its opposition and prayed that the RTC deny the Petition insofar as it pertains to a particular paragraph of the foreign arbitral award's dispositive portion. On January 19, 2023, the RTC issued its Decision dated December 23, 2022 recognizing and enforcing in the Philippines the final award rendered in Singapore. On February 2, 2023, NLEX Corp. filed a manifestation ad cautelam stating that even as NLEX Corp. takes respectful exception to the grant of the Petition, it does not need to and will not file either a motion for reconsideration of, or an appeal from, the Decision. On March 31, 2023, the RTC issued a Certificate of Finality and Entry of Judgment. The Decision has been recorded in the Book of Entries of Judgements.

- e. Garlitos, Jr. vs. Bases Conversion and Development Authority, NLEX Corp. and the Executive Secretary, SC (G.R. No. 217001)

Atty. Onofre G. Garlitos, Jr. filed with the SC a Petition for Prohibition and Mandamus with Prayer for Issuance of Temporary Restraining Order and/or Writ of Preliminary Injunction dated March 17, 2015 (Petition) against the BCDA, NLEX Corp., and the Executive Secretary. The Petition prays that (a) a writ of preliminary mandatory and prohibitory injunction be issued enjoining the BCDA, NLEX Corp., and Executive Secretary from proceeding with the SCTEX project and compelling the BCDA to rebid the SCTEX operation and maintenance project, and (b) an order be issued (i) annulling the bidding procedure, direct negotiations, and the Price Challenge conducted by the BCDA, and the Concession Agreement, Business and Operating Agreement, and all subsequent amendments and modifications thereto and (ii) compelling the BCDA to rebid the operation and maintenance of the SCTEX.

NLEX Corp. filed its comment praying that the Petition be denied. The BCDA, through the Office of the Government Corporate Counsel, and the Executive Secretary, through the OSG, also filed their respective Comment praying that the Petition be denied due course and dismissed for lack of merit. In November and December 2015, the petitioner filed a Manifestation and Motion to Resolve Prayer for TRO and/ or Writ of Preliminary Injunction. On July 4, 2016, the Supreme Court issued a Resolution noting the Manifestations of the petitioner. In February 2020, the Supreme Court issued a Notice that petitioner's counsel had failed to pay the ₱1,000 fine due to his failure to comply with a show cause resolution for non-filing of a consolidated reply to the separate comments of the Executive Secretary and BCDA. In July 2020, the Supreme Court issued another Notice for the petitioner's counsel to pay an



increased fine of ₱2,000 and to comply with the resolution to file a consolidated reply to the separate comments of the Executive Secretary and BCDA. On October 28, 2020, NLEX Corp.'s counsel received from BCDA's counsel a Motion for Leave to File Manifestation with Motion for Submission for Resolution dated October 1, 2020. In a Resolution dated January 27, 2021, the Supreme Court noted the notice of withdrawal of petitioner's counsel. In a Resolution dated March 28, 2022, the Supreme Court (a) imposed upon petitioner's (withdrawing) counsel an additional fine which, together with the original fine, shall be paid to the Supreme Court and (b) ordered petitioner's (withdrawing) counsel to submit a consolidated reply to the separate comments of the Executive Secretary and BCDA. The case is pending.

f. NLEX Corp. is also a party to other cases and claims arising from the ordinary course of business filed by third parties which are either pending decisions by the courts or are subject to settlement agreements. The outcome of these claims cannot be presently determined. In the opinion of management and the Company's legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material adverse effect on the Company's financial position and financial performance.

g. Local Business Tax

In March 2019, TMC filed an application for cessation of its business operations in Caloocan City pursuant to its merger with NLEX Corp. In April 2019, NLEX Corp. received an assessment for alleged deficiency local business taxes for taxable year 2018 in the total amount of 13.4 million. In June 2019, NLEX Corp. filed its protest on the assessment. Due to the inaction of the Office of the City Treasurer, in September 2019, NLEX Corp. filed a complaint for annulment of the assessment with the Regional Trial Court of Caloocan City with a claim for refund in the amount of ₱5.4 million, representing excess LBT paid for taxable year 2018. The parties submitted their respective memoranda. On June 7, 2023, the Regional Trial Court of Caloocan City issued a decision dismissing the NLEX Corp complaint and ruled in favor of the City of Caloocan. On August 2, 2023, NLEX Corp. filed a motion for reconsideration while the City of Caloocan filed its opposition to NLEX Corp.'s motion for reconsideration on September 5, 2023. On September 11, 2023, NLEX Corp. filed a motion to admit with reply with the Regional Trial Court of Caloocan City. On October 31, 2023, the Regional Trial Court of Caloocan City denied the NLEX's Motion for Reconsideration. Hence, on December 07, 2023, NLEX Corp. filed a Petition for Review with the Court of Tax Appeals (CTA). The case is pending with the CTA.

In September 2019, the Business Permit and Licensing Office ("BPLO") of the City of Valenzuela issued a demand to pay billing statement for alleged deficiency local business tax amounting to ₱47.8 million. Subsequently, the BPLO cancelled the initial billing and issued a revised assessment for alleged deficiency local business taxes in the reduced amount of ₱26.5 million. In November 2019, NLEX Corp. paid the reduced amount under protest. In January 2020, NLEX Corp. filed its protest with a claim for refund of the revised assessment. Due to the inaction of the Office of the City Treasurer, NLEX Corp. filed a complaint for annulment of the assessment with the Regional Trial Court of the Caloocan City. In April 2023, NLEX Corp. received the Regional Trial Court's decision dated March 13, 2023 granting the refund of the ₱22.8M representing revenues from toll services. The refund of the ₱3M portion pertaining to signage services was denied on the ground of lack of jurisdiction. NLEX Corp. and the City of Valenzuela filed their respective partial motion for reconsideration. In May 2023, the Regional Trial Court issued an order denying NLEX Corp.'s and the City of Valenzuela's respective partial motion for reconsideration. In June 2023, the City of Valenzuela filed a petition for review before the Court of Tax Appeals (CTA), which was docketed as CTA Case No. 296 while in July 2023, NLEX Corp. filed a petition for review before



the CTA which was docketed as CTA Case No. 297. On August 22, 2023, the City of Valenzuela filed its comment/opposition to the petition filed by NLEX Corp. On August 23, 2023, NLEX Corp. filed with the CTA a motion for consolidation of the CTA Case Nos. 296 and 297. On August 30, 2023, the CTA issued a resolution for CTA Case No. 296 directing NLEX Corp. to file a comment to the petition filed by the City of Valenzuela and a resolution for CTA Case No. 297 directing the parties to submit their respective memoranda. The City of Valenzuela was ordered in the CTA's resolution for CTA Case No. 296 to file its comment to the motion for consolidation of the CTA Case Nos. 296 and 297. On October 9, 2023, NLEX Corp. filed its memorandum in CTA Case No. 297. On October 16, 2023, NLEX Corp. filed its comment to the petition filed by the City of Valenzuela. On November 15, 2023, the CTA issued a Minutes of Resolution, noting the comment/Opposition filed by the City of Valenzuela to NLEX Corp. Motion to Consolidate. In view thereof, the said Motion to Consolidate is now pending for resolution. CGV's Petition for Review is likewise submitted for resolution.

In November 2019, the City Treasurer of Valenzuela issued to NLEX Corp. an assessment for alleged deficiency LBT for the years 2013 to 2019 in the amount of ₱9.9 million. The assessment pertains to the imposition of LBT on the VAT component of NLEX Corp.'s gross receipts for the said years. In November 2019, NLEX Corp. timely filed its protest to the assessment. The City Treasurer of Valenzuela failed to act on the protest filed by NLEX Corp. within the period provided in the Local Government Code. Hence, in February 2020, NLEX Corp. filed a complaint for the annulment of the assessment with the Regional Trial Court of Valenzuela City. The Regional Trial Court issued a decision cancelling and setting aside the deficiency assessment. The City of Valenzuela filed a motion for reconsideration, but the trial court issued a resolution denying the motion for reconsideration. In April 2023, the City of Valenzuela filed a petition for review with the CTA, while NLEX Corp. filed its comment to the City of Valenzuela's petition on August 24, 2023. On September 12, 2023, the CTA issued a resolution ordering NLEX Corp. to file a memorandum. On October 12, 2023, NLEX Corp. filed a memorandum. On November 23, 2023, the City of Valenzuela filed its Memorandum with the CTA. The case is submitted for resolution as both parties have filed their respective Memorandum.

31. Supplemental Cash Flow Information

Changes in Liabilities Arising from Financing Activities

In 2023 and 2022, movement in the Company's liabilities arising from financing activities follow:

| | January 1, 2023 | Cash Flows | Non-cash Changes | | | December 31, 2023 |
|--|------------------------|-------------------------|------------------------|-----------------------|-----------------------|------------------------|
| | | | Amortization of DIC | Interest Accretion | Other | |
| Short-term loans payable (see Note 17)* | ₱- | ₱2,998,130,137 | ₱1,130,137 | ₱- | ₱- | ₱2,999,260,274 |
| Current portion of long-term debt (see Note 17) | 3,914,366,049 | (4,043,000,000) | 16,648,205 | - | 7,002,020,335 | 6,890,034,589 |
| Long-term debt - net of current portion (see Note 17)** | 37,627,173,696 | 4,960,421,132 | 52,915,358 | - | (7,002,020,335) | 35,638,489,851 |
| Interest payable (see Note 14) | 81,495,127 | (1,029,599,695) | - | - | 1,057,157,629 | 109,053,061 |
| Dividends payable (see Note 19) | 1,300,000,000 | (6,200,000,000) | - | - | 7,700,000,000 | 2,800,000,000 |
| Service concession fees payable (see Note 18) | 3,491,276,228 | - | - | 210,306,333 | - | 3,701,582,561 |
| Total liabilities from financing activities | ₱46,414,311,100 | (₱3,314,048,426) | ₱70,693,700 | ₱210,306,333 | ₱8,757,157,629 | ₱52,138,420,336 |

* Proceeds from short-term debt of ₱3,000.0 million net of debt issue costs of ₱1.8 million

** Proceeds from long-term debt of ₱5,000.0 million net of debt issue costs of ₱39.6 million.



| | January 1, 2022 | Cash Flows | Non-cash Changes | | | December 31, 2022 |
|---|------------------------|---------------------|------------------------|-----------------------|-----------------------|------------------------|
| | | | Amortization of DIC | Interest Accretion | Other | |
| Current portion of long-term debt (see Note 17) | ₱642,930,144 | (₱700,000,000) | ₱- | ₱- | ₱3,971,435,905 | ₱3,914,366,049 |
| Long-term debt-net of current portion (see Note 17)* | 34,601,353,181 | 6,947,500,000 | 61,724,905 | - | (3,983,404,390) | 37,627,173,696 |
| Interest payable (see Note 14) | 73,126,263 | (1,036,468,138) | - | - | 1,044,837,002 | 81,495,127 |
| Dividends payable (see Note 19) | 2,036,000,000 | (4,736,000,000) | - | - | 4,000,000,000 | 1,300,000,000 |
| Service concession fees payable (see Note 18) | 3,273,760,755 | - | - | 217,515,473 | - | 3,491,276,228 |
| Total liabilities from financing activities | ₱40,627,170,343 | ₱475,031,862 | ₱61,724,905 | ₱217,515,473 | ₱5,032,868,517 | ₱46,414,311,100 |

*Proceeds from long-term debt of ₱7,000.0 million net of debt issue costs of ₱52.5 million.

The 'Other' column includes the effect of reclassification of noncurrent portion of interest-bearing loans and borrowings, the accrual of cash dividends declared that were not yet paid at year-end, and the interest expense on interest-bearing loans and borrowings.

Non-cash Investing Activities

The following table shows the Company's significant non-cash investing activities and corresponding transaction amounts for the years ended December 31, 2023, 2022 and 2021:

| | 2023 | 2022 | 2021 |
|--|---------------------|--------------|--------------|
| Additions to service concession asset: | | | |
| On account (see Note 9) | ₱249,854,615 | ₱238,789,613 | ₱735,621,313 |
| Pertaining to accretion of service concession fees payable (see Note 18) | 210,306,333 | 217,515,473 | 201,657,770 |
| Pertaining to capitalized borrowing costs (see Note 19) | - | 46,085,457 | 32,264,272 |
| Pertaining to capitalized depreciation expense (see Note 10) | - | 2,737,457 | 3,914,308 |
| Additions to DIC due reclassification of deferred DIC recorded in prior year (see Note 17) | - | 11,968,485 | 47,754,568 |
| Additions to intangible asset (see Note 11) | 7,493,924 | 2,959,063 | 616,192 |
| Additions to property and equipment on account (see Note 10) | 12,197,741 | 20,800,000 | 95,288 |
| Sale of property and equipment (see Note 10) | (7,710,823) | (3,520,457) | (52,631,316) |



32. Standards Issued but Not Yet Effective

Pronouncements issued but not yet effective are listed below. The Company does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.



The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

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

▪ Amendments to PAS 21, *Lack of exchangeability*

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

Deferred effectivity

▪ Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.



33. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

In compliance with the requirements set forth by RR No. 15-2010 hereunder are the information on taxes and license fees paid as at and for the year ended December 31, 2023.

Value-added tax (VAT)

Details of the Company's net sales/receipts, output VAT and input VAT accounts are as follows:

- a. Net Sales/Receipts and Output VAT declared in the Company's VAT returns filed in 2023

| | Net Sales/ Receipts | Output VAT |
|--------------------|------------------------|----------------|
| Sales of services: | | |
| Vatable receipts | ₱22,016,265,594 | ₱2,641,951,871 |

The Company's sales of services are based on actual collections received, hence, the amount reported per VAT returns may not be the same as amounts reflected in the statements of income. The amount of output tax is deferred upon recording of sales of services subject to VAT. These deferred output taxes are reclassified to output tax upon collection.

Sales from services represent collections received from such sales which for the year amounted to ₱22,016.3 million, of which ₱21,898.5 million pertains to toll collections which are under "Toll revenues" account in the statements of income and ₱117.8 million pertains to collections from TSF and others which are recorded in "Non-toll revenues" account in the statements of income.

The Company has no zero-rated nor exempt sales.

- b. Input VAT declared in the Company's VAT returns filed for 2023 are as follows:

| | | |
|---|--|-------------------|
| Balance at beginning of year: | | |
| Input VAT deferred on capital goods exceeding ₱1.0 million from previous period | | ₱10,130,475 |
| Current year's importations of goods other than capital goods | | 1,066,024 |
| Current year's domestic purchases/payments for: | | |
| Goods other than for resale or manufacture | | 22,293,325 |
| Domestic purchase of services: | | |
| Services lodged under cost of service | | 1,484,858,778 |
| Services lodged under other accounts | | 2,676,487 |
| Capital goods not subject to amortization | | 16,253,710 |
| Capital goods subject to amortization | | - |
| Input VAT claimed against output VAT | | (1,533,434,845) |
| Balance at end of year | | ₱3,843,954 |

Balance at end of year pertains to input VAT deferred on capital goods exceeding ₱1.0 million from current year that will be carried forward to the next period.



Documentary Stamp Tax (DST)

The DST paid/accrued on the following transactions are:

| <u>Transaction</u> | <u>Amount</u> | <u>DST thereon</u> |
|-----------------------|-----------------------|--------------------|
| Loan instrument | ₱8,000,000,000 | ₱3,109,589 |
| Leases | 20,538,947 | 41,084 |
| Other Debt Instrument | 605,118,520 | 4,538,389 |
| | <u>₱8,625,657,467</u> | <u>₱7,689,062</u> |

Taxes, Duties and License Fee

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees for the year ended December 31, 2023:

a. Local taxes

| | |
|---|---------------------|
| Local business taxes | ₱129,872,205 |
| Real property taxes* | 15,533,312 |
| License and permit fees* | 416,992 |
| Filing, registration and notarial fees* | 877,986 |
| | <u>₱146,700,495</u> |

*Presented as part of "Cost of services".

b. National taxes

| | |
|------------------------------|--------------------|
| <u>Fringe benefits taxes</u> | <u>₱17,870,975</u> |
|------------------------------|--------------------|

Withholding Taxes

Details of withholding tax paid and accrued for the year ended December 31, 2023 are as follows:

| | |
|--|---------------------|
| Expanded withholding taxes | ₱472,333,387 |
| Withholding taxes on compensation and benefits | 134,929,800 |
| Final withholding taxes | 96,212,943 |
| | <u>₱703,476,130</u> |

Tax Assessments and Litigations

Real Property Tax (RPT) Assessment. In July 2008 and April 2013, NLEX Corp. filed Petitions for Review under Section 226 of the LBAA of the Province of Bulacan seeking to declare as null and void tax declarations issued by the Provincial Assessor of the Province of Bulacan. The said tax declarations were issued in the name of NLEX Corp. as owner/administrator/beneficial user of the NLEX and categorized the NLEX as a commercial property subject to RPT. The LBAA has yet to conduct an ocular inspection to determine whether the properties, subject of the tax declarations, form part of the NLEX, which NLEX Corp. argues is property of the public dominion and exempt from RPT.

In September 2013, NLEX Corp. received notices of realty tax delinquencies for the years 2006 to 2012 and 2013 issued by the Provincial Treasurer of Bulacan stating that if NLEX Corp. fails to pay or remit the alleged delinquent taxes, the remedies provided for under the law for the collection of delinquent taxes shall be applied to enforce collection. On September 27, 2013, the Bureau of Local Government Finance of the Department of Finance wrote a letter to the Province of Bulacan advising it to hold in abeyance any further course of action pertaining to the alleged RPT delinquency.



In October 2013, the Provincial Treasurer of Bulacan has respected the directive from the DOF-BLGF to hold the enforcement of any collection remedies in abeyance.

Income Tax Assessment. On October 13, 2022, the Company received a preliminary assessment notice from BIR for the income tax, value added tax, expanded withholding tax, withholding tax on compensation, final withholding tax, fringe benefit tax, documentary stamp tax deficiencies covering the taxable year ended 31 December 2017. After reconciling the deficiencies, the Company settled payment of the remaining income tax deficiency amounting to ₱6,033,117, inclusive of interest on March 14, 2023.

On January 12, 2023, a preliminary assessment notice from BIR for the income tax, value added tax, expanded withholding tax, withholding tax on compensation, final withholding tax, fringe benefit tax, documentary stamp tax deficiencies covering the taxable year ended December 31, 2018 was received by the Company. On March 16, 2023, the Company paid the income tax deficiency amounting to ₱5,144,071, inclusive of interest.

On April 28, 2023, the Company received Notice of Discrepancy for the income tax, value added tax, expanded withholding tax, withholding tax on compensation, final withholding tax, fringe benefit tax, documentary stamp tax deficiencies for taxable year 2019. On July 12, 2023, the Company settled the income tax deficiency amounting to ₱3,501,542, inclusive of interest.



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
NLEX Corporation
NLEX Compound Balintawak, Caloocan City, Metro Manila

We have audited the accompanying financial statements of NLEX Corporation (the Company) as at December 31, 2023 and for the year then ended, on which we have rendered the attached report dated April 5, 2024.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the above Company has five (5) stockholders owning more than one hundred (100) shares each.

SYCIP GORRES VELAYO & CO.



Richie Jackson T. Padilla

Partner

CPA Certificate No. 125656

Tax Identification No. 267-165-440

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-152-2022, November 7, 2022, valid until November 6, 2025

PTR No. 10079989, January 6, 2024, Makati City

April 5, 2024



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
NLEX Corporation
NLEX Compound Balintawak, Caloocan City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of NLEX Corporation (the Company) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, included in this Form 17-A and have issued our report thereon dated April 5, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Richie Jackson T. Padilla
Partner

CPA Certificate No. 125656

Tax Identification No. 267-165-440

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-152-2022, November 7, 2022, valid until November 6, 2025

PTR No. 10079989, January 6, 2024, Makati City

April 5, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDESS INDICATORS

The Stockholders and the Board of Directors
NLEX Corporation
NLEX Compound Balintawak, Caloocan City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of NLEX Corporation (the Company) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 5, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purpose of complying with Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2023 and 2022 and for the each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Richie Jackson T. Padilla
Partner

CPA Certificate No. 125656

Tax Identification No. 267-165-440

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-152-2022, November 7, 2022, valid until November 6, 2025

PTR No. 10079989, January 6, 2024, Makati City

April 5, 2024



**THE SUPPLEMENTARY SCHEDULE OF
FINANCIAL SOUNDNESS INDICATORS**

As at December 31, 2023

NLEX Corporation
NLEX Compound, Balintawak
Caloocan City

| Financial Ratios | Formula | December 31, 2023 | December 31, 2022 |
|---------------------------------|--|----------------------|----------------------|
| a) Current Ratio | $\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$ | 0.35 | 0.73 |
| b) Solvency Ratio | $\frac{\text{Net Profit after Tax (or NPAT) + Depreciation and amortization}}{\text{Total Liabilities}}$ | 0.20 | 0.18 |
| c) Debt-to-Equity Ratio | $\frac{\text{Total Long-term Debt}}{\text{Total Stockholders' Equity}}$ | 1.51 | 1.61 |
| d) Asset to Equity Ratio | $\frac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$ | 3.08 | 3.02 |
| e) Interest Rate Coverage Ratio | $\frac{\text{Earnings before Interests and Taxes}}{\text{Net Interest Expense}}$ | 13.60 | 10.22 |
| f) Net Income Margin | $\frac{\text{NIAT}}{\text{Net Operating Revenues}}$ | 46.32% | 44.03% |
| g) Return on Asset | $\frac{\text{NIAT}}{\text{Average Total Assets}}$ | 12.15% | 10.95% |
| h) Return on Equity | $\frac{\text{NIAT}}{\text{Average Total Stockholders' Equity}}$ | 37.10% | 33.55% |
| i) Acid Test Ratio | $\frac{\text{Cash and Cash Equivalents + Marketable Securities + Accounts Receivables}}{\text{Current Liabilities}}$ | 0.32 | 0.69 |

NLEX CORPORATION
INDEX TO THE SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2023

| Schedule | Title | Page |
|-----------------|---|-------------|
| I | Reconciliation of Retained Earnings Available for Dividend Declaration | 1 |
| II | Supplementary Schedules Required by Annex 68-J | N/A |
| A | Financial Assets | 2 |
| B | Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties) | N/A |
| C | Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements | N/A |
| D | Long Term Debt | 3-5 |
| E | Indebtedness to Related Parties (Long-Term Loans from Related Companies) | N/A |
| F | Guarantee Securities of Other Issuers | N/A |
| G | Capital Stock | 6 |
| III | Map showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, associates, wherever located or registered | 7-8 |

NLEX Corporation

Reconciliation of Retained Earnings Available for Dividend Declaration

As at December 31, 2023

The Philippine Securities and Exchange Commission (SEC) issued Memorandum Circular No. 11 series of 2008 on December 5, 2008, which provides guidance on the determination of the retained earnings available for dividend declaration.

The table below presents the retained earnings available for dividend declaration as at December 31, 2023:

| | |
|--|------------------------|
| Unappropriated retained earnings as at December 31, 2022 | ₱13,457,529,356 |
| Add: Items that are directly credited to Unappropriated Retained Earnings | |
| Reversal of Retained Earnings Appropriation/s | – |
| Effect of restatements or prior-period adjustments | – |
| Accumulated beginning deferred tax assets (DTA), exclusive of deferred tax recognized in OCI | – |
| <hr/> | |
| Less: Items that are directly debited to Unappropriated Retained Earnings | |
| Dividend declaration during the reporting period | 7,700,000,000 |
| Retained Earnings appropriated during the reporting period | – |
| Effect of restatements or prior-period adjustments | – |
| Others (describe nature) | – |
| <hr/> | |
| Unappropriated retained earnings, as adjusted, as at December 31, 2023 | 5,757,529,356 |
| Add: Net income during the year closed to retained earnings | 10,012,762,025 |
| Less: Unrealized income recognized in the profit or loss during the reporting period (net of tax) | 68,728 |
| Add: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax) | – |
| Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax) | – |
| <hr/> | |
| Adjusted Net Income | 15,770,222,653 |
| Add/(Less): Adjustments related to relief granted by the SEC and BSP | – |
| Add: Non-actual losses recognized in profit or loss during the reporting period (net of tax) | – |
| Add/(Less): Adjustments related to relief granted by the SEC and BSP | – |
| Add/(Less): Other items that should be excluded from the determination of the amount of available for dividends distribution | – |
| Net movement of treasury shares (except for reacquisition of redeemable shares) | – |
| Net movement of deferred tax asset not considered in the reconciling items under the previous categories | – |
| Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable | (47,945,244) |
| <hr/> | |
| Unappropriated retained earnings as at December 31, 2023 available for dividend declaration | ₱15,722,277,409 |
| <hr/> | |

NLEX CORPORATION
Supplementary Schedules Required by Annex 68-J
Under Revised SRC Rule 68

As at December 31, 2023

SCHEDULE A – Financial Assets

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds and notes | Amount shown in the balance sheet | Valued based on market quotation at end of reporting period | Income received and accrued |
|---|---|-----------------------------------|---|-----------------------------|
| Financial Assets: | | | | |
| Financial Assets at Fair Value through Profit or Loss: | | | | |
| Investment in Unit Investment Trust Funds (UITFs) | ₱1,921,954 | ₱2,288,629 | ₱2,288,629 | ₱– |
| Financial Assets at Fair Value through Other Comprehensive Income: | | | | |
| Investment in Long-Term Negotiable Certificate of Deposits | – | – | – | – |
| | ₱1,921,954 | ₱2,288,629 | ₱2,288,629 | ₱– |
| Receivables^(a) | | | | |
| Department of Public Works and Highways | ₱– | ₱1,016,516,531 | ₱– | ₱– |
| Easytrip Services Corporation | – | 295,840,541 | – | – |
| MPT Mobility Corporation | – | 259,610,995 | – | – |
| Metro Pacific Tollways Corporation | – | 66,990,498 | – | – |
| SAVVICE Corporation | – | 30,589,064 | – | – |
| Metro Pacific Tollways Digital Inc. | – | 25,126,857 | – | – |
| Bases Conversion and Development Authority | – | 23,258,828 | – | – |
| Cavitex Infrastructure Corp | – | 19,347,724 | – | – |
| Petron Corporation | – | 13,705,551 | – | – |
| Shell of Asia Inc. | – | 10,302,874 | – | – |
| Interest receivable from various banks | – | 9,100,091 | – | – |
| MPCALA Holdings | – | 6,168,214 | – | – |
| SMC Skyway Stage 3 Corporation | – | 4,139,626 | – | – |
| Pacific Paint (Boysen) Philippines, Inc. | – | 2,335,489 | – | – |
| Metro Pacific Tollways North Corporation | – | – | – | – |
| Others | – | 146,515,243 | – | – |
| | ₱– | ₱1,929,548,126 | ₱– | ₱– |

^(a) Excluding advances to officers and employees amounting to ₱56,171,523 as at December 31, 2023.

NLEX CORPORATION
Supplementary Schedules Required by Annex 68-J
Under Revised SRC Rule 68

As at December 31, 2023

SCHEDULE D – Long Term Debt

| Title of Issue and type of obligation | Amount authorized by indenture | Amount shown under caption "Current portion of long-term debt" in related balance sheet | Amount shown under caption "Long-term Debt" in related balance sheet | Interest rates, amounts or number of periodic installments, and maturity dates |
|--|--------------------------------|---|--|---|
| TERM LOAN FACILITIES | | | | |
| <ul style="list-style-type: none"> ▪ Philippine National Bank | ₱5,000,000,000 | ₱1,495,853,801 | ₱750,362,522 | <p>Interest rate: (a) First drawdown is subject to 5.0000% fixed interest per annum until December 15, 2020</p> <p>(b) For the remaining drawdown made until repricing date (which is December 15, 2020) shall be the higher of (i) 5-year PDST-R2 rate on the drawdown date plus a 1.0% per annum; and (ii) 5.0% per annum, which will be repriced after 5 years from drawdown date.</p> <p>(c) On date immediately after the repricing date and until termination, the applicable interest rate shall be the higher of (i) 5-year PDST-R2 rate plus a 1.0% per annum; and (ii) weighted average of the applicable interest rate for each drawdown.</p> <p>Payment terms: 10-year annual repayment of 5% of principal amount from December 15, 2017 to December 15, 2023; 65% payable on the last 2 annual periods (December 15, 2024 to December 10, 2025)</p> <p>Maturity date: December 10, 2025</p> |

| Title of Issue and type of obligation | Amount authorized by indenture | Amount shown under caption "Current portion of long-term debt" in related balance sheet | Amount shown under caption "Long-term Debt" in related balance sheet | Interest rates, amounts or number of periodic installments, and maturity dates |
|--|--------------------------------|---|--|--|
| <ul style="list-style-type: none"> ▪ Union Bank of the Philippines | ₱2,000,000,000 | ₱98,925,342 | ₱1,198,877,238 | <p>Interest rate: 5.4855% fixed interest per annum</p> <p>Payment terms: 10-year annual repayment starting February 3, 2016 for the first drawdown of ₱1.0 billion and December 19, 2016 for the second drawdown of ₱1.0 billion; undrawn amount shall be available for drawing in 1 or more availments on any banking day within one year from July 24, 2015 with an extension period up to July 24, 2017</p> <p>Maturity date: February 3, 2026</p> |
| <ul style="list-style-type: none"> ▪ Metropolitan Bank and Trust Company | 7,000,000,000 | 169,060,729 | 6,609,082,465 | <p>Interest rate: 7.1267% fixed interest per annum</p> <p>Payment terms: 10-year annual repayment starting December 15, 2023 for the first drawdown of ₱4.0 billion; undrawn amount shall be available for drawing in 1 or more availments on any banking day within the earliest of: (a) six (6) months from signing date, (b) the date the commitment is fully drawn by the borrower, or (c) the date the lender receives written notice from the borrower cancelling the commitment in accordance with the provisions of this agreement.</p> <p>Maturity date: December 15, 2032</p> |
| <ul style="list-style-type: none"> ▪ Banco De Oro Unibank, Inc. | 5,000,000,000 | 245,651,644 | 3,982,732,058 | <p>Interest rate: 5.2121%</p> <p>Payment terms: semi-annual payment of 2.5% of the principal amount starting March 15, 2021 up to September 15, 2027, 5% of the principal amount on March 15, 2028, 15% of principal amount on September 15, 2028 and March 15, 2029, and 30% of principal amount on maturity date.</p> <p>Maturity date: September 23, 2029</p> |
| <ul style="list-style-type: none"> ▪ Bank of the Philippine Islands | 10,000,000,000 | 50,000,000 | 1,932,939,881 | <p>Interest rate: 6.5693%</p> <p>Payment terms: 10-year annual payment of 2.5% of the principal amount starting December 28, 2024 up to December 28, 2027, 5% of the principal amount on December 28, 2028 up to December 28, 2030, 20% of principal amount on December 28, 2031, 25% of principal amount on December 28, 2032, and 30% of principal amount on maturity date.</p> <p>Maturity date: December 28, 2033</p> |
| FIXED-RATE BONDS | | | | |
| <ul style="list-style-type: none"> ▪ BDO Capital & Investment Corporation | 2,600,000,000 | 2,599,088,172 | — | <p>Interest rate: 5.50000% fixed interest per annum</p> <p>Payment terms: 10-year final maturity, bullet repayment of ₱2,600 million on March 31, 2024</p> <p>Maturity date: March 31, 2024</p> |

| Title of Issue and type of obligation | Amount authorized by indenture | Amount shown under caption "Current portion of long-term debt" in related balance sheet | Amount shown under caption "Long-term Debt" in related balance sheet | Interest rates, amounts or number of periodic installments, and maturity dates |
|---|--|---|--|---|
| <ul style="list-style-type: none"> ▪ BDO Capital & Investment Corporation | ₱4,000,000,000 | ₱- | ₱3,988,620,409 | <p>Interest rate: 6.6407% fixed interest per annum</p> <p>Payment terms: 7-year final maturity, bullet repayment of ₱4,000 million on July 4, 2025</p> <p>Maturity date: July 4, 2025</p> |
| <ul style="list-style-type: none"> ▪ BDO Capital & Investment Corporation | 2,000,000,000 | - | 1,985,071,133 | <p>Interest rate: 6.6900% fixed interest per annum</p> <p>Payment terms: 10-year final maturity, bullet repayment of ₱2,000 million on July 4, 2025</p> <p>Maturity date: July 4, 2028</p> |
| CORPORATE NOTES FACILITY | | | | |
| Tranche A | | | | |
| <ul style="list-style-type: none"> ▪ China Banking Corporation ▪ Development Bank of the Philippines ▪ Keb Hana Bank Manila Branch ▪ Land Bank of the Philippines ▪ The Insular Life Assurance Company, Ltd. | Tranche A: 9,350,000 Tranche B: 7,650,000 | 2,231,454,901 | 15,190,804,145 | <p>Average Interest rate: 5.1814% fixed interest per annum</p> <p>Payment terms: 7-year annual repayment of 0.5% from November 11, 2021 to November 11, 2022 and 19.80% from November 11, 2023 until maturity date.</p> <p>Maturity date: November 11, 2027</p> |
| Tranche B | | | | |
| <ul style="list-style-type: none"> ▪ China Banking Corporation ▪ Land Bank of the Philippines ▪ Sun Life of Canada (Philippines), Inc. ▪ United Coconut Planters Bank | | | | <p>Average Interest rate: 4.6599% fixed interest per annum</p> <p>Payment terms: 10-year annual repayment of 0.5% from November 11, 2021 to November 11, 2022; 1% from November 11, 2023 to November 11, 2029; and 92% on the maturity date.</p> <p>Maturity date: November 11, 2030</p> |
| TOTAL | ₱54,600,000,000 | ₱6,890,034,589 | ₱35,638,489,851 | |

NLEX CORPORATION
Supplementary Schedules Required by Annex 68-J
Under Revised SRC Rule 68

As at December 31, 2023

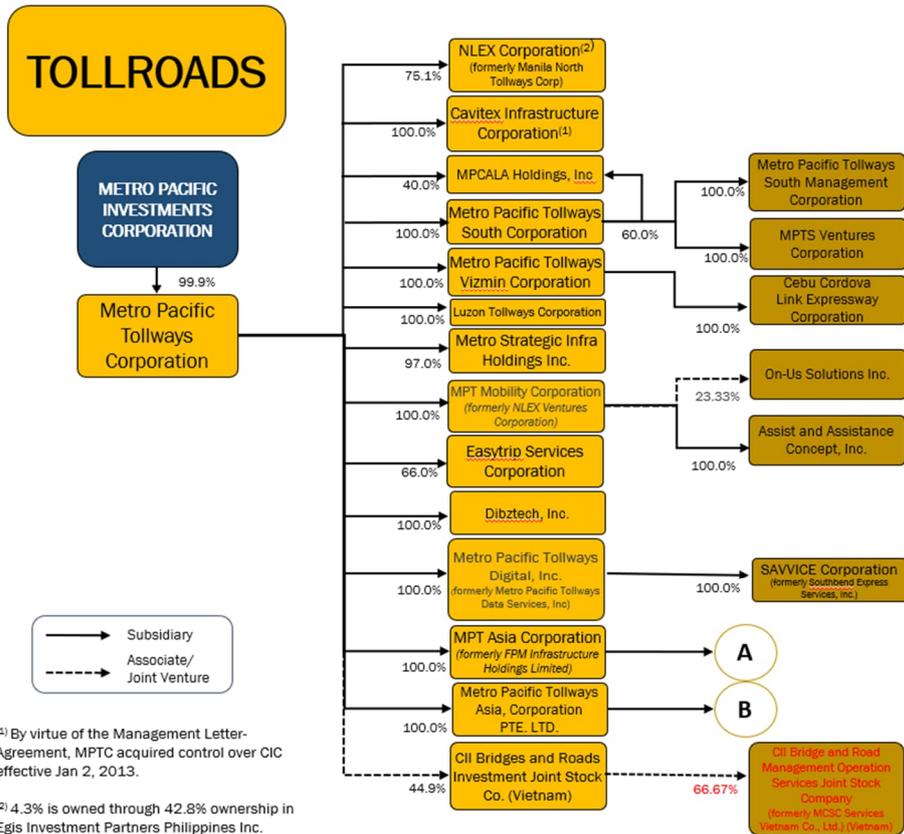
SCHEDULE G – Capital Stock

| Title of Issue | Number of Shares authorized | Number of shares issued and outstanding as shown under related Statement 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 |
|----------------|-----------------------------|--|--|--|-----------------------------------|--------|
| Common | 40,000,000 | 18,786,000 | None | 15,206,390 | 21 | None |

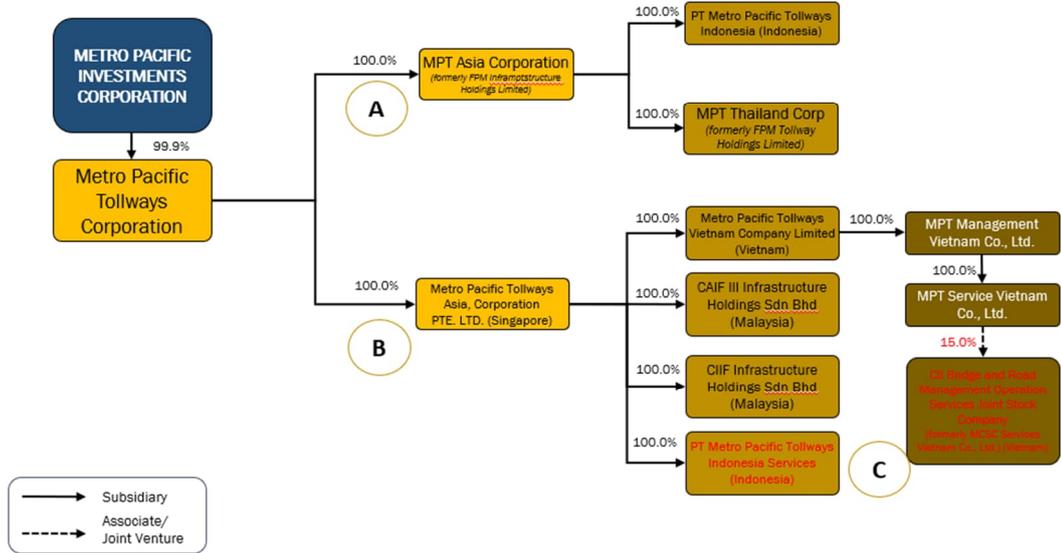
NLEX CORPORATION

Map showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, associates, wherever located or registered

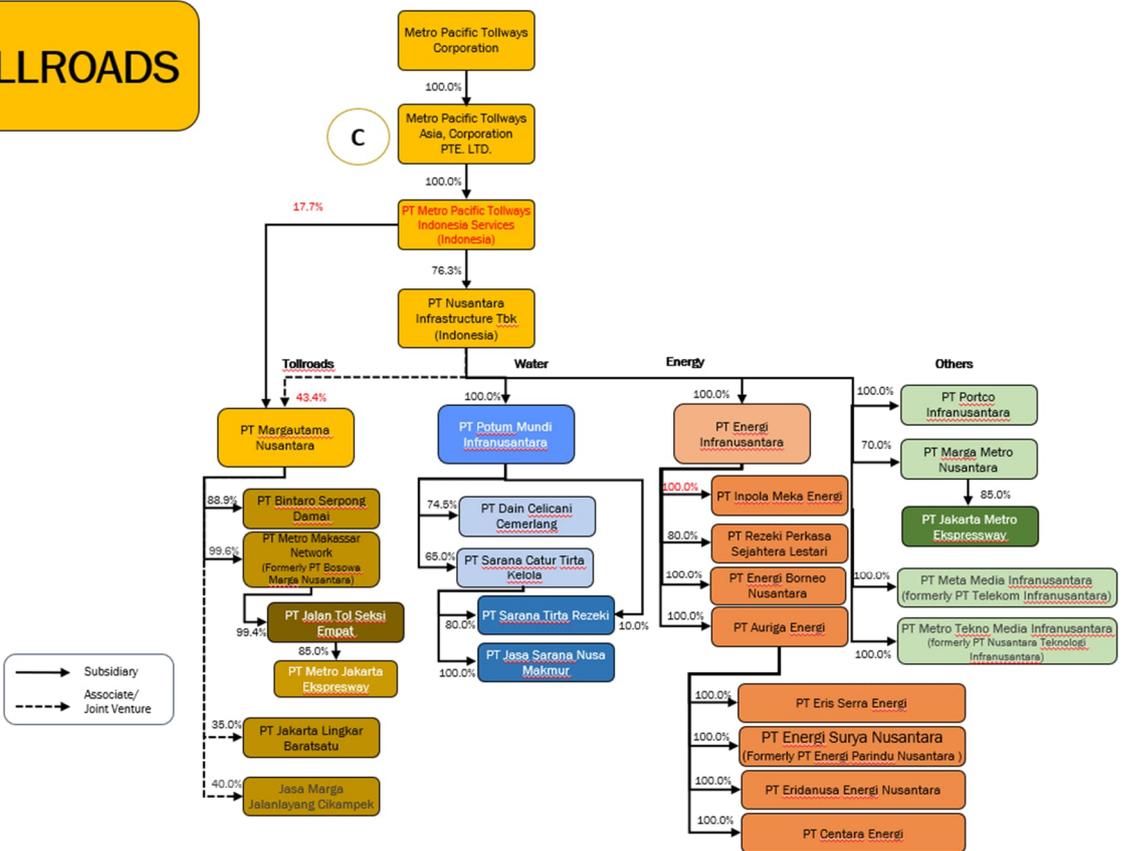
Group Structure as of December 31, 2023



TOLLROADS



TOLLROADS



Marialicel E. Sudoy

Subject: RE: Your BIR AFS eSubmission uploads were received

----- Original message -----

From: eafs@bir.gov.ph

Date: 4/14/24 10:12 PM (GMT+08:00)

To: "Leslie M. Lorenzo" <lmlorenzo@nlex.com.ph>

Cc: "Leslie M. Lorenzo" <lmlorenzo@nlex.com.ph>

Subject: Your BIR AFS eSubmission uploads were received

MPTC-INFORMATION SECURITY ADVISORY: Due to the recent email security issues, practice caution when clicking links or downloading attachments. When in doubt, contact the Information Security team at informationsecurity@mptc.com.ph

Hi NLEX CORPORATION,

Valid files

- EAFS004984946TCRTY122023-03.pdf
- EAFS004984946TCRTY122023-02.pdf
- EAFS004984946ITRTY122023.pdf
- EAFS004984946AFSTY122023.pdf
- EAFS004984946OTHTY122023.pdf
- EAFS004984946TCRTY122023-01.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-C6GC79AC0AF7G9D5BNZ1V224P0P3YNW1NV**

Submission Date/Time: **Apr 14, 2024 10:11 PM**

Company TIN: **004-984-946**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.