

SECURITIES AND EXCHANGE COMMISSION

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

1. For the quarterly period ended: March 31, 2018
2. Commission Identification Number: A1997-01451. 3. BIR Tax Identification No: 004-984-946-000

NLEX CORPORATION

4. Exact name of issuer as specified in its charter

Metro Manila, Philippines

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office NLEX Compound, Balintawak, Caloocan City Postal Code 1400

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

N/A

9. Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<u>Fixed Rate Bonds Due 2021</u>	<u>Php4,400,000,000.00</u>
<u>Fixed Rate Bonds Due 2024</u>	<u>Php2,600,000,000.00</u>

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

Yes [] No [✓]

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

N/A

12. Indicate by check mark whether the registrant:

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

Yes [✓] No []

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

Yes [✓] No []

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PART I--FINANCIAL INFORMATION

Item 1. Financial Statements

NLEX CORPORATION

(A Subsidiary of Metro Pacific Tollways North Corporation)

AND A SUBSIDIARY

Interim Condensed Consolidated Financial Statements (unaudited)

March 31, 2018 and 2017

NLEX CORPORATION
(A Subsidiary of Metro Pacific Tollways North Corporation)
AND A SUBSIDIARY

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited March 31, 2018	Audited December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents and short-term deposits (Note 4)	₱1,495,057,479	₱2,932,960,812
Receivables (Notes 5 and 14)	571,549,452	715,039,256
Inventories - at cost	106,936,273	112,594,013
Available-for-sale financial assets (Note 10)	49,925,500	49,825,000
Other current assets (Note 11)	836,297,968	908,356,502
Total Current Assets	3,059,766,672	4,718,775,583
Noncurrent Assets		
Service concession assets (Note 6)	34,119,826,294	33,672,831,472
Property and equipment (Note 7)	187,180,592	180,556,890
Investment properties (Note 8)	129,080,907	128,980,520
Other intangible assets (Note 9)	9,827,632	10,314,314
Available-for-sale financial assets (Note 10)	1,178,249,332	1,204,581,932
Pension asset	1,420,141	5,570,690
Advances to contractors and other noncurrent assets	236,255,607	224,409,324
Total Noncurrent Assets	35,861,840,505	35,427,245,142
	₱38,921,607,177	₱40,146,020,725
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 12)	₱2,698,328,241	₱3,272,383,362
Long-term incentive plan payable within the next twelve months	-	193,442,315
Income tax payable	398,025,326	329,435,810
Dividends payable	-	1,840,000,000
Provisions (Note 13)	263,645,057	272,861,598
Current portion of long-term debt (Note 15)	4,308,766,283	4,304,208,838
Total Current Liabilities	7,668,764,907	10,212,331,923
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 15)	16,030,949,240	16,136,387,307
Long-term incentive plan payable	52,426,864	-
Service concession fees payable (Note 16)	2,565,817,498	2,521,429,127
Provisions (Note 13)	147,298,636	114,161,673
Deferred tax liabilities – net	537,762,158	505,726,589
Other noncurrent liabilities	250,023	250,023
Total Noncurrent Liabilities	19,334,504,419	19,277,954,719
Total Liabilities	27,003,269,326	29,490,286,642
Equity		
Capital stock (Note 17)	1,776,000,000	1,776,000,000
Additional paid-in capital	3,749,711,168	3,749,711,168
Retained earnings	6,443,221,687	5,154,024,882
Other comprehensive loss reserve (Note 17)	(63,629,286)	(37,036,249)
Other reserve	13,034,282	13,034,282
Total Equity	11,918,337,851	10,655,734,083
	₱38,921,607,177	₱40,146,020,725

See accompanying notes to Unaudited Interim Condensed Consolidated Financial Statements and Management Discussion and Analysis.

NLEX CORPORATION
(A Subsidiary of Metro Pacific Tollways North Corporation)
AND A SUBSIDIARY

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months ended March 31	
	2018	2017
OPERATING REVENUES		
Toll fees – net of discount	₱3,186,744,453	₱2,742,977,160
Sales of magnetic cards	2,009	982
Toll revenues	3,186,746,462	2,742,978,142
Non-toll revenues (Note 18)	43,410,383	47,659,995
Total revenues	3,230,156,845	2,790,638,137
Cost of services (Note 19)	(1,118,614,721)	(1,086,785,591)
Gross Profit	2,111,542,124	1,703,852,546
Construction revenue (Note 6)	646,927,807	898,836,328
Construction costs (Note 6)	(646,927,807)	(898,836,328)
General and administrative expenses (Note 20)	(265,871,951)	(232,445,043)
Interest expense and other finance cost (Note 22)	(139,577,567)	(104,233,552)
Interest income (Note 21)	15,401,148	11,701,018
Foreign exchange gain (loss) – Net	(2,261,150)	425,154
Other income	254,973	1,804,291
Income before income tax	1,719,487,577	1,381,104,414
Provision for (benefit from) income tax		
Current	398,003,827	313,853,827
Deferred	32,286,945	(4,940,266)
	430,290,772	308,913,561
Net income	₱1,289,196,805	₱1,072,190,853

See accompanying notes to Unaudited Interim Condensed Consolidated Financial Statements and Management Discussion and Analysis.

NLEX CORPORATION
(A Subsidiary of Metro Pacific Tollways North Corporation)
AND A SUBSIDIARY

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended March 31	
	2018	2017
NET INCOME	₱1,289,196,805	₱1,072,190,853
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>		
Gain (loss) on available-for-sale financial assets (Note 10)	(26,844,413)	(19,864)
Income tax effect	251,376	139,284
	(26,593,037)	119,420
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	(26,593,037)	119,420
TOTAL COMPREHENSIVE INCOME	₱1,262,603,768	₱1,072,310,273

See accompanying notes to Unaudited Interim Condensed Consolidated Financial Statements and Management Discussion and Analysis.

NLEX CORPORATION
(A Subsidiary of Metro Pacific Tollways North Corporation)
AND A SUBSIDIARY

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Other Comprehensive Loss Reserve	Other Reserve	Total Equity
At January 1, 2018	₱1,776,000,000	₱3,749,711,168	₱5,154,024,882	(₱37,036,249)	₱13,034,282	₱10,655,734,083
Net Income	–	–	1,289,196,805	–	–	1,289,196,805
Other comprehensive loss (Note 17)	–	–	–	(26,593,037)	–	(26,593,037)
Total comprehensive income for the year	–	–	1,289,196,805	(26,593,037)	–	1,262,603,768
At March 31, 2018	₱1,776,000,000	₱3,749,711,168	₱6,443,221,687	(₱63,629,286)	₱13,034,282	₱ 11,918,337,851
At January 1, 2017	₱1,776,000,000	₱3,749,711,168	₱4,109,784,668	(₱36,912,383)	₱13,034,282	₱9,611,617,735
Cash dividends (Note 17)	–	–	(3,600,000,000)	–	–	(3,600,000,000)
Equity contribution – executive stock option plan	–	–	–	–	–	–
Net income	–	–	4,644,240,214	–	–	4,644,240,214
Other comprehensive loss (Note 17)	–	–	–	(123,866)	–	(123,866)
Total comprehensive income for the year	–	–	4,644,240,214	(123,866)	–	4,644,116,348
At December 31, 2017	₱1,776,000,000	₱3,749,711,168	₱5,154,024,882	(₱37,036,249)	₱13,034,282	₱10,655,734,083

See accompanying notes to Unaudited Interim Condensed Consolidated Financial Statements and Management Discussion and Analysis.

NLEX CORPORATION
(A Subsidiary of Metro Pacific Tollways North Corporation)
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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31	
	2018	2017
OPERATING ACTIVITIES		
Income before income tax	₱1,719,487,577	₱1,381,104,414
Adjustments to reconcile income before income tax to net cash flows:		
Interest expense and other finance costs (Note 22)	139,577,567	104,233,552
Amortization of service concession assets (Note 6)	199,932,985	165,966,771
Interest income (Note 21)	(15,401,148)	(11,701,018)
Long-term incentive plan expense	16,000,000	16,000,000
Depreciation of property and equipment (Note 7)	13,738,531	12,792,440
Deferred toll revenue realized	(1,883,284)	(2,571,857)
Amortization of other intangible assets (Note 9)	1,594,172	2,739,954
Movements in:		
Provisions	13,299,806	16,074,829
Accrued retirement costs / pension costs	4,150,549	240,798
Executive stock option plan expense	–	(1,244,843)
Unrealized loss (gain) on investments (UITF)	(522,334)	–
Loss on disposals of property and equipment	267,411	(1,071)
Unrealized foreign exchange loss – net	(531,454)	31,046
Working capital changes:		
Decrease (increase) in:		
Receivables	140,370,318	11,184,851
Inventories	5,657,740	(93,237)
Other current assets	79,227,486	155,024,081
Decrease in:		
Accounts payable and other current liabilities	(639,915,953)	(548,377,724)
Long-term incentive plan payable	(157,015,451)	–
Income tax paid	(329,414,311)	(2,315,508)
Net cash flows provided by operating activities	1,188,620,207	1,299,087,478
INVESTING ACTIVITIES		
Interest received	18,520,634	9,989,097
Acquisition of available-for-sale financial assets (Note 10)	(2,206,087,286)	(1,515,338,084)
Decrease (Increase) in other noncurrent assets	(11,846,283)	216,960,443
Additions to:		
Service concession asset (Note 6)	(600,360,564)	(896,617,257)
Property and equipment (Note 7)	(20,753,540)	(18,693,769)
Investment properties (Note 8)	(100,387)	(3,211,585)
Other intangible assets (Note 9)	(1,107,490)	(136,643)
Proceeds from:		
Sale of available-for-sale financial assets	1,966,250,684	1,192,475,044
Sale of property and equipment (Note 7)	123,896	123,839
Net cash flows used in investing activities	(855,360,336)	(1,014,448,915)

(Forward)

	Three Months Ended March 31	
	2018	2017
FINANCING ACTIVITIES		
Payments of:		
Dividends	(₱1,840,000,000)	₱-
Interest	(62,691,965)	(53,840,209)
Long-term debt	(110,000,000)	(152,102,309)
Net cash flows used in financing activities	(2,012,691,965)	(205,942,518)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	531,454	(31,046)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,679,432,094)	78,696,045
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,715,210,842	389,912,852
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱1,036,310,202	₱468,577,851

See accompanying notes to Unaudited Interim Condensed Consolidated Financial Statements and Management Discussion and Analysis.

NLEX CORPORATION

(A Subsidiary of Metro Pacific Tollways North Corporation) AND A SUBSIDIARY

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

General

NLEX Corporation (NLEX Corp. or the Parent Company) and its subsidiary, NLEX Ventures Corporation (NVC), (collectively referred to as “the Company”) were incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on February 4, 1997 and September 23, 2015, respectively. 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.

NVC, a wholly owned subsidiary of NLEX Corp., is primarily engaged to develop, fund, construct, operate and maintain any all facilities and to provide services relating to the safety, comfort and convenience of its customers such as road users; and to undertake traffic management services.

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

On October 19, 2016, the BOD of NLEX Corp. approved the proposed merger between NLEX Corp. and Tollways Management Corporation (TMC), with NLEX Corp. as the surviving corporation (“the Merger”). On November 17, 2016, majority of the stockholders of NLEX Corp. confirmed and ratified the proposed merger between NLEX Corp. and TMC, with NLEX Corp. as the surviving corporation. As the surviving corporation, NLEX Corp.’s corporate existence shall continue and shall: (a) acquire all respective rights, businesses, assets and other properties of TMC, and (b) assume all the debts and liabilities of TMC.

On April 17, 2017, NLEX Corp. and TMC executed the Plan and Articles of Merger. The merger of NLEX Corp. and TMC 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. As of the date of this report, the Plan and Articles of Merger are pending approval of the SEC.

Metro Pacific Tollways North Corporation (MPTNC), the parent company of NLEX Corp., is a wholly owned subsidiary of Metro Pacific Tollways Corporation (MPTC). MPTC is 99.9% owned by Metro Pacific Investments Corporation (MPIC). MPIC is a publicly listed Philippine corporation and is 42.0% owned by Metro Pacific Holdings, Inc. (MPHI) as at March 31, 2018. As sole holder of the voting Class A Preferred Shares, MPHI’s combined voting interest as a result of all of its shareholdings is estimated at 55.0% as at March 31, 2018. 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 Parent Company is NLEX Compound, Balintawak, Caloocan City.

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 Tipo 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 NLEX Corp. Thereafter, NLEX Corp. 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, had commenced construction and is expected to be completed in the fourth quarter of 2018. The estimated cost of construction of Segment 10 is ₱10.5 billion. The remaining portion of Phase II is under pre-construction works while Phase III of the MNEP has not yet been started as at March 31, 2018.

Subic-Clark-Tarlac Expressway (SCTEX). Pursuant to the Toll Operation Certificate (TOC) received from the TRB and agreements covering the SCTEX, NLEX Corp. has commenced the management, operation and maintenance of the SCTEX on October 27, 2015. The SCTEX is a 93.77-km 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 km 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 of March 31, 2018 construction of the NLEX-SLEX Connector Road has not yet started.

2. Basis of Preparation and Changes to the Company's Accounting Policies

Basis of Preparation

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for the available-for-sale (AFS) financial assets which are measured at fair value, and prepared in accordance with Philippine Accounting Standard (PAS) 34, "Interim Financial Reporting". The interim condensed consolidated financial statements are presented in Philippine peso, which is the Company's functional and presentation currency.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at and for the year ended December 31, 2017.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated

financial statements for the year ended December 31, 2017, except for the adoption of new standards and interpretations effective as at January 1, 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments apply for the first time in 2018, they do not have a material impact on the annual consolidated financial statements of the Company or the interim condensed consolidated financial statements of the Company. The nature and the impact of each new standard or amendment is described below:

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The adoption has no impact on the interim condensed consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. The Company is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended December 31, 2017.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Company applied the amendments retrospectively. However, their application has no effect on the Company's financial position and performance as the Company has no deductible temporary differences or assets that are in the scope of the amendments.

3. Seasonality of Operations

Based on historical traffic in the NLEX, the month of January is slightly below the normal average due to the end of the Christmas holidays. From February to May, traffic is above the normal average due to the summer holiday, which is traditionally a peak season for travel. The months of June to August remain to have the lowest seasonal factors due to the rainy season. Traffic is expected to improve from September until November, while the month of December has the highest seasonal factor due to the Christmas holidays.

4. Cash and Cash Equivalents and Short-term Deposits

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Cash and cash equivalents	1,036,310,202	₱2,715,210,842
Short-term deposits	458,747,277	217,749,970
	1,495,057,479	₱2,932,960,812

For purposes of the interim statements of cash flows for the three months ended March 31, 2018 and 2017, cash and cash equivalents as at March 31 comprise of the following:

	2018 (Unaudited)	2017
Cash on hand and in banks	₱326,418,261	₱85,800,848
Short-term deposits that qualify as cash equivalents	709,891,941	382,777,003
	₱1,036,310,202	₱468,577,851

Short-term deposits consist of:

	March 31, 2018		December 31, 2017	
	Fair Value	Principal Amount	Fair Value	Principal Amount
Investments in unit investment trust funds				
Short-term	₱458,747,277	₱458,221,409	₱217,749,970	₱217,221,409

5. Receivables

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade receivables	₱329,945,735	₱473,574,377
Advances to Department of Public Works and Highways (DPWH)	179,563,952	179,535,742
Advances to officers and employees	11,894,444	10,641,020
Interest receivables	16,883,701	20,003,187
Due from related parties (see Note 14)	5,067,350	5,982,581
Other receivables	54,633,435	51,741,514
	597,988,617	741,478,421
Less allowance for doubtful accounts	26,439,165	26,439,165
	₱571,549,452	₱715,039,256

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

Advances to DPWH are noninterest-bearing and are collectible within a year.

Advances to officers and employees are normally collectible or liquidated within a month.

Interest receivables are collectible within three to six months.

Other receivables are noninterest-bearing and are collectible within a year. As at March 31, 2018 and December 31, 2017, other receivables include those receivables from motorists who caused accidental damage to NLEX property from day-to-day operations amounting to ₱46.4 million and ₱43.6 million, respectively.

No movement in the allowance for individually assessed impaired receivables for the three months ended March 31, 2018.

6. Service Concession Assets

The movements in this account follow:

	MNEP	SCTEX	NLEX-SLEX Connector Road	Total
Cost:				
Balance at beginning of year	₱34,501,810,939	₱4,339,283,054	₱2,722,757,724	₱41,563,851,717
Additions	527,130,475	67,316,315	52,481,017	646,927,807
Balance at end of the period	₱35,028,941,414	₱4,406,599,369	₱2,775,238,741	₱42,210,779,524
Accumulated amortization:				
Balance at beginning of year	₱7,696,664,150	₱194,356,095	₱–	₱7,891,020,245
Amortization (see Note 19)	177,240,079	22,692,906	–	199,932,985
Balance at end of the period	₱7,873,904,229	₱217,049,001	₱–	₱8,090,953,230
Net book value:				
At March 31, 2018	₱27,155,037,185	₱4,189,550,368	₱2,775,238,741	₱34,119,826,294
At December 31, 2017	26,805,146,789	4,144,926,959	2,722,757,724	33,672,831,472

MNEP

Additions for the three months ended March 31, 2018 pertain mainly to the civil works construction on Segments 10 and civil works and consultancy services for its interchanges and toll expansion projects. Additions also include the pre-construction costs of Segments 8.2 of Phase II of the Project. Borrowing costs capitalized amounted to ₱152.0 million for the three months ended March 31, 2018. The interest rate used to determine the amount of borrowing costs eligible for capitalization was 5.0% to 5.8% in 2018.

SCTEX

Additions in SCTEX mainly pertains to the rehabilitation works of the pavement and modernization of toll facilities and fixed operating equipment.

NLEX-SLEX Connector Road

Additions in NLEX-SLEX Connector Road pertains mainly to the accretion in the present value of periodic payments to DPWH in consideration for the acquisition of the right of way. Other additions include detailed engineering design, professional fees and general and administrative expenses.

7. Property and Equipment

The movements in this account are as follows:

	Building, Building Improvements and Leasehold Improvements	Transportation Equipment	Office Equipment and Others	Total
Cost:				
At January 1, 2018	₱115,815,665	₱107,067,545	₱229,021,501	₱451,904,711

	Building, Building Improvements and Leasehold Improvements	Transportation Equipment	Office Equipment and Others	Total
Additions	4,709,156	6,331,608	9,712,777	20,753,541
Disposals	–	(1,888,301)	–	(1,888,301)
At March 31, 2018	₱120,524,821	₱111,510,852	₱238,734,278	₱470,769,951
Accumulated depreciation:				
At January 1, 2018	₱44,143,887	₱60,210,092	₱166,993,842	₱271,347,821
Depreciation (see Note 19)	1,620,002	3,684,999	8,433,530	13,738,531
Disposal	–	(1,496,993)	–	(1,496,993)
At March 31, 2018	₱46,763,889	₱62,398,098	₱175,427,372	₱283,589,359
Net book value:				
At March 31, 2018	₱74,760,932	₱49,112,754	₱63,306,906	₱187,180,592
At December 31, 2017	71,671,778	46,857,453	62,027,659	180,556,890

8. Investment Properties

The movements in this account follow:

	Land	Land Improvements	Total
At January 1, 2018	₱117,401,719	₱11,578,801	₱128,980,520
Additions	100,387	–	100,387
At March 31, 2018	₱ 117,502,106	₱11,578,801	₱129,080,907

9. 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:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Cost:		
Balance at beginning of year	₱109,997,788	₱106,535,415
Additions	1,107,489	3,917,613
Disposals	–	(455,240)
Balance at end of the period	111,105,277	109,997,788
Accumulated amortization:		
Balance at beginning of year	99,683,473	88,276,923
Amortization (see Note 20)	1,594,172	11,861,791
Disposals	–	(455,240)
Balance at end of the period	101,277,645	99,683,474
Net book value	₱9,827,631	₱10,314,314

10. Available-for-sale Financial Assets

Details of AFS financial assets are shown below:

Maturity Date	Interest Rate	March 31, 2018		December 31, 2017	
		Fair Value	Principal Amount	Fair Value	Principal Amount
ROP Retail Treasury Bonds					
April 11, 2020	4.25%	99,843,000	100,000,000	100,112,000	100,000,000
August 15, 2023	3.25%	503,967,482	565,100,000	520,796,160	565,100,000
		603,810,482	665,100,000	620,908,160	665,100,000
Fixed Rate Treasury Notes					
May 23, 2018	2.13%	49,925,500	50,000,000	49,825,000	50,000,000
July 19, 2019	4.75%	11,293,450	11,230,000	11,301,872	11,230,000
August 20, 2020	3.38%	19,461,400	20,000,000	19,495,400	20,000,000
		80,680,350	81,230,000	80,622,272	81,230,000
Long-term Negotiable Certificates of Deposits (LTNCD)					
PNB – June 12, 2020	4.13%	49,259,500	50,000,000	50,498,500	50,000,000
Metrobank – November 21, 2021	4.25%	46,564,000	50,000,000	48,499,000	50,000,000
		95,823,500	100,000,000	98,997,500	100,000,000
Corporate Bonds					
FMIC – August 10, 2019	5.75%	50,356,500	50,000,000	51,079,000	50,000,000
Meralco – December 12, 2020	4.38%	197,114,000	200,000,000	198,956,000	200,000,000
PLDT – February 6, 2021	5.23%	200,390,000	200,000,000	203,844,000	200,000,000
		447,860,500	450,000,000	453,879,000	450,000,000
		₱1,228,174,832	₱1,296,330,000	₱1,254,406,932	₱1,296,330,000

* Presented as "Short-term deposits" in the interim condensed consolidated balance sheets.

The movements in this account follow:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of year	₱1,472,156,902	₱1,436,075,084
Additions	2,206,087,286	5,882,500,287
Maturity	-	-
Sale of AFS financial assets	(1,965,000,000)	(5,846,000,000)
Gain (loss) on AFS financial asset	(25,689,899)	(418,469)
Changes in fair value during the quarter	(25,071,395)	8,529,127
Recycling to profit or loss	(1,250,684)	(8,947,596)
Balance at end of year	₱1,686,922,109	₱1,472,156,902
Current	₱508,672,777	₱267,574,970
Noncurrent	1,178,249,332	1,204,581,932
	₱1,686,922,109	₱1,472,156,902

11. Other Current Assets

Details of other current assets are as follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Restricted Cash	₱321,000,000	₱321,000,000
Advances to contractors and consultants	64,443,504	60,582,643
Input VAT	283,994,544	318,515,410

Deferred input VAT	127,290,848	152,582,388
Prepayments	35,942,738	52,286,554
Creditable tax	19,006,796	18,769,968
	851,678,430	923,736,963
Less allowance for non-recoverability of creditable tax	(15,380,461)	(15,380,461)
	₱836,297,969	₱908,356,502

12. Accounts Payable and Other Current Liabilities

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade payables	₱ 241,074,087	₱940,321,431
Accrued expenses	1,555,368,523	1,480,488,100
Retention payable	531,673,281	558,602,632
Output value added tax	158,953,378	163,555,157
Withholding taxes payable	104,600,905	85,633,460
Interest payable	96,058,885	28,314,769
Others	10,599,182	15,467,813
	₱2,698,328,241	₱3,272,383,362

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

Accrued expenses consist of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Operator's fee	₱103,906,366	₱307,065,152
Construction costs	680,713,835	749,593,043
Concession fees	100,433,170	102,864,022
Operating and maintenance costs	60,106,990	58,233,647
PNCC fee	219,406,770	60,483,648
Salaries and employee benefits	6,270,486	1,237,466
Taxes and licenses	56,621,876	–
Advertising and marketing expenses	62,691,311	36,567,994
Management fees	28,057,198	–
Outside services	57,316,305	13,261,969

(Forward)

	March 31, 2018	December 31, 2017
	(Unaudited)	(Audited)
Repairs and maintenance	46,165,752	8,073,559
Professional fees	102,601,584	112,852,747
Toll collection and medical services	7,091,068	8,268,476
Project insurance	–	–
Others	23,985,812	21,986,377
	₱1,555,368,523	₱1,480,488,100

Interest payable is settled within six months.

13. Provisions

The movements in this account follow:

	Heavy Maintenance	Others	Total
Beginning of the year	₱247,121,492	₱139,901,779	₱387,023,271
Additions (see Notes 19 and 20)	63,044,351	18,706,131	81,750,482
Accretion (see Note 22)	3,865,864	–	3,865,864
Payments	(19,933,070)	(41,762,854)	(61,695,924)
At March 31, 2018	₱294,098,637	₱116,845,056	₱410,943,693
At March 31, 2018:			
Current	₱146,800,001	₱116,845,056	₱263,645,057
Noncurrent	147,298,636	–	147,298,636
	₱294,098,637	₱116,845,056	₱410,943,693
At December 31, 2017:			
Current	₱146,800,001	₱126,061,597	₱272,861,598
Noncurrent	100,321,491	13,840,182	114,161,673
	₱247,121,492	₱139,901,779	₱387,023,271

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

Other provisions include estimated liabilities for certain reimbursements of corporate expenses being claimed against the Company by a related party, estimated liabilities for losses on claims by a third party. The information usually required by PAS 37 is not disclosed as it may prejudice the Company's negotiation with the third party.

14. 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.

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Due from Related Parties		
TMC	₱120,902	₱501,126
Easytrip Services Corporation (ESC)	99,000	99,000
MPTC	645,134	410,469
MPCALA Holdings, Inc.	1,957,727	1,945,658
Cavitex Infrastructure Corp.	695,782	1,288,843
Metro Pacific Tollways Management Services, Inc	1,474,842	1,455,819
Cebu Cordova Link Expressways Corporation	70,580	10,194
Metro Pacific Tollways South Management Corporation	2,025	–
MPIC	1,358	271,472
	₱5,067,350	₱5,982,581

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

Related Party			Management Fees (see Note 20)	Operator's Fee (see Note 19)	Outside Services (see Note 19)	Repairs and Maintenance (see Note 19)	Communication, Light and Water (see Notes 19 and 20)	Advertising and Marketing Expenses (see Note 20)	Income from Advertising (see Note 18)	Income from Utility Facilities (see Note 18)
MPTC	Intermediate Parent Company	2018	₱15,296,919	₱-	₱-	₱-	₱-	₱22,346,607	₱-	₱-
		2017	15,175,657	-	-	-	-	14,210,000	-	-
MPTNC	Parent Company	2018	8,801,673	-	-	-	-	-	-	-
		2017	-	-	-	-	-	-	-	-
MPTMSI	Subsidiary of MPTC	2018	13,478,012	-	-	-	-	-	-	-
		2017	-	-	-	-	-	-	-	-
TMC	Associate of MPT North	2018	-	229,348,357	-	-	-	-	-	-
		2017	-	432,796,550	2,460,368	1,575,773	60,897	4,805	-	-
Easytrip Services Corp. (ESC)	Joint Venture of MPT North	2018	-	-	19,320,373	-	-	156,500	-	-
		2017	-	-	18,547,771	-	-	131,816	100,000	-
Smart Communications Inc. (Smart)	Associate of FPC	2018	-	-	-	-	414,863	15,774	900,000	-
		2017	-	-	-	-	450,958	129,030	9,332,000	373,855
PLDT	Associate of FPC	2018	-	-	-	-	868,108	-	235,087	-
		2017	-	-	-	171,319	744,906	-	-	1,812,947
Manila Electric Company (Meralco)	Associate of MPIC	2018	-	-	-	-	2,348,382	-	-	-
		2017	-	-	-	-	1,163,717	-	-	360,000
Maynilad	Associate of MPIC	2018	-	-	-	-	67,482	-	-	-
		2017	-	-	-	-	-	-	-	-
Total		2018	₱37,576,604	₱229,348,357	₱19,320,373	₱-	₱3,698,835	₱22,518,881	₱1,135,087	₱-
		2017	15,175,657	432,796,550	21,008,138	1,747,092	2,420,478	14,470,846	9,432,000	2,546,801

15. Long-term Debt

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Peso-denominated Notes and Loans:		
Series A Notes	₱4,887,616,998	₱4,897,616,998
Term Loan Facilities	8,550,000,000	8,650,000,000
Fixed-rate Bonds	7,000,000,000	7,000,000,000
	20,437,616,998	20,547,616,998
Less unamortized debt issue costs	97,901,475	107,020,853
	20,339,715,523	20,440,596,145
Less current portion of long-term debt	4,308,766,283	4,304,208,838
	₱16,030,949,240	₱16,136,387,307

The unamortized debt issue costs incurred in connection with the avilment of long-term debt amounting to ₱97.9 million and ₱107.0 million as at March 31, 2018 and December 31, 2017, respectively, were deducted against the long-term debt. The movements in debt issue costs are as follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of period	₱107,020,853	₱127,056,818
Amortization during the year* (see Note 22)	(9,119,378)	(34,247,435)
Debt issue costs incurred during the year	–	14,211,470
Balance at end of period	₱97,901,475	₱107,020,853

*Includes amortization of debt issue costs capitalized to service concession assets amounting to ₱ 3,429,556 in 2018 and ₱12 808,080 in 2017..

16. Service Concession Fees Payable

The movements in the service concession fees payable are as follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
At January 1	₱2,521,429,127	₱2,335,916,229
Accretion	44,388,371	185,512,898
Balance at end of period	₱2,565,817,498	₱2,521,429,127

17. Equity

Capital Stock

Details of shares of stock of the Company as at March 31, 2018 and December 31, 2017 follow:

	Number of Shares
Authorized - ₱100 par value	40,000,000
Issued	17,760,000

Other Comprehensive Income Reserve

	AFS Financial Assets	Income Tax Related to AFS Financial Assets	Re-measurement of Defined Benefit Plan	Income Tax Related to Defined Benefit Plan	Total
Balance at January 1, 2018	(₱39,612,493)	(₱43,141)	₱3,741,979	(₱1,122,594)	(₱37,036,249)
Recycling to profit or loss (see Note 10)*	(26,844,413)	251,376	–	–	(26,593,037)
Balance at March 31, 2018	(₱66,456,906)	₱208,235	₱3,741,979	(₱1,122,594)	(₱63,629,286)
Balance at January 1, 2017	(₱39,194,024)	₱1,464,533	₱1,167,297	(₱350,189)	(₱36,912,383)
Recycling to profit or loss (see Note 10)*	(19,864)	139,284	–	–	119,420
Balance at March 31, 2017	(₱39,213,888)	₱1,603,817	₱1,167,297	(₱350,189)	(₱36,792,963)

* Net of changes in fair value during the quarter.

18. Non-Toll Revenue

Details of non-toll revenue follow:

	For Three Months Ended March 31	
	2018	2017
	<i>(Unaudited)</i>	
Income from advertising	₱28,668,682	₱26,005,034
Income from toll service facilities	11,176,015	11,375,927
Income from utility facilities	2,032,000	2,621,801
Others	1,533,686	7,657,233
	₱43,410,383	₱47,659,995

19. Cost of Services

This account consists of:

	Three Months Ended March 31	
	2018	2017
	<i>(Unaudited)</i>	
Operator's fee	₱229,348,357	₱432,796,550
Amortization of service concession assets (see Note 6)	199,932,985	165,966,771
PNCC fee	157,501,628	136,226,178
Concession fee	254,076,007	213,996,195
Provision for heavy maintenance (see Note 13)	56,289,599	26,215,866
Repairs and maintenance	74,304,750	39,956,968
Outside services	57,718,509	18,821,854
Insurance	20,490,845	18,116,100
Fuel & Oil	12,860,882	–
Salaries and employee benefits	9,343,331	9,618,167
Toll collection and medical services	5,774,067	5,630,714
Advertising & Promotions	5,047,846	2,262,190
Technical Assistance Fee	4,446,428	–
Depreciation of property and equipment (see Note 7)	2,859,979	5,291,768
Others	28,619,507	11,886,271
	₱1,118,614,720	₱1,086,785,592

20. General and Administrative Expenses

This account consists of:

	Three Months Ended March 31	
	2018	2017
	<i>(Unaudited)</i>	
Taxes and licenses	₱ 73,051,929	₱67,650,253
Salaries and employee benefits	56,119,549	51,665,524
Advertising and marketing expenses	38,908,992	25,989,744
Management fees (see Note 14)	37,576,604	15,175,657
Representation and travel	4,568,445	14,942,905
Provisions (see Note 13)	18,706,131	14,572,813
Professional fees	8,548,124	13,908,177
Depreciation of property and equipment (see Note 7)	10,878,552	7,500,672
Outside services (see Note 14)	4,357,785	6,971,131
Amortization of other intangible assets (see Note 9)	1,594,172	2,739,954
Communication, light and water (see Note 14)	796,199	2,435,821
Repairs and maintenance (see Note 14)	1,306,020	2,359,727
Training and development costs	2,741,022	1,800,079
Office supplies	3,009,066	888,080
Rentals	400,405	672,680
Directors' fees	160,000	160,000
Miscellaneous	3,148,955	3,011,826
	₱ 265,871,950	₱232,445,043

21. Interest Income

Sources of interest income follow:

	Three Months Ended March 31	
	2018	2017
	<i>(Unaudited)</i>	
Cash and cash equivalents (see Note 4)	₱4,714,068	₱1,872,239
AFS financial assets (see Note 10)	10,687,080	9,828,779
	₱15,401,148	₱11,701,018

22. Interest Expense and Other Finance Costs

Sources of interest expense and other finance costs follow:

	Three Months Ended March 31	
	2018	2017
	<i>(Unaudited)</i>	
Interest expense on:		
Long-term debt (see Note 22)	₱ 129,601,614	₱94,489,258
Provision for heavy maintenance (see Note 13)	3,451,664	3,758,748
Finance costs:		
Amortization of debt issue costs (see Note 22)	5,689,822	4,915,617
Lenders' fees	804,992	993,029
Bank charges	29,475	76,900
	₱ 139,577,567	₱104,233,552

23. Significant Contracts and Commitments

Construction of Segment 10, part of Phase II of the Project

On April 28, 2014, NLEX Corp. signed a target cost construction contract with Leighton Contractors (Asia) Ltd. (LCAL) for the construction of NLEX Segment 10. The target cost is approximately ₱10.0 billion (inclusive of VAT), with a completion period of 24 months from start date. The contract structure is collaborative in nature and provides a pain-sharing or gain-sharing mechanism if the actual construction cost exceeds or falls below the agreed target. LCAL's performance obligation under the contract are backed up by: (i) a bank-issued irrevocable stand-by letter of credit, (ii) cash retention, and (iii) a parent company guarantee issued by Leighton Asia Limited.

On May 8, 2014, NLEX Corp. issued the NTP to LCAL, signaling the start of the pre-construction activities. Pursuant to the contract, NLEX Corp. placed a reserve amount of ₱889.0 million in an escrow account on July 28, 2014, which is recognized under "Other noncurrent assets" account, to cover payment default leading to suspension of works.

On January 12, 2017, pursuant to the escrow agreement, NLEX Corp. exercised its option to reduce the escrow account balance to the new minimum balance of ₱669.0 million. The balance was further reduced to ₱321.0 million on May 12, 2017. The new minimum balance is the amount equal to the forecast of LCAL's maximum committed costs over any given seven (7) weeks from the relevant calculation date until the forecast completion date plus a reasonable contingency allowance as agreed upon by both parties.

As at March 31, 2018, the balance of the escrow account is presented as "Restricted cash" under current assets (see Note 11).

Construction of the 5.65 km fully-elevated segment is now underway. Project is estimated to be completed within the fourth quarter of 2018.

NLEX Widening Project

On February 22, 2016, NLEX Corp. 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 1x2 to 2x2 lanes. It also covers the lane configuration of Candaba Viaduct from 2 to 3 lanes. The project was substantially completed and opened for public use in the latter part of May 2017.

Lease Contract

On January 1, 2016, NVC, as lessor, entered into a contract of lease with RDL Fuel Point, Inc, as lessee, covering a parcel of land adjacent to the NLEX and is presently the site of a service facility. The lease term shall be for 14 years starting from January 1, 2016, unless earlier terminated or otherwise extended by the parties in writing. The amount of the rent for the first 2 years shall be ₱3.6 million per year (inclusive of VAT). On the third year of the lease and every year thereafter, the rent shall be escalated by 5%. The lessee shall likewise pay the lessor additional fees based on the sales proceeds of the service facility.

Upon signing of the lease contract, the lessee paid an advance rent amounting to ₱7.2 million which shall be applied equally for the first 2 years. The lessee also paid security deposit amounting to ₱0.3 million which shall be returned to the lessee after the expiration or termination of the lease contract.

NLEX Drive and Dine Project

In 2017, NVC entered into a contract agreement with R.D. Policarpio & Co., Inc. for the design and construction of the NLEX Drive and Dine Project. The NLEX Drive and Dine Project is estimated to commence operations on the third quarter of 2018.

24. 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 March 31, 2018 and December 31, 2017 is as follows:

	March 31, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Asset				
AFS financial assets:				
Unit investment trust fund	₱458,747,277	₱356,647,279	₱217,749,970	₱217,749,970
Investment in treasury bonds and notes	684,490,832	684,490,832	701,530,432	701,530,432
Investment in corporate bonds	447,089,725	447,089,725	453,879,000	453,879,000
Investment in LTNCD	95,823,500	95,823,500	98,997,500	98,997,500
	₱1,686,922,109	₱1,686,922,109	₱1,472,156,902	₱1,472,156,902
Financial Liability				
Other financial liability:				
Long-term debt	₱20,339,715,523	₱19,669,728,208	₱20,440,596,145	₱20,246,309,035
Service concession fee payable	2,565,817,498	2,161,663,249	2,521,429,127	2,448,647,138
Rental deposits	130,601	114,917	124,033	120,076
	₱22,905,663,622	₱21,831,506,374	₱22,962,149,305	₱22,695,076,249

The management assessed that the 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:

AFS Financial Assets

The fair value of investments in treasury bonds and notes, corporate bonds and LTNCD is based on the quoted market price of the financial instruments as at March 31, 2018 and December 31, 2017. The fair value of the UITF is based on the estimated fair market value of the assets of the fund based on prices supplied by independent sources as at March 31, 2018 and December 31, 2017.

Long-term Debt

For fixed rate peso-denominated notes and loans, except the fixed-rate bonds where the fair value is based on its quoted market price as at March 31, 2018 and December 31, 2017, estimated fair value is based on the discounted value of future cash flows using the prevailing peso interest rates. In 2018 and 2017, the prevailing peso interest rates ranged from 3.0% to 7.7%.

Fair Value Hierarchy

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities:

	March 31, 2018	Level 1	Level 2	Level 3
Assets measured at fair value:				
AFS financial assets:				
UITF	₱447,743,743	₱-	₱447,743,743	₱-
Investment in treasury bonds and notes	684,490,832	169,229,900	515,260,932	-

	March 31, 2018	Level 1	Level 2	Level 3
Investment in corporate bonds	447,860,500	447,860,500	-	-
Investment in LTNCD	95,823,500	95,823,500	-	-
	₱1,675,918,575	₱712,913,900	₱963,004,675	₱-

Liabilities for which fair values are disclosed:

Other financial liabilities:

Long-term debt	₱19,669,728,208	₱6,845,218,400	₱12,824,509,808	₱-
Service concession fee payable	2,161,663,249	-	-	2,161,663,249
Rental deposits	114,917	-	-	114,917
	₱21,831,506,374	₱6,845,218,400	₱12,824,509,808	₱2,161,778,166

	December 31, 2017	Level 1	Level 2	Level 3
Assets measured at fair value:				
AFS financial assets:				
UITF	₱217,749,970	₱-	₱217,749,970	₱-
Investment in treasury bonds and notes	701,530,432	169,432,400	532,098,032	-
Investment in corporate bonds	453,879,000	453,879,000	-	-
Investment in LTNCD	98,997,500	98,997,500	-	-
	₱1,472,156,902	₱722,308,900	₱749,848,002	₱-

Liabilities for which fair values are disclosed:

Other financial liabilities:

Long-term debt	₱20,246,309,035	₱7,008,657,340	₱13,237,651,695	₱-
Service concession fees payable	2,448,647,138	-	-	2,448,647,138
Rental deposits	120,076	-	-	120,076
	₱22,695,076,249	₱7,008,657,340	₱13,237,651,695	₱2,448,767,214

During the periods ended March 31, 2018 and December 31, 2017, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

25. 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 ₱557.6 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.

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 (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. In September 27, 2013, the Bureau of Local Government Finance of the Department of Finance (DOF-BLGF) 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 for the years 2006 to 2017 stating that it could apply the remedies provided under the law for the collection of delinquent taxes.

The outcome of the claims on RPT cannot be presently determined. Management believes that these claims will not have a significant impact on NLEX Corp.'s consolidated financial statements. Management and its legal counsel also believes that the STOA also 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.

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 addition, 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 October 27, 2015, NLEX Corp. has been granted the right and obligation to manage, operate, and maintain the SCTEX under the terms of the BA between the Company 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, 2014, and 2016. Thereafter, on September 29, 2016, NLEX Corp., as petitioner-applicant, filed a petition for toll rate adjustment effective January 1, 2017. The TRB approval of the foregoing SCTEX toll rate adjustment petitions remain pending.

NLEX Corp. has yet to receive regulatory approval for the 2012 Petition, 2014 Petition and 2016 Petition.

In August 2015, NLEX Corp. wrote the ROP, acting by and through the TRB, a Final Demand for Compensation based on overdue 2013 and 2015 Toll Rate Adjustments (Final Demand). In the letter, NLEX Corp. stated that the ROP's/TRB's inexcusable refusal to act on the 2012 Petition and 2014 Petition is in total disregard and a culpable violation of applicable laws and contractual provisions on the matter, to the great prejudice of NLEX Corp., which has continuously relied in good faith on such contractual provisions as well as on the timely and proper performance of the ROP's/TRB's legal and contractual duties.

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). STOA Clause 19.1 states that the parties shall endeavor to amicably settle the dispute within sixty (60) calendar days. The TRB sent several letters to NLEX Corp. requesting the extension of the amicable settlement period. However, NLEX Corp. has not received any feasible settlement offer from the ROP/TRB.

Accordingly, on April 4, 2016, NLEX Corp. was compelled to issue a Notice of Arbitration and Statement of Claim (Notice of Arbitration) to the ROP, acting by and through the TRB, consistent with STOA Clause 19 in order to preserve its rights under the STOA. In the Notice of Arbitration, NLEX Corp. appointed retired SC Justice Jose C. Vitug as its nominee to the arbitral tribunal.

In a letter dated May 3, 2016, the ROP, acting by and through the Office of the Solicitor General (OSG), notified NLEX Corp. of its appointment of retired SC Chief Justice Reynato S. Puno as its nominee to the arbitral tribunal.

In a letter dated June 1, 2016, NLEX Corp. proposed that the arbitration be held in Singapore which is the seat of arbitration that the ROP has chosen for its various PPP projects, and proposed the Singapore International Arbitration Center as the Appointing Authority.

In a letter dated July 13, 2016, the ROP, acting by and through the OSG, stated that it accepts Singapore as the venue of arbitration, but reiterated its previous proposal that a Philippine-based institution/person be the Appointing Authority.

On 11 December 2017, NLEX Corp. submitted its Updated Statement of Claim

On December 27, 2017, Respondent ROP/TRB filed its request for bifurcation, which was accordingly granted, i.e., the proceedings were divided into two parts, (i) the issue on whether or not the tribunal has jurisdiction over NLEX Corp.'s claim, and (ii) the main merits of the claim as set forth in the Updated Statement of Claim.

The ROP/TRB has submitted its Jurisdictional Objections, to which NLEX Corp. responded with its Opposition. The tribunal has set the early part of February 2018 for resolution of the Respondent ROP's/TRB's Jurisdictional Objections.

As of March 31, 2018, total amount of compensation for TRB's inaction on lawful toll rate adjustments for NLEX and SCTEX, are approximately at ₱6.4 billion (VAT exclusive; net of Government share of ₱0.4 billion) and ₱1.1 billion (VAT exclusive; net of Government share of ₱1.1 billion), respectively.

- d. *Garlitos, Jr. vs. Bases Conversion and Development Authority, Manila North Tollways Corporation 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. The case is pending as at March 31, 2018.

- e. 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.

26. Operating Segment Information

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

The Company's 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 financial statements.

EBITDA is measured as net income excluding amortization of service concession asset 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 afore-mentioned 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 period ended March 31, 2018 and 2017 are as follows:

	2018	2017
Net toll revenues	₱3,186,744,453	₱2,742,977,160
Other income	43,145,031	49,407,318

	2018	2017
Total revenues	3,229,889,484	2,792,384,478
Operating and maintenance costs	(859,763,126)	(891,465,640)
Operating expenses	(252,166,864)	(219,426,952)
EBITDA	2,117,959,494	1,681,491,886
Financing costs	(118,088,897)	(86,150,277)
Core income before depreciation, amortization and provisions	1,999,870,597	1,595,341,609
Depreciation, amortization and provisions*	(280,696,771)	(210,686,090)
Core income before tax	1,719,173,826	1,384,655,519
Provision for income tax	(427,236,809)	(306,621,453)
Core income after tax	1,291,937,017	1,078,034,066
Nonrecurring items	(2,740,212)	(6,384,079)
Net income	₱1,289,196,805	₱1,071,649,987
EBITDA margin for the year	66%	60%
Core income margin for the year	41%	39%
Net income margin for the year	40%	38%
Total assets	₱38,921,607,177	₱36,107,634,366
Total liabilities	27,003,269,326	25,424,951,201
Total equity	11,918,337,851	10,682,683,165
Other disclosures:		
Capital expenditure (consists of additions to service concession asset, property and equipment and other intangible assets)	₱622,321,981	₱918,659,254

* Includes provision for current and deferred taxes.

The following table shows the reconciliation of EBITDA to net income for the period ended March 31, 2018 and 2017.

	2018	2017
EBITDA	₱2,117,959,494	₱1,682,032,752
Interest expense and other finance costs (see Note 22)	(136,125,903)	(100,474,804)
Amortization of service concession asset (see Note 19)	(199,932,985)	(165,966,771)
Interest income (see Note 21)	12,347,184	9,408,910
Provision for heavy maintenance (see Note 19)	(59,741,263)	(29,974,614)
Depreciation of property and equipment (see Note 20)	(15,332,701)	(9,829,088)
Nonrecurring items:		
Provisions (see Note 20)	(479,062)	(6,809,233)
Foreign exchange gain (loss) - net	(2,261,150)	425,154
Income before income tax	1,716,433,614	1,378,812,306
Provision for income tax:		
Current	394,949,864	311,561,719
Deferred	32,286,945	(4,940,266)
	427,236,809	306,621,453
Net income for the year	₱1,289,196,805	₱1,072,190,853

The following table shows the reconciliation of the core income to the net income for the period ended March 31, 2018 and 2017.

	2018	2017
Core income for the year	₱1,291,937,017	₱1,078,574,932
Provisions (see Note 20)	(479,062)	(6,809,233)
Foreign exchange gain (loss) - net	(2,261,150)	425,154
Other nonrecurring items	-	-
Net income for the year	₱1,289,196,805	₱1,072,190,853

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying unaudited interim financial statements.

This discussion may contain 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

For the First Quarter Ending March 31, 2018

Financial Highlights and Key Performance Indicators:

Statement of Income Data

In PhP, Millions	31-Mar-18	31-Mar-17	Increase (Decrease)	
	(unaudited)	(unaudited)	Amount	%
Operating revenue	₱3,230	₱2,791	439	16
Cost of services	(1,119)	(1,087)	(32)	3
General and administrative expenses	(266)	(232)	(34)	15
Interest expense and other financing costs, net of interest income of Php15.4 million in 2018 and Php11.7 million in 2017	(124)	(93)	(31)	33
Foreign exchange gain (loss) – net	(2)	0	(2)	(100)
Other income	0	2	(2)	100
Provision for income tax	(430)	(309)	(121)	39
Net income	₱1,289	₱1,072	217	20
Net income margin	40%	38%		

Statement of Financial Position

In PhP, Millions	31-Mar-18	31-Dec-17	Increase (Decrease)	
	Unaudited	(Audited)	Amount	%
Balance Sheet Data:				
Cash and cash equivalents	₱1,036	₱2,715	(1,679)	62
Total assets	38,922	40,146	(1,224)	(3)
Total liabilities	27,004	29,490	(2,486)	(8)
Total equity	11,918	10,656	1,262	12

Result of Operation

The first quarter consolidated net income ended March 31, 2018 reached ₱1.29 billion, higher by 20% compared to the ₱1.07 billion posted during the first quarter of 2017. The growth is attributed to the higher traffic during the period for both NLEX and SCTEX. Traffic for each expressway grew by 9.3% and 17.0% respectively quarter-on-quarter. The traffic growth pushed first quarter revenues up by 16% to ₱3.23 billion, from ₱2.79 billion recorded during the first quarter of 2017.

Statement of Income Data

In Php, Millions	31-Mar-18	31-Mar-17	Increase (Decrease)	
	(unaudited)	(unaudited)	Amount	%
Operating revenue	₱3,230	₱2,791	439	16
Cost of services	(1,119)	(1,087)	(32)	3
General and administrative expenses	(266)	(232)	(34)	15
Interest expense and other financing costs, net of interest income of Php15.4 million in 2018 and Php11.7 million in 2017	(124)	(93)	(31)	33
Foreign exchange gain (loss) – net	(2)	0	(2)	(100)
Other income	0	2	(2)	100
Provision for income tax	(430)	(309)	(121)	39
Net income	₱1,289	₱1,072	217	20
Net income margin	40%	38%		

March 31, 2018 Compared to March 31, 2017

Revenues

In Php, Millions	31-Mar-18 (unaudited)		31-Mar-17 (unaudited)		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Toll Revenues	₱3,187	99	₱2,743	98	444	16
Non-toll Revenues	43	1	48	2	(5)	(10)
Total Revenues	₱3,230	100	₱2,791	100	438	16

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

For the first quarter of 2018, toll revenues reached ₱3.23 billion, up by 16% or ₱438 million from ₱2.79 billion posted during the first quarter of 2017 due to higher traffic volume in both NLEX and SCTEX. Average daily traffic for the NLEX reached 250,989 daily vehicle entries, higher by 9.3% versus the same period last year, while average daily traffic in SCTEX reached 59,812, higher by 17.0% than the previous year.

Non-toll revenues for the first quarter of 2018 decreased by ₱4.2 million or 8.9% to ₱43.4 million from ₱47.7 million posted during the same period last year. This is due to lower revenues generated from toll service and utility facilities during the period.

Cost of Services

During the first quarter of 2018, the Company incurred ₱1.1 billion to cover costs of toll operations, asset preservation and safety enhancements. Summarized in the table below are details of cost of services for the quarter ended March 31, 2018 and 2017:

In PhP, Millions	31-Mar-18		31-Mar-17		Increase / (Decrease)	
	Amount	%	Amount	%	Amount	%
Operator's fee	₱229	21	₱433	40	(204)	(47)
PNCC fee	158	14	136	13	22	16
Concession fee	254	23	214	20	40	19
Provision for heavy maintenance	56	5	26	2	30	115
Repairs and maintenance	74	7	40	4	34	85
Insurance	21	2	18	2	2	11
Toll collection and medical services	6	0	6	0	0	0
Outside services	58	5	19	2	39	205
Amortization of service concession assets	200	18	166	15	34	20
Salaries and employee benefits	9	1	10	1	(1)	(10)
Depreciation	3	0	5	0	(2)	(40)
Others	51	4	14	1	36	257
Total cost of services	₱1,119	100	₱1,087	100	30	3

PNCC fee increased by 16% to ₱158 million from ₱136 million last year due to higher NLEX toll revenues during the period. Concession fee of ₱254 million is attributed to the fees paid to BCDA based on SCTEX toll revenues. During the period, Concession fees increased by 19% against the first quarter of 2017.

Meanwhile, Operator's fee decreased by 47% to ₱229 million, from ₱433 million last year due to streamlined costs brought about by the functional merger between NLEX Corp. and TMC, pending the regulatory approval of the merger between the two companies. The increases in repairs and maintenance, insurance, toll collection and medical services were mainly due to the implementation of new improvements in the SCTEX.

Amortization of service concession assets for the quarter reached ₱200 million, increased by 20% or ₱34 million from ₱166 million last year. The completion of new interchanges, including the San Fernando Interchange and expansion of toll plazas account for the amortization increase.

For the first quarter, outside services amounted to ₱58 million, 205% or ₱39 million higher compared to the ₱19 million incurred last year due to the engagement of services related to the RFID implementation and the novation of outsourced service contracts from Tollways Management Corporation to NLEX Corporation as part of the functional merger strategy.

General and Administrative Expenses

In PhP millions	31-Mar-18		31-Mar-17		Increase / (Decrease)	
	Amount	%	Amount	%	Amount	%
Taxes and Licenses	₱73	27	₱68	29	5	7
Salaries & Employee benefits	56	21	52	22	4	8
Advertising and marketing expenses	39	15	26	11	13	50
Management fees	38	14	15	6	23	153
Representation and travel	5	2	15	6	(10)	(67)
Provisions	19	7	15	7	4	27

In Php millions	31-Mar-18		31-Mar-17		Increase / (Decrease)	
	Amount	%	Amount	%	Amount	%
Professional fees	9	3	14	6	(5)	(36)
Depreciation	11	4	8	3	3	38
Outside services	4	2	7	3	(3)	(43)
Others	12	5	12	5	0	-
Total	₱266	100	₱232	100	34	15

As of March 31, 2018, general and administrative expenses amounted to ₱266 million, ₱34 million or 15% higher than the ₱232 million incurred during the same period last year due to higher advertising and marketing expenses and management fees. This account comprises mainly of manpower costs, advertising expenses, management fees, utilities, professional fees, supplies, taxes and licenses, outside services and depreciation expense of office furniture & transportation equipment.

Interest and Financing Costs

Net financing costs for the quarter ended March 31, 2018 amounted to ₱124 million higher by 35% or ₱32 million versus last year as we started recording the interest expense incurred for the NLEX widening project which commenced commercial operations in June 2017. Previously, interest expense for the project was capitalized.

Net Borrowing costs capitalized amounted to ₱166.3 million for the three months ended March 31, 2018

In Php, Millions	31-Mar-18		31-Mar-17		Increase / (Decrease)	
	Amount	%	Amount	%	Amount	%
Interest and financing costs:						
Interest expense, net of interest income	₱133	95	₱98	94	34	34
Amortization of debt issue costs	6	4	5	5	1	20
Lenders' fees and bank charges	1	1	1	1	0	0
Total interest & financing costs	₱140	100	₱104	100	35	33

Interest Income:						
Cash and cash equivalents	₱5	31	₱2	17	3	150
AFS financial assets and others	11	69	10	83	1	10
Total interest income	₱16	100	₱12	100	3	25

Net Financing costs	₱124		₱92		32	35
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Net Income

Net income for the quarter ended March 31, 2018 reached ₱1,289 million, 20% or ₱217 million higher compared to ₱1,072 million posted in March 31, 2017. Income growth was driven by higher toll revenues from NLEX and SCTEX during the period which grew by 16% on the back of sustained traffic growth across NLEX and SCTEX.

Balance Sheet

In PhP, Millions	31-Mar-18	31-Dec-17	Increase (Decrease)	
	Unaudited	(Audited)	Amount	%
Balance Sheet Data:				
Cash and cash equivalents	1,036	2,715	(1,679)	62
Total assets	38,922	40,146	(1,224)	(3)
Total liabilities	27,003	29,490	(2,487)	(8)
Total equity	11,918	10,655	1,263	12

March 31, 2018 Compared to December 31, 2017

Assets

Cash and cash equivalents as of March 31, 2018 stood at ₱1,036 million, down by ₱1,679 million or 62% from ₱2,715 million in December 31, 2017. The decline was attributed mainly to payment to contractors and suppliers, income tax, property and equipment and dividends.

In addition, short-term deposits increased to ₱459 million from ₱218 million at end December 2017, while available-for-sale financial assets amounted to ₱1,228 million as of March 31, 2018 is slightly lower by ₱27 million compared to the ₱1,255 million balance as of December 31, 2017.

Accounts receivable comprising of advances to DPWH for the right-of-way acquisition, advertising accounts and utility facility fees reached Php572 million, decreased by ₱143 million compared to the ₱715 million balance in December 2017 due to collections of receivables mainly from Easytrip and advertising accounts.

Restricted cash amounting to ₱321 million refer to the reserve account maintained pursuant to the escrow agreement between the Company and Leighton Contractors.

Total assets as of March 31, 2018 stood at ₱38.9 billion, down by 3% mainly due to decrease in cash balance utilize for settlement of short-term obligations during the period.

Liabilities and Stockholder's Equity

Current liabilities for the quarter ending March 31, 2018 decreased by ₱2.5 billion or 25% to ₱7.7 billion compared to ₱10.2 billion in December 2017 due to payment of trade payables and other short-term obligations during the period.

Long-term debt – net of current portion amounted to ₱16.0 billion, slightly lower from the December 2017 balance of ₱16.1 billion due to a scheduled principal amortization in March 2018.

Total liabilities as of the end March 31, 2018 is at ₱27.0 billion, down by 8% from ₱29.5 billion in December 2017.

Stockholders' equity reached ₱12 billion, up by 12% or ₱1.3 billion compared to the ₱10.7 billion as of end December 2017.

Key Financial Indicators

The following table shows the Company's relevant financial ratios:

		31-Mar-18	31-Dec-17
Current ratio	Current Assets	0.40	0.46
	Current liabilities		
Debt-to-equity (DE) ratio	Interest bearing liabilities	1.71	1.92
	Stockholders' equity		
Net profit margin	Net Income	39.9%	39.5%
	Revenues		
Return on assets	Net income*	13.2%	12.3%
	Average total assets		
Return on stockholders' equity	Net income*	45.6%	45.8%
	Average stockholders' equity		

*annualized

Current ratio stood at 0.40 times as of quarter end, from 0.46 times as of end-2017 due to the decrease in cash and cash equivalents and short-term deposits during the period. The decline in current ratio is temporary given that the Company has available resources to cover short-term obligations. The Company has committed short-term lines amounting to ₱13.5 billion from various local banks as of March 31, 2018. In addition, the Company has available-for-sale investments classified as non-current assets amounting to ₱1.2 billion, which can be liquidated to fund near-term liabilities.

The Debt-to-Equity Ratio for the first quarter slightly improved to 1.71 from 1.92 as of December 2017 due to higher increase in net income, and the repayment of principal during the first quarter of 2018.

As of March 31, 2018, the net profit margin slightly improved to 39.9% from 39.5% compared to year-end 2017 figures.

Return on assets improved to 13.2% from 12.3% in December 2017 while return on equity was steady at close to 46%.

Cash Flows

The table below summarizes the Company's comparative cash flows as of March 31, 2018 and 2017.

Cash Flows	31-Mar-18	31-Mar-17
	<i>(in Php Millions)</i>	
Cash, beginning balance	₱2,715	₱390
Net cash provided by operating activities	1,189	1,299
Net cash used in investing activities	(855)	(1,014)
Net cash used in financing activities	(2,013)	(206)
Effect of exchange rate changes	0	(0)
Net increase (decrease) in cash	(1,679)	79
Cash, ending balance	₱1,036	₱469

Cash Flows from Operating Activities

Net cash provided by operating activities during the quarter reached ₱1.2 billion, from ₱1.3 billion during the 1st quarter of last year due to payment of trade payables and other short-term obligations during the period.

Cash Flows from Investing Activities

For the first quarter of 2018, net cash outflows from investing activities amounted to ₱855 million. Cash outflows during the period were mainly related to the on-going construction of Segment 10, toll plaza expansion, enhancement of interchanges, pavement rehabilitation and modernization of toll road facilities and equipment.

Cash Flows from Financing Activities

Net cash flows from financing activities amounted to ₱2.0 billion. Outflows during the period include the interest expense of ₱63 million, principal repayment of ₱110 million and settlement of dividends payable amounting to ₱1.84 billion during the early part of the year.

Other Financial Information

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

There are no known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

(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 concession agreements include 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 April 28, 2014, NLEX Corporation signed a target cost construction contract with Leighton Contractors (Asia) Ltd., for the civil works of NLEX Segment 10. The target cost is approximately Php10.5 billion (inclusive of VAT) for the civil works and equipment, with a completion period of 24 months from start date.

The Company sourced financing for the construction of Segment 10 through loans and internally-generated cash. The Php7 billion fixed rate bonds and term loans with various banks will be used to finance the construction of Segment 10. This segment is expected to cost around Php11.5 billion. Construction has started in June 2014 and is expected to be completed by the 4Q of 2018.

On April 2017, the Company obtained approval from the Toll Regulatory Board to commence construction of the R-10 section of Segment 10, a 2-km elevated ramp that will extend the end-point of Segment 10 from C-3 Road in Caloocan City to Radial Road 10 closer to the Port Area. The Company expects to commence construction of the Php6.2 billion R-10 Section within the 3rd quarter of 2018

upon obtaining confirmation on the investment recovery mechanism. The Company intends to issue retail bonds to finance the construction cost of this project.

(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.

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.

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

During the period, there were no significant elements of income or loss that arose from transactions outside the registrant's continuing operations.

PART II-- OTHER INFORMATION

List of Disclosures Not Made Under SEC Form 17-C

The Company has disclosed all reportable events under SEC Form 17-C.

SIGNATURE

Pursuant to the requirements of the Code, this Quarterly Report (SEC 17-Q) is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in Caloocan City, Metro Manila on May 15, 2018.

By:



RODRIGO E. FRANCO
President and Chief Executive Officer