

CERTIFICATION

I, **RICARDO M. PILARES III**, Vice President for Legal and Compliance Officer of Metro Pacific Investments Corporation with SEC registration number CS200604494 and principal office at 9th Floor, Tower 1, Rockwell Business Center, Ortigas Avenue, Ugong, Pasig City, under oath states that:

1. I have caused this **SEC Form 17-Q** for the quarterly period ended September 30, 2023 to be prepared on behalf of **Metro Pacific Investments Corporation** (the "Company");
2. I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
3. The Company will comply with the requirements set forth in SEC Notice dated **12 May 2021** for a complete and official submission of reports and/or documents through electronic mail;
4. I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee;
5. The e-mail account designated by the Company pursuant to the SEC Memorandum Circular No. 28, 2020 shall be used by the Company in its online submissions to the CGFD.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of NOV 08 2023 2023 at PASIG CITY City.


RICARDO M. PILARES III

Vice President for Legal/Compliance Officer

SUBSCRIBED AND SWORN to before me on this _____ day of NOV 08 2023 2023 at Makati City, affiant personally appeared before me and exhibiting to me his Driver's License No. N02-98-389275 valid until April 27, 2024.

Doc. No. 150;
Page No. 2;
Book No. 2;
Series of 2023.


CAMILLE MARIA L. CASTOLO
Appointment No. 220
Notary Public for Pasig City
Until December 2023
9th Floor, Tower 1, Rockwell Business Center,
Ortigas Avenue, Pasig City
Roll of Attorneys No. 63466
PTR No. 0162244/06 Jan 2023/Pasig City
IBP No. 261392/03 Jan 2023/Makati City Chapter

COVER SHEET

for
SEC FORM 17-Q

SEC Registration Number

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COMPANY NAME

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O	R	A	T	I	O	N		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S							

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

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Form Type

1	7	-	Q
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

compliance@mpic.com.ph

Company's Telephone Number

+632-8888-0888

Mobile Number

09498895494

No. of Stockholders

1,131 as of September 30, 2023

Annual Meeting (Month / Day)

Last Friday of May

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ms. June Cheryl A. Cabal-
Revilla

Email Address

jcrevilla@mpic.com.ph

Telephone Number/s

+632-8888-0888

Mobile Number

-

CONTACT PERSON'S ADDRESS

9th Floor, Tower 1, Rockwell Business Center, Ortigas Avenue, Pasig City

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

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

SEC Number CS200604494
File Number _____

Metro Pacific Investments Corporation
(Company's Full Name)

9th Floor, Tower 1, Rockwell Business Center,
Ortigas Avenue, Pasig City
(Company's Address)

(+632) 8888-0888
Telephone Number

N/A
(Fiscal Year Ending)
(month & day)

Form 17-Q
Form Type

N/A
Designation (If applicable)

30 September 2023
Period Date Ended

N/A
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2023**
2. SEC identification number **CS200604494**
3. BIR Tax Identification No. **244-520-457-000**
4. Exact name of issuer as specified in its charter
METRO PACIFIC INVESTMENTS CORPORATION
5. Province, country or other jurisdiction of incorporation or organization
Makati City, Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code
9th Floor, Tower 1, Rockwell Business Center, Ortigas Avenue, Pasig City
8. Issuer's telephone number, including area code
(+632) 8888 0888
9. Former name, former address and former fiscal year, if changed since last report
N/A
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding
Common Shares	28,695,934,752*

*Reported by the stock transfer agent as at October 17, 2023 and excluded the shares held by the Company

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

Yes [] No [X]

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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SIGNATURES

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

Registrant : Metro Pacific Investments Corporation
By

Signature : 
Manuel V. Pangilinan

Title : Chairman of the Board and President

Signature : 
June Cheryl A. Cabal-Revilla

Title : Executive Director, Chief Financial Officer
Chief Sustainability Officer and Chief Risk Officer

Date : 8 November 2023

Item 1

FINANCIAL STATEMENTS

METRO PACIFIC INVESTMENTS CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Millions except Per Share Amounts)

	Nine Months Ended September 30 (Unaudited)		Three Months Ended September 30 (Unaudited)	
	2023	2022	2023	2022
OPERATING REVENUES (Note 3)	₱44,792	₱37,607	₱15,418	₱13,320
COST OF SALES AND SERVICES (Note 18)	(16,503)	(15,753)	(5,550)	(5,447)
GROSS PROFIT	28,289	21,854	9,868	7,873
General and administrative expenses (Note 19)	(8,798)	(7,563)	(2,694)	(2,627)
Interest expense (Note 20)	(9,817)	(7,319)	(3,390)	(2,638)
Share in net earnings of equity method investees (Note 8)	13,319	9,528	4,777	3,295
Interest income (Note 20)	1,434	676	489	296
Construction revenue	24,636	23,799	11,190	6,937
Construction costs	(24,636)	(23,799)	(11,190)	(6,937)
Others (Note 20)	633	2,833	110	(75)
INCOME BEFORE INCOME TAX	25,060	20,009	9,160	6,124
PROVISION FOR INCOME TAX				
Current	4,113	2,986	1,568	1,065
Deferred	308	623	87	232
	4,421	3,609	1,655	1,297
NET INCOME	20,639	16,400	7,505	4,827
OTHER COMPREHENSIVE INCOME (LOSS) – NET (Note 17)				
To be reclassified to profit or loss in subsequent periods	632	3,430	2	1,752
Not to be reclassified to profit or loss in subsequent periods	(166)	75	59	16
	466	3,505	61	1,768
TOTAL COMPREHENSIVE INCOME	₱21,105	₱19,905	₱7,566	₱6,595
Net Income Attributable to:				
Owners of the Parent Company	₱16,056	₱13,137	₱5,838	₱3,642
Non-controlling interest	4,583	3,263	1,667	1,185
	₱20,639	₱16,400	₱7,505	₱4,827
Total Comprehensive Income Attributable to:				
Owners of the Parent Company	₱16,401	₱16,271	₱5,922	₱5,208
Non-controlling interest	4,704	3,634	1,644	1,387
	₱21,105	₱19,905	₱7,566	₱6,595
BASIC AND DILUTED EARNINGS PER COMMON SHARE (Note 21)	₱0.5593	₱0.4437	₱0.2034	₱0.1244

See accompanying Notes to the Interim Condensed Consolidated Financial Statements.

METRO PACIFIC INVESTMENTS CORPORATION AND SUBSIDIARIES**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION***(Amounts in Millions)*

	Unaudited September 30, 2023	Audited December 31, 2022
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱27,113	₱33,595
Short-term placements (Note 5)	4,930	8,827
Restricted cash (Note 5)	3,319	4,767
Receivables – net (Note 6)	9,176	9,195
Other current assets (Note 7)	14,215	12,540
Total Current Assets	58,753	68,924
Noncurrent Assets		
Investments and advances – net (Note 8)	200,787	196,323
Service concession assets (Note 9)	360,657	331,693
Property, plant and equipment – net	7,324	6,904
Goodwill (Note 10)	15,301	15,241
Intangible assets – net (Note 10)	716	377
Deferred tax assets – net	976	769
Other noncurrent assets (Notes 4, 6, 7, 24 and 25)	26,086	23,565
Total Noncurrent Assets	611,847	574,872
	₱670,600	₱643,796

See accompanying Notes to the Interim Condensed Consolidated Financial Statements.

(Forward)

METRO PACIFIC INVESTMENTS CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Millions)

	Unaudited September 30, 2023	Audited December 31, 2022
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 11)	₱43,858	₱44,784
Income tax payable	1,427	1,283
Due to related parties (Note 15)	81	83
Short-term and current portion of long-term debt (Note 13)	33,438	20,842
Current portion of:		
Provisions (Note 12)	8,706	8,337
Service concession fees payable (Note 14)	1,081	1,289
Total Current Liabilities	88,591	76,618
Noncurrent Liabilities		
Noncurrent portion of:		
Provisions (Note 12)	2,325	3,030
Service concession fees payable (Note 14)	29,633	28,453
Long-term debt (Note 13)	268,593	271,625
Deferred tax liabilities	10,357	9,898
Other long-term liabilities – net (Notes 11, 23 and 24)	9,755	9,131
Total Noncurrent Liabilities	320,663	322,137
Total Liabilities	409,254	398,755
Equity		
Owners of the Parent Company (Note 16):		
Capital stock	31,661	31,661
Additional paid-in capital	68,638	68,638
Treasury shares	(10,703)	(10,703)
Equity reserves	(971)	(1,377)
Retained earnings	118,181	105,692
Other comprehensive income reserve	6,464	6,177
Total equity attributable to owners of the Parent Company	213,270	200,088
Non-controlling interest	48,076	44,953
Total Equity	261,346	245,041
	₱670,600	₱643,796

See accompanying Notes to the Interim Condensed Consolidated Financial Statements.

METRO PACIFIC INVESTMENTS CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Millions)

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱25,060	₱20,009
Adjustments for:		
Interest expense (Note 20)	9,817	7,319
Amortization of service concession assets (Notes 9 and 18)	3,772	5,011
Depreciation and amortization (Notes 18 and 19)	835	833
Unrealized foreign exchange loss (gain) – net	99	958
Share in net earnings of equity method investees (Note 8)	(13,319)	(9,528)
Interest income (Note 20)	(1,434)	(676)
Dividend income (Note 20)	(88)	(76)
Gain on acquisition of a subsidiary (Notes 4 and 20)	–	(2,661)
Gain on sale of an equity accounted entity (Notes 8 and 20)	(230)	–
Loss on deconsolidation (Notes 4 and 20)	56	–
LTIP expense	370	245
Others	1,053	(150)
Operating income before working capital changes	25,991	21,284
Decrease (increase) in:		
Restricted cash	1,448	(810)
Trade and other receivables	575	(1,044)
Other current assets	(1,817)	(2,323)
Decrease in trade accounts payable, provisions and other current liabilities	(2,545)	(393)
Net cash generated from operations	23,652	16,714
Income tax paid	(3,969)	(2,968)
Interest received	1,017	300
Net cash provided by operating activities	20,700	14,046
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from equity method investees (Note 8)	10,632	8,511
Dividends received from investment in AFS	88	76
Collection of or proceeds from sale/disposal of:		
Investment in an equity accounted entity, net of transaction costs (Note 8)	308	129
Investment in a subsidiary, net of cash acquired/disposed (Note 4)	182	3,625
Property, plant and equipment	34	66
Financial assets (Note 25)	430	–
Acquisition of/additions to:		
Service concession assets (Notes 9 and 26)	(30,569)	(28,460)
Financial assets	(2,001)	–
Investments and advances (Note 8)	(1,111)	(8,144)
Property, plant and equipment (Note 26)	(790)	(1,111)
Acquisition of subsidiary net of cash acquired (Note 4)	(138)	454
Acquisition of noncontrolling interest (Note 4)	(100)	–
Decrease (increase) in:		
Short-term placements (Note 5)	3,897	(1,114)
Other noncurrent assets	(2,530)	(3,142)
Net cash used in investing activities	(21,668)	(29,110)

(Forward)

METRO PACIFIC INVESTMENTS CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Millions)

	Nine Months Ended	
	September 30 (Unaudited)	
	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt or proceeds from:		
Short-term and long-term debt (Note 13)	₱18,151	₱42,718
Contributions from noncontrolling stockholders	2,030	951
Payments of/for:		
Short-term and long-term debt (Note 13)	(9,142)	(24,273)
Interest and other financing charges	(8,211)	(6,190)
Dividends paid to owners of the Parent Company	(3,625)	(3,279)
Dividends paid to noncontrolling stockholders	(3,226)	(2,635)
Service concession fees payable (Note 14)	(1,039)	(853)
Lease liability	(276)	(213)
Transaction costs on long-term debt (Note 13)	(176)	(145)
Acquisition of treasury shares (Note 16)	–	(3,355)
Net cash from (used in) financing activities	(5,514)	2,726
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,482)	(12,338)
CASH AND CASH EQUIVALENTS AT JANUARY 1	33,595	44,858
CASH AND CASH EQUIVALENTS AT SEPTEMBER 30 (Note 5)	₱27,113	₱32,520

See accompanying Notes to the Interim Condensed Consolidated Financial Statements.

METRO PACIFIC INVESTMENTS CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(Amounts in Millions)

	Nine Months Ended September 30, 2023 (Unaudited)								
	Attributable to Owners of the Parent Company								
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Equity Reserves	Retained Earnings	Other Comprehensive Income (“OCI”) Reserve (Note 17)	Total	Non- controlling Interest (“NCI”)	Total Equity
At January 1, 2023	₱31,661	₱68,638	(₱10,703)	(₱1,377)	₱105,692	₱6,177	₱200,088	₱44,953	₱245,041
Total comprehensive income for the period:									
Net income	–	–	–	–	16,056	–	16,056	4,583	20,639
Other comprehensive income	–	–	–	–	–	345	345	121	466
Disposal of FVOCI financial assets	–	–	–	–	58	(58)	–	–	–
Cash dividends declared (Note 16)	–	–	–	–	(3,625)	–	(3,625)	–	(3,625)
Dividends declared to non-controlling stockholders	–	–	–	–	–	–	–	(2,923)	(2,923)
Recognition of financial liability on NCI put option (Note 24)	–	–	–	349	–	–	349	(558)	(209)
Contribution from non-controlling interest and others	–	–	–	57	–	–	57	1,900	1,957
At September 30, 2023	₱31,661	₱68,638	(₱10,703)	(₱971)	₱118,181	₱6,464	₱213,270	₱48,076	₱261,346

METRO PACIFIC INVESTMENTS CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(Amounts in Millions)

	Nine Months Ended September 30, 2022 (Unaudited)								
	Attributable to Owners of the Parent Company								
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Equity Reserves	Retained Earnings	OCI Reserve (Note 17)	Total	NCI	Total Equity
At January 1, 2022	₱31,661	₱68,638	(₱5,705)	(₱1,352)	₱98,475	₱1,587	₱193,304	₱43,561	₱236,865
Total comprehensive income for the period:									
Net income	–	–	–	–	13,137	–	13,137	3,263	16,400
Other comprehensive income	–	–	–	–	–	3,134	3,134	371	3,505
Restricted Stock Unit Plan (“RSUP”)	–	–	–	13	–	–	13	–	13
Treasury shares (Note 16)	–	–	(3,355)	–	–	–	(3,355)	–	(3,355)
Contributions from NCI	–	–	–	–	–	–	–	951	951
Cash dividends declared (Note 16)	–	–	–	–	(3,279)	–	(3,279)	–	(3,279)
Recognition of financial liability on NCI put option (Note 24)	–	–	–	(528)	–	–	(528)	(98)	(626)
Dividends declared to non-controlling stockholders	–	–	–	–	–	–	–	(2,055)	(2,055)
Contribution from non-controlling interest and others	–	–	–	2	–	–	2	(108)	(106)
At September 30, 2022	₱31,661	₱68,638	(₱9,060)	(₱1,865)	₱108,333	₱4,721	₱202,428	₱45,885	₱248,313

See accompanying Notes to the Interim Condensed Consolidated Financial Statements

METRO PACIFIC INVESTMENTS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Metro Pacific Investments Corporation (the “Parent Company”, or “MPIC”) was incorporated in the Philippines and registered with the Philippines Securities and Exchange Commission (“SEC”) on March 20, 2006 as an investment holding company. MPIC’s common shares of stock were previously listed in and traded through the Philippine Stock Exchange (“PSE”). On September 29, 2023, the PSE approved MPIC’s Petition for Voluntary Delisting and accordingly ordered the delisting of the latter’s shares from the Official Registry of the Exchange effective on October 9, 2023 (see Note 16).

The principal activities of the Parent Company’s equity method-accounted investees and subsidiaries are described in Notes 8 and 28, respectively. The Parent Company and its subsidiaries are collectively referred to as the “Company” or the “Group”.

Metro Pacific Holdings, Inc. (“MPHI”) owns 48.2% of the total issued and outstanding common shares of MPIC as at September 30, 2023 and December 31, 2022. 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 60.7% and 59.1% as at September 30, 2023 and December 31, 2022 (see Note 16), respectively.

MPHI is a Philippine corporation whose stockholders are Enterprise Investment Holdings, Inc. (“EIH”; 60.0% interest), Intalink B.V. (26.7% interest) and First Pacific International Limited (“FPIL”; 13.3% interest). 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 and investment financing in EIH 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 the FPC group of companies in Hong Kong.

The registered office address of the Parent company is 9th Floor, Tower 1, Rockwell Business Center, Ortigas Avenue, Pasig City.

The accompanying unaudited interim consolidated financial statements as at September 30, 2023 and for the nine months ended September 30, 2023 and 2022 were approved and authorized for issuance by MPIC’s Board of Directors (“BOD”) on November 8, 2023.

2. Summary of Significant Accounting Policies

Basis of Preparation

The interim consolidated financial statements, which have been prepared in accordance with Philippine Accounting Standard (“PAS”) 34, *Interim Financial Reporting*, are presented in Philippine Peso, which is MPIC’s functional and presentation currency, and all values are rounded to the nearest million pesos (₱000,000), except when otherwise indicated.

The interim 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 consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, 2021 and 2020.

Changes in Accounting Policies and Disclosures

Our accounting policies are consistent with those followed in the preparation of the Company’s annual consolidated financial statements for the year ended December 31, 2022, except for the following adoption of new and amended Philippine Financial Reporting Standards (“PFRS”) effective January 1, 2023. These do not have a material impact on the interim consolidated financial statements of the Company.

- 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:

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

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

- 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.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

- 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).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective except for the following:

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Sales or contributions of assets between an investor and its associate/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 Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board ("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. However, earlier application of these amendments continue to be permitted. In light of its early adoption of this amendment, the Company recognized the full gain from the deconsolidation of Global Business Power Corporation ("GBPC") in 2021 using the PFRS 10 guidance.

Basis of Consolidation

The interim consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at September 30, 2023 (see Note 28).

3. **Operating Segment Information**

Operating Segment

For management purposes, the Company is organized into the following segments based on services and products:

Power, which primarily relates to the operations of Manila Electric Company ("MERALCO") in relation to the distribution, supply and generation of electricity. The investment in MERALCO is held both directly and indirectly through Beacon Electric Asset Holdings, Inc. ("Beacon Electric").

Toll Operations, which primarily relate to operations and maintenance of toll facilities by Metro Pacific Tollways Corporation ("MPTC") and its subsidiaries NLEX Corporation ("NLEX Corp."), Cavitex Infrastructure Corporation ("CIC"), MPCALA Holdings ("MPCALA"), Cebu Cordova Link Expressway Corporation ("CCLEC"), and foreign investees, CII Bridges and Roads Investment Joint Stock Company ("CII B&R"), PT Nusantara Infrastructure Tbk ("PT Nusantara") and Jasa Marga Jalanlayang Cikampek ("JJC") (see Note 8). Certain toll projects are either under pre-construction or ongoing construction as at September 30, 2023 (see Note 9).

Water, which relates to the provision of water and sewerage services by Maynilad Water Holding Company, Inc. (“MWHC”) and its subsidiaries, Maynilad Water Services, Inc. (“Maynilad”) and Philippine Hydro, Inc. (“PHI”), and other water-related services by MetroPac Water Investments Corporation (“MPW”) and its subsidiaries.

Rail, which primarily relates to Metro Pacific Light Rail Corporation (“MPLRC”) and its subsidiary, Light Rail Manila Corporation (“LRMC”), the concessionaire for the operations and maintenance of the Light Rail Transit – Line 1 (“LRT-1”) and construction of the LRT-1 south extension.

Others, which represent holding companies and operations of subsidiaries and other investees involved in health, fuel storage, real estate, biogas, food and agriculture.

The Company’s chief operating decision maker continues to be comprised of the MPIC BOD.

Seasonality

Power. For MERALCO, electricity sales exhibit a degree of quarterly seasonality with the first quarter having lower than the average electricity sales as this period is characterized by cooler temperature and softer consumer demand following heightened consumer spending in the last quarter of the year. The second quarter is marked by higher than average electricity sales. This is due to a number of factors, including: increased consumption of households and commercial establishments due the summer season; increased production of industries to replenish stocks and in preparation for the opening of classes; and, heightened construction activity to take advantage of the sunny weather. In the third quarter of the year, manufacturing industries that cater to the export market have their peak production schedule at this time as they rush to meet shipping deadlines to foreign markets. Industries catering to the domestic market are also now starting production in preparation for the Christmas season. The fourth quarter performance is about the average of the year.

Toll Operations. The Company’s toll road operations are a seasonal business. Based on historical traffic on the North Luzon Expressway (“NLEX”), Subic-Clark-Tarlac Expressway (“SCTEX”), Manila – Cavite Expressway (“CAVITEX”) and Cavite-Laguna Expressway (“CALAX”), 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.

For PT Nusantara, based on historical traffic for its toll roads, the months of January and February are usually below the normal average traffic due to end of holidays and peak of rainy season. Traffic is then expected to improve in the months of March to April due to the summer season. For the months May to July, traffic is likely to decrease as a result of the long holidays (Ramadan and Lebaran holidays) but is expected to stabilize in the months August to November. Traffic will improve again in December due to the Christmas season.

Water. The Company’s water utilities business is also seasonal, with comparatively lower revenues during the rainy season in the Philippines.

Rail. The Company’s rail business is seasonal, with lower ridership during the second quarter of the year due to summer holiday in schools. In addition to this, LRT-1 is also closed from Holy Thursday to Easter Sunday, and this typically occurs in March or April.

Impact of Coronavirus (“COVID-19”) to MPIC’s Businesses and Operations

The businesses of the Company have been affected by the global outbreak of a novel strain of COVID-19, which was first reported in city of Wuhan, Hubei Province, People’s Republic of China. While the outbreak was initially concentrated in China, in January 2020, the World Health Organization (“WHO”) declared the COVID-19 outbreak as a “Public Health Emergency of International Concern” and as a pandemic on March 11, 2020. COVID-19 has severely affected and continues to seriously affect the global economy. Several nations and territories, including the Philippines, have imposed strict quarantine measures, social distancing rules, closure of work sites, restaurants, bars and non-essential services, and even complete lockdowns of certain populations or areas. These measures resulted in drastically reduced economic activities, which brought down demand for the businesses of the Group.

The mobility restrictions implemented by the Republic of the Philippines (“ROP” or the “Government”) has affected the average daily traffic for the Company’s toll roads business, and consequently toll revenues. Its light rail business was limited to a maximum operating capacity of 30% from October 2020 until it was increased to 70% in November 2021 and 100% in March 2022.

After a steady and continued decline in infection and hospitalization rates, on March 1, 2022, the country was placed under the lowest level of mobility restriction.

Following WHO’s announcement that COVID-19 is now an established and ongoing health issue which no longer constitutes a public health emergency of international concern, the Government lifted the State of Public Health Emergency throughout the Philippines on July 21, 2023.

Government authorities in other countries where the Group and its associated companies operate, such as Indonesia and Vietnam, have also adopted measures, including lockdowns and closure of non-essential businesses, in an attempt to control the spread of the virus and mitigate the impact of the outbreak.

The Group has substantially recovered and exceeded pre-pandemic performance with the exception of rail ridership.

- a. *Water – Maynilad.* The pandemic resulted in higher residential demand which carry a lower average tariff rate because of the closure of non-essential businesses which affected the non-domestic customer segment. Market mix has now significantly improved with the increase in non-domestic water consumption.
- b. *Rail.* Rail operations were suspended on the first instance of quarantine and were only resumed in June 2020 at a limited capacity of 13%. In October 2020, following the Department of Transportation’s (“DOTr”) directive to gradually increase maximum passenger capacities, LRMCA adjusted passenger loading capacity to 30%. On November 4, 2021, the passenger capacity for rail lines and selected public utility vehicles operating in Metro Manila and its adjacent provinces was increased to 70%. The current surge of COVID-19 cases at the start of 2022 due to the Omicron variant has naturally kept actual ridership capacity to less than 30%. On March 1, 2022, public transport was finally allowed to operate at 100% capacity.

During the first nine months of 2022, LRMCA was able to collect its Business Interruption Claim for Infectious Disease related to the impact of COVID-19 to its operations from its insurers/reinsurers totalling ₱128 million.

Segment Performance

Segment performance continues to be evaluated based on: consolidated net income for the period; earnings before interest, taxes and depreciation and amortization (“EBITDA”), or Core EBITDA; Core EBITDA margin; and core income. Net income for the period is measured consistently with consolidated net income in the consolidated financial statements.

There are no revenue transactions with a single customer that accounted for 10% or more of the Company's consolidated revenues and no material inter-segment revenue transactions for the nine-month periods ended September 30, 2023 and 2022. The Company's revenue substantially comprises of services for which revenue recognition is over time. There is no entity within the group that have not had revenues in each of the last two fiscal years, or any interim period in this report, except for companies under liquidation and/or are dormant.

The following table shows the reconciliations of the Company's consolidated core income to consolidated net income for the nine-month periods ended September 30, 2023 and 2022.

	Nine Months Ended September 30	
	2023	2022
	(Unaudited)	
	<i>(In Millions)</i>	
Consolidated core income attributable to owners of the Parent Company	₱16,227	₱11,830
Non-recurring income – net	(171)	1,307
Consolidated net income attributable to owners of the Parent Company	16,056	13,137
Consolidated net income attributable to Non-controlling Interests	4,583	3,263
Consolidated net income	₱20,639	₱16,400

By Principal Business Activity

The following table presents revenue and profit information of operating segments for the nine-month periods ended September 30, 2023 and 2022:

	Power	Toll Operations	Water	Rail	Other Businesses	Consolidated
Total revenue from external sales	₱–	₱19,787	₱21,763	₱1,803	₱1,439	₱44,792
Core EBITDA	(4)	13,851	13,155	82	(1,259)	25,825
Core EBITDA Margin	–%	70%	60%	5%	–%	58%
Core income (loss) attributable to MPIC	13,763	4,072	3,493	(158)	(4,943)	16,227
Non-recurring income (expense)	(7)	(177)	(30)	(6)	49	(171)
Reported net income (loss) attributable to MPIC	₱13,756	₱3,895	₱3,463	(₱164)	(₱4,894)	₱16,056

	Power	Toll Operations	Water	Rail	Other Businesses	Consolidated
Total revenue from external sales	₱–	₱16,444	₱18,582	₱1,260	₱1,321	₱37,607
Core EBITDA	(5)	10,969	11,766	(98)	(756)	21,876
Core EBITDA Margin	–%	67%	63%	–%	–%	58%
Core income (loss) attributable to MPIC	8,886	4,064	2,236	(242)	(3,114)	11,830
Non-recurring income (expense)	73	(425)	26	(5)	1,638	1,307
Reported net income (loss) attributable to MPIC	₱8,959	₱3,639	₱2,262	(₱247)	(₱1,476)	₱13,137

The following table presents segment assets and segment liabilities of the Company's operating segments (amounts in Peso millions):

	Power	Toll Operations	Water	Rail	Other Businesses	Adjustments/ Eliminations	Consolidated
Segment assets	₱558	₱219,399	₱161,282	₱41,275	₱31,022	₱16,277	₱469,813
Investments and Advances	151,187	24,948	1,654	–	22,998	–	200,787
Consolidated Total Assets as at							
September 30, 2023 (Unaudited)	₱151,745	₱244,347	₱162,936	₱41,275	₱54,020	₱16,277	₱670,600
Segment assets	₱19	₱211,390	₱151,963	₱38,699	₱29,392	₱16,010	₱447,473
Investments and Advances	148,452	23,654	1,645	–	22,572	–	196,323
Consolidated Total Assets as at							
December 31, 2022 (Audited)	₱148,471	₱235,044	₱153,608	₱38,699	₱51,964	₱16,010	₱643,796
Segment liabilities:							
As at September 30, 2023 (Unaudited)	₱3,070	₱179,792	₱91,117	₱33,353	₱91,569	₱10,357	₱409,258
As at December 31, 2022 (Audited)	₱3,771	₱172,501	₱85,152	₱33,701	₱93,732	₱9,898	₱398,755

By Geographical Market

While the Company's geographic focus is still predominantly the Philippines, MPIC also has presence in Southeast Asia with its investments in Indonesia (PT Nusantara) and Vietnam [CII B&R, Tuan Loc Water Resources Investment Joint Stock Company ("TLW") and BOO Phu Ninh Water Treatment Plant Joint Stock Company ("PNW")] (see Notes 8 and 28).

	Nine Months Ended	
	September 30	
	2023	2022
	(Unaudited)	
	<i>(In Millions)</i>	
Revenues:		
Philippines	₱42,500	₱35,578
Indonesia	2,266	2,001
Vietnam	26	28
	₱44,792	₱37,607
Share in net earnings of equity method-accounted investees (see Note 8):		
Philippines	₱13,520	₱9,238
Indonesia	(309)	184
Vietnam	108	106
	₱13,319	₱9,528
	September 30,	December 31,
	2023	2022
	(Unaudited)	(Audited)
	<i>(In Millions)</i>	
Non-current assets (other than financial instruments and deferred tax assets):		
Philippines	₱546,499	₱511,316
Indonesia	48,128	45,695
Vietnam	4,495	6,856
	₱599,122	₱563,867

4. Business Combinations and Disposals

Transactions during the nine-month period ended September 30, 2023

Acquisition of Noncontrolling Interest in Eco-System Technologies International (“ESTII”), Inc. On August 10, 2023, MPW signed an agreement to buy out Eco-System Technologies Inc.’s (“ESTI”) 35% share in ESTII for a purchase price of ₱100 million. MPW now owns 100% of ESTII after the acquisition.

The acquisition was accounted for as an equity transaction in the consolidated financial statements, with the difference between the carrying value of the additional interest acquired and the total consideration paid, recognized in equity.

	<i>(In Millions)</i>
Gross consideration paid	₱100
Less: Carrying value of net assets acquired (35%)	(170)
<u>Difference recognized in equity reserves</u>	<u>(₱70)</u>

Acquisition of Assist and Assistance Concept, Inc (“AACI”). On July 31, 2023, MPT Mobility Corporation entered into a Sale and Purchase Agreement with Smart Target (Hong Kong) Limited (“Smart Target” or “Seller”) and AXA Partners Holding SA (“AXA” or “Lender and Sponsor”) relating to the sale and purchase of (a) 100,000 common shares in AACI or 100% of the issued and outstanding capital stock of AACI for the amount of ₱7 million; and (b) AXA advances in AACI for the amount of ₱10.5 million. AACI is a corporation engaged in the business of emergency roadside, travel, and health assistance in the Philippines.

The following are the provisional fair values of the identifiable assets and liabilities as at the date of acquisition:

	Provisional Values
	<i>(In Millions)</i>
Assets	
Current assets	₱58
Noncurrent assets	6
	<u>64</u>
Liabilities	
Current liabilities	15
Noncurrent liabilities	42
	<u>57</u>
Total identifiable net assets at fair value	7
Goodwill arising on acquisition	–
<u>Consideration transferred</u>	<u>₱7</u>

Net cash inflow on acquisition is as follows:

	<i>(In Peso Millions)</i>
Cash acquired with the subsidiary ^(a)	₱42
Total cash payment on completion	(7)
<u>Net cash inflow on completion</u>	<u>₱35</u>

^(a)Cash acquired with the subsidiary is included in cash flows from investing activities.

From the date of acquisition, AACI contributed consolidated revenue of ₱17 million after elimination. Meanwhile, the contribution to the consolidated net income amounted to ₱6 million net loss for the period ended September 30, 2023. If the combination had taken place at the beginning of 2023, contributions to the consolidated revenue and consolidated net income would have been ₱55 million of revenue and ₱2 million of net loss for the period ended September 30, 2023.

Acquisition of a 51% equity interest in The Laguna Creamery, Inc. (“TLCI”). On June 27, 2022, MPIC entered into an Investment Framework Agreement (the “TLCI Agreement”) with Carmen’s Best Dairy Products, Inc., Carmen’s Best International Dairy Company, Inc., Real Fresh Dairy Farms, Inc., TLCI, RMJ Development Corporation, and certain individual shareholders (collectively, the “Carmen’s Best Group”). Under the TLCI Agreement, MPIC or its nominated subsidiary, Metro Pacific Agro Ventures (“MPAV”), will acquire a total of 517,803 common shares, representing approximately 51% of the outstanding shares of TLCI, for a total consideration of ₱198 million. After the satisfaction of the conditions precedent including the procurement of regulatory and third-party approvals, the increase in authorized capital stock of TLCI and the consolidation of the assets and business of the Carmen’s Best Group in TLCI, the acquisition was completed on May 19, 2023 through a combination of secondary shares acquired from certain shareholders of TLCI and primary shares issued by TLCI to MPAV. After the transaction, TLCI became a subsidiary of MPIC. The transaction is pursuant to MPIC’s plan to diversify its investment portfolio to include the agricultural sector.

The Carmen’s Best Group is behind the Philippine-grown premium ice cream brand, Carmen’s Best Ice Cream, and the country’s only locally pasteurized and homogenized fresh milk, Holly’s Milk. It operates a dairy farm where it also produces artisanal cheese under the Carmen’s Best Natural Cheese and Holly’s brands.

The following are the provisional fair values of the identifiable assets and liabilities as at the date of acquisition:

	Provisional Values (In Peso Millions)
Assets	
Current assets	₱155
Property, plant and equipment	140
Intangible asset	201
Other noncurrent assets	18
Total Assets	514
Liabilities	
Accounts payable and other current liabilities	55
Notes payable	118
Deferred tax liability	43
Total Liabilities	216
Total identifiable net assets at fair value	298
Fair Value of Noncontrolling interest	(146)
Goodwill from acquisition	46
Total Consideration^(a)	₱198

The intangible asset identified on acquisition pertains to the Carmen’s Best brand, the useful life of which is indefinite and will be tested annually for impairment together with the resulting goodwill.

Net cash inflow on acquisition is as follows:

	<i>(In Peso Millions)</i>
Cash acquired with the subsidiary ^(a)	P25
Total cash payment on completion	(198)
Net cash outflow on completion	(P173)

^(a)Cash acquired with the subsidiary is included in cash flows from investing activities.

If the consolidation had taken place at the beginning of 2023, contribution to the consolidated revenues and net loss attributable to MPIC would have been P93.8 million and P4.6 million, respectively.

Sale of shares of PT Tirta Bangun Nusantara (“TBN”). On December 23, 2022, Potum entered into a Conditional Share Purchase Agreement (“CSPA”) with PT Bahtera Hijau Mandiri to sell TBN for a total transaction value of P196 million (IDR 55 billion). Potum received an advance payment of P156 million (IDR 44 billion) at the time of the agreement.

On January 25, 2023, the agreement was finalized, and TBN, along with its associate PT Tirta Kencana Cahaya Mandiri (“TKCM”), were divested. Potum received the final payment of P36 million (IDR 10 billion) on that date, with the remaining P4 million (IDR 1 billion) to be paid one year after the signing of the CSPA.

	<i>(In Peso Millions)</i>
Consideration received or receivable:	
Gross proceeds	P196
Less: Transaction costs	14
	182
Less: Carrying amount of net assets deconsolidated	155
Gain on deconsolidation	P27

The carrying amounts of the net assets of TBN as at the date of deconsolidation were:

(In Peso Millions)

Total assets	P172
Less: Total liabilities	17
Net assets	P155

MPTI recognized a loss for TKCM’s unamortized fair value increment amounting to P83 million (IDR 17.8 billion) and deferred tax of P27 million (IDR 5 billion).

Transactions during the nine-month period ended September 30, 2022

Step acquisition of Landco Pacific Corporation (“Landco”). On March 31, 2022, MPIC entered into deeds of absolute sale of shares for the acquisition of a total of 6,354,634 common shares, representing an aggregate of 61.9% of the issued and outstanding capital stock of Landco, for a total consideration of P429 million with the following sellers: (a) AB Holdings Corporation (“ABHC”; a shareholder in Landco) owning 6,252,011 shares; and (b) individual shareholders owning a total of 102,623 shares. As a result of the transaction, Landco is now a wholly-owned subsidiary of MPIC. The total consideration amounting to P429 million was offset against the existing receivables of MPIC. The parties’ existing obligations were settled upon closing.

- Prior to this transaction, MPIC holds 38.1% ownership interest in Landco. With MPIC acquiring control over Landco, this transaction will be accounted for using the acquisition method under PFRS 3, *Business Combination*. In accordance with PFRS 3, the total consideration transferred

amounted to ₱3,326 million, consisting of (i) pre-existing intercompany advances of ₱2,897 million, inclusive of previously impaired advances to Landco amounting to ₱1,799 million (see Note 24); and, (ii) ₱429 million, as covered by the deeds of absolute sale.

- Final remeasurement gain of ₱355 million was recognized in relation to the 38.1% previously held interest in Landco (see Note 24). Landco was previously accounted for as a joint venture under PAS 28, *Investments in Associates and Joint Ventures*, and was fully impaired (see Note 8).
- Landco was fully consolidated beginning acquisition date.

The following are the final fair values of the identifiable assets and liabilities as at the date of acquisition:

	Final Values <i>(In Millions)</i>
Assets	
Cash and cash equivalents	₱470
Receivables	1,382
Contract assets	1,074
Real estate for sale	2,041
Investment in equity method investees	369
Property and equipment	21
Investment property	313
Other assets	673
	<u>6,343</u>
Liabilities	
Accounts payable and other current liabilities	1,404
Customer deposits	219
Notes payable	21
Due to related parties	109
Deferred tax liabilities	399
Other noncurrent liabilities	427
	<u>2,579</u>
Noncontrolling interest	<u>(64)</u>
Total identifiable net assets at fair value	3,828
Fair value of previously held interest (see Note 20)	(355)
Gain from acquisition (see Note 20)	(147)
Consideration transferred	<u>₱3,326</u>

Net cash inflow on acquisition is as follows:

Cash acquired with the subsidiary ^(a)	₱470
Total cash paid on transaction date	–
Net cash inflow on transaction date	<u>₱470</u>

^(a)Cash acquired with the subsidiary is included in cash flows from investing activities.

The acquisition resulted in a gain as the fair value of its net assets far exceeded the acquisition price. The increase in fair value is mainly coming from Landco's inventories.

The Company recognized a remeasurement gain on previously held interest and gain from acquisition amounting to ₱306 million and ₱68 million, respectively, in the consolidated statements of comprehensive income for the period ended September 30, 2022 based on Landco's provisional fair values (see Note 20). The fair values were finalized by end of 2022.

If the consolidation had taken place at the beginning of 2022, contribution to the consolidated revenues and net income attributable to MPIC would have been ₱930 million and ₱319 million, respectively.

Landco is primarily engaged in all aspects of real estate business which includes real estate consultancy encompassing project management and business planning services; dealing in and disposing of all kinds of real estate projects involving commercial, industrial, urban, residential or other kinds of real property; construction, management, operation and leasing tenements of the corporation or other persons; and acting as real estate broker on a commission basis. On March 31, 2022, Landco became a wholly-owned subsidiary of MPIC.

5. Cash and Cash Equivalents, Short-term Placements and Restricted Cash

Cash and Cash Equivalents. For the purpose of the interim consolidated statements of cash flows for the nine months ended September 30, 2023 and 2022, details of cash and cash equivalents are as follows:

	September 30, 2023 (Unaudited)	September 30, 2022
	<i>(In Millions)</i>	
Cash on hand and in banks	₱9,153	₱20,411
Short-term placements that qualify as cash equivalents	17,960	12,109
	₱27,113	₱32,520

Cash and cash equivalents include cash in banks and temporary placements that are made for varying periods of up to three months depending on the immediate cash requirements of the Company. Cash in banks and temporary placements earn interest at the prevailing bank and temporary placements rates, respectively.

Short-Term Placements. Short-term placements are deposits with original maturities of more than three months to one year from dates of acquisition and earn interest at the prevailing short-term deposit rates. These also include investments in Unit Investment Trust Fund (“UITF”). While the UITF was classified as financial asset at fair value through profit or loss (“FVPL”), the entire investment is presented under the short-term placements account as the fund comprises of short-term money market securities, time and special deposit accounts with average maturity of less than 30 days and is part of the Company’s cash management policy.

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Millions)</i>	
Short-term placements	₱4,930	₱8,827

Restricted Cash. Restricted cash, classified under current assets, pertains to sinking fund or debt service account (“DSA”) representing amounts set aside for semi-annual principal and interest payments of certain long-term debt; maintenance reserve account for maintenance and rehabilitation expenditures; and proceeds from performance guarantees. This DSA is maintained and replenished in accordance with the provision of the loan agreements.

6. Receivables

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Millions)</i>	
Trade (see Notes 3 and 4):		
Water	₪4,120	₪4,084
Real Estate	438	833
Tollroads	633	646
Others	164	119
Dividend receivable (see Note 8)	215	240
Concession financial receivable ^(a)	2,472	2,390
Advances to Department of Public Works and Highways (“DPWH”) ^(b)	1,436	1,441
Notes receivables ^(c)	1,244	–
Lease receivable	1,343	1,286
Contract assets/unbilled receivables	1,195	978
Nontrade ^(d)	2,572	2,299
	15,832	14,316
Less allowance for impairment loss ^(e)	2,076	1,746
	13,756	12,570
Less current portion	9,176	9,195
Noncurrent portion	₪4,580	₪3,375

- a. On April 24, 2012, PT Dain Celicani Cemerlang (“DCC”), a subsidiary of PT Nusantara entered into a Cooperation Agreement for the supply of treated water to PT Kawasan Industri Medan (Persero) (“KIM”) for a period of 20 years (excluding construction phase). The agreement states that DCC shall build a water treatment plant on the land owned by KIM under build-operate-transfer (“BOT”) scheme. Both parties agree the minimum supply of treated water volume at transfer point is 250,000 cubic meter (“cu.m.”) per month at IDR 5,800 per cu.m. [excluding value-added tax (“VAT”)]. The price will be evaluated and adjusted at 10% in every three (3) years or at the time of the increase in electricity, fuel and other tariff which affect production costs directly. The concession financial receivable pertains to the guaranteed minimum payment that will be received by DCC from KIM under the water supply agreement.

In August 2018, PT Energi Infranasantara, a wholly-owned subsidiary of PT Nusantara, acquired 80% of the capital stock of PT Rezeki Perkasa Sejahtera Lestari (“RPSL”), a biomass power plant operator. RPSL has an Electrical Power Purchase Agreement with PT Perusahaan Listrik Negara (Persero) (“PLN”) for the construction and operation of a Biomass Power Plant for a period of twenty (20) years from the start of operations. Under the agreement, RPSL will supply a portion of the generated power from the power plant to PLN in accordance with the terms and conditions of the agreement. The concession financial receivable pertains to the guaranteed minimum payment that will be received by RPSL from PLN under the electrical power purchase agreement.

Finance income amounting to ₪158 million and ₪163 million were recognized in the interim consolidated statement of comprehensive income for the nine-month period ended September 30, 2023 and 2022, respectively (see Note 20).

- b. Advances to DPWH include: (i) advances in order to fast track the acquisition of right-of-way for the construction of Segments 9 and 10, portions of Phase II of NLEX pursuant to the Reimbursement Agreement entered into by NLEX Corp. with DPWH in 2013; (ii) direct advances to certain

Segment 9 landowners as consideration for the grant of immediate right-of-way 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.; (iii) 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 right-of-way (“ROW”) acquisition for the Connector road Project. The DPWH proposed to offset the funding support against Periodic Payment due to the Government under Clause 7.3.11 of the Concession Agreement. 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; (iv) advances and reimbursement agreement between MPCALA Holdings, Inc. (“MPCALA”) and DPWH where the parties have agreed that DPWH shall execute its power to acquire the necessary right-of-way while MPCALA shall advance the amounts negotiated for such and shall be later reimbursed by DPWH within 60 days from the receipt of the MPCALA’s request for reimbursement. These advances to DPWH are noninterest-bearing and are collectible within a year; and (v) advances and reimbursement agreement between Cavitex Infrastructure Corporation (“CIC”) and DPWH in 2018 where DPWH requested these advances in order to fast track the acquisition of ROW for the construction of Segment 3, now referred to as C5 South Link. The balance also includes direct advances to certain Segment landowners as consideration for the grant of immediate ROW possession to the Company ahead of the expropriation proceedings.

- c. In 2014, MPW entered into an agreement to operate and maintain a bulk water facility owned by *Rio Verde Water Corporation* (“RV”) supplying Cagayan de Oro City. The original agreement was restructured to a loan payable over 25 years. The principal amount of the loan is the amount of MPW’s investment to date, with an aggregate total of ₱1.2 billion.

RV will solely operate and maintain the 80-MLD water treatment plant moving forward. On the other hand, COBI executed a Bulk Water Purchase agreement with RV for the offtake of 80 MLD to be sold eventually to the water district.

- d. Nontrade receivables included: (i) advances to customers, affiliates and officers and employees that are generally collectible within a year and (ii) advances to former subsidiaries and related parties (see Note 15). Portion of advances to former subsidiaries and affiliates of the Company are fully provided with allowance.
- e. The allowance for impairment loss on receivables comprises estimated losses: (i) on individually impaired accounts; and (ii) from performing collective impairment test using provision matrix to calculate expected credit losses.

The noncurrent portion of the receivables are included under the “Other noncurrent assets” account in the consolidated statements of financial position.

7. Other Current Assets

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<i>(In Millions)</i>		
Current portion of:		
Input value-added tax (“VAT”) ^(a)	₱7,098	₱6,554
Due from related parties (see Note 15)	390	439
Advances to contractors and consultants ^(b)	949	780
Inventories ^(c)	1,356	1,139
Prepaid expenses and deposits ^(d)	1,059	1,153
Real estate for sale ^(e)	2,606	2,108
Creditable withholding taxes (“CWT”) ^(f)	906	910
Contract assets	1,074	498
Financial assets at fair value through other comprehensive income (“FVOCI”)	129	112
Asset held for disposal (see Note 8)	–	216
Others	94	77
	15,661	13,986
Less allowance for decline in value ^(f)	1,446	1,446
	₱14,215	₱12,540

- a. Input VAT pertains to VAT imposed on purchases of goods and services. These are expected to be offset against output VAT (see Note 11) arising from the Company’s revenue/income subject to VAT in the future. Noncurrent portion as at September 30, 2023 and December 31, 2022 amounted to ₱113 million and ₱201 million, respectively, and is included under “Other noncurrent assets”.

The noncurrent portion pertains to input VAT that can be offset against output VAT beyond one year and those that can be claimed as tax credits. As at September 30, 2023 and December 31, 2022, management provided allowance for unrecoverable input taxes amounting to ₱692 million.

- b. Noncurrent portion of advances to contractors and consultants included under “Other noncurrent assets” as at September 30, 2023 and December 31, 2022 amounted to ₱8,711 million and ₱6,448 million, respectively.
- c. Inventories as at September 30, 2023 and December 31, 2022, mainly pertains to LRMC’s rail engineering supplies and others. The Company provides inventory obsolescence for the difference between cost and net realizable value (“NRV”) of inventories due to damage, physical deterioration, obsolescence, changes in price levels or other causes. Allowance for inventory losses amounted to ₱183 million as at September 30, 2023 and December 31, 2022.
- d. Prepaid expenses mainly pertain to insurance, performance bond and various deposits. With the discontinuance of the logistics segment, management provided allowance for impairment losses of prepaid assets amounting to ₱110 million as at September 30, 2023 and December 31, 2022 (see Note 24).

In March 2023, MPIC paid out its Long-term Incentive Plan (“LTIP”) from a funded deposit as a result of its investment management agreement with a trustee bank. This was upon fulfillment of targets and approval of the BOD (see Note 11).

Real estate for sale pertains to Landco’s inventories which were consolidated starting March 31, 2022.

- e. This represents amounts withheld by counterparty for services rendered by the Company which can be claimed as tax credits. As at September 30, 2023 and December 31 2022, management provided allowance for decline in value amounting to ₱461 million representing CWT recognized in prior years which the Company may no longer be able to utilize.

8. Investments and Advances

Material Associates and Joint Venture. The Company's investments in material associates and joint venture substantially comprise investments in:

	Principal Place of Business	Principal Activities	Ownership Interest in %	
			September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<i>Associates:</i>				
MERALCO – Direct	Philippines	Power	12.5	12.5
MERALCO – Indirect*	Philippines	Power	35.0	35.0
CII B&R	Vietnam	Tollways	44.9	44.9
PT Jakarta Lingkar Baratsatu (“JLB”)	Indonesia	Tollways	35.0	35.0
Metro Pacific Health Corporation (“MPH”)	Philippines	Healthcare	20.0	20.0
<i>Joint Venture:</i>				
KM Infrastructure (“KM Infra”)/ Philippine Coastal Storage & Pipeline Corporation (“PCSPC”)	Philippines	Investment holding/ Storage	50.0	50.0
JJC	Indonesia	Tollways	40.0	40.0

* Held through Beacon Electric

Individually immaterial investees. The Company has interests in the following individually immaterial investments in associates and joint ventures:

	Place of Incorporation	Principal Activities	Ownership Interest in %	
			September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<i>Associates:</i>				
<i>Water</i>				
EquiPacific HoldCo Inc.	Philippines	Investment holding/ Water	30.0	30.0
TLW	Vietnam	Investment holding/ Water	49.0	49.0
PT Tirta Kencana Cahaya Mandiri (see Note 4)	Indonesia	Water installation	—	28.0
<i>Others</i>				
AF Payments Inc. (“AFPI”)	Philippines	Operator of contactless payment system	20.0	20.0
Indra Philippines, Inc. (“Indra”)	Philippines	Management and IT consultancy	25.0	25.0
Costa De Madera	Philippines	Real estate	62.0	62.0
PT Intisentosa Alam Bahtera (“IAB”)	Indonesia	Port services	—	39.0
First Gen Northern Energy Corp.	Philippines	Under liquidation (corporate life ended on December 31, 2016)	33.3	33.3
Metro Pacific Land Holdings, Inc.	Philippines	Under liquidation (corporate life ended on July 31, 2019)	49.0	49.0
MCSC Services Vietnam Co., Ltd.	Vietnam	Toll collection services and road maintenance services	45.0	45.0
On-us Solutions Inc. (“Byahe”)	Philippines	Transport	23.3	23.3
Nueva Ecija Land Company, Inc.*	Philippines	Real estate	49.9	49.9
Club Punta Fuego, Inc.*	Philippines	Resort and membership club	32.0	32.0
Costa De Madera Landholdings*	Philippines	Real estate	34.0	34.0
Landco Urdaneta Properties, Inc.*	Philippines	Real estate	31.0	31.0
Landco Bulacan Properties, Inc.*	Philippines	Real estate	30.0	30.0

	Place of Incorporation	Principal Activities	Ownership Interest in %	
			September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Waterwood Land Inc.*	Philippines	Real estate	25.0	25.0

*Acquired through acquisition of Landco (see Note 4)

The account “Investments and advances” consists of the following components:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Millions)</i>	
Equity method investees:		
Associates:		
Material		
MERALCO	₱151,187	₱148,451
MPH	17,501	17,228
JLB	5,632	5,454
CII B&R	3,089	2,960
Others	3,017	3,070
Joint venture:		
KM Infra/ PCSPC	4,046	3,846
JJC	16,149	15,148
	200,621	196,157
Advances to equity method investees	166	166
	₱200,787	₱196,323

For the purpose of the interim consolidated statements of comprehensive income and cash flows for the nine months ended September 30, 2023 and 2022, movements in the “Equity method investees” are as follows:

	September 30, 2023	September 30, 2022
(Unaudited, in millions)		
Acquisition costs		
Balance at beginning of period	₱182,897	₱160,577
Equity infusion into new/existing investees	1,111	7,876
Additions (through consolidation of Landco)	–	218
Step-acquisition (see Note 4)	–	(774)
Disposal	(78)	(134)
Balance at end of period	183,930	167,763
Accumulated equity in net earnings		
Balance at beginning of period	11,591	9,097
Share in net earnings (losses) for the period:		
MERALCO	13,054	8,854
JJC	(499)	–
MPH	273	157
JLB	189	161
KM Infra	147	161
CII B&R	130	98
Others	25	97
Disposal	(11)	(38)
Dividends:		
MERALCO	(10,458)	(8,346)
Indra	(20)	(100)
JLB	(129)	(62)
KM Infra	–	(59)
Balance at end of period	14,292	10,020
Accumulated share in the investees’ OCI		
Balance at beginning of period	4,749	1,337
Share in investees’ OCI during the period (see Note 17)	724	2,402
Disposal	6	–
Total	5,479	3,739
Less allowance for impairment loss		
Balance at beginning of period	3,080	2,230
Step-acquisition (see Note 4)	–	(774)
Disposal	–	(172)
Provision during the period (see Note 20)	–	50
Total	3,080	1,334
	₱200,621	₱180,188

KM Infra/PCSPC

On December 9, 2020, MPIC and Keppel Infrastructure Fund Management Pte. Ltd. [in its capacity as trustee-manager of Keppel Infrastructure Trust (“KIT”)] entered into a sale and purchase agreement with Macquarie Infrastructure Holdings (Philippines) Pte. Limited, Government Service Insurance System and Langoer Investments Holding B.V. for the acquisition of 100% of the total issued capital stock of Philippine Tank Storage International Holdings, Inc. (“PTSI”). The shares are held indirectly by KM Infra.

PTSI wholly owns PCSPC. Strategically located in the Subic Bay Freeport Zone, PCSPC is the largest petroleum product import terminal in the Philippines with a storage capacity of approximately 6.0 million barrels. The 150-hectare facility comprises of 86 storage tanks, two piers and a pipeline infrastructure connecting the entire facility. Due to its location, PCSPC provides clients with a well-connected distribution hub to the largest economic catchment area – Metro Manila and North Luzon.

MPIC and KIT also entered into a shareholders' agreement to govern their relationship in managing KM Infra and its subsidiaries, containing, among others, customary governance provisions, transfer provisions and deadlock resolution mechanisms. The Company accounted for its investment in KM Infra under the equity method of accounting as a jointly-controlled entity. Total acquisition cost for the 50% effective ownership in PTSI amounted to ₱7.1 billion (including transaction costs).

In the second half of 2022, as PCSPC's revenues have underperformed targets for the past two consecutive years, the Company recognized a total of ₱4,474 million, which comprised of ₱2,851 million as share in the losses of KM Infra reflecting the write down of goodwill, and ₱1,623 million provision against the investment.

On October 16, 2023, the BOD of KM Infra approved the redemption and retirement of 11,447,381 preferred shares from MPIC, at USD\$0.4368 per share, or for an aggregate redemption price of USD\$5 million. On October 25, 2023, MPIC received in full the settlement for the redemption of the preferred shares.

MERALCO

MERALCO is a Philippine corporation with its shares listed on the PSE. It is the largest distributor of electricity in the Philippines with its franchise valid until June 2028. The fair value of the Company's effective 47.5% investment in MERALCO amounted to ₱197 billion and ₱160 billion as at September 30, 2023 and December 31, 2022, respectively, based on the quoted price of MERALCO as at those dates.

On February 27, 2023, MERALCO approved the declaration of cash dividends amounting to ₱11.028 per share to all shareholders of record as at March 29, 2023, payable on April 26, 2023; out of which, total dividends attributable to the Company is ₱5.9 billion. This brings total dividends declared out of 2022 earnings to ₱16.834 per share or an equivalent of 70% of 2022 core income.

On July 31, 2023, MERALCO approved the declaration of cash dividends amounting to ₱8.520 per share to all shareholders of record as at August 30, 2023, payable on September 14, 2023. This represents 50% of MERALCO's core earnings for the six months ended June 30, 2023.

JJC

On June 30, 2022, PT Margautama Nusantara ("MUN"), an indirect subsidiary of MPTC in which it holds an aggregate equity interest of 89.66%, entered into a CSPA with Perusahaan Perseroan ("Persero") PT Jasa Marga (Indonesia Highway Corporatama), Tbk. (JasaMarga) to acquire 40% of the outstanding shares of JJC.

JJC is the concession holder of Jakarta-Cikampek Elevated toll road ("Japex"), which is a 38-km fully elevated toll road forming part of the trans-java network, which serves as an entry/exit gate from Jakarta (capital city) to West, Central, and East Java. Japex has been in operation since December 12, 2019.

MUN entered into the Agreement to acquire a total of 2,265,778 shares, representing 40% of the outstanding shares of JJC, for a total consideration of up to IDR 4,389 billion (or ₱15.8 billion¹). The acquisition will be implemented through secondary shares acquired from Jasa Marga.

The base consideration of the transaction is IDR 4,030 billion (₱15 billion²), which was settled as follows: (i) IDR 15 billion (₱52 million²) upon signing of CSPA on June 30, 2022, (ii) IDR 200 billion (₱745 million²) via escrow on August 10, 2022, (iii) IDR 591 billion (₱2,278 million²) upon closing on October 10, 2022 and (iv) IDR 3,224 billion (₱11,453 million²) final payment on December 19, 2022.

¹ Total amount of base consideration and earn-out money.

² Exchange rates used are based on actual rates upon payment

An additional consideration (earn-out) of IDR 359 billion (₱1,284 million¹) shall be paid subject to pre-agreed target level of tariff adjustment, with a long-stop date of December 31, 2024. Assuming that the earn-out becomes payable, the price per share shall be adjusted to IDR 1,937,082.98 (₱6,979²) per share.

As at September 30, 2023, the Company estimated the earn-out to be at IDR 190 billion (₱700 million²) and recorded as provisions under current liability.

Following the completion of the transaction on December 19, 2022, MPTC currently holds 40% indirect interest in JJC under the equity method of accounting as a jointly-controlled entity. The transaction is being carried out pursuant to MPTC's plan to expand its toll road investment portfolio in Indonesia. The transaction presents a growth opportunity for MPTC's business in Indonesia.

MPH

MPH and its subsidiaries operate full-service hospitals, a mall-based diagnostic and surgical center and is the largest private provider of premier hospital services in the Philippines.

CII B&R

CII B&R and its subsidiaries are primarily engaged in the construction, development and operation in urban infrastructure sector under the Build-Operate-Transfer contracts and Build-Transfer contracts. CII B&R is incorporated in Vietnam and listed in Ho Chi Minh City Stock Exchange.

On October 31, 2022, CII B&R's BOD declared dividends amounting to VND 154.3 billion (₱369.3 million). MPTC's share in the total dividends declared amounted to ₱165.8 million which is lodged under "Receivables" account as at September 30, 2023 and December 31, 2022 (see Note 6). On July 1, 2023, MPTC collected VND 33.8 billion (₱79.0 million). The remaining dividends receivable is expected to be collected on or before December 31, 2023.

The fair value of CII B&R shares held by the Company (including the equivalent shares of the potential voting rights) based on quoted market price amounted to VND4,420 billion (₱10.5 billion) and VND4,680 billion (₱11.0 billion) as at September 30, 2023 and December 31, 2022, respectively.

JLB

JLB is a toll road company that operates a 9.7-km length toll road that connects Kebon Jeruk (West Jakarta) with Penjaringan (Soekarno-Hatta International Airport area, Cengkareng).

On June 23, 2022, JLB's BOD approved the distribution of cash dividends amounting to IDR 50 billion (₱182 million) cash dividends. MPTC's share in the total dividends declared amounted to IDR 17.5 billion (₱62.5 million) which was paid as of June 15, 2023.

On June 16, 2023, JLB's BOD approved the distribution of cash dividends amounting to IDR100 billion (₱369 million) cash dividends. MPTC's share in the total dividends declared amounted to IDR35 billion (₱126 million) which is lodged under "Receivables" account as at September 30, 2023 (see Note 6).

IAB

IAB is mainly engaged in the port services, warehousing, loading and unloading services, and storage tank rental services with its operations located in Lampung, Indonesia.

On February 7, 2023, PT Portco Infranasantara entered into a Sale Purchase Agreement with PT LDC Indonesia to sell and transfer 39% of ISAB's shares owned by Portco for a total transaction value of ₱308 million (IDR 88 billion). On March 10, 2023, the payment was received in full. The Company

¹ Exchange rate used is based on closing rate of IDR 0.0036 = ₱1.00 as of December 31, 2022

² Exchange rate used is based on closing rate of IDR 0.00358 = ₱1.00 as of September 30, 2023

recognized net gain on sale of ₱19 million and gain on derecognition of fair value increment amounting to ₱211 million and deferred tax of ₱45 million (see Note 20).

Manila Water Consortium, Inc. (“MWCI”)

On May 12, 2022, MPW entered into a share purchase agreement with Manila Water Philippine Ventures, Inc. and Vicsal Development Corporation for the sale of 107.6 million and 21.1 million common shares of stock in MWCI, respectively, for ₱1.00 per share or a total consideration of ₱129 million. Gain on reversal of impairment amounting to ₱129 million was recognized under “Others” in the consolidated statement of comprehensive income (see Note 20).

9. Service Concession Assets

This account consists of the following:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Millions)</i>	
Water:		
Maynilad	₱134,493	₱120,587
Metro Pacific Iloilo Water, Inc. (“MPIWI”)	1,952	1,935
Metro Pacific Dumaguete Water Service Inc. (“MPDW”)	1,394	1,376
Metro Iloilo Bulk Water Supply Corporation (“MIBWSC”)	1,175	1,168
PHI	645	604
PT Nusantara	436	438
	140,095	126,108
Toll Operations:		
NLEX Corp. (NLEX, SCTEX and Connector Road)	68,500	64,084
MPCALA (CALAX)	45,488	41,817
CCLEC [Cebu Cordova Link Expressway (“CCLEX”)]	30,116	30,145
PT Nusantara	23,115	20,170
CIC (CAVITEX)	16,393	15,048
	183,612	171,264
Rail:		
LRMC (LRT-1)	36,950	34,321
	₱360,657	₱331,693

The movements in the service concession assets follow:

	As at September 30, 2023			
	(Unaudited)			
	Water	Toll Operations	Rail	Total
	<i>(In Millions)</i>			
Cost:				
Balances at January 1, 2023	₱179,525	₱186,076	₱43,507	₱409,108
Additions	15,140	9,993	1,802	26,935
Capitalized borrowing cost	873	3,456	930	5,259
Exchange differences	24	570	–	594
Balances at September 30, 2023	195,562	200,095	46,239	441,896
Accumulated amortization:				
Balances at January 1, 2023	40,136	14,812	115	55,063
Additions (see Note 18)	2,050	1,619	103	3,772
Exchange differences	1	51	–	52
Balances at September 30, 2023	42,187	16,482	218	58,887
Impairment:				
Balance at beginning and end of period	13,281	–	9,071	22,352
	₱140,095	₱183,612	₱36,950	₱360,657

Service concession assets which are still ongoing construction and rehabilitation amounting to ₱81,293 million and ₱74,660 million as at September 30, 2023 and December 31, 2022, respectively, are considered as contract assets under PFRS 15. These service concession assets that are not yet available for use are subjected to impairment testing under PAS 36 (see Note 10).

Additions to the service concession assets for the first nine months of 2023 included the following:

Service Concession Assets – Water: For Maynilad’s service concession assets, additions included the following: (i) the cost of rehabilitation works and additional construction; (ii) concession fee drawdown for Angat Water Transmission Improvement Project and various local component costs; and (iii) capitalized borrowing cost.

For MPW, increase in the service concession assets includes required investments in order to meet key performance indicators defined in the contracts for MPIW and MPDW.

Service Concession Assets – Toll Operations:

- i. Ongoing construction of CALAX;
- ii. Construction of NLEX-SLEX Connector Road, roadway lighting, side and median barriers, drainage, bridge retrofitting and new toll plazas; installation of RFID equipment and enhancement of existing ones in certain areas of Phase I; installation of fixed operating equipment in SCTEX Bamban Toll Plaza Project and SCTEX Toll Plaza Expansion; construction of toll booths and other technical upgrades;
- iii. CIC’s C5 South Link and others;
- iv. CCLEC’s enhancements in the toll collection system; and,
- v. remaining additions pertaining to construction costs on other various concession projects.

Service Concession Assets – Rail: Additions substantially pertain to the construction of the Cavite Extension.

10. Goodwill and Intangible Assets

As at September 30, 2023 (Unaudited)				
	Intangible Assets			Total
	Goodwill	Customer Contracts	Others	
<i>(In Millions)</i>				
Cost:				
Balance at January 1, 2023	P25,738	P433	P1,104	P1,537
Additions/Adjustments	46	(7)	395	388
Exchange difference	14	–	–	–
Balance at September 30, 2023	25,798	426	1,499	1,925
Accumulated amortization:				
Balance at January 1, 2023	–	175	568	743
Additions (see Notes 18 and 19)	–	–	49	49
Balance at September 30, 2023	–	175	617	792
Impairment:				
Balance at beginning and end of the period	10,497	251	166	417
	P15,301	P–	P716	P716

Goodwill. The carrying amount of goodwill allocated to each of the CGUs (determined to be at the subsidiary level):

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<i>(In Millions)</i>		
Toll operations:		
MPTC/ Tollways Management Corporation (“TMC”)	P8,859	P8,859
CIC	4,966	4,966
PT Nusantara	907	895
Easytrip Services Corporation (“ESC”)	388	388
Power:		
RPSL	135	133
Agro:		
TLCI	46	–
	P15,301	P15,241

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

Based on management’s assessment, there is no additional impairment loss to be recognized on goodwill and service concession assets not yet available for use as at September 30, 2023.

11. Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities account consists of the following:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Millions)</i>	
Accrued construction costs ^(a)	₱9,773	₱8,850
Accrued expenses ^(b)	6,793	6,678
Trade and accounts payable ^(c)	6,367	8,626
Retention payable ^(d)	5,461	4,832
Option liabilities (see Note 24)	4,457	4,245
Interest and other financing charges	3,157	2,597
Accrued personnel costs	1,943	1,665
Accrued outside services and professional fees	992	1,000
Output taxes payable	975	367
Withholding taxes payable	677	877
Unearned revenues	372	284
Contract liabilities/unearned connection and installation fees ^(e)	306	341
Accrued Philippine National Construction Corp. (“PNCC”) and Bases Conversion and Development Authority (“BCDA”) fees	224	301
Lease liabilities ^(f)	155	161
LTIP payable ^(g)	62	1,364
Dividends payable	60	363
Others	2,084	2,233
	₱43,858	₱44,784

- a. Accrued construction costs represent unbilled construction costs from contractors and normally settled upon receipt of billings.
- b. This account includes accrued utilities, marketing, and repairs and maintenance charges.
- c. This account includes unpaid billings of creditors, suppliers and contractors. It also includes liabilities relating to assets held in trust used in Maynilad’s operations amounting to ₱97 million as at September 30, 2023 and December 31, 2022. Trade and accounts payable are non-interest bearing and are normally settled on 30 to 60-day terms.
- d. Retention payable is the amount withheld by the Company until the completion of the construction of a specific project. The noncurrent portion of retention payable amounted to ₱589 million and included under “Other long-term liabilities” as at September 30, 2023 and December 31, 2022.
- e. Unearned connection and installation fees are initially recognized from the collection of the fees and are then recognized as revenue over the remaining concession period as Maynilad provides water and sewerage services to customers. The noncurrent portion amounted to ₱1,066 million and ₱918 million and are reported under “Other long-term liabilities” as at September 30, 2023 and December 31, 2022, respectively.
- f. The noncurrent portion of lease liabilities amounted to ₱395 million and ₱431 million and is included under “Other long-term liabilities” as at September 30, 2023 and December 31, 2022, respectively.

g. Each LTIP performance cycle generally covers three (3) years with payment intended to be made at the end of each cycle (without interim payments) and is contingent upon the achievement of certain approved economic, environmental, social and governance (“EESG”) targets for MPIC and core income targets for the rest of the Group by each year and by the end of the performance cycle.

- *MPTC*. On April 6, 2022, MPTC’s Compensation and Remuneration Committee approved the LTIP Cycle 2018-2021, including its amendments, which were also approved by MPTC’s BOD on April 7, 2022. As at December 31, 2022, all payments due for this cycle have been paid out.

In 2022, MPTC started accruing for LTIP Cycle 2022-2025. As at November 8, 2023, the approval for the new cycle is still pending.

- *Maynilad*. In keeping with Maynilad’s practice in previous years, the program, including coverage, criteria, incentives and the extension to 2022, was approved by Maynilad’s BOD on February 24, 2022 and paid on May 5, 2023.

As of November 8, 2023, the approval for the new cycle is still pending.

- *MPIC*. On August 4, 2021, the BOD approved the extension of the performance cycle of MPIC from 2019-2021 to 2019-2022 and the treatment of 2020 as a non-performance year. Hence, payout which was originally scheduled in 2022 was moved to 2023. Upon approval of the MPIC BOD on March 8, 2023 and achievement of core income targets for the years 2019 to 2022, the cash incentive portion of the LTIP was paid out on March 10, 2023 (see Note 7). A new cycle covering the years 2023 to 2025 has been approved by the MPIC BOD also on March 8, 2023 which includes an expanded set of targets covering EESG.

12. Provisions

Movements in this account are as follows:

	September 30, 2023 (Unaudited)		
	Heavy	Other	
	Maintenance ^(a)	Provisions ^(b)	Total
	<i>(In Millions)</i>		
Balance at January 1, 2023	₱977	₱10,390	₱11,367
Additions and reversals	347	(257)	90
Reclassification, accretion, and others	75	102	177
Payments	(111)	(492)	(603)
	1,288	9,743	11,031
Less current portion	754	7,952	8,706
	₱534	₱1,791	₱2,325

- This pertains to the contractual obligations to restore the toll service concession assets to a specified level of serviceability during the service concession term and to maintain the same assets in good condition prior to turnover of the assets to the Grantor.
- These consist of estimated liabilities for losses on claims by third parties. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the Company’s negotiation with third parties. Provisions for estimated tax warranties and indemnities in relation to the deconsolidation of MPH and other provisions required to be

remeasured at fair value every reporting period in accordance with PFRS 9 amounted to ₱2,084 million and ₱2,583 million as of September 30, 2023 and December 31, 2022, respectively.

13. Short-term and Long-term Debts

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Millions)</i>	
Short-term and current portion of long-term debt	₱33,438	₱20,842
Noncurrent portion	268,593	271,625
	₱302,031	₱292,467

Details per company/segment as follows:

	September 30, 2023 (Unaudited)			December 31, 2022 (Audited)
	Long-term Notes and			
	Loans	Bonds	Total	Total
	<i>(In Millions)</i>			
MPIC	₱79,067	₱–	₱79,067	₱82,018
Toll Operations	137,490	8,600	146,090	139,095
Water	54,700	–	54,700	49,160
Rail	24,242	–	24,242	24,491
Others	115	–	115	–
	295,614	8,600	304,214	294,764
Less unamortized debt issue costs	2,150	33	2,183	2,297
	₱293,464	₱8,567	₱302,031	₱292,467

An analysis of the carrying amounts of borrowings into fixed and variable interest rates per company/segment is as follows:

	Fixed		Variable		Total	
	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
MPIC	₱78,622	₱74,348	₱–	₱7,156	₱78,622	₱81,504
Toll Operations	98,500	93,406	46,598	44,610	145,098	138,016
Water	53,417	47,942	844	855	54,261	48,797
Rail	23,935	24,150	–	–	23,935	24,150
Others	115	–	–	–	115	–
	₱254,589	₱239,846	₱47,442	₱52,621	₱302,031	₱292,467

The carrying amounts of the borrowings are denominated in the following currencies:

September 30, 2023 (Unaudited)						
	Philippine Peso	Indonesian Rupiah	U.S. Dollars	Japanese Yen	Vietnamese Dong	Total
<i>(In Millions)</i>						
MPIC	₱71,342	₱–	₱7,280	₱–	₱–	₱78,622
Toll Operations	119,229	25,869	–	–	–	145,098
Water	46,868	–	–	6,549	844	54,261
Rail	23,935	–	–	–	–	23,935
Others	115	–	–	–	–	115
	₱261,489	₱25,869	₱7,280	₱6,549	₱844	₱302,031

December 31, 2022 (Audited)						
	Philippine Peso	Indonesian Rupiah	U.S. Dollars	Japanese Yen	Vietnamese Dong	Total
<i>(In Millions)</i>						
MPIC	₱74,348	₱–	₱7,156	₱–	₱–	₱81,504
Toll Operations	114,228	23,788	–	–	–	138,016
Water	44,779	–	–	3,163	855	48,797
Rail	24,150	–	–	–	–	24,150
	₱257,505	₱23,788	₱7,156	₱3,163	₱855	₱292,467

Other relevant information on the Company's long-term borrowings are provided below:

- *Short-term loans*

Rail. As at September 30, 2023, LRMC has two outstanding short-term loans amounting to ₱500 million each with terms of 91 days and 180 days and interest rates of 8.865% and 8.875% per annum, availed in July 2023 and August 2023, respectively. Interest payments on short-term loans amounted to ₱55.9 million during the first nine months of 2023.

Toll Operations. In December 2022, Bank of the Philippine Islands (“BPI”) issued a 90-day stand-by letter of credit facility to MPTC amounting to USD\$215 million that will expire in March 2023. This is to secure the last installment payment to Jasa Marga amounting IDR3,224 million which was funded by an interim loan from Bank Centra Asia (“BCA”) (see Note 8). In November 2023, the SBLC facility was again rolled over for 36 days and will expire on December 18, 2023.

Water

As at September 30, 2023, MPDW has an existing ₱100 million short-term loan with Security Bank Corporation which will mature for another 180 days with interest of 7.5% per annum.

- *Loan Drawdowns from Existing Facilities.*

Rail. As at September 30, 2023, LRMC has fully drawn its ₱24 billion 15-year Omnibus Loan and Security Agreement (“OLSA”) to finance the rehabilitation of the existing system and construction of the Cavite Extension. The OLSA principal and interest payments for the first nine months of 2023 amounted to ₱249.3 million and ₱1,264.9 million, respectively.

Toll Operations

- In November 2022, NLEX Corp entered into a ₱7.0 billion, 10-year term loan agreement with Metropolitan Bank and Trust Company (“Metrobank”) to finance its capital expenditures and other general corporate purposes. On November 16, 2022, NLEX made its first drawdown amounting to ₱4.0 billion with an annual interest rate of 7.13%. Subsequently, in March 2023, NLEX made its second and final drawdown of ₱3.0 billion with an annual interest rate of 7.5%.

- b. In February 2023, BCA provided Kredit Investasi 4 Facility to BSD with the principal amount of no more than ₱2.7 billion (IDR750 billion). The tenor is 13 years or until February 23, 2036, with a fixed interest rate of 7.5% per annum until August 30, 2026 and will bear a floating interest rate for the remaining term of the loan. BCA also provided the acceptance of Kredit Investasi 5 Facility with principal amount of no more than ₱2.3 billion (IDR637 billion). The tenor is also 13 years starting from the initial drawdown with floating interest rate. Kredit Investasi Facility 4 and Kredit Investasi Facility 5 will be used for the financing of flood mitigation project, weaving area project, and access road to Makassar New Port.
- c. In February 2023, BCA provided the acceptance of Kredit Investasi 5 Facility to PT Jalan Tol Seksi Empat (“JTSE”) with principal amount no more than ₱348 million (IDR96 billion). The tenor is 12 years starting from the signing of the agreement with a floating interest rate. This will be used by JTSE for the partial payment of tax penalty and obligation from underpayment of VAT for the years 2012 and 2016 with the maximum amount of ₱188 million (IDR52 billion). In addition, this will finance heavy maintenance costs for upgrading works or pavement improvement of Jalan Tol Seksi IV Makassar amounting to ₱159 million (IDR44 billion).

Water. Maynilad made its final drawdown from the JICA-JPY facility amounting to JPY10.144 billion in June 2023. The loan facility has been fully drawn.

- *Loan Drawdowns from New Facilities.*

Water. In May 2023, Maynilad entered into a ₱10 billion Loan Agreement with Bank of the Philippine Islands (“BPI”). The first drawdown amounting to ₱5 billion was made on May 11, 2023 and the balance was drawn on October 3, 2023. The loan shall be payable in semi-annual installments within ten years to commence on November 11, 2024 and bears a fixed interest per annum of 6.4059% for the first five years. The interest rate for the remaining five years will be based on the applicable benchmark rate plus 0.65% per annum.

Toll Operations. On June 15, 2023, MPTC entered into Term Loan Facility Agreement with BPI for ₱1.2 billion due 2033 for the purpose of partially financing the equity requirements of CCLEC and the acquisition of shares in JJC. In June 2023, the facility was fully drawn.

On August 31, 2023, MPTC entered into Term Loan Facility Agreement with BPI for ₱2.8 billion due 2033 for the purpose of partially financing the equity requirements of MPCALA, CCLEC and the acquisition of shares in JJC. On September 1, 2023, the facility was fully drawn.

- *Interest Rate Swap.* The Parent Company has a USD\$130 million Facility Agreement with Mizuho Bank, Ltd. Singapore Branch (“Mizuho”) dated January 14, 2021 which matures on January 14, 2026. Proceeds of the loan were used for the acquisition of 50% effective share in KM Infra. The facility is a floating-rate loan with interest computed based on 6-month USD London Inter-bank Offered Rate (“LIBOR”) + 2.25% margin.

In view of the uptrend in interest rate environment and expected rise in forward rates, the BOD authorized MPIC to enter into and perform its obligations under one or more derivative transactions with Mizuho.

MPIC has entered into an Interest Rate Swap Agreement with Mizuho on July 25, 2022, with January 24, 2023 as effective date. The Interest Rate Swap Agreement will also mature on January 14, 2026. In addition, on November 17, 2022, MPIC entered into an amendment agreement with Mizuho relating to its facility agreement dated January 14, 2021. One of the salient amendments was on the benchmark to be used in setting the applicable floating rate for the Loan. This is in view of the impending discontinuance of LIBOR as an applicable interest rate benchmark. Under the amended agreement, the interest rate beginning January 25, 2023 will be based on Cumulative

Compounded RFR Rate plus 1.45% Margin. The change coincided with the effectivity of the Interest Rate Swap.

MPIC recognized a derivative asset at fair value amounting to ₱312 million in relation to this interest rate swap, booked under other noncurrent assets. The ineffective portion of the cash flow hedge amounting to ₱38 million was recognized under “Other income (expenses)”. As a result of the hedge, the interest on the USD\$130 million loan facility with Mizuho is effectively fixed until maturity.

- *Others.* The credit agreements provide for certain restrictions with respect to, among others, availing other loans or advances to any of MPIC’s affiliates, subsidiaries, stockholders, directors and officers except in compliance with formally established and existing fringe benefit programs within the Group. These restrictions were complied with by the Group.
- The loan agreements contain among others, covenants regarding the maintenance of certain financial ratios such as debt-to-equity ratio, debt service coverage ratio and maintenance of debt service reserve account. As at September 30, 2023, MPIC and its subsidiaries are in compliance with their respective debt covenants.

14. Service Concession Fees Payable

The movements in the service concession fees payable follow:

	As at September 30, 2023 (Unaudited)			
	Toll			
	Operations	Water	Rail	Total
	<i>(In Millions)</i>			
Balance at beginning of year	₱18,035	₱8,325	₱3,382	₱29,742
Additions	–	354	–	354
Interest accretion (see Note 20)	–	624	62	686
Interest accretion – capitalized (see Note 26)	841	–	93	934
Foreign exchange differential	–	237	–	237
Payment	–	(1,039)	(200)	(1,239)
	18,876	8,501	3,337	30,714
Less current portion	–	825	256	1,081
	₱18,876	₱7,676	₱3,081	₱29,633

Toll Operations

- *CALAX.* In consideration for granting the concession, MPCALA shall pay DPWH a concession fee totaling ₱27.3 billion, 20% or ₱5.5 billion of which was settled upon signing of the concession agreement on July 10, 2015. The balance of the concession fee (nominal amount of ₱21.8 billion) is payable in equal annual installments beginning on the 5th year (2020) over a period of nine years from the signing of the concession agreement. Service concession fee payable was initially recognized at its present value as at signing date of the concession agreement. For failure to pay the concession fee on or before the agreed upon dates, MPCALA shall pay interest at the rate of one year Bloomberg Valuation Service rate plus 1.75%. The interest at such rate shall continue to accrue until the remaining concession fee is paid, or until a notice of default and termination is received by MPCALA.

On July 7, 2020, MPCALA paid the first installment of CALAX concession fee amounting to ₱4.4 billion to DPWH.

On April 7, 2022, DPWH informed that the MPCALA's request dated June 10, 2021, in relation to the deferment of the scheduled concession fee payment, has already been forwarded to the Department of Finance ("DOF") for comments or advice.

The schedule of payment of CALAX concession fees was adjusted and discussions with DPWH on the matter are on-going.

- *Connector Project.* Under the concession agreement, NLEX Corp. shall pay periodic payments to DPWH representing the consideration for granting the concession and basic right of way in the Connector Road Project. Total payments to be made to DPWH amount to ₱8.5 billion payable at ₱243.2 million per annum. The payment shall commence on the first anniversary of the construction completion deadline, as extended, until the expiry of the concession period and shall 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 million.

Water

- *Maynilad.* Concession fees relating to Maynilad's service concession agreement ("Maynilad CA") are denominated in Philippine Peso and United States Dollar and are non-interest bearing. These are payable semi-annually following an amortization table up to the end of the concession period.
- *MPIWI.* Under the service contract agreement between MPIWI and MIWD, MPIWI shall pay annual service fee to MIWD representing the sum of the contract monitoring fees and fixed lease fees. The annual fixed lease payments represent rentals for MIWD's making the existing facilities available for the exclusive use and possession of MPIWI throughout the operational period of twenty five (25) years. The contract monitoring fees cover the day-to-day expenses of MIWD (residual office) as it retains its function as regulator of MPIWI. It is fixed at ₱76 million for the first year and ₱55 million for the second year with the succeeding years adjusted for CPI. An initial service fee of ₱350 million was settled within a month from the signing of the service contract agreement.
- *MPDW.* Under the service concession agreement between MPDW and DCWD, MPDW shall pay annual service fee to DCWD representing the sum of the contract monitoring fees and fixed lease fees. The annual fixed lease payments represent rentals for DCWD's making the existing facilities available for the exclusive use and possession of MPDW throughout the operational period of twenty-five (25) year.

Rail. Under concession agreement for the LRT-1 Cavite Extension and Operations & Maintenance Project ("LRT-1 Project" or the "LRT-1 CA"), LRMC is required to pay the bid premium of ₱9.35 billion (inclusive of VAT) as concession fee, 20% or ₱1.87 billion of which was settled on September 12, 2015 (the "LRMC Effective Date") in accordance with the LRT-1 CA. The balance of the concession fee (nominal amount of ₱7.5 billion, inclusive of VAT) is payable in equal quarterly installments over the concession period with the first quarterly payment due beginning the fourth quarter of 2019. Settlement of the concession fee is through the quarterly balancing payment mechanism reflecting netting of payments due to Grantors against receivable from Grantors.

15. Due To and From Related Parties

The Company, in the normal course of business, has transactions with related parties which consist mainly of availment of noninterest-bearing cash advances which are due and demandable anytime.

Composition of amounts due to/from related parties follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<i>(In Millions)</i>		
Due from related parties:		
Smart	62	294
Meralco	73	14
Costa De Madera	238	-
San Carlos Bioenergy Inc.	-	800
IAB	-	121
Others	17	10
Total	390	1,239
Less noncurrent portion	-	800
Current portion	₱390	₱439
Due to related parties:		
Smart	₱72	₱72
Others	9	11
Current portion	₱81	₱83

16. Equity

Details of authorized and issued capital stock follow:

	September 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	No. of Shares	Amount	No. of Shares	Amount
<i>(In Millions except for number of shares)</i>				
Authorized common shares - ₱1.00 par value	38,500,000,000	₱38,500	38,500,000,000	₱38,500
Authorized preferred shares:				
Class A - ₱0.01 par value	20,000,000,000	200	20,000,000,000	200
Class B - ₱1.00 par value	1,350,000,000	1,350	1,350,000,000	1,350
Balance at end of period	59,850,000,000	₱40,050	59,850,000,000	₱40,050
Issued and outstanding - common shares:				
Issued – common shares	31,569,338,752	₱31,570	31,569,338,752	31,570
Less: Treasury Shares	(2,873,404,000)	(2,873)	(2,873,404,000)	(2,873)
Balance at end of period	28,695,934,752	₱28,697	28,695,934,752	₱28,697
Treasury shares - common shares:				
Balance at beginning of period	2,873,404,000	₱10,703	1,499,091,000	₱5,705*
Share buy-back	-	-	1,374,313,000	4,998*
Balance at end of period	2,873,404,000	₱10,703	2,873,404,000	₱10,703
Issued - preferred shares - Class A:				
Balance at beginning and end of period	9,128,105,319	₱91	9,128,105,319	₱91
Total number of stockholders	1,131	-	1,270	-

*Including transaction costs.

Cash Dividends

	Nine Months Ended September 30	
	2023	2022
	(Unaudited)	
	(In Millions)	
Final dividend in respect of the previous financial year declared during the following interim period:		
Common shareholder (₱0.076 as final dividend for the calendar years 2022 and 2021)	₱2,180	₱2,259
Class A preferred shareholders*	5	5
Interim dividend:		
Common shareholder (₱0.050 per share in 2023 and ₱0.0345 per share in 2022)	1,435	1,010
Class A preferred shareholders*	5	5
	₱3,625	₱3,279

*MPHI is the sole holder of Class A preferred shares

On March 8, 2023, the MPIC BOD approved the declaration of the cash dividends of ₱0.076 per common share in favor of the Company's shareholders of record as of the record date at March 27, 2023 with payment date of April 13, 2023. On the same date, the BOD also approved the declaration of cash dividends amounting to a total of ₱4.6 million in favor of MPHI as the sole holder of Class A Preferred shares.

On August 14, 2023, the BOD approved the declaration of the cash dividends of ₱0.05 per common share in favor of the MPIC's shareholders of record as at September 1, 2023 with payment date of September 15, 2023. On the same date, the BOD approved the declaration of cash dividends amounting to ₱4.6 million in favor of MPHI as the sole holder of Class A Preferred shares.

Voluntary Delisting

On April 26, 2023, MPIC received the Tender Offer Notice from a consortium consisting of MPHI, GT Capital Holdings, Inc. ("GTCHI"), Mit-Pacific Infrastructure Holdings, Inc. ("MPIH") and MIG Holdings Incorporated ("MIG") (MPHI, GTCHI, MPIH and MIG shall collectively be referred to as the "Bidders") which states that they intend to make a tender offer ("Tender Offer") for common shares of MPIC with a view to taking MPIC private through a voluntary delisting process. The Tender Offer shall cover all outstanding common shares of MPIC, other than the common shares owned by the Bidders and the qualifying common shares of the directors of MPIC (the "Excluded Shares", and the shares subject of the Tender Offer, the "Tender Offer Shares").

Under the Amended Voluntary Delisting Rules of the PSE, the voluntary delisting must be approved by: (a) at least two-thirds (2/3) of the entire membership of the board of directors, including the majority, but not less than two, of all of its independent directors; and (b) stockholders owning at least two-thirds (2/3) of the total outstanding and listed shares of the listed company and with the number of votes cast against the delisting proposal not more than ten percent (10%) of the total outstanding and listed shares of the listed company.

After receiving the Tender Offer Notice, a special meeting of the MPIC BOD was convened on April 26, 2023. The MPIC BOD, including all four independent directors, unanimously approved a resolution authorizing the filing of an application for voluntary delisting with the PSE, subject to compliance with the Amended Voluntary Delisting Rules of the PSE. During the same meeting, the MPIC BOD also unanimously approved to: (a) postpone the Annual Shareholders' Meeting ("ASM") to another date (from May 26, 2023 to June 6, 2023), and amend the record date of the shareholders entitled to notice

and to vote during the ASM from April 26, 2023 to May 17, 2023, and (b) amend the agenda of the ASM to include the approval of the voluntary delisting of MPIC from the PSE as an agenda item.

Furthermore, to comply with the voluntary delisting requirements of the PSE, the Tendered Shares together with the Excluded Shares should constitute at least 95% of the total issued and outstanding capital stock of MPIC, or such percentage as the PSE may allow to effect the voluntary delisting of MPIC from the Main Board of the PSE. Under the voluntary delisting rules of the PSE, delisting will be granted only if this requirement is satisfied. The Tender Offer Notice from the Bidders states that it is their intention to delist MPIC from the PSE and as such, the Bidders will not accept any Tendered Shares unless the threshold for voluntary delisting is achieved or an exemptive relief is obtained from the PSE.

Based on the Tender Offer Notice, the Bidders will offer to acquire the Tender Offer Shares at ₱4.63 per common share (“Tender Offer Price”) on an all-cash basis, which represents a 22% premium over the one-year Volume Weighted Average Price (“VWAP”) of MPIC’s common shares. The Bidders stated in the Tender Offer Notice that they believe that the Tender Offer and voluntary delisting of MPIC will allow existing shareholders to sell their common shares and realize their investment, in cash, at a premium to the current trading price of the common shares. Furthermore, the Bidders informed MPIC that to comply with the voluntary delisting requirements of the PSE, an independent valuation report and fairness opinion shall be rendered to support the Tender Offer Price.

On July 3, 2023, MPIC received an updated Tender Offer Notice (“Updated Notice”) from the Bidders. The Updated Notice states that it supersedes the initial Tender Offer Notice that MPIC received from the Bidders on April 26, 2023 (“Initial Notice”).

Based on the Updated Notice, the Bidders will offer to acquire the Tender Offer Shares at ₱5.20 per common share (“Tender Offer Price”) on an all-cash basis, which represents a 37% premium over the one-year (based on the date of Initial Notice) VWAP of MPIC’s common shares and is at a premium of Ten Centavos (₱0.10) over the highest end of the range provided in the independent financial advisor’s report (“IFA Report”).

After receiving the Tender Offer Notice, a special meeting of the MPIC BOD was convened on the same day. The MPIC BOD, including all four independent directors, unanimously approved a resolution authorizing the filing of an application for voluntary delisting with the PSE, subject to compliance with the Amended Voluntary Delisting Rules of the PSE. During the same meeting, the MPIC BOD also unanimously approved to schedule the holding of a Special Stockholders’ Meeting (“SSM”) on August 8, 2023 with record date of July 18, 2023. The only agenda item to be submitted for the approval of the shareholders on the SSM is the approval of the voluntary delisting of MPIC from the PSE. Assuming the shareholders approve the resolution to delist MPIC from the PSE during the SSM, the Bidders will launch the Tender Offer immediately thereafter.

The Bidders also stated in the Updated Notice that assuming the Tender Offer is launched immediately after the SSM, shareholders who participate in the tender offer and tender their Tender Offer Shares will continue to be entitled to interim dividends that MPIC may declare after the announcement of its first half 2023 results.

During the SSM of MPIC held on August 8, 2023, the shareholders representing more than seventy seven percent (77%) of the outstanding common shares of MPIC approved the proposal to voluntarily delist from the Main Board of the PSE. Furthermore, shareholders representing less than one percent (1%) of the outstanding common shares of MPIC voted against the proposal to delist. The Tender Offer period commenced the following day, August 9, 2023, and ended on September 19, 2023.

During the Tender Offer Period, a total of a total of 5,464,753,560 MPIC common shares which represent 19.04% of MPIC’s total issued and outstanding listed shares were validly tendered

and accepted by the Bidders (“Tendered Shares”). The Tendered Shares were crossed through the facilities of the PSE on September 26, 2023 and finally settled on September 28, 2023.

The Tendered Shares, Excluded Shares and other non-public shares totaled 97.27% of MPIC’s total issued and outstanding listed shares and has exceeded the threshold required to complete the voluntary delisting. On September 29, 2023, the PSE approved MPIC’s Petition for Voluntary Delisting and accordingly ordered the delisting of the latter’s shares from the Official Registry of the Exchange effective on October 9, 2023.

New Share Issuance

On November 8, 2023, MPIC entered into separate subscription agreements (the “Subscription Agreements”) with MPHI, Mit-Pacific, MIG, and Government Service Insurance System (“GSIS”). MPHI, Mit-Pacific, MIG and GSIS subscribed to an aggregate of 2,873,404,000 common shares of stock of MPIC at a subscription price of ₱5.20 per common share, or a total subscription price of ₱14.9 billion.

The proceeds of the new share issuance may be used by MPIC to, among others, support investments, reduce head office debt and potentially buy back the remaining minority shareholders of the Company under terms set by MPIC. As a result of the new share issuance, MPIC will have 31,569,338,752 total outstanding and issued common shares.

Non-controlling Interest

Movements in the NCI for the nine-month period ended September 30, 2023 included equity infusion amounting to ₱2,030 million of the other shareholders of MPLRC, Light Rail Manila Holdings Inc. and LRMC into the LRT-1 Project.

Other comprehensive income reserve

Other comprehensive income reserve consists of the following, net of applicable income taxes:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Millions)</i>	
Share in the OCI of equity method investees (see Note 8)	₱5,479	₱4,752
Fair value changes on financial assets at FVOCI (see Note 25)	1,080	1,435
Actuarial losses	(61)	(66)
Fair value of cash flow hedge	205	158
Cumulative translation adjustment (see Note 17)	(239)	(102)
Total	₱6,464	₱6,177

Refer to Note 17 for the movements and analysis of the other comprehensive income (loss).

Treasury Shares

Share Buyback. On February 16, 2022, to further manifest confidence in the Company’s value and prospects, the MPIC BOD approved another round of Share Buyback Program of up to ₱5 billion commencing on February 17, 2022 until the utilization of the aforementioned amount, or as may otherwise be determined by the MPIC BOD. As at November 8, 2023, MPIC has fully utilized the budget for the third round and has acquired a total of 1,374.3 million shares at an average price of ₱3.64 per share.

17. Other Comprehensive Income (Loss)

	Nine Months Ended September 30 (Unaudited)		Three Months Ended September 30 (Unaudited)	
	2023	2022	2023	2022
<i>(In Millions)</i>				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Share in OCI of equity method investees from (see Note 8):				
Exchange differences on translation of foreign operation	₱461	₱2,300	₱88	₱1,018
Fair value changes in cash flow hedges	126	124	(61)	84
Change in fair value of financial assets at FVOCI	23	(96)	5	(6)
Fair value changes in cash flow hedges	74	–	(36)	–
Exchange difference on translation of foreign operation	(25)	1,102	(3)	656
Income tax	(27)	–	9	–
	632	3,430	2	1,752
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Share in OCI of equity method investees from (see Note 8):				
Actuarial reserve	82	41	(2)	(1)
Change in fair value of financial assets at FVOCI	38	33	–	22
Actuarial reserve	(2)	1	5	–
Change in fair value of financial assets at FVOCI	(366)	–	61	(6)
Income tax	82	–	(5)	1
	(166)	75	59	16
	₱466	₱3,505	₱61	₱1,768

On consolidation, the assets and liabilities of foreign operations are translated into Philippine Peso at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at exchange rates prevailing at the respective dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI.

18. Costs of Sales and Services

	Nine Months Ended September 30	
	2023	2022
	<i>(Unaudited)</i>	
	<i>(In Millions)</i>	
Amortization of service concession assets (see Note 9)	₱3,772	₱5,011
Personnel costs and employee benefits	2,721	2,336
PNCC and BCDA fees	2,202	1,828
Utilities	1,626	1,483
Purchased water	1,084	612
Contracted services and professional fees	1,039	903
Repairs and maintenance	979	909
Materials and supplies	970	752
Provision for heavy maintenance	292	254
Insurance	238	169
Cost of real estate sold	232	221
Transportation and travel	205	160
Depreciation and amortization	145	176
Taxes and licenses	117	85
Rentals	54	44
Operator's fee	52	46
Others	775	764
	₱16,503	₱15,753

19. General and Administrative Expenses

	Nine Months Ended September 30	
	2023	2022
	<i>(Unaudited)</i>	
	<i>(In Millions)</i>	
Personnel costs	₱3,104	₱2,642
Taxes and licenses	1,010	989
Outside services	879	717
Depreciation and amortization	690	657
Professional fees	523	370
Provision for doubtful accounts	356	25
Advertising and promotion	337	245
Repairs and maintenance	312	200
Utilities	279	162
Transportation and travel	241	202
Commissions	179	159
Public relation	151	157
Insurance	140	146
Entertainment, amusement and representation	142	99
Administrative supplies	133	65
Provision for corporate initiatives	80	310
Rentals	46	74
Training cost	18	21
Miscellaneous	178	323
	₱8,798	₱7,563

20. Interest Income, Interest Expense and Others

The following are the sources of the Company's interest income:

	Nine Months Ended September 30	
	2023	2022
	<i>(Unaudited)</i>	
	<i>(In Millions)</i>	
Cash and cash equivalents, short-term placements and restricted cash	₱1,010	₱306
Finance income from concession financial receivable (see Note 6)	158	163
Interest accretion on lease receivable	222	74
Other financial receivable (see Note 25)	44	133
	₱1,434	₱676

The following are from which the Company's interest expenses were incurred:

	Nine Months Ended September 30	
	2023	2022
	(Unaudited) (In Millions)	
Long-term debt, net of capitalized interest	₱8,771	₱6,437
Accretion on service concession fees payable (see Note 14)	686	571
Accretion on financial liabilities	196	113
Amortization of debt issue costs	138	143
Accretion on lease liabilities	26	55
	₱9,817	₱7,319

“Others” recognized in the interim consolidated statements of comprehensive income consist of the following:

	Nine Months Ended September 30	
	2023	2022
	(Unaudited) (In Millions)	
Gain on sale of investment (see Note 8)	₱230	₱–
Advertising, marketing, and toll services	308	337
Rental income	103	95
Dividend income	88	76
Service income	50	102
Provisions, net of remeasurement (see Note 12)	21	301
Foreign exchange loss	(144)	(923)
Loss on deconsolidation (see Note 4)	(56)	–
Gain on reversal of impairments (see Notes 4)	–	2,287
Gain on acquisition of a subsidiary (see Note 4)	–	374
Insurance claims (see Note 3)	–	128
Others*	33	106
	₱633	₱2,833

*Others pertain to income from other nonregulated businesses.

21. Earnings Per Common Share

The calculation of earnings per share follows:

	Nine Months Ended September 30	
	2023	2022
	(Unaudited) (In Millions, except for Per Share amounts)	
Net income attributable to equity owners of the Parent Company	₱16,056	₱13,137
Dividends on preference equity owners of the Parent Company	(7)	(7)
Net income attributable to ordinary equity owners of the Parent Company (a)	₱16,049	₱13,130
Outstanding common shares at January 1	₱28,696	₱30,070
Effect of share buyback (see Note 16)	–	(479)
Weighted average number of common shares for basic earnings per share (b)	28,696	29,591
Weighted average number of common shares adjusted for the effects of potential dilution (c)	28,696	29,591
Basic earnings per share (a/b)	₱0.5593	₱0.4437
Diluted earnings per share (a/c)	₱0.5593	₱0.4437

22. Share-based Payments

Restricted Stock Unit Plan

On January 31, 2020, the MPIC BOD approved MPIC's LTIP covering cycle 2019 to 2021. MPIC's LTIP originally comprised of cash incentives and share award. On August 4, 2021, as discussed in Note 11, MPIC's LTIP cycle was extended to 2022 and eventually paid out in March 2023.

On March 8, 2023, the MPIC Board approved the cancellation of the RSUP portion and approved instead a cash award for the LTIP.

23. Contingencies

The Group is party to several legal proceedings and claims (including breach of contract, illegal dismissal, non-payment of backwages, benefits and performance bonuses, real property tax ("RPT") assessments, local business tax ("LBT") assessments, donor's tax, adjustment of electricity distribution rates, toll rates and other tariffs) that have arisen in the ordinary course of business, including those set out below. The outcome of these proceedings cannot be presently determined or predicted with certainty. Other than as disclosed below and in the Group's financial statements, no member of the Group is involved in any litigation which would have a material and adverse effect on the business or financial position of the Company. These should be read in conjunction with the 2022 Audited Consolidated Financial Statements for more information.

Water

Rate Rebasing-Related Proceedings

- *2013-2017 Rate Rebasing - Domestic Arbitration.* The Metropolitan Waterworks and Sewerage System (“MWSS”) released Board of Trustees Resolution No. 2013-100-RO dated September 12, 2013 and MWSS Regulatory Office (“MWSS RO”) Resolution No. 13-010-CA dated September 10, 2013 on the rate rebasing adjustment for the rate rebasing period 2013 to 2017 (“Fourth Rate Rebasing Period”) reducing Maynilad’s 2012 average all-in basic water charge by 4.82% or ₱1.46 per cu.m. or ₱0.29 per cu.m. over the next five years.

On October 4, 2013, Maynilad filed its Dispute Notice before the Appeals Panel. This Dispute Notice is a referral to the Appeals Panel for Major Disputes of the dispute between Maynilad, on the one hand, and MWSS and the MWSS RO, on the other. The Dispute relates to the determination by the MWSS RO, in accordance with Section 9.4.2 of the Original Concession Agreement (“OCA”), of the Rebasing Adjustment as embodied in Resolution No. 13-010-CA.

On December 17, 2013, the MWSS RO released Resolution No. 13-011-CA regarding the implementation of a status quo for Maynilad’s Standard Rates and Foreign Currency Differential Adjustments (“FCDA”) for any and all its scheduled adjustments until such time that the Appeals Panel has issued its arbitral award.

On January 5, 2015, Maynilad officially received the Appeals Panel’s award dated December 29, 2014 upholding Maynilad’s alternative Rebasing Adjustment for the Fourth Rate Rebasing Period of 13.41% or its equivalent of ₱4.06 per cu.m. (“First Award”). This increase has effectively been reduced to ₱3.06 per cu.m, following the integration of the ₱1.00 Currency Exchange Rate Adjustment (“CERA”) into the basic water charge. To mitigate the impact of the tariff increase on its customers, Maynilad offered to stagger its implementation over a three-year period.

The First Award, being final and binding on the parties, Maynilad asked the MWSS to cause its Board of Trustees to approve the 2015 Tariffs Table so that the same can be published and implemented 15 days after its publication.

However, the MWSS and the MWSS RO have chosen, over Maynilad’s repeated objections, to defer the implementation of the First Award despite it being final and binding on the parties. In its letter dated February 9, 2015, the MWSS and MWSS RO, who received their copy of the First Award on January 7, 2015, informed Maynilad that they have decided to await the final outcome of their arbitration with the other concessionaire, Manila Water, before making any official pronouncements on the applicable resulting water rates for the two concessionaires.

- *2013-2017 Rate Rebasing - International Arbitration.* In a decision dated July 24, 2017, the Arbitral Tribunal (“Tribunal”) unanimously upheld the validity of Maynilad’s claim against the Undertaking Letter to compensate Maynilad for the delayed implementation of its relevant tariffs for the rebasing period 2013 to 2017 (“Second Award”).

The Tribunal ordered the ROP to reimburse Maynilad the amount of ₱3.4 billion for losses from March 11, 2015 to August 31, 2016, without prejudice to any rights that Maynilad may have to seek recourse against MWSS for losses incurred from January 1, 2013 to March 10, 2015.

Further, the Tribunal ruled that Maynilad is entitled to recover from the ROP its losses from September 1, 2016 onwards. In case a disagreement on the amount of such losses arises, Maynilad may revert to the Tribunal for further determination.

Subsequently, Maynilad agreed with the corrected computation by the ROP of Maynilad's revenue losses from March 11, 2015 to August 31, 2016 in the amount of ₱3.18 billion (with cost of money as of August 31, 2016).

On February 11, 2019, Maynilad wrote the DOF about the amount of its updated claim for compensation by the ROP, which is ₱6.7 billion ("Actual Losses"), with a request that the DOF order the MWSS and the MWSS RO to meet with Maynilad to agree and discuss a proposed settlement of the updated claim. The DOF never responded to this letter.

On December 10, 2019, during a joint hearing of the Congressional Committees on Public Accounts and Good Government and Public Accountability, Maynilad made an oral offer to waive its claims against ROP for the Actual Losses representing Maynilad's foregone revenues for the period March 11, 2015 to December 31, 2017.

On January 2, 2020, Maynilad executed the Release From and Waiver of Claim on Arbitral Award ("Waiver") in favor of the ROP. In the Waiver, Maynilad, particularly its shareholders MPIC and DMCI Holdings, Inc. ("DMCI"), unconditionally waived its claim against the ROP for the payment of the Actual Losses, and released and discharged the ROP, including the MWSS, from any liability or obligation with respect thereto. Maynilad emphasized that the Waiver does not constitute an admission of any unlawful act or liability of any kind on the part of Maynilad and the ROP, and may not be used as evidence in any legal proceeding except to enforce or challenge its terms. The waiver was unanimously ratified on March 2, 2020 by the Maynilad BOD after consultation with the three major shareholders of Maynilad namely, MPIC, DMCI and Marubeni Corp.

- *Rate Rebasing: 2018-2022.* On March 31, 2017, Maynilad submitted a five-year business plan to the MWSS RO for the new rate rebasing covering the years 2018 to 2022 with its proposed rate adjustments. On September 13, 2018, the MWSS issued Resolution No. 2018-136-RO adopting RO Resolution No. 2018-09-CA dated September 7, 2018 granting Maynilad a partial rate adjustment of ₱5.73/cu.m. for the Fifth Rate Rebasing Period to be implemented on an uneven staggered basis of (i) ₱0.90/cu.m. effective October 1, 2018; (ii) ₱1.95/cu.m. effective January 1, 2020, (iii) ₱1.95/cu.m. effective January 1, 2021, and (iv) ₱0.93/cu.m. effective January 1, 2022. The approved rate adjustment still did not include the CIT component to which Maynilad is entitled by virtue of the First Award. In their Resolutions, the MWSS and MWSS RO stated that the inclusion of the CIT in Maynilad's tariff is subject to the SC's resolution of MWSS's Petition for Review.

To preserve its right to the CIT which has already been adjudged in its favor in the First Award, and pursuant to Article 12 of its OCA, Maynilad, on October 12, 2018, filed a Dispute Notice, signaling the start of another arbitration. However, on November 9, 2018, MWSS and Maynilad filed a joint application with the Appeals Panel to suspend proceedings to give the parties time to try to settle their differences amicably.

As discussed in Note 24, in January 2020, President Duterte ordered the review of the OCA on the ground that the same allegedly contained onerous provisions that were unfavorable to the ROP and the consuming public. Because of the review, the rate adjustments for 2020 and 2021 were both suspended. Maynilad was able to implement only the first tranche on October 1, 2018, its first tariff adjustment since Maynilad filed an arbitration case against MWSS in 2013.

Following the review of the OCA, Maynilad and the MWSS signed the Revised Concession Agreement ("RCA") on May 18, 2021. One of the conditions precedents to the effectivity of the RCA was Maynilad's execution of a Release, Waiver and Quitclaim, expressly forfeiting the First Award in favor of the MWSS.

The RCA also stipulates that there shall be no rate adjustment until December 31, 2022.

- *Rate Rebasings: 2023-2027.* On October 24, 2022, Maynilad completed its public consultations for the 2023-2027 Rate Rebasings exercise. The results of the exercise, including updated targets for key Service Obligations (Water and Wastewater Coverage, Water Service Level and Non-Revenue Water) as well as the undertaking of more than ₱160 billion worth of capital expenditure projects over the period 2023-2027 have been shared via public consultations.

The proposed Business Plan for the 2023-2027 Rate Rebasings also involves the “catch-up” implementation in 2023 of inflation adjustments for 2020-2022, followed by a phased implementation of further tariff increases between 2024-2027.

On November 10, 2022, the MWSS BOT approved Maynilad’s Rate Rebasings Adjustment for the 6th Rate Rebasings Period on a staggered basis as follows: (i) P3.29/cu.m. effective January 1, 2023; (ii) P6.26/cu.m. January 1, 2024; (iii) P2.12/cu.m. effective January 1, 2025; (iv) P0.84 to P1.01/cu.m. effective January 1, 2026; and (v) P0.80 to P1.01/cu.m. effective January 1, 2027. The environmental charge will increase from 20% to 25% starting January 1, 2025 subject to Maynilad’s attainment of sewer coverage of 25% by the end of 2024.

The implementation of the staggered tariff beginning 2024 is subject to Maynilad’s being able to attain its targets for water supply, continuity and coverage provided in the 2022 Approved Business Plan, as determined by the MWSS RO.

On December 15, 2022, Maynilad caused the publication of its Tariff Table, with the tariff adjustments effective on January 1, 2023.

Disputes with MWSS

In prior years, Maynilad has been contesting certain charges billed by MWSS relating to: (a) the basis of the computation of interest; (b) MWSS cost of borrowings; and (c) additional penalties. Consequently, Maynilad has not provided for these additional charges. These disputed charges were effectively reflected and recognized by Maynilad as Tranche B Concession Fees amounting to USD\$30.1 million by virtue of the Debt and Capital Restructuring Agreement (“DCRA”) entered into in 2005. Maynilad also paid USD\$6.8 million in 2005 as an additional amount of Tranche B Concession Fees determined by the Receiver.

Maynilad reconciled its liability to MWSS with the confirmation and billings of MWSS. The difference between the amount confirmed by MWSS and the amount recognized by Maynilad amounted to ₱5.0 billion as at September 30, 2023 and December 31, 2022. The difference mainly pertains to disputed claims of MWSS consisting of additional Tranche B Concession Fees, borrowing cost and interest penalty under the Concession Agreement (prior to the DCRA). Maynilad’s position on these charges is consistent with the Receiver’s recommendation which was upheld by the Rehabilitation Court.

Following the issuance of the Rehabilitation Court’s Order on December 19, 2007 disallowing the MWSS’ disputed claims and the termination of Maynilad’s rehabilitation proceedings, Maynilad and MWSS sought to resolve the matter in accordance with the dispute resolution requirements of the Transitional and Clarificatory Agreement (“TCA”).

Prior to the DCRA, Maynilad has accrued interest on its payable to MWSS based on the terms of the Concession Agreement, which was disputed by MWSS before the Rehabilitation Court. These already amounted to ₱985 million as at December 31, 2011 and have been charged to interest expense in prior years. Maynilad maintains that the accrued interest on its payable to MWSS has been adequately replaced by the Tranche B Concession Fees discussed above. Maynilad’s position is consistent with the Receiver’s recommendation which was upheld by the Rehabilitation Court. With the prescription of the TCA and in light of Maynilad’s outstanding offer of USD\$14 million to fully settle the claim of MWSS, Maynilad reversed the amount of accrued interest in excess of the USD\$14.0 million settlement offer amounting to

₱378 million in 2012. The remaining balance of ₱607.2 million as at September 30, 2023 and December 31, 2022, which pertains to the disputed interest penalty under the Concession Agreement prior to DCRA, has remained in the books pending resolution of the remaining disputed claims of MWSS.

Real Property Taxes (“RPT”) Assessment on Common Purpose Facilities

On October 13, 2005, the Water Concessionaires were jointly assessed by the Municipality of Norzagaray, Bulacan for real property taxes on certain common purpose facilities purportedly due from 1998 to 2005 amounting to ₱357 million. It is the position of the Water Concessionaires that these properties are owned by the ROP and therefore, exempt from taxation.

After the Local Board of Assessment Appeals (“LBAA”) ruled in favor of the Municipality of Norzagaray, Bulacan, the Concessionaires elevated the ruling of the LBAA to the Central Board of Assessment Appeals (“CBAA”) by filing separate appeals.

During the presentation of evidence before the CBAA, the LBAA moved for the presentation of additional witnesses, which was denied by the CBAA on February 12, 2016.

The LBAA filed a MR, which was again denied by the CBAA on June 20, 2016.

As a result, the LBAA filed a Petition for Certiorari before the Court of Tax Appeals (“CTA”).

On September 21, 2016, pursuant to the order of the CTA, the CBAA transmitted the complete records of the case to the CTA, and held in abeyance all proceedings of the case until the Petition for Certiorari is resolved.

On May 23, 2018, the CTA Notice of Decision dated May 11, 2018 was received, denying Petitioner’s Petition for Certiorari (for an interlocutory order) (“CTA Decision”). Thus, the CTA ordered that the case be remanded to CBAA and for the proceedings to continue.

On September 3, 2018, Maynilad received the CTA’s Resolution dated June 4, 2018 noting the compliance of Maynilad and MWSS informing the CTA of their respective dates of receipt of the CTA Decision.

On February 7, 2019, Maynilad received an Entry of Judgment certifying that the CTA Decision became final and executory on June 20, 2018.

On July 4, 2022, Maynilad received the Order of the CBAA dated July 1, 2022 giving the parties only until July 15, 2022 within which to file their respective Memoranda or Position Papers. Maynilad submitted its Position Paper on July 15, 2022.

On September 5, 2022, Maynilad, through counsel, received the Decision dated August 25, 2022 issued by the CBAA, which ruled that the Water Concessionaires and MWSS are not liable for real property tax on the land and common purpose facilities. The CBAA declared as void the Notice of Assessment and Notice of Demand for Payment of RPT issued by the Municipal Assessor of the Municipality of Norzagaray, Bulacan. On October 11, 2022, the Province of Bulacan and Municipality of Norzagaray appealed the CBAA Decision by way of a Petition for Review to the CTA (the “Petition”), without furnishing Maynilad or its counsel with a copy of the petition.

It was only when Manila Water entered its appearance and moved for the dismissal of the Petition on December 9, 2022 that Maynilad’s counsel was officially furnished with a copy of the pleadings. Nonetheless, the CTA still has not furnished Maynilad or its counsel with its orders or resolutions.

Maynilad moved to secure a Certificate of Finality from the CBAA, contending that the appeal was not perfected as to Maynilad. However, on February 3, 2023, the CBAA refused to act on the request as the court records have been elevated to the CTA.

On June 2, 2023, Maynilad, through counsel, received a copy of the Notice of Resolution of the CTA En Banc dated May 26, 2023, dismissing the Petition without prejudice, due to the petitioners' repeated failure to comply with the Rules of Civil Procedure and the orders of the CTA requiring them to comply with procedural requirements, including the jurat portions of their Verification and Certification Against Forum Shopping dated October 11, 2022 and the Affidavit of Service dated October 11, 2022, despite having been accorded several opportunities to do so.

Clean Water Act ("CWA") Case

The DENR charged the MWSS and the Water Concessionaires with violation of the CWA for having failed to comply with the mandatory connection of houses and establishments to the existing sewerage line within five years from the effectivity of the CWA, as prescribed by Section 8 of the CWA. In October 2009, the Pollution Adjudication Board ("PAB") of the DENR and the Secretary of the DENR issued an order finding MWSS and the Water Concessionaires in violation of Section 8 of the CWA and imposing a joint and solidary fine of ₱29 million, and a daily penalty of ₱200,000 (the fine imposed by the PAB is reckoned from May 6, 2009, or five years from the date of effectivity of the CWA).

MWSS and the Concessionaires each filed a petition for review before the CA, all of which were dismissed. Thus, the parties each filed a petition for review on certiorari before the SC, which ordered that the petitions be consolidated.

On September 17, 2019, Maynilad, through its external counsel, received a copy of the SC En Banc decision, dated August 6, 2019, in the case of *Maynilad vs The Secretary of the Department of Environment and Natural Resources, et al* (the "CWA Decision"). The SC affirmed, with modifications, the decisions of the CA finding the Concessionaires and MWSS guilty of violating Section 8 of the CWA. For violating Section 8, the SC held each of the Concessionaires jointly and severally liable with the MWSS for ₱921.5 million for the period May 7, 2009 (the day following the lapse of the five-year period provided in Section 8) to August 6, 2019, the date of the decision's promulgation. The fine is to be paid within 15 days from the time the CWA Decision becomes final. In addition, MWSS and the Water Concessionaires will be liable for the initial amount of ₱322,102.00 a day, subject to a further 10% increase every two years, pursuant to Section 28 of the CWA, until full compliance with the mandate of Section 8. A 6% interest will be imposed on the total amount of the fines should there be a delay in its payment.

On October 2, 2019, Maynilad filed a Motion for Reconsideration ("MR") of the decision with the SC.

In the meantime, Maynilad was granted a legislative franchise under Republic Act No. 11600 ("RA 11600") in December 2021 to establish, operate, and maintain a waterworks system and sewerage and sanitation services in the West Zone Service Area of Metro Manila, including some parts of the Province of Cavite. RA 11600 became effective on January 22, 2022.

On March 10, 2022, Maynilad filed a Manifestation with Motion before the SC to (i) inform it of the grant of a legislative franchise to Maynilad which provides, among others, for the achievement of 100% sewerage coverage only in 2037; and (ii) pray for the reversal of the CWA fines, or at the very least, of the fines accruing following the effectivity of RA 11600.

The SC promulgated the Resolution dated July 19, 2022 ("SC CWA Resolution"), which granted in part the MR of Maynilad and modified the CWA Decision. The SC still found the Water Concessionaires and MWSS liable for fines for violation of Section 8 of the CWA and ruled that the Water Concessionaires jointly and severally liable with the MWSS for the base amount of ₱30,000.00 per day of violation

counting from May 7, 2009, and subject to a 10% increase every two years, until January 21, 2022. The total fine amounted to approximately ₱202 million and must be paid within 15 days from receipt of the SC CWA Resolution so that same will not earn a 6% interest per annum.

Maynilad attempted twice in November 2022 to settle the fine of approximately ₱202 million with the Environmental Management Bureau (“EMB”) but the latter refused to accept the same. Maynilad later learned that EMB’s refusal to accept the payment is due to the filing by PAB of a Motion for Partial Reconsideration of the Decision with the Supreme Court. The PAB prayed for the reinstatement of the daily penalty to ₱200,000.00.

In the meantime, to ensure that Maynilad will not be held liable for interest charges for not paying the fine within 15 days from its receipt of the SC CWA Resolution, Maynilad informed the SC on December 5, 2022, by way of a Manifestation, of its tender of payment which the EMB refused. On February 3, 2023, Maynilad received a notice from the SC (dated January 17, 2023) of a resolution (“Final SC CWA Resolution”). The Final SC CWA Resolution (i) affirmed the SC CWA Resolution, (ii) denied, with finality, the PAB’s Motion for Partial Reconsideration, (iii) informed the parties that the SC will no longer entertain any further pleadings or motions, and (iv) ordered the entry of judgment immediately. In compliance with the Final Resolution, Maynilad paid EMB on February 15, 2023 the total amount of ₱202.3 million.

Order Relating to Effluent Quality

In 2016, the DENR issued Administrative Order No. 2016-08 (“DAO No. 2016-08”) which set new wastewater guidelines for each type of water body, and also specifies significant effluent quality parameters for each industry, which are based on the most probable pollutant that a type of industry will discharge into the environment. It also sets new significant parameters that have to be complied with before treated wastewater is discharged to receiving bodies of water.

DAO No. 2016-08 provides a grace period for compliance of not more than five years, provided that the establishment submits a Compliance Action Plan (“CAP”) and periodic status reports of implementation to the DENR on the steps taken for the establishment’s compliance schedule within the prescribed grace period.

Maynilad has 22 wastewater reclamation facilities (“WRF”) treating effluents compliant with the previous standards under DAO 35-s.1990. With the effectivity of DAO No. 2016-08 that imposes more stringent standards (biological nutrient removal and fecal coliform), Maynilad would have to incur higher capital and operational expenditures to make its existing WRFs compliant with the new effluent standards. In March 2017, Maynilad submitted to the DENR its CAP to comply with DAO No. 2016-08. Maynilad also requested, among others, that it be granted the five-year grace period (or until 2021) provided in DAO No. 2016-08 to comply with the new effluent standards.

On April 23, 2021, Maynilad wrote a letter to the DENR requesting for an extension of the approved CAP with a grace period until 2028. The purpose of the letter was to give Maynilad sufficient time to implement and complete the upgrade of its facilities to comply with DAO No. 2016-08. On June 30, 2021, the DENR issued DAO No. 2021-19 which relaxed certain standards in DAO No. 2016-08.

On July 6, 2021, Maynilad received DENR’s letter dated July 1, 2021 advising Maynilad of EMB Memorandum Circular No. 2021-01, which clarified that the grace period began when DAO No. 2016-08 went into effect. In its letter, the DENR explained that the moratorium or grace period will end on June 18, 2021. However, Maynilad may continue to use its approved CAP since the objective is to ensure compliance with all environmental laws.

On June 30, 2021, the DENR issued DAO 2021-19 updating the water quality guidelines for selected parameters based on current classification of water bodies and its beneficial use, and the effluent standards for selected parameters based on perceived impact to the activities in the area and to the environment. It

also provided that any person or establishment requesting for modification of significant effluent quality parameters shall submit to EMB Central Office the methodology and technical report with justifications containing the required details. A particular significant parameter as indicated in Table 8 of DAO 2016-08 may also be excluded in succeeding monitoring periods provided there is a request for exclusion and certain conditions are met.

Through Maynilad's letters all dated September 1, 2021, Maynilad submitted the updated CAPs for its 21 WRF and requested for the extension of the respective grace periods for the implementation of the new standards. The Laguna Lake Development Authority ("LLDA"), through its letter dated September 15, 2021, approved Maynilad's updated CAPs and gave additional grace periods of WRF modification to be able to fully comply with the applicable General Effluent Standards. The previously granted grace period until December 31, 2022 was extended for each WRF consistent with the effectivity of their respective Discharge Permits.

During the prescribed grace period, a moratorium is in effect which includes issuance of cease and desist and/or closure order, fine, and other penalties against the establishment's operations.

However, the establishments are not exempted from compliance monitoring and inspections by LLDA. DAO 1990-35 shall apply during the grace period, and each establishment must still comply with all the conditions in their respective Discharge Permits.

Maynilad, through its Wastewater Management Division, regularly submits the quarterly CAP update reports to the LLDA.

Petition for the Issuance of a Writ of Kalikasan

Water for All Reform Movement ("WARM") filed a Petition before the Court of Appeals praying for the issuance of a Writ of Kalikasan to enjoin the Maynilad and Manila Water from implementing a combined drainage and sewerage system as it supposedly violates Sections 27 (a) and I of the CWA, which prohibit the direct deposit and transport of sewage into water bodies.

WARM additionally claims that the (i) Sanitation Code has already been repealed by the CWA, and (ii) the Concessionaires are in continuing violation of the Writ of Continuing Mandamus issued by the SC in the Manila Bay Case.

It is the position of the Water Concessionaires that (i) the Writ of Continuing Mandamus is not a law, (ii) there are no grounds for the issuance of the Writ of Kalikasan, and (iii) the Sanitation Code (which expressly allows the installation of a combined system) has not been repealed by the CWA.

The Court of Appeals dismissed the Petition filed by WARM citing that the installation of a combined drainage and sewerage system is allowed under Presidential Decree No. 856, otherwise known as the Sanitation Code.

WARM elevated the Court of Appeal's decision via Certiorari to the SC in 2014. The SC, on July 11, 2017, issued a resolution consolidating this Petition with the pollution case that was filed by the DENR.

On July 19, 2023, Maynilad received a copy of the Decision of the SC denying the petition and affirming the resolutions of the CA. The SC ruled that WARM failed to prove that the elements for the issuance of a Writ of Kalikasan are present because it did not present any concrete proof of violation of the laws cited in its petition; and it failed to pursue the appropriate administrative remedies before the DENR, the primary agency mandated to implement environmental policies of the State.

Others

Maynilad is a party to various civil and labor cases relating to breach of contracts with damages, illegal dismissal of employees, and nonpayment of backwages, benefits and performance bonus, among others. Other disclosures required by PAS 37 were not provided as it may prejudice Maynilad's position in ongoing claims, litigations and assessments. Other contingencies which are currently pending are appropriately disclosed in the 2022 Audited Consolidated Financial Statements.

Toll Operations

Toll Rate Adjustments – NLEX Corp.

NLEX Corp., as petitioner-applicant, filed petitions for approval of periodic toll rate adjustment with the Toll Regulatory Board ("TRB") praying for the adjustment of the toll rates for the NLEX, effective January 1, 2013 (the "2012 Petition"), January 1, 2015 (the "2014 Petition"), January 1, 2017 (the "2016 Petition"), January 1, 2019 (the "2018 Petition"), and January 1, 2021 (the "2020 Petition") and January 1, 2023 (the "2022 Petition").

Petition	Filed In:	Effectivity
2012 Petition	June 2012	January 1, 2013
2014 Petition	September 2014	January 1, 2015
2016 Petition	September 2016	January 1, 2017
2018 Petition	September 2018	January 1, 2019
2020 Petition	September 2020	January 1, 2021
2022 Petition	September 2022	January 1, 2023

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 2013, 2014 and 2016. Thereafter, on September 29, 2016, September 30, 2020, and September 28, 2022, 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) (the "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 (the "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 (the "NLEX Lane Widening Phase 2 Add-on Toll Rate Petition").

2012 Petition and 2014 Petition. 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 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, NLEX Corp. received a Notice to Start Collection for the fourth tranche. On June 15, 2023, NLEX Corp. implemented the 4th 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. On March 22, 2022, the TRB issued a Notice to Start Collection. On May 12, 2022, NLEX Corp. implemented the periodic toll rate adjustments.

2018 Petition and 2020 Petition. On April 17, 2023, NLEX Corp. received a consolidated Resolution dated February 16, 2023 stating that the TRB provisionally approved and allowed the implementation of the consolidated 2018 and 2020 Petitions and allowed NLEX Corp. to implement the toll rates on a date not earlier than April 1, 2023. The TRB directed NLEX Corp. to implement the provisionally approved toll adjustment in two (2) equal tranches in 2023 and 2024. 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.

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 effective immediately. On May 12, 2022, NLEX Corp. implemented the periodic toll rate adjustments.

SCTEX Petitions. On June 14, 2019, NLEX Corp. implemented the Petition for Periodic Toll Rate adjustment effective 2012 in relation to the SCTEX. On June 1, 2022, NLEX Corp. implemented the Petition for Periodic Toll Rate Adjustment effective 2017 in the SCTEX.

On September 30, 2020, NLEX Corp. filed a Petition for Periodic Toll Rate Adjustment effective 2021 (“SCTEX 2020 Petition”). On September 28, 2022, NLEX Corp filed a Petition for Periodic Toll Rate Adjustment effective 2023 (“SCTEX 2022 Petition”). 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 July 1, 2023. On July 6, 2023, the TRB issued an Order directing NLEX Corp. to publish the provisional authorized toll rate adjustments matrix in a newspaper of general circulation at least once a week for three consecutive weeks and post a surety bond covering the amount equivalent of the projected one-year revenue collection. On July 25, 2023, NLEX Corp. filed with the TRB a Manifestation of Partial Compliance (re publication) with Motion for Extension (re surety bond) to fully comply with the TRB Order. NLEX Corp. should post the surety bond within the first week of August 2023. On August 1, 2023, NLEX Corp. filed with the TRB a Manifestation of Compliance as NLEX Corp.’s full and complete compliance with the TRB order dated July 6, 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 (“SCTEX 2023 Petition”). 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 Petition”). On July 3, 2023, NLEX 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 Petition, along with the applicable toll fee matrix, in a newspaper of general circulation at least once a week for three (3) consecutive weeks, within fifteen (15) days from receipt of the Order. NLEX Corp. published on July 25, August 1 & 8, 2023, respectively. On August 8, 2023, NLEX Corp filed a Manifestation of Compliance as NLEX Corp.'s 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.

Petition on Operations and Maintenance of SCTEX. 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 Office of the Solicitor General ("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 P1,000 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 P2,000 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 28 March 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 still pending as at November 8, 2023.

CAVITEX Toll Rate Adjustments

R1 Enhancement Phase 1. On July 15, 2019, TRB issued a Resolution (a copy of which was received by CIC on October 14, 2019) allowing the implementation of the Add-On Toll Rate of ₱1.00, ₱2.00 and ₱3.00 (VAT-inclusive) for vehicle classes 1, 2 and 3, respectively, subject to the continuing review and validation by TRB to determine the reasonableness of its imposition and the issuance by the Philippine Commission on Audit of its recommendation once it has completed its audit, effective October 24, 2019.

R1 Enhancement Phase 2. On November 27, 2020, CIC and Philippine Reclamation Authority ("PRA") filed their respective Petition for Approval of Add-On Agreed Toll Rate with Application for Provisional Relief for Segment 1 (R-1 Expressway) Enhancement with TRB.

On April 21, 2022, TRB issued a Notice of Toll Rate Adjustment Implementation approving and allowing the implementation of the adjusted Add-On Toll Rate of ₱27.00, ₱54.00 and ₱81.00 (VAT-inclusive) for vehicle classes 1, 2 and 3, respectively. TRB, in an Order, directed the publication of the adjusted toll rates matrix in a newspaper of general circulation at least once a week for three (3) consecutive weeks, within fifteen (15) days upon receipt of the said Order. The adjusted toll fare matrix was published at the Manila Standard on April 23, April 30, and May 7, 2022, respectively.

Pursuant to the Joint Manifestation of Compliance filed by CIC and PRA on May 11, 2022, TRB issued a Notice to Start Collection dated May 16, 2022 of the approved Toll Rates for Segment 1 (R-1 Expressway) which were implemented on May 22, 2022.

C5 Link Expressway Segment 3A-1. On July 4, 2019, CIC filed a Petition requesting the TRB to approve the Initial Toll fees for Segment 3A-1 of C5 Link Expressway. In its Resolution dated August 15, 2019, TRB approved the implementation of a provisional Initial Toll fee, subject to certain conditions. The TRB required CIC to: (i) submit an updated investment recovery scheme (“UIRS”) within six (6) months from start of actual toll collection; and (ii) post a surety bond for an amount equivalent to six (6) months projected revenue collection. On October 23, 2019, upon CIC and PRA compliance with TRB’s requirements, TRB issued a Notice to Start Collection effective October 24, 2019.

On April 23, 2020, CIC and the PRA requested an extension of time to submit the UIRS considering the height of the pandemic which led to the deferral of discussions on the UIRS. CIC and PRA’s authority to collect the provisional Initial Toll fee lapsed on April 24, 2020. After communication with TRB and compliance with requirements, CIC and PRA were allowed to resume toll collection in July 2020.

On October 15, 2021, CIC requested TRB to: (i) declare the finality of the authority to collect the provisional Initial Toll fee for Segment 3A-1; (ii) declare the provisional Initial Toll fee for Segment 3A-1 as final until the final Initial Toll rate for the C-5 Link Expressway is determined, and (iii) remove the requirement of surety bond or substantially reduce the amount required, in the alternative.

On April 8, 2022, CIC filed a Motion to Declare as Final the Authority to Collect Initial Toll, noting among others, its submission of the proposed UIRS for the entire MCTEP on September 22, 2020.

In an Order dated April 18, 2022, the TRB resolved to confirm the continued authority of CIC and PRA to collect the provisional Initial Toll fees and directed CIC and PRA to post a surety bond to guarantee the refund of the collected provisional Initial Toll fees to affected toll users in case it is finally determined that CIC and PRA are not entitled thereto. The surety bond posted by CIC and PRA was initially effective until April 24, 2023 and was subsequently extended until April 24, 2024.

C-5 Link Expressway Segment 3A-2. On May 31, 2022, in light of the completion of Segment 3A-2, CIC and PRA filed an Amended Supplemental Petition, for the approval of the provisional initial per kilometer toll rates for Segments 3A-1 and 3A-2 of the C5 Link.

On November 7, 2022, TRB approved the implementation of the provisional initial per kilometer toll rates for Segments 3A-1 and 3A-2.

After CIC and PRA’s compliance with regulatory requirements which includes the posting of a surety bond, TRB issued the Notice to Start Collection on November 25, 2022 effective immediately.

The surety bond posted by CIC and PRA was initially effective until July 15, 2023 and was subsequently extended until July 15, 2024.

R-1 Expressway. On September 9, 2021, CIC and PRA received a copy of TRB’s Order directing CIC and PRA to publish the approved adjusted toll rates matrix for the 2011 and 2014 Petitions for Periodic Toll Rate Adjustment in a newspaper of general circulation at least once a week for three (3) consecutive weeks, pursuant to a Consolidated Resolution dated August 19, 2021. On September 10, September 17, and September 24, 2021, CIC and PRA caused the publication of the Notice of Toll Rate Adjustment Implementation containing the approved adjusted toll rates matrix in a newspaper of general circulation. CIC submitted proof of its Compliance with TRB’s September 9, 2021 Order on September 24, 2021.

On September 24, 2021, CIC filed a Manifestation of Compliance pursuant to TRB’s Order to Publish the updated toll fare matrix dated September 9, 2021.

On March 24, 2022, TRB issued a (i) Consolidated Resolution dated January 26, 2022 providing the approved adjusted toll rates, subject to the continuing review and validation by the Board and issuance by COA of its recommendation upon completion of its audit; and a (ii) Notice to Start Collection dated March 23, 2022 which shall be effective immediately.

R-1 Expressway Extension. On September 29, 2017, CIC and PRA filed a Petition for approval of the periodic toll rate adjustment for R-1 Expressway and R-1 Expressway Extension.

On July 3, 2023, TRB issued a Notice of Resolution and Order indicating its approval of the provisional adjusted agreed toll rates for R-1 Expressway and R-1 Expressway Extension subject to CIC and PRA's compliance with publication and surety bond requirements.

On July 19, 2023, CIC filed a Manifestation of Partial Compliance with Motion for Extension to Comply with the Order, which covers: (a) manifestation of completion of the 3-week publication requirement, and (b) request for an extension of 10 calendar days to submit the Surety Bond, in light of changes in PRA management, which was noted by the TRB in its Order dated July 26, 2023.

On July 28, 2023, CIC submitted a certified copy of the required surety bond as compliance with the TRB Order. To date, CIC awaits the issuance by the TRB of Notice to Start Collection of the adjusted toll rates.

On August 11, 2023, TRB issued a Notice to Start Collection of the provisionally approved 2017 Periodic Toll Rate Adjustment effective immediately.

While the TRB has recently issued its approval of the 2017 Periodic Petition, and while the 2020 Petition for Periodic Toll Rate Adjustment for R-1 Expressway and R-1 Expressway Extension remains pending, CIC and PRA filed the 2023 Petition for Periodic Toll Rate Adjustment on September 29, 2023, in accordance with its right to a periodic adjustment of the Agreed Toll Rate every three (3) years from the identified Toll Rate Review Date.

JTSE outstanding case for underpayment of taxes in 2012-2015

JTSE won its tax appeal on the disputed input VAT for 2012-2015 tax years based on the Tax Court Decision dated September 19, 2019. However, on December 26, 2019, Director General of Taxation ("DGT") submitted a judicial review (Peninjauan Kembali) to the Supreme Court (Mahkamah Agung) for the Tax Court's decision. To counter the judicial review, JTSE submitted a contra memory letter to the Supreme Court (Mahkamah Agung) on February 5, 2020.

On August 16, 2021, JTSE received the Decision Letter of the Supreme Court of the Republic of Indonesia regarding the appeal of the Tax Underpayment Assessment Letter for the June 2012 VAT period. Based on the decision letter, the Supreme Court rejected JTSE's appeal, so that the tax and penalties should be paid by JTSE amounted to IDR20.0 billion or ₱71 million. JTSE has paid the tax and related penalty underpayment on October 25, 2021.

On February 11, 2022, JTSE, an indirect subsidiary, received a tax penalty letter for the rejection of JTSE's appeal by the Supreme court in the amount of IDR20.0 billion or ₱71 million (IDR20.0 billion). On April 8, 2022, JTSE filed an appeal letter to the regional tax office to annul the tax penalty letter. Regional Tax Office rejected the appeal and tax penalty have been fully paid in March 2023.

In December 2020, JTSE won its case in tax court on another case for VAT with the assessment amount of ₱68.5 million (IDR20.0 billion). DGT submitted a judicial review to the Supreme Court on March 18, 2021. To counter the judicial review, JTSE filed a contra memory letter to the Supreme Court on April 20, 2021.

On May 30, 2022, JTSE received the Decision Letter of the Supreme Court of the Republic of Indonesia regarding the appeal of the Tax Underpayment Assessment Letter for the February, April, May, and September 2016 VAT period. Based on the decision letter, the Supreme Court rejected JTSE's appeal.

On February 14, 2023, JTSE has received tax billing of penalty in the amount of ₱41.5 million (IDR11.47 billion). This has been fully paid in March 2023.

Arbitration. In August 2015, NLEX Corp. wrote the ROP, acting by and through the 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. 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 with the Regional Trial Court ("RTC"). On May 12, 2022, NLEX Corp. received the RTC's Order dated April 21, 2022, 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 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.

Local Business Tax (“LBT”) Assessments

NLEX Corp. and Tollways Management Corporation (“TMC”), which were previously separate entities but are now merged with NLEX Corp. as the surviving entity, are also parties to certain claims and assessments relating to LBT as follows:

- 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 (“RTC”) 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 RTC of Caloocan 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 filed a Motion to Admit with Reply with the RTC of Caloocan. The Motion for Reconsideration is pending for resolution.

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 RTC of Caloocan City. On March 13, 2023, the RTC of Caloocan issued a Decision granting the refund of the ₱22.8 million representing revenues from toll services. However, the ₱3.0 million portion pertaining to signage services was denied refund on the ground of lack of jurisdiction of the trial court. NLEX and City of Valenzuela filed its respective Partial Motion for Reconsideration. On May 22, 2023, the RTC of Caloocan issued an Order denying the NLEX and City of Valenzuela’s Partial Motion for Reconsideration for lack of merit. 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 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 No. 296 and 297. On October 9, 2023, NLEX Corp. filed its Memorandum in CTA Case No. 297. On October 16, 2023, the NLEX Corp. filed its Comment to the Petition filed by the City of Valenzuela. CTA Case Nos. 296 and 297 are both pending with the CTA.

- 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. On November 21, 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 RTC of Valenzuela City. On November 25, 2022, the RTC of Valenzuela issued a Decision in favor of NLEX Corp. On February 06, 2023, the City Treasurer of Valenzuela filed a

Motion for Reconsideration. On February 23, 2023, the RTC issued a Resolution denying the City of Valenzuela's Motion for Reconsideration and affirming the RTC Decision dated November 25, 2022. The City of Valenzuela filed a Petition for Review with the CTA on April 24, 2023, while the NLEX Corp. filed its Comment to 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. As at November 8, 2023, the case is pending with the CTA.

Others

The companies in the toll operations segment are also parties 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 its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material adverse effect on the Company's consolidated financial statements. Other contingencies which are still pending are appropriately disclosed in the 2022 Audited Consolidated Financial Statements.

Power

Performance-Based Regulations ("PBR").

MERALCO is among the Group A entrants to the PBR, together with two (2) other private distribution utilities ("DU").

Rate-setting under PBR is governed by the Rules for Setting Distribution Wheeling Rates ("RDWR"). The PBR scheme sets tariffs once every Regulatory Period ("RP") based on the regulated asset base ("RAB") of each DU, and the required operating expenditures and capital expenditures ("capex") to meet operational performance and service level requirements responsive to the need for adequate, reliable and quality power, efficient service, and growth of all customer classes in the franchise area as approved by the Energy Regulatory Commission ("ERC"). PBR also employs a mechanism that penalizes or rewards a DU depending on its network and service performance.

Rate filings and settings are done on a RP basis. One (1) RP consists of four (4) Regulatory years ("Rys"). A RY for MERALCO begins on July 1 and ends on June 30 of the following year.

Maximum Average Price ("MAP") for MERALCO's 3rd RP

After rate setting process for a RP, MERALCO goes through a rate verification process to set the MAP for each RY within the RP. In each of Rys 2012, 2013, 2014 and 2015, MERALCO filed for the respective MAP with the ERC. The ERC provisionally approved the MAPs for each of the RY.

On April 29, 2022, MERALCO received an Order from the ERC dated March 8, 2022, which resolved the true-up value of MERALCO's regulatory asset base for the 3rd RP. On such basis, the ERC adjusted the MAPs for Rys 2012, 2013, 2014 and 2015. The ERC then granted interim relief, which among other things, directed MERALCO to implement the refund of ₱7.8 billion or equivalent to ₱0.2583 per kWh. MERALCO implemented the refund beginning its May 2022 billing. In a Decision dated June 10, 2022, the interim approval of the ERC was rendered permanent and MERALCO was directed to continue implementing the refund. As at December 31, 2022, the amount has been fully refunded.

MERALCO's Interim Average Rate beginning RY 2016

On July 10, 2015, the ERC provisionally approved an interim average rate ("IAR") of ₱1.3810 per kWh (excluding efficiency adjustment) and the rate translation per customer class, which was reflected in the customer bills starting July 2015.

In a letter dated July 4, 2019, the *ERC* authorized the continued implementation of the interim average rate but directed *MERALCO*, as well as other *Dus*, to refund any remaining amount pertaining to regulatory reset costs for the previous *RPs*.

On July 13, 2022, *MERALCO* received the June 16, 2022 Decision of the *ERC* which approved a revised and final *IAR* of ₱1.3522 per *kWh* as the final distribution rate for the period from July 1, 2015 to June 30, 2022. The *ERC* likewise approved the corresponding distribution rate structure based thereon. *MERALCO* was authorized to continue implementing the *ERC*-approved *IAR* of ₱1.3522 per *kWh* until otherwise directed. *MERALCO* implemented the Decision beginning on its August 2022 billing.

Distribution Rate True-Up Application

On January 27, 2021, the *ERC* approved *MERALCO*'s application to refund to its customers ₱13,886 million of over-recoveries ("DRTU 1") representing the difference between the Actual Weighted Average Tariff ("AWAT") for the period July 1, 2015 to November 2020 and the then *IAR* of ₱1.3810 per *kWh*, as provisionally approved by the *ERC* on July 10, 2015.

Thereafter, there were three (3) other DRTU refunds ordered: (a) DRTU 2 totaling 4,837 million representing the difference between the AWAT for the period December 2020 to December 2021 and the then *IAR* of ₱1.3810 per *kWh*; (b) DRTU 3 of ₱7,755 million related to 3RP asset true-up adjustments; and (c) DRTU 4 amounting to ₱21,769 million based on *ERC* approved revised and final *IAR* of ₱1.3522 per *kWh*. Several intervenors filed motions for reconsideration which are pending before the *ERC*.

MERALCO implemented the foregoing refunds in 2022. The amounts were fully refunded in the May 2023 billing. However, in a letter dated June 14, 2023, *MERALCO* informed the *ERC* that the implementation of the refunds resulted in an over-refund of ₱860 million. As such, *MERALCO* proposed the recovery of the over-refund in twelve (12) months. As at November 8, 2023, the *ERC* has yet to respond to *MERALCO*'s letter.

Regulatory Reset Process Application

On March 16, 2022, *MERALCO* filed its application for the approval of its annual revenue requirement and performance incentive scheme for the 5th *RP* (July 1, 2022 to June 30, 2026) based on *ERC*-promulgated *RDWR*.

On September 28, 2023, *MERALCO* filed an Urgent Omnibus Motion: (a) to withdraw the Application; (b) allow *MERALCO* to re-file its 5th Application to cover the period from RY2025-RY2028 and (c) to consider RY2023 and RY2024 as lapsed period. As at November 8, 2023, *MERALCO* is awaiting the *ERC*'s action on the Urgent Omnibus Motion.

Applications for the Confirmation of Under- or Over-recoveries of Pass-through Charges

The *ERC* issued resolutions to govern the recovery of pass-through costs, including under- or over-recoveries with respect to the following bill components: generation charge, transmission charge, *SL* charge, lifeline and inter-class rate subsidies, senior citizen discounts, local franchise and business taxes, including the timelines for *DUs* to file their respective application and post-verification.

On various dates, the *ERC* provisionally approved *MERALCO*'s applications for net over-recoveries of generation, transmission, net lifeline subsidy, *SL* and net senior citizens discount totalling ₱657.4 million (February 2011 to October 2013) and ₱6,927 million (January 2014 to December 2016). As at November 8, 2023, *MERALCO* is awaiting the final resolution of the *ERC* on this matter.

Separately, MERALCO also filed for recovery of net under-recoveries of generation charge for special programs of ₱250.7 million, excluding carrying charges, covering the period March 2007 to December 2011. As at November 8, 2023, the ERC has not acted on such application.

Further, on September 1, 2020, MERALCO filed an application with the ERC to confirm its net generation charge under-recoveries of ₱2,382 million, net transmission charge over-recoveries of ₱440 million, net lifeline subsidy over-recoveries of ₱31 million, net SL over-recoveries of ₱971 million, and net senior citizen discount over-recoveries of ₱3 million from January 2017 to December 2019. In an Order dated December 16, 2020, the ERC granted interim relief to implement the refund/collection. MERALCO started implementation of the Order in its January 2021 billing. Hearings have been completed on January 21, 2021. In 2022, the amount has been fully refunded/recovered.

On June 1, 2023, MERALCO filed an application with the ERC to confirm its net generation charge under-recoveries of ₱6,413 million, net transmission charge under-recoveries of ₱607 million, net lifeline subsidy over-recoveries of ₱1 million, net SL under-recoveries of ₱764 million and net senior citizen discount over-recoveries of ₱3 million from January 2020 to December 2022, and net real property tax under-recoveries of ₱229 million and net local franchise tax over-recoveries of ₱27 million from January 2021 to December 2022. Initial hearings were set on August 24 and 31, 2023.

On August 29, 2023, MERALCO received a copy of the Decision dated March 8, 2023 regarding the Power Supply Agreement between MERALCO and Panay Energy Development Corporation (“PEDC”). In the Decision, the ERC directed that the recovery of PEDC’s actual fuel losses due to Change in Circumstances (“CIC”) from April 2 to September 25, 2022, amounting to ₱884 million be included in the ERC’s evaluation of MERALCO’s true-up confirmation.

On October 3, 2023, MERALCO filed a Motion for Leave to Admit Attached Supplemental Application with the ERC. The Supplemental Application prayed that MERALCO be allowed to recover the additional amount of ₱884 million pertaining to the recovery of the CIC claims of PEDC. As at November 8, 2023, the ERC has yet to act on MERALCO’s motion.

Application for the Recovery of Differential Generation Costs

On February 17, 2014, MERALCO filed for the recovery of the unbilled generation costs for December 2013 supply month amounting to ₱11,075 million. An amended application was filed on March 25, 2014 to adjust the unbilled generation costs for recovery to ₱1,310 million, following the receipt of the Wholesale Electricity Spot Market (“WESM”) billing adjustments based on regulated Luzon WESM prices. The first hearing was conducted on May 26, 2014. The ERC suspended the proceedings, pending resolution of issues of related cases at the SC involving generation costs for the November and December 2013 supply months and the regulated WESM prices for the said period. As at November 8, 2023, the proceedings remain suspended and MERALCO is awaiting further action of the ERC on this matter. However, the SC issued a Decision dated August 3, 2021 which voided the March 3, 2014 Order of the ERC which imposed regulated WESM prices for the November and December 2013 supply months. The Decision is now final and executory with the issuance by the SC of its Resolution dated October 11, 2022 which denied the motions for reconsideration filed by the ERC and the petitioners.

RPT Assessments

On October 22, 2015, the SC ruled on an appeal of MERALCO declaring, among others, that the transformers, electric posts, transmission lines, insulators and electric meters are not exempted from RPT under the Local Government Code. Thereafter, MERALCO began the process of settlement with the affected LGUs and filed for the recovery of the resulting RPT payments with the ERC.

With the development, Private Electric Power Operators Association Inc. (“PEPOA”) and Philippine Rural Electric Cooperatives Association (“PHILRECA”) filed separate petitions for rule-making proposing the pass-through of RPT.

In 2021, acting on petitions filed by PEPOA and PHILRECA, which proposed the pass-through of RPT, ERC issued Resolution No. 2, Series of 2021, “Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes)”. Under such resolution, the ERC approved the recovery of RPT, LFT and Business Taxes as pass-through charges and therefore excluded among the financial building blocks in the annual revenue requirement of PBR.

Accordingly, MERALCO filed for recovery of such RPT paid and intends to recover the same in the regulatory reset process.

Subsequently, PEPOA filed another petition for rule-making to amend certain provisions of Resolution No. 2, Series of 2021 to cover full recovery as pass-through costs of: (i) local taxes (RPT, LFT and business tax) levied by LGUs during the years prior to the Resolution to address tax arrearages; (ii) RPT assessed by LGUs on assets located outside the DU’s franchise area but are used to provide public service within the franchise area. MERALCO had submitted its comments and several public consultations were conducted. As at November 8, 2023, the Petition is pending with the ERC.

Mediation with National Power Corporation (“NPC”)

The NPC embarked on a Power Development Program (“PDP”), which consisted of contracting generating capacities and the construction of its own, as well as private sector, generating plants, following a crippling power supply crisis. To address the concerns of the creditors of NPC, namely, Asian Development Bank and the World Bank, the DOE required that MERALCO enter into a long-term supply contract with the NPC.

Accordingly, on November 21, 1994, MERALCO entered into a 10-year Contract for Sale of Electricity (“CSE”) with NPC which commenced on January 1, 1995. The CSE, the rates and amounts charged to MERALCO therein, were approved by the BOD of NPC and the Energy Regulatory Board, respectively.

Separately, the Department of Energy (“DOE”) further asked MERALCO to provide a market for half of the output of the Camago-Malampaya gas field to enable its development and production of natural gas, which was to generate significant revenues for the Government and equally significant foreign exchange savings for the country to the extent of the fuel imports, which the domestic volume of natural gas will displace.

MERALCO’s actual purchases from NPC exceeded the contract level in the first seven years of the CSE. However, the 1997 Asian crisis resulted in a significant curtailment of energy demand.

While the events were beyond the control of MERALCO, NPC did not honor MERALCO’s good faith notification of its off-take volumes. A dispute ensued and both parties agreed to enter into mediation.

The mediation resulted in the signing of a Settlement Agreement between the parties on July 15, 2003. The Settlement Agreement was approved by the respective BODs of NPC and MERALCO. The net settlement amount of ₱14,320 million was agreed upon by NPC and MERALCO and manifested before the ERC through a Joint Compliance dated January 19, 2006. The implementation of the Settlement Agreement is subject to the approval of the ERC.

Subsequently, the OSG filed a “Motion for Leave to Intervene with Motion to Admit Attached Opposition to the Joint Application and Settlement Agreement between NPC and MERALCO”. As a result, MERALCO sought judicial clarification with the Regional Trial Court (“RTC-Pasig”).

Pre-trials were set, which MERALCO complied with and attended. However, the OSG refused to participate in the pre-trial and opted to seek a TRO from the CA.

In a Resolution dated December 1, 2010, the CA issued a TRO against the RTC-Pasig, MERALCO and NPC restraining the respondents from further proceeding with the case. Subsequently, in a Resolution dated February 3, 2011, the CA issued a writ of preliminary injunction enjoining the RTC- Pasig from conducting further proceedings pending resolution of the Petition. In a Decision dated October 14, 2011, the CA resolved to deny the Petition filed by the OSG and lifted the injunction previously issued. The said Decision likewise held that the RTC-Pasig committed no error in finding the OSG in default due to its failure to participate in the proceedings. The RTC-Pasig was thus ordered to proceed to hear the case ex-parte, as against the OSG, and with dispatch. The OSG filed a MR which was denied by the CA in its Resolution dated April 25, 2012. The OSG filed a Petition for Review on Certiorari with the SC. MERALCO's Comment was filed on October 29, 2012.

Subsequently, a Decision dated December 11, 2013 was rendered by the First Division of the SC denying the Petition for Review on Certiorari by the OSG and affirming the Decision promulgated by the CA on October 14, 2011.

With the dismissal of the petition filed by the OSG with the CA, MERALCO filed a motion for the reception of its evidence ex-parte with the RTC-Pasig pursuant to the ruling of the CA. In a Decision dated May 29, 2012, the RTC-Pasig declared the Settlement Agreement valid and binding, independent of the pass-through for the settlement amount which is reserved for the ERC. The OSG has filed a Notice of Appeal with the RTC-Pasig on June 19, 2012. After both parties filed their respective appeal briefs, the CA rendered a Decision dated April 15, 2014 denying the appeal and affirming the RTC Decision, which declared the Settlement Agreement as valid and binding. The OSG filed a Petition for Review with the SC. On November 10, 2014, MERALCO filed its comment to the Petition. PSALM likewise filed its comment to the Petition. In a Resolution dated July 8, 2015, the SC resolved to serve anew its Resolutions requiring NPC to comment on the Petition. In compliance, NPC submitted its Comment dated September 8, 2015. MERALCO submitted its Motion for Leave to File and to Admit Attached Reply on October 12, 2015. Pursuant to the SC Resolution dated November 11, 2015, the OSG filed a Consolidated Reply to the comments filed by NPC, MERALCO and PSALM. MERALCO then filed a Motion for Leave to File and to Admit the Attached Rejoinder. The parties have filed their respective memoranda. In a Resolution dated September 28, 2022, the SC denied the Petition filed by the OSG and affirmed the validity of the Settlement Agreement. The OSG has filed a motion for reconsideration which remains pending before the SC. However, the implementation of the Settlement Agreement, particularly on the pass-through of the Settlement Amount, is subject to the approval of the ERC. As at November 8, 2023, the OSG has filed a motion for reconsideration which remains pending before the SC.

SC TRO on MERALCO's December 2013 Billing Rate Increase

On December 9, 2013, the ERC gave clearance to the request of MERALCO to implement a staggered collection over three (3) months covering the December 2013 billing month for the increase in generation charge and other bill components such as VAT, LFT, transmission charge, and System Loss ("SL") charge. The generation costs for the November 2013 supply month increased significantly because of the aberrant spike in the WESM charges on account of the non-compliance with WESM Rules by certain plants resulting in significant power generation capacities not being offered and dispatched, and the scheduled and extended shutdowns, and the forced outages, of several base load power plants, and the use of the more expensive liquid fuel or bio-diesel by the natural gas-fired power plants that were affected by the Malampaya Gas Field shutdown from November 11 to December 10, 2013.

On December 19, 2013, several party-list representatives of the House of Representatives filed a Petition against MERALCO, ERC and DOE before the SC, questioning the ERC clearance granted to MERALCO to charge the resulting price increase, alleging the lack of hearing and due process. It also sought for the declaration of the unconstitutionality of the Electric Power Industry Reform Act ("EPIRA"), which

essentially declared the generation and supply sectors competitive and open, and not considered public utilities. A similar petition was filed by a consumer group and several private homeowners' associations challenging also the legality of the Guidelines for the Automatic Adjustment of Generation Rate and System Loss Rates by Distribution Utilities that the ERC had promulgated. Both petitions prayed for the issuance of TRO, and a Writ of Preliminary Injunction.

On December 23, 2013, the SC consolidated the two (2) Petitions and granted the application for TRO effective immediately and for a period of 60 days, which effectively enjoined the ERC and MERALCO from implementing the price increase. The SC also ordered MERALCO, ERC and DOE to file their respective comments to the Petitions. Oral Arguments were conducted on January 21, 2014, February 4, 2014 and February 11, 2014. Thereafter, the SC ordered all the Parties to the consolidated Petitions to file their respective Memorandum on or before February 26, 2014 after which the Petitions will be deemed submitted for resolution of the SC. MERALCO complied with said directive and filed its Memorandum on said date.

On February 18, 2014, acting on the motion filed by the Petitioners, the SC extended for another 60 days or until April 22, 2014, the TRO that it originally issued against MERALCO and ERC on December 23, 2013. The TRO was also similarly applied to the generating companies, specifically MPPCL, SPI, SPPC, FGHPC, and the NGCP, and the Philippine Electricity Market Corporation (the administrator of WESM and market operator at that time) who were all enjoined from collecting from MERALCO the deferred amounts representing the ₱4.15 per kWh price increase for the November 2013 supply month.

In the meantime, on January 30, 2014, MERALCO filed an Omnibus Motion with Manifestation with the ERC for the latter to direct PEMC to conduct a re-run or re-calculation of the WESM prices for the supply months of November to December 2013. Subsequently, on February 17, 2014, MERALCO filed with the ERC an Application for the recovery of deferred generation costs for the December 2013 supply month praying that it be allowed to recover the same over a six (6)-month period.

On March 3, 2014, the ERC issued an Order voiding the Luzon WESM prices during the November and December 2013 supply months on the basis of the preliminary findings of its Investigating Unit ("IU") that these are not reasonable, rational and competitive, and imposing the use of regulated rates for the said period. PEMC was given seven (7) days upon receipt of the Order to calculate these regulated prices and implement the same in the revised WESM bills of the concerned Dus in Luzon. PEMC's recalculated power bills for the supply month of December 2013 resulted in a net reduction of the December 2013 supply month bill of the WESM by ₱9.3 billion. Due to the pendency of the TRO, no adjustment was made to the WESM bill of MERALCO for the November 2013 supply month. The timing of amounts to be credited to MERALCO is dependent on the reimbursement of PEMC from associated generator companies. However, several generating companies, including MPPCL, SN Aboitiz Power, Inc., Team (Philippines) Energy Corporation, PanAsia Energy, Inc., and SPI, have filed MRs questioning the Order dated March 3, 2014. MERALCO has filed a consolidated comment to these MRs. In an Order dated October 15, 2014, the ERC denied the MRs. The generating companies have appealed the Orders with the CA. MERALCO has filed a motion to intervene and a comment in intervention. The CA consolidated the cases filed by the generation companies. In a Decision dated November 7, 2017, the CA set aside ERC Orders dated March 3, 2014, March 27, 2014, May 9, 2014 and October 15, 2014 and declared the orders null and void. The Decision then reinstated and declared valid WESM prices for the November and December 2013 supply months. MERALCO and the ERC have filed their respective motions for reconsideration. Several consumers also intervened in the case and filed their respective motions for reconsideration. In a Resolution dated March 29, 2019, the CA denied the motions for reconsideration and upheld its Decision dated November 7, 2017. MERALCO and several consumers have elevated the CA Decision and Order to the SC where the case is pending. In a Resolution dated November 4, 2020, the SC consolidated ERC's and MERALCO's petitions and transferred MERALCO's petition to the member-in-charge of ERC's petition which was the lower-numbered case. The petitions filed by the consumers were denied by the SC.

In view of the pendency of the various submissions before the ERC and mindful of the complexities in the implementation of the ERC's Order dated March 3, 2014, the ERC directed PEMC to provide the market participants additional 45 days to comply with the settlement of their respective adjusted WESM bills. In an Order dated May 9, 2014, the parties were then given an additional non-extendible period of 30 days from receipt of the Order within which to settle their WESM bills. However, in an Order dated June 6, 2014 and acting on an intervention filed by Angeles Electric Corporation, the ERC deemed it appropriate to hold in abeyance the settlement of PEMC's adjusted WESM bills by the market participants.

On April 22, 2014, the SC extended indefinitely the TRO issued on December 23, 2013 and February 18, 2014 and directed generating companies, NGCP and PEMC not to collect from MERALCO. In a Decision promulgated on August 3, 2022, the SC affirmed the December 9, 2013 ERC letter approving MERALCO's proposal to implement a staggered collection over three (3) months covering the December 2013 billing month. However, it voided the ERC March 3, 2014 Order which voided the Luzon WESM prices during the November and December 2013 supply months and imposed the use of regulated rates for said period. The ERC and the petitioners filed motions for reconsideration which were denied with finality in the SC Resolution dated October 11, 2022. The implementation of any staggered collection is subject to the approval of the ERC.

In a letter dated September 25, 2023, MERALCO filed a letter with the ERC on its proposed implementation of the recovery of the generation charges pertaining to the December 2013 supply month. As at November 8, 2023, the ERC has yet to act on MERALCO's letter.

ERC IU Complaint

On December 26, 2013, the ERC constituted the IU under its Competition Rules to investigate possible anti-competitive behavior by the industry players and possible collusion that transpired in the WESM during the supply months of November 2013 and December 2013. MERALCO participated in the proceedings and submitted a Memorandum.

An investigating officer of the IU filed a Complaint dated May 9, 2015 against MERALCO and TMO for alleged anti-competitive behavior constituting economic withholding in violation of Section 45 of the EPIRA and Rule 11, Section 1 and 8 of the EPIRA IRR. In an Order dated June 15, 2015, the ERC directed MERALCO to file its comment on the Complaint. MERALCO and TMO have filed their respective answers to the Complaint.

In an Order dated September 1, 2015, the ERC directed the investigating officer to file his reply to MERALCO. In a Manifestation and Motion to Set the Case for Hearing dated November 9, 2015, the investigating officer manifested that he would no longer file a reply and that the case be set for hearing.

On May 24, 2016, the ERC promulgated Resolution No. 14, Series of 2016, which resolved to divide the Commission into two (2) core groups for the conduct of hearings and to designate the commissioners to act as presiding officers in anti-competition cases. The raffle pursuant to said Resolution was conducted on June 15, 2016.

In a Notice of Pre-Trial Conference dated June 16, 2016, the ERC set the pre-trial conference on August 18, 2016 and required MERALCO and TMO to submit their respective pre-trial briefs.

However, on July 27, 2016, the complainant filed two (2) omnibus motions for the consolidation and deferment of the pre-trial conferences. Hence, in an Order dated August 1, 2016, the respondents were given 10 days to submit their comments on the Motion for Consolidation, with the complainant given five (5) days to file his reply. As such, the pre-trial conferences as scheduled were deferred until further notice and all parties were granted 20 days to submit their respective pre-trial briefs. In the meantime, MERALCO likewise filed an Urgent Motion to Dismiss with Motion to Suspend Proceedings which was

adopted by TMO in its Manifestation and Motion filed on July 28, 2016. MERALCO maintained that the Complaint should be dismissed due to the absence of subject matter jurisdiction as it is now the Philippine Competition Commission (“PCC”) which has original and primary jurisdiction over competition-related cases in the energy sector. On August 23, 2016, MERALCO filed an Urgent Motion Ad Cautelam for suspension of proceeding including period to file pre-trial brief and judicial affidavit.

In a Motion dated August 25, 2016, complainant filed a Motion to defer the submission of the complainant’s pre-trial brief and judicial affidavit. In an Order dated June 13, 2017, the ERC denied the motion to consolidate but upheld the authority of private counsel to represent the complainants. MERALCO filed a Motion for Partial Reconsideration to question such authority.

In an Order dated February 2, 2017, the ERC denied the motion to dismiss and asserted jurisdiction over the Complaint. MERALCO filed its MR to the Order on February 23, 2017. In an Order dated June 20, 2017, the ERC denied the MR. On September 19, 2017, MERALCO filed a Petition for Certiorari with the CA. In a Resolution dated October 2, 2017, the CA required respondents to file their Comment on the Petition within 10 days and held in abeyance its resolution on the prayer for injunctive relief until the comments have been filed. MERALCO was likewise given five (5) days to file its reply. In a Manifestation dated October 23, 2017, the ERC stated that it is a nominal party in the case as the quasi-judicial tribunal that issued the assailed ordinances. The IU filed its own Comment dated December 19, 2017. In a Manifestation and Motion dated December 22, 2017, the OSG informed the CA that it will no longer represent the IU and will instead participate as “tribune of the people”. In the meantime, TMO also filed a separate Petition for Review on Certiorari with the CA. In a Resolution dated January 10, 2018, the CA ordered the consolidation of the petitions of TMO and MERALCO. In a Decision dated May 23, 2018, the CA denied the consolidated Petitions filed by MERALCO, TMO, and Aboitiz Power Renewables Inc. (“APRI”), and ruled that the jurisdiction to resolve the IU cases remains with the ERC because the Philippine Competition Act (“PCA”) does not apply retroactively.

On June 20, 2018, MERALCO filed an MR with the CA. The ERC likewise filed its Motion for Partial Reconsideration on the ground that it retained concurrent jurisdiction together with the PCC over cases involving alleged anti-competitive conduct supposedly because the PCA did not repeal Section 45 of the EPIRA.

In Resolution dated January 28, 2019, the CA denied the motions for reconsideration filed by all of the parties. While it sustained its finding that the PCC now holds original, exclusive, and primary jurisdiction over all competition-related cases, the CA reiterated its view that the PCA has no retroactive effect.

The ERC has elevated the matter to the SC. MERALCO, TMO and APRI have all filed their respective manifestations before the SC. In a Resolution dated September 29, 2021, the SC affirmed the CA in that the ERC had jurisdiction over these cases as they were filed before the enactment of the PCA. However, the SC did not rule on whether the PCC and the ERC now have concurrent jurisdiction as these issues were not fully litigated.

In the meantime, the ERC called for a conference on March 26, 2021 in order to discuss updates and developments regarding the case. On April 14, 2021, MERALCO filed an Urgent Motion Ad Cautelam to Suspend Proceedings in view of the pendency of the case before the SC. The ERC then issued an Order dated August 13, 2021, setting the pre-trial conference on August 27, 2021.

MERALCO filed a Manifestation and Urgent Omnibus Motion Ad Cautelam to (a) resolve the Urgent Motion Ad Cautelam to Suspend Proceedings dated April 14, 2021 and (b) Cancel the August 27, 2021 Pre-Trial Conference dated August 20, 2021. The pre-trial conference proceeded on August 27, 2021. However, the ERC stated that, after the pre-trial conference and before the case can proceed with trial on the merits, the ERC will first resolve MERALCO’s motions. The ERC also issued an open court order denying the motion of the ERC IU that the case be resolved through the submission of the position papers and other supporting documents. The ERC IU filed a Motion for Reconsideration to which MERALCO

filed an opposition. As at November 8, 2023, MERALCO is awaiting further action by the ERC on the matter.

Rail

Claims with Grantors. On various dates from 2015 through 2023, LRMC submitted to the DOTr and Light Rail Transit Authority (“LRTA”) (collectively known as “Grantors”) letters representing its claim for costs incurred and estimated in relation to Existing System Requirements and Light Rail Vehicle shortfall on the premise of the Grantors’ obligation in relation to the condition of the Existing System as at the LRT-1 Effective Date, Fare Deficit, Structural Defect Restoration costs, and contractor and other additional costs incurred less Key Performance Indicator (“KPI”) charges and concession fee payments.

On September 14, 2021, LRMC received a letter dated June 29, 2021 from the Grantors demanding that LRMC pay the Grantors Concession Payments in the total amount of ₱400.7 million. In its reply dated September 20, 2021, LRMC argued that it does not owe the Grantors Concession Payments. The Concession Agreement is very clear on the matter and leaves no room for interpretation. As at November 8, 2023, LRMC has not received further response from the Grantors.

Balancing Payments on Rail. As at November 8, 2023, LRMC has submitted thirty-three (33) letters (first to thirty-three Balancing Payments) to the Grantors representing its claims. Total claims up to the thirty-three Balancing Payment amounted to ₱9,692 million with a revised total amount of ₱8,053 million after Grantor’s comments. All claims are still undergoing discussion.

24. **Contracts, Agreements and Commitments**

The information provided in this report must be read in conjunction with the 2022 audited consolidated financial statements of the Company.

Updates to certain contracts and commitments disclosed in the annual consolidated financial statements as at December 31, 2022 and new contracts entered during the first nine months of 2023 are provided below:

MPIC

Buhay Ventures Holdings (PH) Inc.’s (“Buhay”) Investment in MPH. On December 9, 2019, MPIC, together with MPH, completed a series of transactions for the investment and entry of global investment firm Kohlberg Kravis Roberts & Co. (“KKR”), alongside Arran Investment Private Limited (“Arran”), in and to, MPH. Included in the series of transactions are the following:

- Buhay, a subsidiary of KKR, subscribed to, a mandatorily exchangeable bond, at the principal issue value of ₱30.1 billion (the “Buhay Exchangeable Bond”). The Buhay Exchangeable Bond can be exchanged to 239,932,962 common shares of MPH owned and held by MPIC (“Buhay EB Underlying Shares”). The Buhay EB Underlying Shares represent approximately 15.88% of the issued and outstanding capital stock of MPH, entitled to vote, on a fully diluted basis. The Buhay Exchangeable Bond’s subscription price shall be settled: (i) ₱26,091 million on completion date; (ii) ₱1,602 million one hundred eighty (180) days after the completion date; and (iii) ₱2,404 million on the first anniversary of the completion date. Receivable from Buhay was fully collected in 2020.
- Arran reinvested alongside Buhay. This transaction involved the acquisition by KKR of Arran’s Exchangeable Bond and Arran’s directly owned shares in MPH. On July 2, 2014, Arran paid ₱6.5 billion as consideration for an Exchangeable Bond issued by MPIC which can be exchanged, in the future, into 158,137,590 shares common shares of MPH (the “Arran Exchangeable Bonds”). The terms of the Arran Exchangeable Bond have been amended to align with the terms of the Buhay Exchangeable Bond.

Buhay as holder, shall be entitled, among others, to exchange the Exchangeable Bonds (Buhay Exchangeable Bond and Arran Exchangeable Bonds) for all of the underlying shares on the earlier of (i) thirty (30) days after the date the common shares of MPH, including the underlying shares, are first listed on the PSE following its initial public offering of shares and (ii) the date that is 10 years from the issue date of the Exchangeable Bonds (“Mandatory Exchange Date”). Interest applicable to the Exchangeable Bonds shall be equivalent to the actual dividend yield of the underlying shares.

- As part of KKR’s investment in MPH, MPIC granted in favor of KKR the following options (Call Options): (i) an irrevocable option, exercisable after the completion of this transaction, to require MPIC to sell to the Investor (and/or one or more of its designees) all or a portion of MPIC’s shares in MetroPac Apollo Holdings, Inc. (“Apollo”); and (ii) an irrevocable option, exercisable after Signing date, to require MPIC to sell to one or more newly established Philippine domestic companies or investment vehicles, each of which is wholly and beneficially owned by Filipino citizens who have relevant expertise and experience beneficial to the business of MPH. Apollo, a Philippine registered company (in which MPIC has 65% ownership as at September 30, 2023 and December 31, 2022) owns and holds all the outstanding voting preferred shares issued by MPH.

The fair value of the call options was estimated at the Call Option Agreement date using a binomial pricing model, taking into account the terms and conditions on which the options were granted. The exercise price is calculated based on the formula set forth in the Call Option Agreement. The Call Options can be exercised anytime up to ten years. As at September 30, 2023 and December 31, 2022, the fair value of the option liability under “Accounts payable and other current liabilities” account is estimated at ₱10 million (see Note 11).

The abovementioned series of transactions provided Buhay an economic interest of approximately 80%, on fully diluted basis post conversion of the Exchangeable Bonds. These transactions resulted to the deconsolidation of MPH beginning December 9, 2019 with the recognition of gain on deconsolidation amounting to ₱25,908 million, net of provisions for estimated tax warranties and indemnities of ₱2,568 million at the date of deconsolidation. The provisions amounted to ₱2,084 million as at September 30, 2023 (see Note 12).

Agreement on Joint Credit Mechanism (“JCM”) Model Project. On October 4, 2019, ITOCHU Corporation (“ITOCHU”; the parent company of ITOCHU Singapore Pte Ltd who is a shareholder in SBVC) filed an application with the Japanese Ministry of Environment (“MOE”) under the JCM Program, using the Dole Project.

The JCM Program encourages projects to use low carbon technologies and infrastructure that contribute to sustainable development in developing countries such as the Philippines. The Japanese government provides grants in the form of cash with no interest or repayment terms, to finance facilities and equipment that will reduce carbon dioxide from the environment (“JCM Grant”). As a condition of the grant, the MOE takes a portion of the JCM Carbon Reduction Credits and delivers this to the Japanese government to help Japan achieve its overall emissions reduction targets.

Because the application needs to be completed and submitted by a Japanese entity, ITOCHU is the main Project Participant with MVPHI and SBVC as Partner Participants. ITOCHU, ITOCHU Singapore and ITOCHU Corp. Manila Branch (collectively, the “ITOCHU Parties”), MVPHI and SBVC entered into an “Agreement on JCM Model Project” which provisions included among others: (i) internal procedure and mechanism to allocate certain responsibilities in order to effectively apply for and implement the JCM Model Project; (ii) allocation of the subsidy between MVPHI (60% of the subsidy) and ITOCHU Parties (40%); and (iii) in case the MOE requires return of the subsidy, each party is responsible for the return of the subsidy in proportion to their stipulated allocation ratio.

On October 29, 2019, the Grant Decision Notice was received by ITOCHU with an approved maximum net subsidy amounting of JPY759 million. In May 2020 and 2021, MVPHI received its share of the first

and second tranches of the JCM Grant amounting to JPY254 million (approximately ₱120 million) and JPY81 million (approximately ₱35 million), respectively. In April 2022, MPVHI received the third tranche amounting JPY38.1 million (approximately ₱16.3 million). The last tranche amounting to JPY81.8 million (approximately ₱33.7 million) was received in March 2023.

As the JCM Grant requires the fulfilment of certain obligations, the amount received by MVPHI is recorded as deferred income under ‘Other long-term liabilities’ account and shall be recognized as income over the life of the Dole Project as obligation to deliver carbon credits is fulfilled.

Disposition of 34.9% Interest in MPLRC by MPIC. On May 28, 2020, MPIC entered into an agreement with Sumitomo Corporation (“Sumitomo”) for the acquisition by Sumitomo of a 34.9% interest in MPLRC. MPLRC has an aggregate 55% interest in LRMC. The agreement provides for Sumitomo’s right to issue a put notice for all the MPLRC shares it owns in the event of a deadlock (following unsuccessful mediation procedures) and in the event of MPIC’s default on its obligations under the shareholders’ agreement.

As at September 30, 2023 and December 31, 2022, the option liability under “Accounts payable and other current liabilities” account amounting to ₱4,447 million and ₱4,239 and was recognized in relation to the NCI put option, respectively (see Note 11). The difference between the financial liability and the non-controlling interest attributable to Sumitomo amounting to ₱1,221 million and ₱1,570 million, was recognized in equity reserve as at September 30, 2023 and December 31, 2022, respectively.

Acquisition of Axelum Resources Corporation (“ARC”). On February 6, 2023, again through MPAV, MPIC entered into a sales and purchase agreement with a group of sellers to acquire approximately 31.33% interest in ARC for a consideration of approximately ₱4.82 billion. On the same day, MPAV and ARC entered into an agreement to subscribe to 200 million redeemable preferred shares of ARC for a consideration of ₱0.5 billion. The total consideration of these two transactions of approximately ₱5.32 billion is to be paid in full in cash from completion, which is subject to the satisfaction of certain conditions, including regulatory approvals. MPAV will have approximately 34.76% voting interest in ARC upon closing. ARC is a Philippine-listed corporation and is a fully-integrated manufacturer of high-quality coconut products for domestic and international food and beverage companies. ARC uses all parts of the coconut in its production resulting to a full-line of products, including coconut water, desiccated coconuts, coconut milk powder, coconut milk/cream, reduced fat coconut, sweetened coconut, coconut oil, and other coconut products.

Investment in PLDT Global Investments Corporation (“PGIC”). In April 2022, MPIC invested USD\$56.5 million to PGIC in exchange for preference shares. PGIC is a company incorporated in the British Virgin Islands.

As at September 30, 2023, the investment is booked under “Other Noncurrent Assets” in the consolidated statements of financial position.

Investment in SP New Energy Corporation (“SPNEC”). On March 28, 2023, MPIC has entered into a definitive agreement to invest ₱2 billion to acquire 1.6 billion common shares or 16% of SPNEC from its parent Solar Philippines Power Project Holdings, Inc. (“SPPHI”), with MPIC to be given the option to become the single largest shareholder of SPNEC. SPNEC is an integrated developer, owner, and operator of solar power projects listed in the PSE.

The completion of the transaction is subject to the satisfaction of certain conditions precedent, including the procurement of regulatory approvals and execution of a separate agreement which will, among others, grant the MPIC Group the option to increase its interest in SPNEC to 43% of its outstanding shares after SPNEC increases its authorized capital stock from ₱10 billion to ₱50 billion through an asset-for-share swap which involves the infusion of SPPHI assets into SPNEC. As at September 30, 2023, the conditions

precedent have been fulfilled and the investment was booked under “Other Noncurrent Assets” in the consolidated statements of financial position.

Power

Specific Competitive Selection Process (“CSP”) for PSAs

On September 13, 2019, MERALCO signed three (3) PSAs for baseload capacity with AC Energy for 200 MW, Sual Power Inc. (“SPI”) formerly San Miguel Energy Corporation (“SMEC”) for 330 MW, and South Premiere Power Corporation (“SPPC”) for 670 MW. On September 16, 2019, MERALCO signed three (3) PSAs for mid-merit capacity with First Gen Hydro Power Corporation (“FGHPC”) for 100 MW, AC Energy for 110 MW, and SPPC for 290 MW. On October 22, 2019, the joint applications for approval of these six (6) PSAs were filed before the ERC. In its letters to MERALCO, all dated December 23, 2019, the ERC granted provisional authority to implement MERALCO’s three (3) PSAs for baseload capacity with AC Energy, SPPC and SPI. On January 30, 2020, MERALCO received the orders of the ERC granting provisional authority to implement MERALCO’s two (2) PSAs for baseload and mid-merit capacity with AC Energy.

On March 16, 2020, MERALCO received the orders of the ERC granting provisional authority to implement MERALCO’s other four (4) PSAs for baseload capacity with SPPC and SPI, and mid-merit capacity with FGHPC and SPPC. In its Orders dated November 26, 2020, the ERC granted interim relief authorizing continued implementation of the PSAs with AC Energy, SPPC and SPI for baseload capacity and PSA with FGHPC for mid-merit capacity, until revoked or until the issuance of a final decision by the ERC.

On April 18, 2022, SPI and SPPC issued to MERALCO Notices of Change in Circumstances, claiming that the worsening conflict between Russia and Ukraine and other geopolitical and economic factors related and/or emanating therefrom had impacted SPI and SPPC’s capability to perform their obligations under the respective PSAs in terms of unexpected increase in fuel cost. Thus, on May 12, 2022, SPI and SPPC (joined by MERALCO) filed Joint Motions for Price Adjustment with the ERC. On June 27, 2022 and July 22, 2022, SPI, SPPC and MERALCO filed motions for urgent resolution of the Joint Motion. On August 30, 2022, the ERC conducted a clarificatory hearing with SPI, SPPC and MERALCO to clarify several issues in connection with the Joint Motions for Price Adjustment. On October 3, 2022, the ERC, voting 3-2, promulgated its Orders dated September 29, 2022, denying the Joint Motions for Price Adjustment. On October 5, 2022, SPI and SPPC notified MERALCO that it will continue with its obligations under their respective baseload PSAs with MERALCO under protest and without prejudice to their rights and remedies under pertinent laws and contract. On November 4, 2022, SPI and SPPC filed Petitions for Certiorari with prayer for issuance of a temporary restraining order (“TRO”) and Writ of Preliminary Injunction (“WPI”) with the Court of Appeals (“CoA”), assailing the ERC Orders dated September 29, 2022. On November 25, 2022, the CoA issued a TRO for the SPPC case, hence, after the TRO bond was posted by SPPC, on December 7, 2022, SPPC stopped accepting MERALCO nominations. On December 27, 2022, the CoA issued a resolution consolidating the SPI case with the case filed by SPPC with docket number CoA GR-SP No. 176036. Thereafter, on January 13, 2023, the CoA issued another resolution consolidating the SPI case with the SPPC case under CoA GR-SP No. 176036. On January 25, 2023, the CoA issued a WPI for the SPPC case, which shall remain in effect until the main case is finally decided. Meanwhile, for the SPI case, on January 13, 2023, the CoA denied SPI’s prayer for TRO and WPI. On February 10, 2023 and February 13, 2023, ERC and MERALCO, respectively, filed its Motion for Reconsideration of the CoA’s issuance of WPI for the SPPC case. On April 3, 2023, the CoA promulgated its Resolution denying the Motions for Reconsideration filed by ERC and MERALCO vis-à-vis the CoA’s issuance of WPI for the SPPC case. On June 22, 2023, the ERC filed with the Supreme Court a Petition for Certiorari with prayer for TRO/WPI, assailing the CoA’s issuance of WPI for the SPPC case. As of July 24, 2023, the Supreme Court has not issued a TRO/WPI or Resolution directing MERALCO to comment. On July 14, 2023,

MERALCO received the CoA's (13th Division) Joint Decision dated June 27, 2023 (the "Joint Decision"). In the Joint Decision, the CoA, among others: (a) ANNULLED/SET ASIDE the ERC Orders which: (i) denied the Joint Motions for Price Adjustment and (ii) directed MERALCO to exhaust all options to preserve PSAs; (b) GRANTED SPPC's and SPI's Motions for Price Adjustment (for the period of January 2022 to May 2022), without prejudice to any further requests for price adjustments for June 2022 onwards; and (c) made permanent the Preliminary Injunction issued in favor of SPPC. On July 17, 2023, SPI informed MERALCO of its position that the CoA's Joint Decision dissolving the ERC Order as immediately executory. Hence, for SPI, it will cease supply to MERALCO effective immediately. On the same day, MERALCO replied that it reserves its right to pursue available legal remedies and to ask SPI for time to seek replacement emergency power supply. On July 18, 2023, SPI informed MERALCO that is only amenable to grant a grace period of five (5) days, or until July 23, 2023, in order for MERALCO to seek replacement emergency power supply. Starting on July 24, 2023, SPI has ceased its obligations under its baseload PSA with MERALCO. Also on July 17, 2023, SPPC also informed MERALCO of its position that the CoA's Joint Decision dissolving the ERC Order as immediately executory. Hence, for SPPC, the PSA is terminated already effective October 4, 2022. On the same day, MERALCO replied that it reserves its right to pursue available legal remedies, and for SPPC, reconsider its position. As at November 8, 2023, SPPC and SPI has ceased its obligations under its baseload PSA with MERALCO.

Excellent Energy Resources, Inc. ("EERI") and Masinloc Power Partners Co. Ltd. ("MPPCL") - Baseload PSAs

On March 2, 2021, after a CSP for 1,800 MW baseload capacity from greenfield power plants was conducted, MERALCO signed two (2) PSAs with EERI with commercial operations date in December 2024 for 1,200 MW, and with MPPCL with commercial operations date in May 2025 for 600 MW. The joint applications for approval of MERALCO's PSAs with MPPCL and EERI were filed with the ERC on March 18, 2021 and March 24, 2021, respectively. On March 17, 2023, MERALCO received Notices of Termination from EERI and MPPCL informing MERALCO of their decision to terminate the PSAs effective fifteen (15) days from receipt of said notices. On April 14, 2023, EERI and MPPCL filed Notices of Withdrawal their joint applications with the ERC, and (assuming without conceding that such notices are not deemed by the ERC sufficient to cause the withdrawal of said joint applications), praying that the ERC approve the withdrawal of the joint application. On April 23, 2023, MERALCO filed its compliance with the ERC. On October 12, 2023, MERALCO received a separate Orders from the ERC granting withdrawal of each of the joint applications. As at November 8, 2023, the joint applications are withdrawn.

Interim Power Supply Agreements ("IPSAs")

On January 24, 2017, in view of the Malampaya shutdown that was to coincide with the scheduled outage of other plants, MERALCO signed an IPSA with Strategic Power Development Corporation ("SPDC") for the supply of 100 MW per hour of electric power from 0901H to 1000H and from 2001H to 2100H, and 150 MW per hour of electric power from 1001H to 2000H, from January 28, 2017 until February 16, 2017. An application for approval of such IPSA was filed before the ERC on February 9, 2017. The said IPSA was effective immediately, on the condition that disallowances and penalties that the ERC may impose as a result thereof shall be for the account of SPDC. MERALCO and SPDC, in a letter agreement dated February 15, 2017, agreed to extend the term of the IPSA until March 25, 2017 under the same terms and conditions of the IPSA. On February 16, 2017, MERALCO and SPDC filed a Joint Manifestation with Motion with the ERC apprising the Honorable Commission of the extended term and praying that the same be duly considered and approved accordingly. The hearings on this case have been completed and MERALCO filed its FOE on July 21, 2017. As at November 8, 2023, the contract term has expired and MERALCO awaits the ERC's final decision on the IPSA.

On April 15, 2019, in view of the National Grid Corporation of the Philippines ("NGCP") forecast that low voltage situations will occur for the weekdays of May up to the first half of June 2019 every time the

Luzon peak demand exceeds 11,200 MW, MERALCO signed two (2) separate IPSAs with: (i) Millenium Energy, Inc. (“MEI”) for the purchase of 70 MW of electric power, subject to a net dependable capacity test, from April 26, 2019 to June 25, 2019, from MEI’s Gas Turbine Power Plant in Navotas Fishport Complex, Navotas City; and (ii) Therma Mobile, Inc. (“TMO”) for the purchase of up to 200,000 kW contract capacity and associated energy, subject to restatement based on the results of capacity test, from April 26, 2019 to April 25, 2020, from TMO’s 242 MW-installed capacity, barge-mounted, bunker-fired diesel power generating and interconnection facilities in Navotas City. For the said IPSAs, MERALCO also received the DOE’s grant of exemption from the requirement for CSP. The applications for approval of said IPSAs were filed before the ERC on April 17, 2019. In accordance with the said IPSAs, with the filing of the joint applications and DOE’s exemption, the mutual obligations to sell and purchase power under said agreements were implemented beginning April 26, 2019. On July 1, 2019, MERALCO filed its Compliance with Formal Offer of Evidence on the TMO IPSA Joint Application. In addition, in light of the declarations of yellow and red alerts in the Luzon Grid by NGCP, MERALCO and MEI, in a Letter Agreement dated June 20, 2019, agreed to extend their IPSA until September 25, 2019. Further, given continuing declarations of yellow and red alerts in the Luzon grid by NGCP, MERALCO and MEI, in a Letter Agreement dated September 23, 2019, agreed to further extend their IPSA until April 25, 2020. MERALCO also received the DOE’s grant of exemption from the requirement for CSP for said periods. In a Letter Agreement dated January 28, 2020, MERALCO and MEI agreed on another extension of their IPSA from April 26, 2020 to June 25, 2020 in view of DOE’s forecast, presented to MERALCO in a meeting with the DOE on January 16, 2020, which showed red alert situation in the Luzon grid for the period from April to June 2020. MERALCO wrote DOE on January 29, 2020 to request for exemption from the requirement for CSP for said period. However, the PSA with MEI was not extended as the DOE did not issue any exemption to be able to further extend the PSA. Thus, on April 25, 2020, the PSA with MEI expired. On even date, the PSA with TMO also expired. As at November 8, 2023, the cases remain pending with the ERC.

On September 28, 2021, in view of the Malampaya shutdown set for October 2021 that was to coincide with the scheduled outage of other plants, MERALCO signed a Contract for Supply of Electric Energy (“CSEE”) with PSALM for the supply of 90 MW for the period of ten (10) months from September 26, 2021 to July 25, 2022. On even date, the DOE issued a Certificate of Exemption from CSP in favor of MERALCO for the CSEE. With the DOE’s grant of exemption from the requirement for CSP, the parties began implementation of the CSEE on September 29, 2021. The application for approval of the CSEE with PSALM was filed on December 29, 2021. As at November 8, 2023, the contract term has expired and the case is pending decision by the ERC.

On February 4, 2022, after being declared the winning power supplier in a CSP, MERALCO signed a 5-month PSA with SPPC for 170 MW contract capacity. The application for approval of MERALCO’s interim PSA with SPPC was filed with the ERC on March 22, 2022. On July 25, 2022, the contract term has expired, thus, on September 2, 2022, MERALCO and SPPC jointly filed a Manifestation with the ERC, informing it of the expiration of the PSAs’ contract term and that the application for approval of the PSA is already deemed moot. As at November 8, 2023, the contract term has expired and the ERC has not issued its final decision on this PSA.

On December 14, 2022, in connection with the sudden and unforeseen suspension of MERALCO’s baseload PSA with SPPC for 670 MW and after receiving from the DOE a Certificate of Exemption from the conduct of a competitive selection process (“COE-CSP”) pursuant to the DOE Circular No. DC2021-09-0030 (“2021 Revised CSP Circular”), MERALCO signed a one (1)-month PSA with GNP Power Dinginin Ltd. Co. (“GNPD”). The GNPD emergency power supply agreement (“EPSA”) (“1st GNPD EPSA”) was implemented on December 15, 2022 and filed with the ERC on April 5, 2023. Following MERALCO’s request for extension of the 1st GNPD EPSA, given continued unavailability of contract capacity and non-delivery of associated energy under the SPPC PSA (since the CA granted a writ of preliminary injunction to replace the TRO), the parties executed another EPSA with GNPD dated February 3, 2023 (“2nd GNPD EPSA”), with term until February 25, 2023. The 2nd GNPD EPSA was

implemented on February 3, 2023 and filed with the *ERC* on April 13, 2023. As at November 8, 2023, the contract terms of the said *EPSAs* have expired and the cases remain pending with the *ERC*.

On April 29, 2023, *MERALCO* received via electronic mail, a copy of the *ERC* Order dated April 11, 2023 (the “*Show Cause Order*”) alleging *MERALCO*’s purported violation of Sec. 2.2.1.2 of the *2021 Revised CSP Circular*. The purported violation is predicated on *ERC*’s unilateral finding that the generation rate under the *1st GNPD EPSA* and *2nd GNPD EPSA* is not equivalent to or lower than the latest *ERC*-approved generation tariff for the same or similar technology in comparable areas considering that *GNPD*’s *EPSA* rate is higher than the latest *ERC*-approved generation tariff for similar technology (coal) in *MERALCO*’s area. The *ERC* compared the said rate with the *MERALCO* and Panay Energy Development Corporation (“*PEDC*”) *PSA* provisionally approved last February 23, 2022 in *ERC* Case No. 2022-001RC (the “*PEDC PSA*”). On May 15, 2023, *MERALCO* filed its Verified Explanation (“*Verified Explanation*”) in compliance to the *ERC*’s Show Cause Order. *MERALCO* explained that: (i) The *COE-CSP* issued by the *DOE* not only exempted *MERALCO* from conducting a *CSP* for the *EPSAs*, but essentially certifies that the Distribution Utility was able to meet the requisites for its issuance, thus, authorizing the *EPSAs*’ immediate implementation; (ii) the immediate implementation of the *1st GNPD EPSA* and *2nd GNPD EPSA* is consistent with Section 2.2.1.2 of the *2021 Revised CSP Rules* considering that: (a) both the *EPSAs*’ cooperation periods are within the one (1) year period limitation; (b) the *EPSAs* were contracted to address an emergency situation; and (c) the *EPSAs* are equivalent to or lower than the latest *ERC*-approved generation tariff for same plant offered for the *EPSA*, which is actually the practice being observed by the *ERC* in approving *PSAs* as show in previous Orders issued for other *PSAs*; (iii) the *ERC*’s use of the *PEDC PSA* rate, which was released on the *ERC*’s online Database of Generation Rates after the Show Cause Order was issued and after the expiration of the terms of the *EPSAs*, is not comparable to the *EPSA* rates given the stark differences in circumstances.

On March 24, 2023 and April 11, 2023, in light of the injunction issued by the Court Appeals which suspended implementation of *MERALCO*’s *PSA* with *SPPC* for 670 MW contract capacity, and after receiving from the *DOE* a *COE-CSP* pursuant to the *2021 Revised CSP Circular*, *MERALCO* signed an *EPSA* with *SPPC* and *TLI*, respectively. The application for approval of the *EPSA* with *SPPC* was filed on July 27, 2023. As at November 8, 2023, the hearings set by the *ERC* on the *EPSA* with *SPPC* and *TLI* have concluded, pending the submission of several documents requested by the *ERC*.

In light of the *CA*’s Joint Decision, and the cessation of the *SPI PSA* on July 24, 2023, *MERALCO*’s bilateral power supply contracts portfolio was reduced by 330 MW starting July 24, 2023. On July 17, 2023, *MERALCO* sent out requests for proposals to various power suppliers in order to address the 330 MW bilateral contract capacity deficit. On July 20, 2023, the only offer received was from *SPPC*. On August 7, 2023, the *EPSA* with *SPPC* has been set for hearing by the *ERC*.

PEDC

On April 26, 2016, *MERALCO* signed a 20-year *PSA* with *PEDC* (“*2016 PEDC PSA*”) for the purchase of up to 70 MW of electric output from the 150 MW coal-fired power generating facility in Brgy. Ingore, La Paz, Iloilo. In its letter dated November 23, 2016, the *ERC* informed *MERALCO* that the *ERC* has provisionally approved the 2016 *PEDC PSA* in its Order dated July 11, 2016. On January 10, 2017, *MERALCO* and *PEDC* filed their Joint Motion to Admit the *FOE* with Joint Urgent Motion for Early Resolution of the Application, seeking to, among other things, already source 70 MW from *PEDC* beginning January 28, 2017 in order to temper the anticipated additional burden that the *SPEX-Malampaya* outage may bring to end-users. On March 3, 2017, *PEDC* filed a Motion partially seeking reconsideration of the provisional rate approved under the *PSA*. On October 3, 2017, *PEDC* filed a Supplemental Motion for Reconsideration. On April 30, 2018, *MERALCO* received *PEDC*’s Manifestation and Motion praying that *MERALCO* be authorized by the *ERC* to collect from its customers the difference between the provisional rate approved by the *ERC* and the rates originally applied for under the *PSA*. As at November 8, 2023, further *ERC* action is pending.

In the meantime, on May 17, 2019, MERALCO received the SC Decision in *Alyansa Para sa Bagong Pilipinas, Inc. vs. ERC, et al.* (G.R. No. 227670, 3 May 2019) that effectively required all PSA applications for ERC approval filed on or after June 30, 2015 to undergo CSP, which includes the 2016 PEDC PSA, following the DOE Circular entitled, “Adopting and Prescribing the Policy for the Competitive Selection Process in the Procurement by Distribution Utilities of Power Supply Agreements for the Captive Market” (“2018 DOE Circular”), which was published on February 9, 2018.

Consequently, on October 8, 2019, MERALCO filed a Manifestation that it has requested DOE for exemption from CSP for the 2016 PEDC PSA for an additional period up to one (1) year and preparations for the implemented term of their PSA (i.e., not covered by CSP exemption) is already underway. On January 15, 2020, the DOE issued a CSP exemption for a period of one (1) year from August 26, 2019 to August 25, 2020. In several Joint Manifestations filed with the ERC by MERALCO and PEDC, while the Terms of Reference for the CSP of the 2016 PEDC PSA (pursuant to the SC Decision in G.R. No. 227670) is pending review by the DOE, the parties manifested to the ERC that the 2016 PEDC PSA will continue until implementation of the new PSA resulting from the CSP. On January 25, 2022, due to a successful CSP of the 2016 PEDC PSA (discussed below), the MERALCO and PEDC stopped implementing the 2016 PEDC PSA. As at November 8, 2023, the 2016 PEDC PSA is pending final decision by the ERC.

On September 30, 2021, after the DOE approved the Terms of Reference for the CSP of the 2016 PEDC PSA (to abide by the SC Decision in G.R. No. 227670 and comply with CSP prescribed in the 2018 DOE Circular), MERALCO’s Third Party Bids and Awards Committee (“TPBAC”) published the Invitation to Bid for the contract period ending on January 25, 2037. On November 22, 2021, PEDC received from the TPBAC a Notice of Award in its favor after submitting the lowest bid and passing the post-qualification evaluation. On November 29, 2021, MERALCO signed a new 15-year PSA with PEDC for 70 MW of contract capacity (“2021 PEDC PSA”). The application for approval of the new PSA with PEDC was filed on January 22, 2022. Through a “Notice of Resolution” dated February 23, 2022, the ERC granted provisional authority to implement the 2021 PEDC PSA, and on April 1, 2022, the 2021 PEDC PSA was implemented by MERALCO and PEDC.

On March 18, 2022, PEDC issued to MERALCO a Notice of Change in Circumstance, claiming that the Ukraine-Russia conflict had a significant negative financial impact to PEDC due to the price spike in coal prices and if the current situation continues, PEDC’s losses will be massive and ruinous unless an adjustment in contract price pursuant to the 2021 PEDC PSA is implemented. Thus, on April 13, 2022, PEDC (joined by MERALCO) filed an Urgent Motion for Contract Price Adjustment with the ERC. Meanwhile, on April 22, 2022, MERALCO received PEDC’s Notice of Termination, effective six months thereafter, or until October 22, 2022. After the lapse of October 22, 2022, with the Urgent Motion for Contract Price Adjustment still pending with the ERC, PEDC has continued with its obligations under the 2021 PEDC PSA. On December 4, 2022, PEDC sent to MERALCO a Notice of End of Supply, which formally informed MERALCO of PEDC’s decision to cease supply of energy beginning midnight of December 5, 2022, because without the ERC’s action on the Urgent Motion for Contract Price Adjustment, PEDC was already placed in severe financial stress and in danger of breaching its financial covenants. On August 29, 2023, MERALCO received a copy of the Decision dated March 8, 2023 regarding the Power Supply Agreement between MERALCO and Panay Energy Development Corporation (PEDC). In the Decision, the ERC directed that the recovery of PEDC’s actual fuel losses due to Change in Circumstances (CIC) from April 2 to September 25, 2022, amounting to ₱884 million be included in the ERC’s evaluation of MERALCO’s true-up confirmation.

On October 3, 2023, MERALCO filed a Motion for Leave to Admit Attached Supplemental Application with the ERC. The Supplemental Application prayed that MERALCO be allowed to recover the additional amount of ₱884 million pertaining to the recovery of the CIC claims of PEDC. As at November 8, 2023, the ERC has yet to act on MERALCO’s motion.

Other contracts which MERALCO and its subsidiaries are a party to are appropriately disclosed their consolidated financial statements as at September 30, 2023.

Toll Operations

CCLEX. On October 3, 2016, CCLEC, Cebu City and Municipality of Cordova (as grantors) signed the concession agreement for the CCLEX. CCLEX consists of the main alignment starting from the Cebu South Coastal Road and ending at the Mactan Circumferential Road, inclusive of interchange ramps aligning the Guadalupe River, the main span bridge, approaches, viaducts, causeways, low-height bridges, at-grade road, toll plazas and toll operations center.

Under the concession agreement, CCLEC is granted the concession to design, finance, construct, operate and maintain the CCLEX, including the right to collect toll fees over a 35-year concession period. The total cost for CCLEX is ₱33.5 billion. No upfront payments or concession fees are to be paid but the grantors shall share 2% of the project's revenue.

The actual construction works for the project started on July 4, 2018. On April 26, 2022, CCLEC secured the Certificate of Substantial of Completion from the Independent Consultant which signifies that at least 95% of the works has been completed. On April 27, 2022, the Grantors approved the concession period extension of ten years (from 35 years) and extraordinary toll adjustments of ₱2.00, ₱4.00 and ₱6.00 for Class 1, 2 and 3, respectively starting 2025 and every two (2) years thereafter until 2039 to recoup the additional project costs in accordance with the Concession Agreement. On April 29, 2022, the Local Toll Regulatory Council issued the Toll Operation Certificate. On April 30, 2022, CCLEX was opened to the public for a "soft opening" via cash collection. The approved toll rates (VAT-inclusive) are ₱90, ₱180 and ₱270 for Class 1, 2 and 3, respectively. On June 29, 2022, CCLEC received the Certificate of Final Completion.

On July 1, 2022, there is partial implementation of the electronic toll collection system. Some toll lanes were converted to RFID-enabled lanes while others are still accepting cash payment. On July 2, 2022, the Company already allowed undercap motorcycle (125cc to 399cc engine displacement) in the expressway with a discounted toll rate of ₱60.00.

CIC – Operation and Maintenance Agreement ("OMA"). On November 14, 2006, PRA, UEM-MARA Philippines Corporation, predecessor-in-interest of CIC, and the TRB entered into an OMA.

The OMA allows CIC to participate in the operations and maintenance of R-1 Expressway and R-1 Expressway Extension of the Manila-Cavite Toll Expressway Project ("MCTEP"), now known as CAVITEX, and was borne out of a requirement under the Omnibus Loan Agreement dated August 25, 2006 ("2006 Omnibus Agreement") which CIC entered into with a syndicate of lenders to finance the construction of the MCTEP. Further, the OMA provides that CIC's participation in the operations and maintenance of the MCTEP shall terminate upon repayment in full of the loans subject of the 2006 Omnibus Agreement.

In 2010, PRA agreed to extend the effectivity of the OMA until August 25, 2021 or upon full settlement of the funding to be obtained by CIC through an offshore notes offering.

In 2015, PRA agreed to substitute the 2013 Amended and Restated Loan Agreement ("2013 Loan Agreement"), which CIC entered into with a group of lenders, for all references to the 2006 Omnibus Agreement under the OMA. However, the resolution of the BOD of PRA provided that the proposed extension of the OMA up to December 18, 2023 (the maturity date of the loan covered by the 2013 Loan Agreement) will be subject to further negotiations between PRA and CIC prior to August 25, 2021.

On July 8, 2021, PRA informed CIC that the standing PRA Board decision is that the effectivity of the OMA will expire on August 25, 2021 and requested that CIC and PRA commence negotiations for the possible

extension of the effectivity of the OMA up to December 18, 2023. PRA and CIC started discussing the details of PRA's position and conditions on the matter of the extension of the terms of the OMA. Negotiations on the extension did not prosper and the OMA expired on August 25, 2021.

Thereafter, an Operation and Maintenance Transition Committee ("O&M Transition Committee") was constituted composed of representatives from PRA and CIC, with observers from the Toll Regulatory Board and PEA Tollways Corporation ("PEATC"), to discuss the details of the assumption by PRA (through PEATC) of the operations and maintenance of the operating segments of the MCTEP.

On January 1, 2022, PEATC manpower has been deployed along the MCTEP.

As of November 8, 2023, discussions on the transition from CIC to PRA are still ongoing to allow PRA to conduct its procurement activities. While PRA has begun conducting procurement activities for some O&M-related goods/services, relevant MCTEP service contracts have been extended until December 31, 2023, upon the request of PRA.

Concession Agreements – PT Nusantara. PT Nusantara's concession assets comprise of toll roads and water concession rights. Toll road concession rights cover the following toll road sections: (a) Tallo-Hasudin Airport; (b) Soekarno Hatta Port – Pettarani; (c) Pondok Ranji and Pondok Aren; (d) Jakarta-Cikampek Elevated toll road. The water concession rights pertain to right to treat and distribute clean water in the Serang District, Banten in Indonesia.

- *Ujung Pandang toll road (PT Metro Makassar Network, formerly PT Bosowa Marga Nusantara ("MMN") concession).* MMN, a subsidiary of PT Metro Pacific Tollways Indonesia ("PT MPTI") through PT Nusantara Infrastructure Tbk ("PT Nusantara"), and PT Jasa Marga (Persero) Tbk ("Jasa Marga"), a third-party toll road operator in Indonesia, entered into a joint operation agreement for the operations of Ujung Pandang toll road. MMN will operate the said toll road for 30 years and after which, the toll roads, including all the facilities in the area, will be handed over to Jasa Marga. The toll road has been in operation since 1998. PT MPTI is a wholly owned subsidiary of MPTC.

On October 23, 2017, MMN was granted by the Ministry of Public Works of the Republic of Indonesia the extension of the concession period for the Ujung Pandang toll road to 2043.

Ujung Pandang toll road is a 6.0-km toll road connects Soekarno-Hatta port in Makassar and A.P. Pettarani road (Urip Sumoharjo flyover). Pettarani toll road, which is an extension of the Ujung Pandang toll road, is a 4.4-km toll road that will connect Soekarno-Hatta Port (Makassar) and Sultan Hasanuddin International Airport to Makassar's business district and city center. The construction of the elevated toll road was completed on March 18, 2021 and the toll collection started in May 2021.

- *Makassar Section IV toll road (JTSE concession).* JTSE, a subsidiary of PT MPTI through PT Nusantara, entered into a Toll Road Concessionaire Agreement with the Department of Public Works of the Republic of Indonesia ("DPU") for the right to develop, operate and maintain Makassar Section IV Toll Road for a period of 35 years, including construction period. The toll road has been in operation since 2008.

Makassar Section IV toll road is a 12-km toll road that connects Tallo Bridge to the Mandai Makassar intersection, providing access to Sultan Hasanuddin International Airport as well as the national road to Maros, Indonesia.

- *Pondok Aren-Serpong toll road lane (BSD concession).* BSD, a subsidiary of PT MPTI through PT Nusantara, entered into a Toll Road Operational Authority Agreement with Jasa Marga for the development and operations of Pondok Aren-Serpong toll road lane for a

period of 28 years, including construction period. The toll road has been in operation since 1999.

Pondok Aren-Serpong toll road lane is a 7.3-km toll road that connects Serpong and Pondok Aren, South Tangerang, Indonesia.

PT Bintaro Serpong Damai (“BSD”) Enhancement Projects. On January 24, 2022, BSD obtained work order from the Indonesian Toll Road Authority (“BPJT”) for the construction of Weaving the Serpong Ramp Junction and the Pamulang Exit Ramp and the widening of Pamulang Exit Arterial Road, and Flood Mitigation KM 8. The project construction had commenced in March 2022 and is expected to be completed in the 2nd quarter of 2023. Total project cost is ₱2.4 billion.

On February 7, 2022, BSD obtained work order from BPJT for construction of toll access to Makassar New Port in Makassar, South Sulawesi. The project construction had commenced in March 2022 and is expected to be completed in the 3rd quarter of 2023. Total project cost is ₱2.6 billion.

Toll Collection Interoperability Agreement. On September 15, 2017, several companies including MPTC signed a Memorandum of Agreement (MOA) for Toll Collection Interoperability with TRB. The agreement aims to implement the interoperability of electronic toll collection systems and cash payment systems of the covered expressways and future toll expressways. The agreement will be implemented in two phases, covering electronic and cash collection interoperability, and will be operationalized within 12 months from signing of the MOA. MPTC's toll collection lanes (NLEX, SCTEX, CAVITEX and portion of the CALAX) are currently accepting Autosweep tags enrolled to the Easytrip system, with enrollment starting on December 20, 2017.

MPTC and San Miguel Holdings Corporation (“SMHC”) have developed an interoperability test procedure for toll collection systems, which was conducted for 14 days in early 2021. NLEX Corp. conducted its own testing of the Neology 3M stickers in July-August 2021, achieving a 98.66% successful sticker reading rate for more than 13,000 transactions. A re-run of the Joint Interoperability Testing was conducted in October-November 2021, achieving a 98.39% successful sticker reading rate at Tarlac Pangasinan La Union Expressway (“TPLEX”) ETC Lanes.

MPTC will submit a program of activities to TRB for the completion of Phase 2 of the Interoperability, which will include an RFID replacement program. This program will ensure that all Easytrip subscribers who want to register their stickers with SMC expressways will be provided with the appropriate RFID sticker after the concurrence of SMHC.

Coordination meetings were held in August 2022, as directed by the House of Representatives and DOTr, with DOTr, TRB, MPTC, SMC Tollways, and Ayala MCX, to discuss the implementation of Phase 3 Interoperability, which is the One RFID tag, one wallet, one account scheme. The parties agreed that Phase 2 implementation and the MPTC RFID tag replacement are no longer required as pre-requisites for Phase 3, and therefore, Phase 3 should proceed. The parties also agreed to use the Neology brand RFID sticker for future installations. However, tollways operators raised concerns, such as the lack of governing laws/policies for unification, no central tolling agency, and no framework for technical, financial, and legal aspects of interoperability. DOTr and TRB requested the tollways operators to provide a presentation of their proposed framework for implementing Phase 3.

In a meeting held on September 5, 2022, MPTC proposed the use of the New Account Management System (“AMS”) in the Phase 3 Interoperability Project. The proposed architecture involves the connection of the AMS with the application programs of SMC and other Tollways Operators through an Application Programming Interface (“API”). The New AMS is currently implemented by MPTC at CCLEX in Cebu and will soon be implemented at MPTC Luzon tollways. It was raised during the meeting that creating a clearing house for the implementation of Phase 3 would incur costs, and TRB mentioned that it will consider the activities done by BSP concerning the clearing house.

Starting January 15, 2023, users of the Easytrip RFID were allowed to register their stickers with SMC Tollways' Autosweep. This will allow the registered users to use a single RFID sticker while maintaining two separate RFID accounts with Easytrip and Autosweep. As of July 2023, there are 23,025 Autosweep subscribers registered under the Easytrip Account, and 415 Easytrip subscribers have signed up for Autosweep, as many motorists already possess two stickers.

On February 8, 2023, the TRB made an announcement to the media that it aims to fully implement interoperability between the different toll collection systems in the country by January 2024. It also mentioned that policies, technical and system architecture, front and back-end operations, financial, and toll road user management aspects of the project are expected to be completed this 2023.

As at November 8, 2023, several coordination meetings have taken place between the related parties and the implementation is still in the works.

C-5 Link Expressway Project. On February 10, 2023, CIC and China Road and Bridge Corporation ("CRBC") signed the Civil Works Contract for Segment 2 Phase 2 Works worth ₱4.8 billion for the C-5 Link Expressway Project. Under the said contract, CRBC is expected to complete the Works on or before February 23, 2024.

Third Candaba Viaduct Project. Last February 2023, NLEX Corp. awarded the Design and Construction Contract to Leighton Contractors (Asia) Limited – Philippine Branch., for the Third Candaba Viaduct Project. The project will entail the design and construction of a new five-km viaduct along the Candaba Viaduct. This Project is estimated to cost at around ₱6.1 billion.

Other contracts which MPTC and its subsidiaries are a party to are appropriately disclosed in the 2022 Audited Consolidated Financial Statements.

Sale and Subscription in MUN. On November 3, 2023, MUN entered into a share subscription agreement ("SSA") with Warrington Investment Pte. Ltd. ("WIPL") for the acquisition of 2,673 primary shares in MUN by WIPL, representing approximately thirty three percent (33%) of the shares in MUN, on a fully diluted basis, for a total subscription price of approximately IDR 3,317.2 billion (equivalent to approximately USD\$209.9 million or PHP 11.9 billion) (the "WIPL Subscription"). On the same day, MUN entered into a separate SSA with MPTI, an indirect wholly-owned subsidiary of MPTC, for the acquisition by MPTI of 833 primary shares in MUN, representing an additional interest constituting approximately 10.3% of the shares in MUN, on a fully diluted basis, for a total subscription price of approximately IDR 1,033.8 billion (equivalent to approximately USD\$65.4 million or PHP 3.7 billion) (the "MPTI Subscription"). The MPTI Subscription shall be funded by MPTC with no additional investment from MPIC. Completion of the WIPL Subscription and MPTI Subscription (collectively the "Investment Transactions") is subject to the fulfillment of certain closing conditions, including the procurement of regulatory and corporate approvals. The parties also entered into an agreement relating to the governance and management of MUN.

WIPL Subscription and MPTI Subscription (collectively the "Investment Transactions") is subject to the fulfillment of certain closing conditions, including the procurement of regulatory and corporate approvals. The parties also entered into an agreement relating to the governance and management of MUN. WIPL is an investment holding company established and incorporated under the laws of Singapore. WIPL is a wholly-owned subsidiary of GIC (Ventures) Pte Ltd ("GIC Ventures"). GIC Ventures is a private limited company incorporated under the laws of Singapore. GIC Ventures is wholly-owned by the Minister for Finance, a statutory body corporate established under the Minister for Finance (incorporation) Act 1959 of the Singapore Statutes to own and administer assets of the Government of Singapore.

Prior to the entry of WIPL and MPTI in MUN, MPTC holds an effective ownership in MUN of 71.5%. Upon the closing of the Investment Transactions, MPTC's effective ownership in MUN is expected to be

50.9% on fully-diluted basis. The proceeds of the Investment Transactions will be utilized to fund MUN's debt obligations and financing and transactions costs relating to its projects in Indonesia.

Water

Maynilad's RCA. On February 21, 1997, Maynilad entered into a Concession Agreement ("Original Concession Agreement" or "OCA") with the MWSS. Under the OCA, MWSS grants Maynilad, as agent, the right to perform certain functions and to exercise certain rights and powers under the MWSS's Charter, and as contractor, the sole right to manage, operate, repair, decommission and refurbish all fixed and movable assets required (except certain retained assets of MWSS) to provide water and wastewater services in the West Service Area, as defined in the OCA, including the right to bill and collect for water and wastewater services supplied therein, for 25 years or until May 6, 2022 (the "Expiration Date"). In April 2011, the Expiration Date was extended for 15 years, moving the Expiration Date to July 31, 2037, unless the OCA is pre-terminated due to an event of default. The 15-year extension of the OCA was approved by the MWSS in 2009 and was duly acknowledged by the ROP in accordance with the OCA, through a Letter of Consent and Undertaking dated March 17, 2010 ("Republic Undertaking").

Maynilad is also tasked to manage, operate, repair, decommission and refurbish certain specified MWSS facilities in the West Service Area. The legal title to these assets remains with MWSS. The legal title to all property, plant and equipment contributed to the existing MWSS system by Maynilad during the concession period remains with Maynilad until the Expiration Date (or on early termination date) at which time, all rights, titles and interest in such assets will automatically vest in MWSS.

Sometime in the latter part of 2019, then President Rodrigo Duterte ordered the review of the terms of the OCA, and in January 2020, formed the Concession Agreements Review Committee ("RevCom") to review the OCA as well as the concession agreement of Manila Water and to submit its recommendations to the President. The RevCom was composed of the Executive Secretary, the Secretaries of the Departments of Justice and Finance, the Solicitor General, the Government Corporate Counsel and the Presidential Adviser on Flagship Programs and Projects.

On May 18, 2021, Maynilad and MWSS signed the Revised Concession Agreement ("RCA"), the notable provisions of which are the following:

1. Confirmation of the July 31, 2037 Expiration Date;
2. Imposition of a tariff freeze until December 31, 2022;
3. Removal of Corporate Income Tax ("CIT") from among Maynilad's recoverable expenditures as well as the Foreign Currency Differential Adjustment;
4. Capping of the annual inflation factor to 2/3 of the Consumer Price Index;
5. Imposition of rate caps for water and sewerage services to 1.3x and 1.5x, respectively, of the previous standard rate;
6. Removal from the ROP Letter of Undertaking of the non-interference of the Government in the rate-setting process, and the limitation of the ROP's financial guarantees to cover only those loans and contracts that are existing as of the signing of the RCA;
7. Replacement of the market-driven Appropriate Discount Rate with a 12% fixed nominal discount rate; and

8. Retention of the rate rebasing mechanism where, subject to the rate caps in item 5 above, the rates for the provision of water and wastewater services will be set at a level that will allow Maynilad to recover, over the term of the concession, expenditures efficiently and prudently incurred and to earn a reasonable rate of return.

The RCA is supposed to have taken effect six months after it was signed on May 18, 2021, or on November 18, 2021, upon compliance with all the conditions precedent (“Effective Date” and “CPs”, respectively). However, the Republic Undertaking, which is among the CPs, has not yet been issued as of November 18, 2021. Hence, upon the request of the Concessionaires, the MWSS Board, through a resolution passed on November 16, 2021, moved the RCA’s Effective Date to December 18, 2021.

Maynilad, on December 14, 2021, again requested the MWSS Board to defer the RCA’s Effective Date by another two months (until February 16, 2022) or until the Republic Undertaking is issued. Following the Regular Board Meeting held on February 10, 2022, MWSS issued Resolution No. 2022-015-CO to further extend the Effective Date of the RCA for thirty (30) days or until March 18, 2022. On March 9, 2022, the MWSS Board approved to defer further the RCA Effective Date from March 18, 2022 until the time that the Republic Undertaking is issued.

On June 9, 2022, Maynilad received a copy of Resolution No. 2022-073-CO dated June 2, 2022, which approved the further extension to the Effective Date of the RCA until June 30, 2022, subject to receipt of the signed Republic Undertaking as required under Article 16.3 (iii) (c) of the RCA.

On June 30, 2022, Maynilad received MWSS’s letter of even date informing Maynilad that the DOF has issued the Republic Undertaking dated June 24, 2022 signed by the Executive Secretary and the DOF Secretary.

Maynilad wrote the MWSS on July 1, 2022 informing them that the signed Republic Undertaking does not conform to the agreed form in the RCA, and, thus, Section 16.3 (iii) (c) of the RCA has not been satisfied. Thus, Maynilad’s obligation to effect the changes in OCA has not commenced.

On August 9, 2022, Maynilad formally applied for a 10-year extension of the OCA with the MWSS to be able to provide affordable water to its customers and mitigate anticipated tariff increases. On September 6, 2022, Maynilad provided the MWSS preliminary tariff impact simulations, and highlighted the fiscal benefits of a 10-year extension of the OCA.

In a subsequent letter dated September 14, 2022, Maynilad proposed to the MWSS certain amendments to the RCA, which include: (a) reinstatement of the Foreign Currency Differential Adjustment mechanism; (b) reinstatement of the full Consumer Price Index Adjustment; and (c) review of the exclusions from the Material Adverse Government Action provision. Such request was made on account of certain events, i.e. the COVID-19 pandemic, the Ukrainian conflict and the significant depreciation of the Peso, which not only posed a challenge to Maynilad’s operations but have also highlighted the need to ensure that the concession agreements are future-proof and to guarantee the continuity of service to its customers.

On May 10, 2023, MWSS and Maynilad signed the Amendments to the RCA. Among the Amendments to the RCA include the following:

1. Adjustment in the Consumer Price Index factor or “C” from $\frac{2}{3}$ to $\frac{3}{4}$ of the percentage change in the Consumer Price Index for the Philippines;
2. Reinstatement of the Foreign Currency Differential Adjustment (“FCDA”), but only with respect to the (a) MWSS loans that are being and will be serviced by Maynilad, (b) principal payments for drawn and undrawn amounts of Maynilad’s foreign currency denominated loans existing as of June 29, 2022;

3. Introduction of a modified FCDA for Maynilad loans contracted after June 29, 2022, but which mechanism may be availed of only when there is an “extraordinary inflation” or “extraordinary deflation” of the Philippine Peso (i.e., more than 20% change in the base exchange rate), and the amount that may be recovered is capped;
4. Exclusion of certain events from what may not be considered as Material Adverse Government Action such as the amendment of existing rules, regulations, and other issuances resulting from acts of the legislative and judicial branches of government and delay or inaction by the Regulatory Office on applications relating to rate adjustments filed by the Concessionaire; and
5. Deletion of the composition and decisions of the Regulatory Office from what may not be subject to arbitration.

The Amendments to the RCA took effect retroactively on June 29, 2022, the date of effectivity of the RCA.

Along with the Amendments to the RCA, the Republic issued on May 10, 2023 the Undertaking Letter in the form agreed on by the Parties. The Undertaking Letter’s effectivity retroacts to July 1, 2022.

The schedule of undiscounted estimated future concession fee payments, based on the term of the Maynilad CA, is as follows:

Year	In Original Currency		Total Peso Equivalent*
	Foreign Currency Loans (Translated to USD\$)*	Peso Loans/ Project Local Support	
		<i>(In Millions)</i>	
2023	\$.2	₱344.9	₱358.8
2024	9.6	794.0	1,335.4
2025	9.3	763.9	1,289.5
2026	8.9	785.5	1,289.4
2027-2037	67.0	10,073.1	13,864.0
	<u>\$95.0</u>	<u>₱12,761.4</u>	<u>₱18,137.1</u>

*Translated using the September 30, 2023 exchange rate of ₱56.575:US\$1.

Republic Act No 11600 – Maynilad’s Legislative Franchise. Republic Act No. 11600 grants Maynilad, a 25-year franchise to “establish, operate and maintain a waterworks system and sewerage and sanitation services in the West Zone Service Area of Metro Manila and Province of Cavite.” RA 11600 affirms Maynilad’s authority to provide waterworks system and sewerage and sanitation services in the West Zone Service Area of Metro Manila and the Province of Cavite.

RA 11600 took effect on January 22, 2022, 15 days after its publication in the Official Gazette on January 7, 2022. The 25-year term will end on January 21, 2047.

Aside from the grant of a 25-year franchise to Maynilad, the other highlights of RA 11600 include the following:

- a. The grant of authority to the MWSS, when public interest for affordable water security so requires and upon application by Maynilad, to amend Maynilad’s RCA to extend its term (i.e., 2037) to coincide with the term of the franchise. In addition, the RCA shall also act as the Certificate of Public Convenience and Necessity of Maynilad for the operation of its waterworks and sewerage system. It also provides that in the event the waterworks and sewerage system assets of MWSS pertaining to the Franchise Area are privatized by law, Maynilad shall have the right to match the highest compliant bid after a public bidding. The RCA between MWSS and Maynilad shall remain

valid unless otherwise terminated pursuant to the terms of the RCA, or invalidated when national security, national emergency or public interest so requires;

- b. The prohibition on the passing on of corporate income tax to customers;
- c. The requirement to publicly list at least 30% of Maynilad's outstanding capital stock within five years from the grant of the franchise;
- d. The completion of Maynilad's water and sewerage projects to attain 100% coverage by 2037, which shall include periodic 5-year completion targets; and
- e. The grant to Maynilad of the right of eminent domain insofar as it is may be reasonably necessary for the efficient establishment, improvement, upgrading, rehabilitation, maintenance and operation of the services, subject to the limitations and procedures under the law.

RA 11600 also provides for an equality clause, which grants Maynilad, upon review and approval of Congress, any advantage, favor, privilege, exemption or immunity granted under existing franchises or which may be granted subsequently to water distribution utilities.

On March 21, 2022, the MWSS Board of Trustees passed Resolution No. 2022-025-RO, Series of 2022 (the "Resolution") which deals with the tax implications following the effectivity of the legislative franchise granted to the Concessionaires.

The Resolution confirmed that beginning March 21, 2022, which was when the Concessionaires formally accepted the terms of their respective legislative franchises, the charges for water and wastewater services will no longer be subject to the 12% VAT, but will be subject to Other Percentage Tax ("OPT").

The OPT, which shall be reflected as "Government Tax" in the customers' statement of account, consists of (i) the 2% national franchise tax, and (ii) the local franchise tax implemented by the respective local government units ("LGUs") where the Business Area offices of the Concessionaires are located.

Significant Contracts with Manila Water Company, Inc. ("Manila Water"). On January 25, 2022, Maynilad and Manila Water entered into a contract with China International Water and Electric Corp. for the design and build of the proposed Angat Water Transmission Project (Tunnel 5). On February 17, 2022, Maynilad and Manila Water entered into a contract with Dohwa Engineering, Co. Ltd. For the construction management of the proposed Angat Water Transmission Project (Tunnel 5). The Angat Water Transmission Project (Tunnel 5) is part of the MWSS's water security program which aims to improve the reliability and operational flexibility of the Umiray-Angat-Ipo raw water conveyance system.

On October 28, 2022, Maynilad and Manila Water entered into a Memorandum of Agreement for the purchase of raw bulk water by the former from the latter at P21/cu.m. and treated bulk water at P26/cu.m.

MWSS-Japan Bank for International Cooperation ("JBIC") Loan (Concession Fee). The Loan Agreement between the Government and JBIC (formerly OECF) was signed on February 9, 1990. The proceeds of the Loan were used to fund the implementation of the Angat Water Supply Optimization Project ("AWSOP"), with MWSS as the implementing agency. Prior to privatization, actual drawdowns from the Loan were recorded by MWSS as equity from the Government while the draws during privatization were assumed and paid by the Concessionaires. The sharing is 61.83% and 38.17% for Maynilad and Manila Water, respectively.

On June 6, 2019, Maynilad received a letter from the MWSS requesting to pay P821 million ("Invoiced Amount"). Accordingly, Maynilad learned that the drawdowns made on the JBIC Loan prior to the privatization of MWSS's operations are considered loans and not equity as formerly advised. MWSS's

request for the Concessionaires to pay was triggered by an instruction from DOF to the Bureau of Treasury, to have the Concessionaires reimburse the Government for the latter's payments on the JBIC Loan.

Maynilad replied to MWSS on July 1, 2019 and clarified the Invoiced Amount. Maynilad's position is to pay only ₱677 million because (i) Maynilad remitted to the MWSS ₱113 million representing Guarantee Fees based on MWSS's invoice. However, the JBIC Loan makes no reference to and does not include the payment of Guarantee Fees, the borrower being the Government itself. This being the case, the Guarantee Fees that Maynilad remitted to MWSS must be set off or applied against the Invoiced Amount; and (2) while Maynilad always pays the foreign exchange shortfall in the debt servicing of MWSS-contracted loans, there is no need for Maynilad to pay the Forex Shortfall of ₱31 million in the JBIC Loan catch-up payment. The difference in the foreign exchange rate (from Japanese Yen to Philippine Peso) has already been captured and reflected in the total peso amount billed by the Bureau of Treasury.

Further, Maynilad also requested to pay ₱677 million in eight monthly instalments of ₱84.6 million to commence in July 2019 until February 2020, to coincide with the full payment/ maturity of the JBIC Loan.

As communicated by MWSS-Finance on July 17, 2019, Maynilad can pay based on the requested amount and schedule while waiting for the response of the Bureau of Treasury concerning the guarantee fee and shortfall. Maynilad paid the first installment on July 30, 2019.

The last installment for JBIC Loan was paid on February 18, 2020. As at November 8, 2023, the Bureau of Treasury has yet to respond to Maynilad's letter concerning the guarantee fee and shortfall.

Consultancy Agreement – Non-Revenue Water (“NRW”) Assessment. In August 2019, MPIWI entered into an agreement with Maynilad which includes among others assessment and testing of water transmission and distribution facilities, development of comprehensive and detailed NRW program, development of table of organization and training of the NRW department, and complete documentation of all inputs, findings, and recommendations under the consultancy project.

Consultancy Agreement – Establishment of Geographical Information System (“GIS”). In August 2019, MPIWI entered into an agreement with Maynilad which includes development of GIS database and server, data collection (surveying and asset mapping, etc.), and conducting trainings for capacity building. As at September 30, 2023, total project costs booked as part of Service Concession Assets amounted to ₱31.5 million for these consultancy agreements.

As at September 30, 2023, Ecosystems Technologies International Incorporated recognized revenue from Maynilad amounting to ₱8.46 million with regard to Ayala Southvale and Pasay-Alabang Projects.

Cagayan De Oro Bulk Water Inc. 's (COBI) Tariff Adjustment. Effective January 1, 2021, COBI implemented a scheduled tariff increase in accordance with the formula defined in the Bulk Water Purchase Agreement with the Cagayan de Oro Water District (“COWD”). The tariff increased from ₱16.60 to ₱20.57 per cu.m. As at September 30, 2023, the cumulative incremental increase is reflected as receivable from COWD.

PNW's BOO contract with the Chu Lai Economic Zone Authority (“CLEZA”). PNW is party to a BOO contract signed with the CLEZA in January 2016. Under the agreement, PNW has been granted a 50-year contract to build, own and operate a water treatment plant for the treatment and distribution of water to locators in the Chu Lai Open Economic Zone, and consumers in Tam Ky City, Duy Xuyen, Thang Binh, and Nui Thanh districts. Under the signed BOO contract, the average price of clean water is allowed to increase at a rate of 12.36% every 2 years. PNW is authorized to negotiate and sign separate offtake agreements with each locator/customer, and average price negotiated must be within the range allowed by the Quang Nam Province People's Committee (“PPC”).

PNW is currently completing the construction of the first stage of Phase 1A of the water treatment plant, which has an initial capacity of 25 MLD. The Project has a potential to increase to 300 MLD beyond 2030.

Due to low billed volume, PNW was unable to service its loan obligations with Vietinbank that were due last November 25, 2022 and February 27, 2023 and is at risk of insolvency under Vietnam law. As at September 30, 2023, no resolution has been reached among the company's shareholders to fund the overdue debt servicing payments. The related service concession asset was assessed to be impaired in 2022 (see Note 14 of the 2022 Audited Consolidated Financial Statements).

Other contracts which Maynilad, MPW and their subsidiaries are a party to are appropriately disclosed in the 2022 Audited Consolidated Financial Statements.

Rail

Concession Agreement – LRMC's LRT-1 Project. On October 2, 2014, LRMC signed together with DOTr and LRTA the concession agreement for the LRT-1 Cavite Extension and Operations & Maintenance Project ("LRT-1 Project" or the "LRT-1 CA"). The DOTr and LRTA formally awarded the LRT-1 Project to LRMC on September 15, 2014. Under the LRT1 CA, LRMC will operate and maintain the existing LRT-1 and construct an 11.7-km extension from the present end-point at Baclaran to the Niog area in Bacoor, Cavite. A total of eight new stations will be built along the extension, which traverses the cities of Parañaque and Las Piñas up to Bacoor, Cavite. The LRT-1 CA is for a period of thirty-two years commencing from the LRMC Effective Date.

LRMC has the right to apply for an adjustment of the fare based on the specific fare adjustment formula under LRT-1 CA with the Philippine Government. This formula specifies an initial boarding and per-kilometer fare with 10.25% increases over these initial fares every two years beginning in August 2016, subject to inflation rebasing if inflation falls outside an acceptable band. If the approved fare is different from the formula specified on the concession agreement, both the Philippine Government and LRMC are obligated to substantially keep the other party whole, depending on whether the actual fares represent a deficit or a surplus.

Rehabilitation of the existing system is on-going. Construction of the Cavite Extension Basic ROW Package 1 commenced in April 2019. The Basic ROW Packages 2 and 3 have not yet been provided by the Grantors. As at November 8, 2023, construction activities for the LRT-1 Cavite Extension project are in various stages of development. Viaduct has been completed and electromechanical works and the construction of the stations are set to begin.

Construction of the LRT-1 Cavite Extension. On February 11, 2016, LRMC signed an engineering, procurement, and construction ("EPC") Agreement for the construction of LRT-1 Cavite Extension with Bouygues Travaux Publics Philippines Inc., Alstom Transport S.A. and Alstom Transport Construction Philippines Inc. which commenced upon the Grantors' issuance of the Permit to Enter certificate. Construction of the Cavite Extension Basic ROW Package 1 commenced in April 2019. The Basic ROW Packages 2 and 3 have not yet been provided by the Grantors. As at November 8, 2023, construction activities for the LRT-1 Cavite Extension project pertaining to ROW Package 1 are in various stages of development with completion rate of 94.1%. Viaduct has been completed and electromechanical works and the construction of the stations are set to begin.

Other contracts which LRMC are a party to are appropriately disclosed in the 2022 Audited Consolidated Financial Statements.

Logistics

Discontinuation of Investments in Large-Scale Warehousing. Considering the changing landscape in the Logistics space driven by the pace of digitalization in e-commerce and rapidly evolving end-to-end

consumer behavior, MetroPac Movers, Inc (“MMI”) is currently reassessing its priorities to direct its focus on areas where it can best serve the needs and demands of the market. As such, it has decided to discontinue investments in capital intensive, large-scale warehousing including the previously announced Sta. Rosa logistics hub. This decision is also in line with the ongoing recalibration of capital allocation plans at the MPIC parent level.

Related to this decision, the MMI BOD approved the dissolution through amendments of the Articles of Incorporation (i.e., shortening of corporate term up to second quarter of 2022) and further winding down of the following:

- the Trucking Companies, consisting of PremiereTrucking, Inc., MetroPac Trucking Company, Inc., and TruckingPro, Inc.,
- LogisticsPro, Inc.;
- OneLogistics, Inc.; and,
- the Freight Forwarding Subsidiary, Premire Logistics, Inc.

MMI has established that continuing to operate at the current economic and business conditions is no longer viable and the operations of these companies are not any more sustainable. Winding down activities including, but not limited to, termination of contracts with clients, suppliers, lessors and subcontractors, termination of employees, and other corporate clean-ups were completed on April 30, 2022.

25. Financial Instruments

Categories of Financial Instruments

The categories of the Company's financial assets and financial liabilities, other than cash and cash equivalents, short-term placements and restricted cash are as follows:

	Financial Assets			Financial Liabilities		Total
	Amortized Cost	FVPL	FVOCI	Amortized Cost	FVPL	
September 30, 2023						
<i>(In Millions)</i>						
ASSETS						
Investment in Unit Investment Trust Fund ("UITF") ^(a)	P-	P4,930	P-	P-	P-	P4,930
Receivables - net	13,756	-	-	-	-	13,756
Due from related parties	391	-	-	-	-	391
Other current assets:						
Quoted equity shares	-	-	124	-	-	124
Unquoted equity shares	-	-	5	-	-	5
Miscellaneous deposits and others	164	-	-	-	-	164
Other noncurrent assets:						
Unquoted equity shares	-	-	5,079	-	-	5,079
Quoted equity shares	-	-	2,001	-	-	2,001
Derivative asset	-	-	312	-	-	312
Quoted club shares	-	-	89	-	-	89
Long-term cash and miscellaneous deposits	897	-	-	-	-	897
	P15,208	P4,930	P7,610	P-	P-	P27,748
LIABILITIES						
Accounts payable and other current liabilities ^(b)	P-	P-	P-	P41,607	P10	P41,617
Provisions	-	-	-	-	2,781	2,781
Due to related parties	-	-	-	81	-	81
Service concession fees payable	-	-	-	30,714	-	30,714
Short-term and long-term debt	-	-	-	302,031	-	302,031
Other long-term liabilities	-	-	-	1,290	-	1,290
	P-	P-	P-	P375,723	P2,791	P378,514

^(a) Included under 'Cash and cash equivalents and short-term placements'.

^(b) Excludes statutory payables

December 31, 2022 (Audited)

	Financial Assets			Financial Liabilities		Total
	Amortized Cost	FVPL	FVOCI	Amortized Cost	FVPL	
	<i>(In Millions)</i>					
ASSETS						
Investment in UITF ^(a)	₱–	₱8,827	₱–	₱–	₱–	₱8,827
Receivables - net	12,570	–	–	–	–	12,570
Due from related parties	439	800	–	–	–	1,239
Other current assets:						
Quoted equity shares	–	–	107	–	–	107
Unquoted equity shares	–	–	5	–	–	5
Miscellaneous deposits and others	669	–	–	–	–	669
Other noncurrent assets:						
Unquoted equity shares	–	–	5,987	–	–	5,987
Derivative asset	–	–	210	–	–	210
Quoted club shares	–	–	74	–	–	74
Long term cash and miscellaneous deposits	686	–	–	–	–	686
	₱14,364	₱9,627	₱6,383	₱–	₱–	₱30,374
LIABILITIES						
Accounts payable and other current liabilities ^(b)	₱–	₱–	₱–	₱41,726	₱6	₱41,732
Provisions	–	–	–	–	2,894	2,894
Due to related parties	–	–	–	83	–	83
Service concession fees payable	–	–	–	29,742	–	29,742
Short-term and long-term debt	–	–	–	292,467	–	292,467
Other long-term liabilities	–	–	–	1,337	–	1,337
	₱–	₱–	₱–	₱365,355	₱2,900	₱368,255

^(a) Included under 'Cash and cash equivalents and short-term placements'.

^(b) Excludes statutory payables

December 31, 2022 (Audited)					
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
<i>(In Millions)</i>					
Assets measured at fair value					
Financial assets through profit or loss					
UITF	P8,827	P–	P8,827	P–	P8,827
Due from related parties	800	–	–	800	800
Financial assets through OCI					
Quoted equity shares	107	107	–	–	107
Unquoted equity shares	5,992	–	–	5,992	5,992
Quoted club shares	74	–	74	–	74
Derivative asset	210	–	210	–	210
	P16,010	P107	P9,111	P6,792	P16,010
Liabilities measured at fair value					
Financial liabilities at FVPL					
Option liability	P6	P–	P–	P6	P6
Provisions	2,894	–	–	2,894	2,894
	P2,900	P–	P–	P2,900	P2,900
Assets for which fair values are disclosed					
Amortized cost					
Due from related parties	P439	P–	P–	P439	P439
Miscellaneous deposits	839	–	–	780	780
	P1,278	P–	P–	P1,219	P1,219
Liabilities for which fair values are disclosed					
Other financial liabilities					
Service concession fees payable (current and noncurrent)	P29,742	P–	P–	P29,000	P29,000
Short-term and long-term debt (current and noncurrent)	292,467	8,648	–	263,141	271,789
Customer guaranty deposit ^(a)	1,337	–	–	1,303	1,303
Due to related parties	83	–	–	83	83
	P323,629	P8,648	P–	P293,527	P302,175

^(a)Included under "Other long-term liabilities".

The following methods and assumptions were used to measure the fair value of each class of assets and liabilities for which it is practicable to estimate such value:

Cash and Cash Equivalents. Due to the short-term nature of transactions, the fair value of cash and cash equivalents approximate their carrying amounts at the end of the reporting period.

Restricted Cash, Cash Deposits, and Accounts Payable and Other Current Liabilities. Carrying values approximate the fair values at the reporting date due to the short-term nature of the transactions.

Investments in UITF. UITFs are ready-made investments that allow the pooling of funds from different investors with similar investment objectives. These UITFs are managed by professional fund managers and may be invested in various financial instruments such as money market securities, bonds and equities, which are normally available to large investors only. A UITF uses the mark-to-market method in valuing the fund's securities. A UITF uses the mark-to-market method in valuing the fund's securities. It is a valuation method which calculates the Net Asset Value ("NAV") based on the estimated fair market value of the assets of the fund based on prices supplied by independent sources.

Investments in Unquoted Equity Securities. Investment in unquoted equity securities included interests in unlisted shares of stocks. To estimate the fair value of the unquoted equity securities, the Company uses the guideline public company method. This valuation model is based on published data regarding comparable companies' quoted prices, earnings, revenues and EBITDA expressed as a multiple, adjusted for the effect of the non-marketability of the equity securities. The estimate is adjusted for the net debt of the investee, if applicable.

On February 1, 2023, MMI entered into Deed of Assignment of Shares of Stock with Air 21 Holdings, Inc. for sale and transfer of the shares owned by MMI in Integrated Waste Management, Inc., Waste & Resources Management, Inc., and Air 2100, Inc. for a total consideration of ₱105 million, net of transaction costs. Furthermore, on August 4, 2023, MMI completed the sale of Airfreight 2100, Inc. for a total consideration of ₱325 million, net of transaction costs.

Due from Related Parties. Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of financial instruments.

Miscellaneous Deposits. The fair value of the refundable occupancy deposits is determined by discounting the deposit using the prevailing market rate of interest.

Due to Related Parties, Service Concession Fees Payable and Customers' Guaranty Deposits. Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of financial instruments.

Derivative Liability. The fair value of the call options was estimated using a binomial pricing model (see Note 24).

Short-term Debt. Carrying amount of short-term debts are considered to be the same as their fair values due to their short-term nature.

Long-term Debt. For both fixed rate and floating rate (repriceable every six months) United States Dollar-denominated debts and Philippine Peso-denominated fixed rate corporate notes, estimated fair value is based on the discounted value of future cash flows using the prevailing credit adjusted risk-free rates that are adjusted for credit spread.

Provisions. Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of financial instruments (see Note 24).

During the nine-month period ended September 30, 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

26. Supplemental Cash Flow Information

Non-cash investing activities

During the current interim period, the Company had a non-cash investing activity which was not reflected in the interim consolidated statement of cash flows. A total of ₱1,024 million and ₱392 million of interest accretion arising from service concession fee payable has been capitalized to service concession assets for the nine-month periods ended September 30, 2023 and 2022, respectively (see Note 14).

There are additional ₱123 million Right-of-Use assets for the nine-month period ended September 30, 2023.

Changes in liabilities arising from financing activities

The following table shows significant changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes:

27. Events after the Reporting Period

Aside from those disclosed in Note 13 (loan drawdowns and prepayments), Note 24 (status of certain contingencies), Note 25 (status of contracts, agreements and commitments), there are no other events occurring after the reporting period.

28. Consolidated Subsidiaries

The consolidated subsidiaries of MPIC are as follows:

Name of Subsidiary	Place of Incorporation	September 30, 2023			December 31, 2022			Principal Activity
		MPIC Direct Interest	Direct Interest of Subsidiary <i>(In %)</i>	MPIC Effective Interest	MPIC Direct Interest	Direct Interest of Subsidiary <i>(In %)</i>	MPIC Effective Interest	
MPIC Subsidiaries								
Beacon Electric Asset Holdings, Inc. (Beacon Electric)	Philippines	100.0	–	100.0	100.0	–	100.0	Investment holding; Under the terms of the sale agreements in 2016 and 2017, PCEV shall retain voting rights over the sold Beacon Electric shares until full payment of consideration (see Note 15).
Metro Pacific Tollways Corporation (MPTC)	Philippines	99.9	–	99.9	99.9	–	99.9	Investment holding
Maynilad Water Holding Company, Inc. (MWHC)	Philippines	51.3	–	51.3	51.3	–	51.3	Investment holding
MetroPac Water Investments Corporation (MPW)	Philippines	100.0	–	100.0	100.0	–	100.0	Investment holding
Metro Pacific Light Rail Corp. (MPLRC)	Philippines	65.1	–	65.1	65.1	–	65.1	Investment holding (see Note 4)
MetroPac Logistics Company, Inc. (MPLC)	Philippines	100.0	–	100.0	100.0	–	100.0	Investment holding
Metro Pacific Resource Recovery Corporation (MPRRC)	Philippines	100.0	–	100.0	100.0	–	100.0	Investment holding; formerly MetroPac Clean Energy Holdings Corporation
MetPower Ventures Partners Holdings, Inc. (MVPHI)	Philippines	100.0	–	100.0	100.0	–	100.0	Investment holding
Fragrant Cedar Holdings, Inc. (FCHI)	Philippines	100.0	–	100.0	100.0	–	100.0	Property lessor

Name of Subsidiary	Place of Incorporation	September 30, 2023			December 31, 2022			Principal Activity
		MPIC Direct Interest	Direct Interest of Subsidiary (In %)	MPIC Effective Interest	MPIC Direct Interest	Direct Interest of Subsidiary (In %)	MPIC Effective Interest	
Porrovia Corporation	Philippines	50.0	50.0	82.6	50.0	50.0	82.6	Investment holding; BOD of Porrovia approved the shortening of the company's corporate life to until March 31, 2019.
Neo Oracle Holdings, Inc (NOHI)	Philippines	96.7	–	96.7	96.7	–	96.7	Investment holding and Real estate; Formerly Metro Pacific Corporation (MPC). NOHI's corporate life ended December 31, 2013 and is currently under the process of liquidation.
Metro Global Green Waste, Inc. (MGGW)	Philippines	80.0	–	80.0	80.0	–	80.0	Investment holding; BOD of MGGW approved the shortening of the company's corporate life to until December 31, 2017.
MPIC Infrastructure Holdings Limited (MIHL)	BVI	100.0	–	100.0	100.0	–	100.0	Investment holding
Metro Vantage Properties, Inc. (MVPI)	Philippines	100.0	–	100.0	100.0	–	100.0	Real estate
Metro Pacific Health Tech Corporation	Philippines	100.0	–	100.0	100.0	–	100.0	Mobile healthcare services; Incorporated on June 4, 2020
Metro Pacific Agro Ventures, Inc.	Philippines	100.0	–	100.0	100.0	–	100.0	Investment holding; Formerly, Metro Pacific Agrifood Holdings Corporation. Incorporated on April 18 2022.
MVPHI Subsidiary Surallah Biogas Ventures Corp.	Philippines	–	80.0	80.0	–	80.0	80.0	Waste-to-Energy (see Note 24); On January 30, 2020, the SEC approved SBVC's application for increase in authorized capital stock with equity infusion in 2019 of the other noncontrolling shareholders issued their corresponding capital stocks in SBVC. MVPHI's interest in SBVC decreased from 100% to 80%.
MPTC Subsidiaries Cavitex Infrastructure Corp. (CIC)	Philippines	–	100.0	99.9	–	100.0	99.9	Tollway operations; Interest in CIC is held through a Management Letter Agreement. CIC holds the concession agreement for the CAVITEX.
Metro Strategic Infrastructure Holdings, Inc. (MSIHI)	Philippines	–	97.0	96.9	–	97.0	96.9	Investment holding
MPT Asia, Corporation	BVI	–	100.0	99.9	–	100.0	99.9	Investment holding

Name of Subsidiary	Place of Incorporation	September 30, 2023			December 31, 2022			Principal Activity
		MPIC Direct Interest	Direct Interest of Subsidiary (In %)	MPIC Effective Interest	MPIC Direct Interest	Direct Interest of Subsidiary (In %)	MPIC Effective Interest	
Metro Pacific Tollways Digital, Inc. (MPTDI)	Philippines	–	100.0	99.9	–	100.0	99.9	Formerly Metro Pacific Tollways Data Services, Inc. Incorporated on August 24, 2016 with the primary purpose to carry on the toll collection function of CAVITEX and CALAX.
Metro Pacific Tollways South Corporation (MPT South)	Philippines	–	100.0	99.9	–	100.0	99.9	Investment holding
Metro Pacific Tollways Vizmin Corporation (MPT Vizmin)	Philippines	–	100.0	99.9	–	100.0	99.9	Investment holding
Easytrip Services Corporation (ESC)	Philippines	–	66.0	65.9	–	66.0	65.9	Electronic toll collection services
Metro Pacific Tollways Asia, Corporation Pte. Ltd.	Singapore	–	100.0	99.9	–	100.0	99.9	Investment holding
MPT Mobility Corporation	Philippines	–	100.0	99.9	–	100.0	99.9	Formerly NLEX Ventures Corporation. Service facilities management; NVC was sold to MPTC by NLEX Corp. in 2020 (see Note 4).
Dibztech, Inc.	Philippines	–	100.0	99.9	–	100.0	99.9	Parking management (see Note 4)
NLEX Corporation	Philippines	–	75.1	75.0	–	75.1	75.0	Tollway operations (see Note 1); Change in the corporate name from Manila North Tollways Corporation was approved by the SEC on February 13, 2017. 4.3% is owned through 42.8% ownership in Egis Investment Partners Philippines Inc.
MPCALA Holdings, Inc. (MPCALA)	Philippines	–	40.0	99.9	–	40.0	99.9	Tollway operations (see Note 1); MPCALA is owned by MPT North at 40% and the remaining 60% owned equally among MPT South, CWHI and LHI.; holds the concession agreement for the CALAEX.
Luzon Tollways Corporation (LTC)	Philippines	–	100.0	99.9	–	100.0	99.9	Tollway operations; Dormant
MPT Mobility Subsidiaries								
Assist and Assistance Concept, Inc	Philippines	–	100.0	99.9	–	–	–	Emergency roadside, travel, and health assistance. Acquired on July 31, 2023.
MPT Asia Subsidiaries								
MPT Thailand, Corporation	BVI	–	100.0	99.9	–	100.0	99.9	Investment holding
PT Metro Pacific Tollways Indonesia	Indonesia	–	100.0	99.9	–	100.0	99.9	Investment holding; Holds the investment in PT Nusantara.
MPT South Subsidiaries								
Metro Pacific Tollways South Management Corporation	Philippines	–	100.0	99.9	–	100.0	99.9	Tollway operations

Name of Subsidiary	Place of Incorporation	September 30, 2023			December 31, 2022			Principal Activity
		MPIC Direct Interest	Direct Interest of Subsidiary (In %)	MPIC Effective Interest	MPIC Direct Interest	Direct Interest of Subsidiary (In %)	MPIC Effective Interest	
MPTS Ventures Corporation	Philippines	–	100.0	99.9	–	100.0	99.9	Road safety and traffic management services; Incorporated on August 11, 2020.
MPT Vizmin Subsidiary Cebu Cordova Link Expressway Corporation (CCLEC)	Philippines	–	100.0	99.9	–	100.0	99.9	Tollway operations; CCLEC holds the concession agreement for the CCLEX
MPTDI Subsidiary SAVVICE Corporation	Philippines	–	100.0	99.9	–	100.0	99.9	Formerly Southbend Express Services. Inc. Manpower services (see Note 4)
Metro Pacific Tollways Asia, Corporation Pte. Ltd. Subsidiary								
Metro Pacific Tollways Vietnam Company Limited (Vietnam)	Vietnam	–	100.0	99.9	–	100.0	99.9	Investment holding
CAIF III Infrastructure Holdings Sdn Bhd (Malaysia) (CAIF III)	Malaysia	–	100.0	99.9	–	100.0	99.9	Investment holding
CIIF Infrastructure Holdings Sdn Bhd (Malaysia) (CIIF)	Malaysia	–	100.0	99.9	–	100.0	99.9	Investment holding
MPT Vietnam Subsidiary MPT Management Vietnam Co., Ltd (MPT Management Vietnam)	Vietnam	–	100.0	99.9	–	100.0	99.9	Management consulting; Incorporated on October 2, 2020.
MPT Management Vietnam Subsidiary MPT Service Vietnam Co., Ltd.	Vietnam	–	100.0	99.9	–	100.0	99.9	Management consulting; Incorporated on November 5, 2020.
PT Metro Pacific Tollways Indonesia Subsidiary								
PT Nusantara Infrastructure Tbk (Indonesia)	Indonesia	–	76.3	76.2	–	76.3	76.2	Infrastructure company
PT Nusantara Subsidiaries								
PT Margautama Nusantara (MUN) (see Note 4)	Indonesia	–	76.5	71.5	–	76.5	71.5	Construction, trading and services – Toll; CAIF III and CIIF holds an aggregate 13.15% in MUN (see Note 4)
PT Potum Mundi Infranasantara (Potum)	Indonesia	–	100.0	76.2	–	100.0	76.2	Water and waste management services
PT Energi Infranasantara (EI)	Indonesia	–	100.0	76.2	–	100.0	76.2	Construction, trading and services - Power
PT Portco Infranasantara (Portco)	Indonesia	–	100.0	76.2	–	100.0	76.2	Port management

Name of Subsidiary	Place of Incorporation	September 30, 2023			December 31, 2022			Principal Activity
		MPIC Direct Interest	Direct Interest of Subsidiary (In %)	MPIC Effective Interest	MPIC Direct Interest	Direct Interest of Subsidiary (In %)	MPIC Effective Interest	
PT Meta Media Infranasantara	Indonesia	–	100.0	76.2	–	100.0	76.2	Formerly PT Telekom Infranasantara. Trading, supplies and other telecommunications
PT Marga Metro Nusantara	Indonesia	–	70.0	53.4	–	70.0	53.4	Construction, trading and services
PT Metro Tekno Media Infranasantara	Indonesia	–	100.0	76.2	–	100.0	76.2	Formerly PT Nusantara Teknologi Infranasantara. Digital platform, software publisher.
MUN Subsidiaries								
PT Bintaro Serpong Damai	Indonesia	–	88.9	63.6	–	88.9	63.6	Toll road operator
PT Metro Makassar Network (MMN)	Indonesia	–	99.6	71.2	–	99.6	71.2	Formerly PT Bosowa Marga Nusantara. Toll road operator
MMN Subsidiary								
PT Jalan Tol Seksi Empat (JTSE)	Indonesia	–	99.4	70.8	–	99.4	70.8	Toll road operator
JTSE Subsidiary								
PT Metro Jakarta Ekspresway	Indonesia	–	85.0	60.2	–	85.0	60.2	Trade, development, and business management consulting services
Potum Subsidiaries								
PT Tirta Bangun Nusantara	Indonesia	–	–	–	–	100.0	76.2	Water and waste management services; Sold on January 25, 2023
PT Dain Celicani Cemerlang	Indonesia	–	74.5	56.8	–	74.5	56.8	Water and waste management services
PT Sarana Catur Tirta Kelola (SCTK)	Indonesia	–	65.0	49.5	–	65.0	49.5	Water management services
SCTK Subsidiaries								
PT Sarana Tirta Rezeki	Indonesia	–	80.0	47.2	–	80.0	47.2	Water management services; PT Sarana Tirta Rezeki is owned by SCTK at 80% while 10% is owned by Potum.
PT Jasa Sarana Nusa Makmur	Indonesia	–	100.0	49.5	–	100.0	49.5	Water management services
EI Subsidiaries								
PT Inpolo Meka Energi (IME)	Indonesia	–	61.2	46.6	–	61.2	46.6	Power supply services; In February 2020, EI took over the PT Tagora Green Energy's (TGE) issued and paid shares in IME equivalent to 5% ownership interest. EI increased its ownership interest in IME through payables conversion of TGE to EI.
PT Rezeki Perkasa Sejahtera Lestari	Indonesia	–	80.0	61.0	–	80.0	61.0	Power supply services
PT Energi Borneo Nusantara	Indonesia	–	100.0	76.2	–	–	–	Power plants/Electricity support facilities
PT Auriga Energi	Indonesia	–	100.0	76.2	–	100.0	76.2	Power plants/Electricity support facilities
PT Auriga Energi Subsidiaries								
PT Centara Energi	Indonesia	–	100.0	76.2	–	100.0	76.2	Power plants/Electricity support facilities

Name of Subsidiary	Place of Incorporation	September 30, 2023			December 31, 2022			Principal Activity
		MPIC Direct Interest	Direct Interest of Subsidiary (In %)	MPIC Effective Interest	MPIC Direct Interest	Direct Interest of Subsidiary (In %)	MPIC Effective Interest	
PT Eris Serra Energi	Indonesia	–	100.0	76.2	–	100.0	76.2	Power plants/Electricity support facilities
PT Energi Parindu Nusantara	Indonesia	–	100.0	76.2	–	100.0	76.2	Formerly PT Energi Parindu Nusantara. Power plants/Electricity support facilities
PT Eridanusa Energi Nusantara	Indonesia	–	100.0	76.2	–	100.0	76.2	Power plants/Electricity support facilities; Incorporated on August 4, 2020.
PT Marga Metro Nusantara Subsidiaries								
PT Jakarta Metro Ekspresway	Indonesia	–	85.0	45.4	–	–	–	Toll road operator; Incorporated on September 8, 2023
MWHC Subsidiary								
Maynilad Water Services, Inc. (Maynilad)	Philippines	5.2	92.9	52.8	5.2	92.9	52.8	Water and sewerage services; Holds the concession agreement for the water distribution in the West Concession Area.
Maynilad Subsidiaries								
Amayi Water Solutions, Inc. (AWSI)	Philippines	–	100.0	52.8	–	100.0	52.8	Water and sewerage services
Philippine Hydro, Inc. (PHI)	Philippines	–	100.0	52.8	–	100.0	52.8	Water and sewerage services
MPW Subsidiaries								
MetroPac Cagayan De Oro, Inc. (MCDO)	Philippines	–	100.0	100.0	–	100.0	100.0	Water services
MetroPac Iloilo Holdings Corp. (MILO)	Philippines	–	100.0	100.0	–	100.0	100.0	Investment holding/ Water services
Metro Iloilo Bulk Water Supply Corp.	Philippines	–	80.0	80.0	–	80.0	80.0	Bulk water services; Holds the joint venture agreement for the bulk water supply in MIWD.
Eco-System Technologies International, Inc. (ESTII)	Philippines	–	100.0	100.0	–	65.0	65.0	EPC and O&M contractor
MetroPac Cagayan de Oro Holdings, Inc.	Philippines	–	100.0	100.0	–	100.0	100.0	Investment holding
Cagayan De Oro Bulk Water, Inc.	Philippines	–	95.0	95.0	–	95.0	95.0	Bulk water services; Holds the joint venture agreement for the bulk water supply in COWD.
MetroPac Baguio Holdings Inc.	Philippines	–	100.0	100.0	–	100.0	100.0	Investment holding
Metro Iloilo Concession Holdings Corp.	Philippines	–	100.0	100.0	–	100.0	100.0	Investment holding
Metro Pacific Iloilo Water Inc.	Philippines	–	80.0	80.0	–	80.0	80.0	Water services; Incorporated on January 17, 2019
MetroPac Dumaguete Holdings Corp.	Philippines	–	100.0	100.0	–	100.0	100.0	Investment holding
Metro Pacific Dumaguete Water Services Inc.	Philippines	–	80.0	80.0	–	80.0	80.0	Water services; Incorporated on October 22, 2019
Metro Pacific Water International Limited (MPWIL)	BVI	–	100.0	100.0	–	100.0	100.0	Investment holding
Metro Pacific TL Water International Limited	BVI	–	100.0	100.0	–	100.0	100.0	Investment holding
MPWIL Subsidiary								

Name of Subsidiary	Place of Incorporation	September 30, 2023			December 31, 2022			Principal Activity
		MPIC Direct Interest	Direct Interest of Subsidiary (In %)	MPIC Effective Interest	MPIC Direct Interest	Direct Interest of Subsidiary (In %)	MPIC Effective Interest	
B.O.O. Phu Ninh Water Treatment Plant Joint Stock Company	Vietnam	–	55.4	55.4	–	55.4	55.4	Water services
MPLRC Subsidiaries								
Light Rail Manila Holdings Inc. (LRMH)	Philippines	–	50.0	32.6	–	50.0	32.6	Investment holding
Light Rail Manila Corporation (LRMC)	Philippines	–	55.0	35.8	–	55.0	35.8	Rail operations; Holds the concession agreement for the LRT-1.
MPLC Subsidiaries								
MetroPac Movers Inc. (MMI)	Philippines	–	99.2	99.2	–	99.2	99.2	Logistics
LogisticsPro, Inc.	Philippines	–	100.0	100.0	–	100.0	100.0	Logistics. Corporate life ended in December 2022.
MMI Subsidiaries								
MetroPac Trucking Company, Inc.	Philippines	–	100.0	99.2	–	100.0	99.2	Logistics. Corporate life ended in December 2022.
TruckingPro, Inc	Philippines	–	100.0	99.2	–	100.0	99.2	Logistics. Corporate life ended in December 2022.
PremierLogistics, Inc.	Philippines	–	100.0	99.2	–	100.0	99.2	Logistics. Corporate life ended in December 2022.
PremierTrucking, Inc.	Philippines	–	100.0	99.2	–	100.0	99.2	Logistics. Corporate life ended in December 2022.
OneLogistics, Inc.	Philippines	–	100.0	99.2	–	100.0	99.2	Logistics. Corporate life ended in December 2022.
MVPI Subsidiary								
MetroPac Property Holdings, Inc.	Philippines	–	100.0	100.0	–	100.0	100.0	Investment holding; Incorporated on January 10, 2019
Millennial Resorts Corporation	Philippines	–	100.0	100.0	–	100.0	100.0	Rental or leasing services of residential properties; Incorporated on October 7, 2019
SCENIQ Lifestyle Corporation	Philippines	–	100.0	100.0	–	100.0	100.0	Real estate activities; Incorporated on October 14, 2019
MPPRC Subsidiary								
QC Integrated Waste Management Holdings, Inc.	Philippines	–	100.0	100.0	–	100.0	100.0	Energy from waste; Incorporated on May 30, 2019
NOHI Subsidiaries								
First Pacific Bancshares Philippines, Inc. (FP Bancshares)	Philippines	–	100.0	96.7	–	100.0	96.7	Investment holding; BOD of FP Bancshares approved the shortening of the company's corporate life to until October 31, 2019.
Metro Pacific Management Services, Inc.	Philippines	–	100.0	96.7	–	100.0	96.7	Management services; Dormant.
First Pacific Realty Partners Corporation (FPRPC)	Philippines	–	50.7	49.0	–	50.7	49.0	Investment holding; BOD of FPRPC approved the shortening of the company's corporate life to until May 31, 2018.

Name of Subsidiary	Place of Incorporation	September 30, 2023			December 31, 2022			Principal Activity
		MPIC Direct Interest	Direct Interest of Subsidiary (In %)	MPIC Effective Interest	MPIC Direct Interest	Direct Interest of Subsidiary (In %)	MPIC Effective Interest	
Metro Tagaytay Land Co., Inc.	Philippines	–	100.0	96.7	–	100.0	96.7	Real estate; Pre-operating.
Pacific Plaza Towers Management Services, Inc.	Philippines	–	100.0	96.7	–	100.0	96.7	Management services; Dormant.
Philippine International Paper Corporation (PIPC)	Philippines	–	100.0	96.7	–	100.0	96.7	Investment holding; Dormant; BOD of PIPC approved the shortening of the company's corporate life to until February 28, 2020.
Pollux Realty Development Corporation	Philippines	–	100.0	96.7	–	100.0	96.7	Investment holding; Dormant.
Metro Asia Link Holdings, Inc.	Philippines	–	60.0	58.0	–	60.0	58.0	Investment holding; Dormant.
Landco Subsidiaries								
Landco Corporate Center, Inc.	Philippines	–	100.0	100.0	–	100.0	100.0	Development and sale of condominium units. Dormant.
Landco Sales Corporation	Philippines	–	100.0	100.0	–	100.0	100.0	Brokerage. Dormant.
PrimeLeisure Inc.	Philippines	–	100.0	100.0	–	100.0	100.0	Agency. Dormant.
Landco Leisure Development, Inc.	Philippines	–	100.0	100.0	–	100.0	100.0	Real estate developer
Lucena Commercial Land Corporation	Philippines	–	100.0	100.0	–	100.0	100.0	Real estate landowner. Dormant. Corporate life has been shortened to until July 31, 2018.
First Cebu Pacific Land Company, Inc.	Philippines	–	100.0	100.0	–	100.0	100.0	Real estate landowner. Dormant.
Landco Pacific Centers, Inc.	Philippines	–	100.0	100.0	–	100.0	100.0	Holding company. Dormant. Corporate life has been shortened to until July 31, 2018.
PrimeLeisure Calatagan, Inc.	Philippines	–	100.0	100.0	–	100.0	100.0	Real estate developer. Dormant. Corporate life has been shortened to until July 31, 2018.
FPD Landco Property Services, Inc.	Philippines	–	100.0	100.0	–	100.0	100.0	Property management and site administrator. Dormant. Corporate life has been shortened to until July 31, 2018.
Landco Property Holdings Corporation	Philippines	–	100.0	100.0	–	100.0	100.0	Real estate developer. Dormant. Corporate life has been shortened to until July 31, 2018.
Landco Manpower Services, Inc.	Philippines	–	100.0	100.0	–	100.0	100.0	Manpower Services. Dormant. Corporate life has been shortened to until July 31, 2018.
Primefrontier Property Management Inc.	Philippines	–	100.0	100.0	–	100.0	100.0	Real estate developer
San Juan Land Company, Inc.	Philippines	–	85.0	85.0	–	85.0	85.0	Real estate developer. Dormant. Corporate life has been shortened to until July 31, 2018.
Landco Urdaneta Development Corporation	Philippines	–	79.0	79.0	–	79.0	79.0	Real estate developer. Dormant. Corporate life has been shortened to until July 31, 2018.
Landco NE Resource Ventures, Inc.	Philippines	–	74.4	74.4	–	74.4	74.4	Real estate landowner. Dormant.
Landco NE Development Corporation	Philippines	–	70.0	70.0	–	70.0	70.0	Real estate developer. Dormant.
Fuego Land Corporation	Philippines	–	70.0	70.0	–	70.0	70.0	Real estate developer
Fuego Development Corporation	Philippines	–	70.0	70.0	–	70.0	70.0	Real estate developer
Stonecrest Homes Development, Inc.	Philippines	–	70.0	70.0	–	70.0	70.0	Real estate developer. Dormant. Corporate life has been shortened to until July 31, 2018.
Lucena Land Corporation	Philippines	–	56.0	56.0	–	56.0	56.0	Real estate developer. Dormant.

MPAVI Subsidiary

Name of Subsidiary	Place of Incorporation	September 30, 2023			December 31, 2022			Principal Activity
		MPIC Direct Interest	Direct Interest of Subsidiary <i>(In %)</i>	MPIC Effective Interest	MPIC Direct Interest	Direct Interest of Subsidiary <i>(In %)</i>	MPIC Effective Interest	
Metro Pacific Nova Agro Tech, Inc. (MPNATI)	Philippines	–	60.0	60.0	–	–	–	Investment holding; Incorporated on January 24, 2023
The Laguna Creamery, Inc.	Philippines	–	51.0	51.0	–	–	–	Investment holding; Acquired on May 19, 2023
MPNATI Subsidiary								
Metro Pacific Dairy Farms, Inc.	Philippines	–	100.0	60.0	–	–	–	Dairy farm and products; Incorporated on May 18, 2023
Metro Pacific Fresh Farms, Inc.	Philippines	–	100.0	60.0	–	–	–	Agricultural crops; Incorporated on May 17, 2023

Item 2

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Highlights and Key Performance Indicators

The summary financial information presented below as at September 30, 2023 and for the nine-month periods ended September 30, 2023 and 2022 was derived from the Company's unaudited interim condensed consolidated financial statements, prepared in accordance with Philippine Accounting Standard 34, *Interim Financial Reporting*. The information below is not necessarily indicative of the results of future operations.

In this Report, Core EBITDA, Core EBITDA margin, and Core Income are not measures of performance under PFRS, and users of this Report should not consider Core EBITDA, Core EBITDA margin and Core Income in isolation or as alternatives to net income as an indicator of the Company's operating performance or to cash flow from operating, investing and financing activities as a measure of liquidity, or any other measures of performance under PFRS. There are various Core EBITDA, Core EBITDA margin and Core income calculation method. Accordingly, the Company's presentation of these measures may not be comparable to similarly titled measures used by other companies.

The following discussion and analysis of MPIC and its subsidiaries' financial condition and results of operations should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements and the related notes as at September 30, 2023 and for the nine-month periods ended September 30, 2023 and 2022 ("September 30, 2023 Interim Condensed Consolidated Financial Statements") included in this Report.

Operating Segments of the Group

Operational Review

I - MPIC CONSOLIDATED

As discussed in Note 3 – *Operating Segment Information* to the September 30, 2023 Interim Consolidated Financial Statements, the Company is organized into the following segments based on services and products: Power, Toll operations, Water, Rail and Others.

Segment performance is evaluated based on: consolidated net income for the period; earnings before interest, taxes and depreciation and amortization, or Core EBITDA; Core EBITDA margin; and core income. Net income for the period is measured consistent with consolidated net income in the consolidated financial statements.

Core EBITDA is measured as net income excluding depreciation and amortization of property, plant and equipment and intangible assets, asset impairment on noncurrent assets, financing costs, interest income, equity in net earnings (losses) of associates and joint ventures, net foreign exchange gains (losses), net gains (losses) on derivative financial instruments, provision for (benefit from) income tax and other non-recurring income (expenses). Core EBITDA margin pertains to Core EBITDA divided by service revenues.

Performance of the operating segments are also assessed based on a measure of recurring profit or core income. Core income is measured as net income attributable to owners of the Parent Company excluding the effects of foreign exchange and derivative gains or losses and non-recurring items ("NRI"), net of tax effect of aforementioned. NRI represent gains or losses that, based on occurrence or size, are not considered usual operating items.

9M 2023 versus 9M 2022

MPIC Consolidated Statements of Comprehensive Income

	<u>9M 2023</u>	<u>9M 2022</u>	<u>Increase (Decrease)</u>	
	<u>Unaudited</u>		<u>Amount</u>	<u>%</u>
	<u>(in Php Millions)</u>			
Operating Revenues	44,792	37,607	7,185	19
Cost of Sales and Services	16,503	15,753	750	5
General and administrative expenses	8,798	7,563	1,235	16
Interest expense	9,817	7,319	2,498	34
Share in net earnings of associates and joint ventures	13,319	9,528	3,791	40
Interest income	1,434	676	758	112
Construction revenue	24,636	23,799	837	4
Construction costs	(24,636)	(23,799)	(837)	4
Other income (expense) - net	633	2,833	(2,200)	(78)
Provision for (benefit from) income tax	4,421	3,609	812	22
Net income attributable to owners of the Parent Company	16,056	13,137	2,919	22
Other comprehensive income (loss) attributable to owners of the Parent Company	345	3,134	(2,789)	(89)
Total comprehensive income attributable to owners of the Parent Company	16,401	16,271	130	1
Core income	16,227	11,830	4,397	37
Non-recurring income (expense)	(171)	1,307	(1,478)	(113)

Revenues

Revenues increased by 19% to ₱44,792 million as the Company surpasses pre-pandemic volumes:

- Net toll revenue increased by 20% to ₱19,787 million driven by toll rate increases and average daily entries for the first nine months of 2023 improved as follows:
 - NLEX and SCTEX up by 11% and 10%, respectively, with increased demand for travel in and out of Metro Manila
 - CALAX increased 26% with opening of more segments
 - CAVITEX improved 11%
 - Start of CCLEX operations in April 2022
 - Start of toll collection in NLEX Connector Road in August 2023
 - Nusantara with 85% increase in traffic
- Water revenue improved 17% driven by higher commercial and industrial demand as well as tariff increases in Dumaguete and Iloilo Water
- Rail revenue grew by 43% with 45% higher average daily ridership and implemented fare increase starting August 2023

See the relevant segment information under section *II - OPERATING SEGMENTS OF THE GROUP*.

Cost of sales and services

Cost of sales and services increased by 5% to ₱16,503 million due to higher government revenue share with the increase in toll revenues and higher purchased water at Maynilad. (see Note 18 – *Costs of Sales and Services* to the September 30, 2023 Interim Condensed Consolidated Financial Statements).

General and administrative expenses

General and administrative expenses increased by 16% to ₱8,798 million mainly brought about by expanded operations and rising inflation for the first nine months of 2023 and full resumption of business activities (see Note 19 – *General and Administrative Expenses* to the September 30, 2023 Interim Condensed Consolidated Financial Statements).

Interest expense

Interest expense increased by 34% to ₱9,817 million as a result of additional interest on new loans to finance CAPEX.

Share in net earnings of equity method investees

Share in net earnings of equity method investees increased by 40% to ₱13,319 million mainly due to higher MERALCO income driven by significant growth in contributions from the power generation business and higher volume sold from the distribution business.

Interest income

Interest income for the period increased by 112% from last period benefiting from higher effective yields on placements.

Other income (expense) – net

Other income decreased by 78% as compared against last year due to gain on acquisition of Landco in 2022.

Provision for (benefit from) income tax

Provision for income tax increased by 22% for the period with higher taxable income as a result of the Group's improved operational performance.

Net income attributable to equity holders of the Parent Company

Consolidated net income attributable to equity holders of the Parent Company increased by 22% to ₱16,056 million compared with ₱13,137 million last year as a result of strong performance across key business segments notwithstanding the gains from the acquisition of Landco in 2022.

Other comprehensive income (loss) attributable to owners of the Parent Company

Other comprehensive income decreased from ₱3,134 million to ₱344 million due to the lower gain on translation adjustment of foreign investments given the depreciation of the US Dollar since the end of 2022.

Core Income attributable to equity holders of the Parent Company

Isolating the non-recurring items, MPIC's consolidated core income of ₱16,227 million for the nine months ended September 30, 2023 increased by 37% as compared with the prior year mainly driven by the strong performance of the power generation and distribution businesses; higher water tariff for the water concessions; and higher ridership and fare increase in rail segment.

Among the Company's Core businesses, Power had the largest share at ₱13.8 billion or 69% of net operating income while Toll Roads and Water contributed ₱4.1 billion and ₱3.5 billion, respectively.

The figures above represent MPIC's share in the stand-alone core income of the operating companies, net of consolidation adjustments. See the relevant segment information under section **II - OPERATING SEGMENTS OF THE GROUP**.

Non-recurring income - net

Non-recurring expense amounting to ₱171 million for the nine months ended September 30, 2023 is mainly composed of the interest accretion on various long-term provisions, net of foreign exchange gain. Non-recurring income for the nine months ended September 30, 2022 was driven primarily by the reversal of previously recognized impairment of advances to Landco.

II - OPERATING SEGMENTS OF THE GROUP

Power

	<u>9M 2023</u>	<u>9M 2022</u>	<u>Increase (Decrease)</u>	
Manila Electric Company	<u>Unaudited</u>		<u>Amount</u>	<u>%</u>
	(in Php Millions)			
Revenues	335,231	314,884	20,347	6
Expenses	307,519	297,992	9,527	3
Core EBITDA	50,804	37,278	13,526	36
Core income	30,023	19,605	10,418	53
Reported net income attributable to equity holders of MERALCO	28,399	19,758	8,641	44
Capital Expenditure	21,105	20,396	709	3
Key Performance Indicators			<u>Increase (Decrease)</u>	
	<u>9M 2023</u>	<u>9M 2022</u>	<u>Amount</u>	<u>%</u>
Volume Sold (in mln kwh)	38,164	36,553	1,611	4
System Loss (12-month moving average)	5.81%	5.88%	(0.07%)	(1)
Average Distribution Revenue per kWh YTD	1.35	1.21	0.14	11

MPIC's power business contributed ₱13.8 billion to core income for the nine months ended September 30, 2023 which is 55% up versus same period last year, driven by significant contribution from power generation business, higher volume sold from distribution business and recovery of retail electric business.

Residential sales volume grew 3% driven by above-average mean temperature brought about by El Niño phenomenon causing households to use cooling appliances more often. Additionally, increased

consumption was noted in condominiums and dormitories as on-site classes in colleges and universities resumed and on-site work arrangements increased.

Commercial sales volume rose 10% as energy demand from educational institutions continued to increase with full face-to-face classes and commencement exercises. Hotels, restaurants, and real estate sectors likewise grew with the improvement in room occupancy, foot traffic, and consumer spending as leisure travel, social events, and business gatherings went into full swing.

Industrial sales volume is lower by 1% despite recovery of semiconductor and cement sectors as demand for plastics and steel continued to be affected by high input costs and lower plant production.

Total Revenues increased 6% to ₱335.2 billion, reflecting higher pass-through generation charges and growth in energy volumes distributed.

MERALCO's Reported Net Income improved 44% driven by the significant growth in contribution from the power generation business.

MERALCO spent ₱21.1 billion for network improve projects, acquisition and construction of telecom towers, and construction of its solar projects.

Toll Operations

Metro Pacific Tollways Corporation	9M 2023	9M 2022	<u>Increase</u>	
	<u>Unaudited</u>		<u>Amount</u>	<u>%</u>
	(in Php Millions)			
Consolidated Statements of Income				
Net toll revenues	19,787	16,444	3,343	20
Costs and expenses	9,360	8,291	1,069	13
Core EBITDA	14,324	11,628	2,696	23
Core Income	4,095	4,083	12	0
Reported net income attributable to equity holders of MPTC	3,718	3,649	69	2
Capital Expenditure	12,709	15,264	(2,555)	(17)
Key Performance Indicators				
	9M 2023	9M 2022	<u>Increase</u>	
			<u>Amount</u>	<u>%</u>
Average Daily Vehicle Entries:				
NLEX	334,565	302,299	32,266	11
SCTEX	77,878	70,535	7,343	10
CAVITEX	182,312	163,973	18,339	11
CALAX	34,905	27,684	7,221	26
CCLEX	13,132	8,206	4,926	60
CII B&R	78,194	73,243	4,951	7
PT Nusantara	485,910	262,892	223,018	85

MPTC recorded core income of ₱4,095 million for the first nine months of 2023, at par with last year's ₱4,083 million due as the growth in traffic was offset by the financing cost on the Japex acquisition, share in Japex core loss and higher concession amortization on newly opened roads.

Overall, MPTC’s system-wide vehicle entries, including both Philippines and international road networks, averaged 1,218,684 a day for the period compared with 908,832 in 2022.

Revenues increased 20% to ₱19.8 billion due to a combination of toll increases and higher traffic in the Philippines and Indonesia.

Average daily vehicle entries rose 14% to 654,580 from 572,697 in NLEX, SCTEX, CAVITEX, CALAX and CCLEX combined.

Traffic on international toll roads

- Vietnam – Average daily vehicle entries were up 7% to 78,194.
- Indonesia – Average daily vehicle entries climbed 85% to 485,910, which included 197,442 vehicles from the newly acquired Japex toll road.

The target completion dates of ongoing projects are as follows:

Toll Road Projects	Length (In Km)	Construction Cost* (In Billions)	Target Completion
Expansions to existing roads			
CAVITEX – C5 South Link	7.8	16.4	2024
Cavite-Laguna Expressway	44.6	29.5	2025
Candaba 3 rd Viaduct	5.3	7.8	2024
TOTAL	57.7	₱53.7	

*Construction Cost (inclusive of FOE, Security, Financing Cost and Other Costs and exclusive of Concession Fee)

Water

Maynilad Water Services, Inc.	Unaudited		Increase (Decrease)	
	9M 2023	9M 2022	Amount	%
	(in Php Millions)			
Consolidated Statements of Income				
Revenues	20,269	17,128	3,141	18
Costs and Expenses	9,326	9,341	(15)	(0)
Core EBITDA	13,074	11,638	1,436	12
Core Income	6,807	4,668	2,139	46
Reported Net Income	6,701	4,523	2,178	48
Capital Expenditure	14,520	10,327	4,193	41
Key Performance Indicators				
	9M 2023	9M 2022	Amount	%
Volume of water supplied (MCM)	580.1	563.4	16.7	3
Volume of water billed (MCM) – Maynilad	402.9	393.7	9.2	2
Volume of water billed (MCM) – Consolidated	416.4	407.1	9.3	2
Non-revenue water % DMA (average)	30.5%	30.1%	0.4%	1
Non-revenue water % DMA (period end)	30.3%	28.7%	1.6%	5
Billed customers (period end)	1,530,295	1,512,046	18,249	1
Customer mix (% based on billed volume)				
Domestic (residential and semi-business)	81.7%	83.0%	(1.3%)	(2)
Non-domestic (commercial and industrial)	18.3%	17.0%	1.3%	8

MPIC's water business comprises investments in Maynilad, the biggest water utility in the Philippines, and MPW, which is focused on building new water businesses outside Metro Manila. The water segment's contribution to Core Net Income amounted to ₱3,493 million for the first nine months of 2023, 56% higher than last year, with increased contributions from both Maynilad and MPW.

Maynilad

Revenues grew 18% to ₱20.3 billion reflecting 2% growth in billed volume as demand from semi-business, commercial, and industrial customers continued to increase and 16% higher average effective tariff.

Maynilad's core income grew 46% to ₱6.8 billion due to lower amortization resulting from the extension of the concession period with the effectivity of the Franchise.

Capital expenditure amounted to ₱14.5 billion, up 41% from last year, as Maynilad continued to deliver on its obligations under the approved business plan.

Rail

Rail	9M 2023	9M 2022	<u>Increase</u> <u>(Decrease)</u>	
	<u>Unaudited</u>		<u>Amount</u>	<u>%</u>
	(in Php Millions)			
Farebox revenues	1,803	1,260	543	43
Expenses	1,921	1,680	241	14
Core EBITDA	153	(26)	179	(678)
Core Loss	(269)	(494)	225	(46)
Reported Net Loss	(272)	(494)	222	(45)
Capital Expenditure	1,264	2,038	774	(38)
Key Performance Indicators			<u>Increase</u> <u>(Decrease)</u>	
	9M 2023	9M 2022	<u>Amount</u>	<u>%</u>
Average daily ridership	295,451	203,914	91,537	45

LRMC currently operates LRT-1, a 20-station light rail line traversing from Pasay to Quezon City in Metro Manila.

LRMC reported a core loss of ₱269 million in the first nine months of 2023 despite 43% increase in revenues due to higher costs from expanded operations, amortization of concession assets and increased borrowing costs.

Average daily ridership rose 45% to 295,451 compared with 203,914 a year earlier with continued increase in economic activities resulting in increased mobility.

3Q 2023 versus 3Q 2022

MPIC Consolidated Statements of Comprehensive Income

	3Q 2023	3Q 2022	<u>Increase</u> <u>(Decrease)</u>	
	<u>Unaudited</u>		<u>Amount</u>	<u>%</u>
	(in Php Millions)			
Operating Revenues	15,418	13,320	2,098	16
Cost of Sales and Services	5,550	5,447	103	2
General and administrative expenses	2,694	2,627	67	3
Interest expense	3,390	2,638	752	29
Share in net earnings of associates and joint ventures	4,777	3,295	1,482	45
Interest income	489	296	193	65
Construction revenue	11,190	6,937	4,253	61
Construction costs	(11,190)	(6,937)	(4,253)	61
Other income (expense) - net	110	(75)	185	(247)
Provision for income tax	1,655	1,297	358	28

	<u>3Q 2023</u>	<u>3Q 2022</u>	<u>Increase (Decrease)</u>	
	<u>Unaudited</u>		<u>Amount</u>	<u>%</u>
	<u>(in Php Millions)</u>			
Net income attributable to owners of the Parent Company	5,838	3,642	2,196	60
Other comprehensive income	84	1,566	(1,482)	(95)
Total comprehensive income attributable to owners of the Parent Company	5,922	5,208	714	14
Core income	6,325	4,370	1,955	45
Non-recurring expense	(487)	(728)	241	(33)

Revenues

The Company's revenues increased by 16% to ₱15,418 million reflecting continued growth from the following operating segments:

- Water revenue increased 16% to ₱7,468 million with higher billed volumes across customer segments and higher average effective tariff.
- Toll revenues increased 15% to ₱6,766 million with toll rate increases and higher average daily vehicle entries across all toll roads as a result of increased leisure and business travels.
- Rail revenues increased 33% driven by fare increase and higher average daily ridership with increased mobility.

Cost of Sales and Services

Cost of Sales and Services increased by 2% to ₱5,550 million with higher costs from expanded operations partly reduced by lower amortization brought about by the extension of the Maynilad concession.

General and Administrative Expenses

General and Administrative Expenses increased by 3% to ₱2,694 million in the third quarter of 2023 due to increased business activity with less mobility restrictions across all operating segments and higher inflation.

Interest Expense

Interest Expense increased to ₱3,390 million as a result of loan drawdowns during the year.

Share in Net earnings of Equity Method Investees

Share in Net Earnings of Equity Method Investees increased by 45% to ₱4,777 million mainly due to record growth of MERALCO (see discussion under section II - OPERATING SEGMENTS OF THE GROUP).

Interest Income

Interest income increased 65% with higher returns on cash placements as benchmarks continue on the upward trend.

Other Income (Expense) - net

This made a turnaround from a loss of ₱75 million to a gain of ₱110 million as last year had higher unrealized foreign exchange losses resulting from revaluation of foreign denominated debt with the strengthening of the US Dollar.

Provision for (Benefit from) Income Tax

Income Taxes increased 28% with higher taxable income during the period versus last year.

Consolidated Net Income Attributable to Equity Holders of the Parent Company

Consolidated Net Income Attributable to Equity Holders of the Parent Company grew 60% to ₱5,838 million driven by outstanding operational results across segments.

Other Comprehensive Income (Loss)

Other comprehensive income decreased from ₱1,566 million to ₱84 million due to the lower gain on translation adjustment of foreign investment.

Core Income Attributable to Equity Holders of the Parent Company

MPIC's Consolidated Core Income of ₱6,325 million for the third quarter of 2023 increased by 45% compared with the third quarter of 2022 as post pandemic recovery gathered steam. Our investee companies reported record growth, even surpassing pre-pandemic performance.

Non-Recurring Expenses – Net

Non-Recurring Expense amounting to ₱487 million for the third quarter of 2023 was composed mainly of project development costs and share in non-recurring items of equity-accounted entities.

Discussion on Financial Position as at September 30, 2023 and December 31, 2022

Assets

The following table summarizes the individual increases (decreases) of consolidated asset accounts.

	<u>September 30,</u> <u>2023</u>		<u>December 31,</u> <u>2022</u>		<u>Increase</u> <u>(Decrease)</u>	
	<u>Unaudited</u>	<u>%</u>	<u>Audited</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<i>(in Php Millions)</i>						
ASSETS						
Current assets						
Cash and cash equivalents	27,113	46	33,595	49	(6,482)	(19)
Short-term placements	4,930	8	8,827	13	(3,897)	(44)
Restricted cash	3,319	6	4,767	7	(1,448)	(30)
Receivables	9,176	16	9,195	13	(19)	-
Other current assets	14,215	24	12,540	18	1,675	13
	58,753	100	68,924	100	(10,171)	(15)
Noncurrent Assets						
Investments and advances	200,787	33	196,323	34	4,464	2
Service concession assets	360,657	59	331,693	58	28,964	9
Property, plant and equipment	7,324	1	6,904	1	420	6
Goodwill	15,301	3	15,241	3	60	-
Intangible assets	716	-	377	-	339	90
Deferred tax assets	976	-	769	-	207	27
Other noncurrent assets	26,086	4	23,565	4	2,521	11
	611,847	100	574,872	100	36,975	6

- *Cash and Cash Equivalents and Short-Term Placements – (Decrease)* Cash used for the period pertains to capital expenditures, scheduled repayment loans and interests, and investment in SPNEC (see section *Liquidity and Capital Resources* for the summary of the Group’s statement of cash flows for the nine-month period ended September 30, 2023).
- *Short-term placements – (Decrease)* Released to cash to support payments of loans and advances to contractors.
- *Restricted Cash – (Decrease)* Scheduled payment of principal and interest which were set aside in the debt service account for certain long-term debt.
- *Other Current Assets – (Increase)* Higher real estate for sale, prepayments, and inventories (see *Note 7 – Other Current Assets* to the September 30, 2023 Interim Condensed Consolidated Financial Statements).
- *Investments and Advances – (Increase)* Share in equity earnings of associates, net of dividends earned for the period (see *Note 8 – Investments and Advances* to the September 30, 2023 Interim Condensed Consolidated Financial Statements).

- *Service Concession Assets – (Increase)* Part of the concessions’ commitment to deliver world-class service is to continuously invest in its service coverage area (see Note 9 – *Service Concession Assets* to the September 30, 2023 Interim Condensed Consolidated Financial Statements for the nature of the additions to the service concession assets).
- *Property, Plant and Equipment – (Increase)* Related to increased capital expenditures of the Group.
- *Intangible Assets – (Increase)* Intangible assets increased due to additions to software (see Note 10 – *Goodwill and Intangible Assets* to the September 30, 2023 Interim Condensed Consolidated Financial Statements)
- *Deferred tax assets – (Increase)* Deferred tax asset was recognized for net operating losses carry-over which LRMC expects to utilize against its future taxable income.
- *Other Noncurrent Assets – (Increase)* This pertains to the acquisition of SPNEC and increase in advances to contractors relating to the ongoing construction of Connector and C5 South Link (see Note 24 – *Contracts, Agreements and Commitments* to the September 30, 2023 Interim Condensed Consolidated Financial Statements).

Liabilities and Equity

The following table summarizes the individual increases (decreases) of consolidated liabilities and equity accounts.

	<u>September 30,</u>		<u>December 31,</u>		<u>Increase</u>	
	<u>2023</u>		<u>2022</u>		<u>(Decrease)</u>	
	<u>Unaudited</u>	<u>%</u>	<u>Audited</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
	<i>(in Php millions)</i>					
Current Liabilities						
Accounts payable and other current liabilities	43,858	49	44,784	58	(926)	(2)
Income tax payable	1,427	2	1,283	2	144	11
Due to related parties	81	–	83	–	(2)	(2)
Short-term and current portion of long-term debt	33,438	38	20,842	27	12,596	60
Current portion of:						
Provisions	8,706	10	8,337	11	369	4
Service concession fees payable	1,081	1	1,289	2	(208)	(16)
	88,591	100	76,618	100	11,973	16
Noncurrent Liabilities						
Noncurrent portion of:						
Provisions	2,325	1	3,030	1	(705)	(23)
Service concession fees payable	29,633	9	28,453	9	1,180	4
Long-term debts	268,593	84	271,625	84	(3,032)	(1)
Deferred tax liabilities	10,357	3	9,898	3	459	5
Other long-term liabilities	9,755	3	9,131	3	624	7
	320,663	100	322,137	100	(1,474)	–

	<u>September 30,</u> <u>2023</u>		<u>December 31,</u> <u>2022</u>		<u>Increase</u> <u>(Decrease)</u>	
	<u>Unaudited</u>	<u>%</u>	<u>Audited</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
	<i>(in Php millions)</i>					
Equity						
Capital stock	31,661	15	31,661	16	–	–
Additional paid-in capital	68,638	32	68,638	34	–	–
Treasury shares	(10,703)	(5)	(10,703)	(5)	–	–
Equity reserves	(971)	–	(1,377)	(1)	406	(29)
Retained earnings	118,181	55	105,692	53	12,489	12
Other comprehensive income reserve	6,464	3	6,177	3	287	5
Total equity attributable to owners of the Parent Company	<u>213,270</u>	100	<u>200,088</u>	100	<u>13,182</u>	<u>7</u>
Non-controlling interest	48,076		44,953		3,123	7

- *Accounts Payable and Other Current Liabilities – (Decrease)* See Note 11 – *Accounts Payable and Other Current Liabilities* to the September 30, 2023 Interim Condensed Consolidated Financial Statements.
- *Income Tax Payable – (Increase)* This pertains to higher corporate income as a result of higher taxable income for the period.
- *Short-term and Long-term Debt – Current and Noncurrent Portions – (Increase)* See Note 13 – *Long-term Debt* to the September 30, 2023 Interim Condensed Consolidated Financial Statements for details of the Company’s loan facilities and borrowings.
- *Provisions – (Decrease)* The decrease resulted from remeasurements, reversals and payments of provisions (see Note 12 – *Provisions* to the September 30, 2023 Interim Condensed Consolidated Financial Statements).
- *Other Long-Term Liabilities – (Increase)* This pertains to the increase in contract liability and deferred output VAT (see Note 11 – *Accounts Payable and Other Current Liabilities* to the September 30, 2023 Interim Condensed Consolidated Financial Statements).
- *Retained Earnings – (Increase)* Earnings attributable to the Parent Company, net of dividends declared for the period.

Liquidity and Capital Resources

The following table shows a summary of the Group's unaudited statements of cash flows for the nine months of 2023 and 2022 as well as the Company's consolidated capitalization as of September 30, 2023 and December 31, 2022:

	<u>Unaudited</u>		<u>Increase (Decrease)</u>	
	<u>9M 2023</u>	<u>9M 2022</u>	<u>Amount</u>	<u>%</u>
	<i>(in Php Millions)</i>			
Cash Flows				
Net cash provided by operating activities	20,700	14,046	6,654	47
Net cash used in investing activities	(21,668)	(29,110)	(7,442)	(26)
Net cash provided by (used in) financing activities	(5,514)	2,726	(8,240)	302
Net increase (decrease) in cash and cash equivalents	(6,482)	(12,338)	5,856	(47)
Capital expenditures	31,359	29,571	1,788	6
	<u>Unaudited September 30, 2023</u>	<u>Audited December 31, 2022</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>%</u>
	<i>(in Php Millions)</i>			
Capitalization				
Long-term debt net of current portion	268,593	252,433	(3,032)	(3)
Short-term and current portion of long-term debt	33,438	14,042	12,596	71
Total short and long-term debt	302,031	266,475	9,564	3
Non-controlling interest	48,076	45,885	3,123	4
Total equity attributable to owners of the Parent Company	213,270	202,428	13,182	7
Cash and cash equivalents	27,113	33,595	(6,482)	(19)
Short-term placements	4,930	8,827	(3,897)	(44)

As at September 30, 2023, MPIC's consolidated cash and cash equivalents and short-term placements totaled ₱32,043 million, a decrease of ₱10,379 million from December 31, 2022. The decrease is mainly due to the acquisition of SPNEC, capital expenditures, scheduled repayment loans and interests, and advances to contractors.

Refer to the *Exhibit I – Unaudited Interim Condensed Consolidated Financial Statements* for the Company's *Consolidated Statements of Cash Flows* for the details of the cash inflows and outflows during the current period.

Operating Activities

Consolidated net operating cash flow in the first nine months of 2023 posted a 47% increase from the previous year largely attributable to improved operating performance of major investee companies and higher yield on cash placements.

Investing activities

Net cash used in investing activities amounted to ₱21,668 million were lower by 26% as last year included acquisition of additional 2% equity interest in Meralco.

Financing Activities

The Company's consolidated net cash used in financing activities during the period amounted to ₱5,514 million which were mainly loan, interest, and dividend payments. For the same period in 2022, the cash from financing activities were largely driven by the higher loan drawdown.

FINANCIAL SOUNDNESS INDICATORS

Financial Ratios	Formula	September 30, 2023	December 31, 2022
a) Current Ratio	$\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$	0.66	0.90
b) Solvency Ratio*	$\frac{\text{NPAT} + \text{Depreciation and amortization}}{\text{Total Liabilities}}$	0.08	0.05
c) Debt-to-Equity Ratio	$\frac{\text{Total Debt}}{\text{Total Stockholders' Equity}}$	1.16	1.19
d) Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$	2.57	2.63

Financial Ratios	Formula	September 30, 2023	September 30, 2022
e) Interest Rate Coverage Ratio	$\frac{\text{EBIT}}{\text{Net Interest Expense}}$	3.99	4.01
f) Net Profit margin	$\frac{\text{Net Profit after tax}}{\text{Net Revenues}}$	46.08%	43.61%

Financial Ratios	Formula	September 30, 2023	December 31, 2022
g) Return on assets*	$\frac{\text{NPAT} + \text{Interest Expense (net of tax)}}{\text{Average Total Assets}}$	5.98%	3.53%
h) Return on Equity*	$\frac{\text{Net Profit after tax}}{\text{Average Total Stockholders' Equity}}$	11.15%	5.45%

*Annualized

METRO PACIFIC INVESTMENTS CORPORATION AND SUBSIDIARIES
AGING OF RECEIVABLES
As at September 30, 2023 (Unaudited)
(Amounts in Millions)

Trade receivables	₱5,355
Non-trade receivables	6,595
Contract assets/unbilled receivables	1,195
Concession financial receivable	2,472
Dividends receivable	215
	15,832
Less allowance for doubtful accounts	(2,076)
	13,756
Less current portion	(9,176)
Noncurrent portion	₱4,580

The aging analysis of receivables follows:

Neither past due nor impaired	₱2,402
Past due but not impaired:	
Less than 30 days	1,834
31–60 days	592
61–90 days	166
Over 90 days	8,762
Impaired	2,076
	₱15,832

RISK FACTORS

Risks relating to the COVID-19 pandemic are described in a dedicated section of this report and not repeated throughout each of the other sections.

As an investment and management company, MPIC undertakes risk management at three distinct levels: entering new investments; financial stability of the holding company and within each operating company.

1. On entering new investments

Prior to making a new investment, any business to be acquired is subject to an extensive due diligence including financial, operational, regulatory, environmental, social, and governance risk assessments. Risks to investment returns are then calibrated and specific measures to manage these risks are determined. The Company is highly selective in the investment opportunities it examines. Due diligence is conducted on a phased basis to minimize costs of evaluating opportunities that may ultimately not be pursued.

MPIC's investments involve to varying degrees, a partnership approach with MPIC co-investing with partners that provide operational and technological inputs, thereby mitigating risks associated with new and unfamiliar business areas.

Financing for new investments is through a combination of debt and/or equity by reference to the underlying strength of the cash flow of the target business and the overall financing position of MPIC itself.

MPIC's geographic focus is predominantly the Philippines but with some additional assets in Indonesia and Vietnam. MPIC is mitigating its foreign investment risk through partnerships with reputable and influential local firms in these countries and engaging strong and reputable advisers.

2. On ongoing Management of the Financial Stability of the Holding Company

MPIC does not guarantee the borrowings of its investee companies but there are standard cross-default and cross-acceleration provisions in its loan agreements. Financial stability of the holding company, including its dividend commitment to shareholders, is managed by reference to the ability of the investee companies to remit dividends to MPIC to cover operating costs and service borrowings. MPIC avoids currency and investment cycle mismatches by borrowing instruments mostly in Philippine Pesos or in currency that matches operating cash flows, and primarily long-term tenors, most of which carry fixed rates.

MPIC sets the level of debt on the Parent Company's balance sheet to withstand variability of dividend receipts from its operating companies associated with regulatory and other risks described below.

3. Risk Management within the Operating Companies

Each of the operating companies has a management team which is responsible for having their own plan to manage risk. These are reviewed semi-annually by their respective Risk Management Committees and periodically by MPIC.

- a) *Political and Regulatory risks.* A significant majority of MPIC’s invested capital is deployed into businesses which are heavily regulated by the Government: electricity distribution; water supply and distribution along with sewage treatment; toll roads; and light rail. Each of these businesses has concession or franchise agreements which involve a degree of operating performance obligation in order to retain rights and earn expected returns, and which contain terms that would allow the Government to take over in times of public emergency or when the public interest so requires. In some cases, these agreements provide for retrospective assessment of the extent of overall operational and financial performance sometimes over a period of years.

Risks arising from these types of businesses include the potential for differences with regulators involving interpretation of the relevant agreements – either during the period in question or in retrospect. To manage these risks, the operating companies have dedicated regulatory management groups with experienced personnel. Their duty is to manage the relationship with regulators, keep management up to date on the status of the relationship and ensure companies are well prepared for any forthcoming regulatory changes or challenges.

The Group has a sizeable amount of pending past due revenue claims accumulated for its water, toll, and rail businesses (see Notes 30, *Contingencies*, attached to the 2022 Audited Consolidated Financial Statements). The risk of being unable to collect these claims is mitigated by continuing to deliver service obligations as effectively as possible and maintaining open communication lines with the various responsible government agencies.

Water

Maynilad continues to adopt and implement efforts to improve efficiency in the performance of its service obligations under its concession agreement to mitigate regulatory and political issues.

Apart from the RCA and the grant of the franchise as discussed in Note 29, *Significant Contracts, Agreements and Commitments* attached to the 2022 Audited Consolidated Financial Statements, the following changes in political and regulatory environment will affect Maynilad.

The House of Representatives passed, on its third reading, a bill that seeks to create the Department of Water Resources (“DWR”) and the Water Regulatory Commission (“WRC”) with the objective of centralizing the regulation of all water service providers. Once this bill is passed into law, MWSS will be an attached agency of the DWR, and will continue to facilitate the exercise by the Water Concessionaires of its agency powers. On the other hand, the economic and regulatory units and functions of the MWSS will be transferred to the WRC, which has quasi-judicial powers. Accordingly, all disputes arising from the concession agreements will now have to be resolved by the courts and no longer through arbitration, consistent with what the RCA provides.

There are other laws which have been enacted in 2021 and early 2022, which include, among others, Republic Act No. 11595 or the amendment to the Retail Trade Liberalization Law (“RTLL”), Republic Act No. 11659 or the amendments to the Public Service Act, and Republic Act No. 11647 or the Foreign Investments Act (“FIA”).

The amendments to the RTLL include the reduction of the minimum paid up capital of a foreign retailer equivalent in Philippine pesos from USD\$2.5 million to ₱25 million, and the removal of the categories of enterprises in which foreign retailers can engage or invest in.

On the other hand, under the amendments to the Public Service Act, the transfer of the Public Service Commission's powers to the various administrative agencies was made clear and specific. More importantly, Congress limited the definition of a "public utility" to: (i) distribution of electricity, (ii) transmission of electricity, (iii) petroleum and petroleum products pipeline transmission, (iv) water and wastewater pipeline systems, (v) seaports, and (vi) public utility vehicles. No other person shall be deemed a public utility unless subsequently provided by law.

Finally, under the amendments of the FIA, the policy direction shifted to foreign investments that will contribute to economic growth, productivity, global competitiveness, employment creation, technological advancement, and countrywide development, but emphasizing protection of national security. The bill also creates an Investment Promotions Council which will integrate all promotion and facilitation efforts to encourage foreign investments. Small and medium-sized domestic market enterprises with paid-in equity capital of less than the equivalent of USD\$200,000 remains to be reserved to Philippine nationals. Public officers and employees involved in foreign investment promotion are also held to the highest standards of accountability, and will be subject to maximum penalties for their violations.

Maynilad participates in all the hearings of the House Committee on Government Reorganization to ensure that the inputs of the Water Concessionaires will be considered in the final version of the bill creating the WRC. Maynilad is also monitoring the developments in the bills certified as urgent.

Toll Roads

Following the implementation of the cashless transaction by the TRB as a way to help mitigate the spread of COVID-19, there have been complaints and concerns on the inconsistent performance of the MPTC's RFID system. MPTC is continuously addressing these through the introduction of operational, and hardware and systems enhancements (e.g. upgrade of RFID Antennas which have higher readability rate). MPTC will continue to introduce upgrades in its Account Management System and adopt and install the Automatic License Plate Recognition System in strategic toll plazas.

There have also been operational adjustments through the deployment of personnel at the toll plazas who provide immediate assistance to motorists who encounter problems with their RFIDs at the toll lanes. Toll operations personnel have also undergone first level maintenance training to allow them to troubleshoot and minimize toll equipment downtime.

Issuance of performance notifications by the TRB remain to be a concern in the event that MPTC fails to comply with the minimum performance standards for toll road operations issued by the TRB. There is also a possibility that the government will call on the concession fees due from the CALAX concession, which the concession had deferred payment of due its inability to commercially operate certain segments. The inability to operate certain segments of CALAX is due to the delay in completion of construction arising from the delay in the delivery of the required ROW. There is, however, continuous dialogue, coordination and discussions with the government on this matter.

Recently, the TRB announced a dry run for contactless (only) toll fee collection starting September 1, 2023. This dry run has been planned to run for a period of 2 months. This move by the TRB is intended to prompt motorists to switch to RFID. Certain MPTC toll roads have been identified to participate in this dry run. It has been anticipated that the usual risks related to RFID usage and passages will manifest themselves, including (as indicated above) but not limited to, inconsistent performance of RFID systems (such as, readability), insufficient load in RFID accounts, leakage, etc. All of these are being pro-

actively addressed to minimize or manage the impact on the company, through, systems adjustments, troubleshooting, backroom account verification and reconciliation, among others.

Power

MERALCO is similarly faced with material regulatory uncertainty in respect of the timing and detail of its next rate rebasing. Further, management is aware that there is increasing risk attendant to franchise expiration and renewal. To address these challenges, the company has an established and dedicated Regulatory Management office responsible for the oversight and management of all matters related to regulatory compliance. For the franchise renewal, MERALCO has already started preparations and formed various work streams to fulfill all necessary documentary and other requirements before applying to the House Committee on legislative franchises.

Rail

For the Rail Sector, the delayed and insufficient approval of fare increases is a major concern. However, despite the delayed and insufficient approval of these fare increase applications, LRMC continues to fulfill its part of the contract and continues to provide safe, efficient, and reliable service for the commuters. To manage this risk, LRMC is in constant communication with the regulators and is exhausting all legal remedies under its own concession agreement with the government to solve the issue. LRMC has obtained a fare increase amounting to ₱13.29 Boarding Fare and ₱1.21 Distance Fare which was effective on August 2, 2023. The arbitration process for the Fare Deficit Claims and LRV Shortfall claims is still ongoing. The LRMC team is also in constant communication with the Grantors for payment of undisputed claims by 2024.

Fuel Storage

PCSPC is under a long-term lease agreement with the Subic Bay Metropolitan Authority (“SBMA”). As one of its largest income contributors, SBMA is incentivized to maintain a good relationship with PCSPC and assist in the growth of its business. PCSPC’s political risk exposure, if not properly managed, may come in the form of imposing revisions to the terms of its lease with the SBMA.

Real Estate

Landco Pacific Corporation (LPC) is on a “wait-and-see” situation as far as the Political and Regulatory Risks are concerned. The Company needs to see where the government is heading as far as (a) conversion of agricultural lands are concerned (under the Department of Agrarian Reform); (b) the long overdue National Land Use Act which seeks to establish clear parameters on land utilization; and (c) the direction of the new administration in terms of infrastructure development that would greatly affect real estate values (eg. the proposed Davao City – Samal Bridge, the proposed Cavite-Tagaytay-Batangas Expressway, etc.).

- b) *Competition and Market.* There is strong competition in bidding for Public-Private Partnership (“PPP”) projects offered by the Government, and this may reduce forecast equity returns for winning bids. MPIC’s preferred approach is to provide unsolicited proposals to Government in order to receive Original Proponent Status on its ideas. In this way it seeks to increase the prospect of winning projects and avoid plain vanilla ‘lowest return on capital’ bidding.

Toll roads. The existing toll roads in the Philippines operate in different geographical areas and mostly with different alignments. Thus, there is hardly any competition among the toll

road concession owners and operators. Competition may, however, exist between them in bidding for government-initiated toll road projects.

Government's position and policy on PPP projects and the bidding for the same may be a concern in view of the change in administration as a consequence of the recent elections. The position and policy on PPP projects of the current administration remains to be seen, even as it signified that it will continue with the Build, Build, Build program of the previous administration.

Expected changes in legislation relative to the PPP Law or Public Private Partnerships, in general, will definitely be a transition risk for MPTC.

Power. Power generation through MGen is becoming increasingly competitive due to the RES business, migration of contestable customers from the captive market, increasing numbers of competitors, and the amended Competitive Selection Process ("CSP") rules. This is being addressed by using efficient processes and technology and low-cost fuel to remain competitive.

With the developments in the DOE's RE policies and programs, such as RE net metering, feed-in tariff ("FIT"), Renewable Portfolio Standards ("RPS"), Green Energy Option Program ("GEOP"), and Renewable Energy Market ("REM"), along with the growing focus on sustainability goals, an increasing number of companies are transitioning to renewable energy sources. As a result, we anticipate a rising demand for RE to meet their energy requirements. Likewise, there is a growing customer preference for 100% RE supply at prices similar to conventional sources, but current available RE sources are intermittent and cannot offer continuous 24/7 power supply.

Rail. LRMC continues its pursuit to become the commuter's choice in public transportation. Part of this dedication is maintained by the highly committed team that oversees and maintains the world-class commuter service operations, from ensuring daily train availability with optimal running conditions to safe train operation and a quality customer experience from the stations. To sustain this quality service, these are being measured with key performance indicators (KPIs) that are supervised by the grantors and the DOTr.

Other transportation providers sprouted during the height of the pandemic, such as the free ride bus carousels for commuters from EDSA Taft to EDSA North and the free ride offered by MRT-3, which resulted in other commuters returning to LRT-1. A small number of commuters bought a motorcycle from market providers that offer affordable down payments; other used the TMGs like Angkas and Grab services, which provide house-to-work services.

The company is confident that machine optimization as a fare system will become an effective tool to compete with other market competitors without compromising the quality of service. The QR Code Ticketing System, which is pioneered and available only at this time at the LRMC Line system and was launched on May 25, 2023, is another game changer that will promote the contactless ticketing system, a more accessible and convenient mode of ticketing that commuters can avail of at their own convenient time and place. The management had a positive impression of this campaign.

Fuel Storage. The prolonged effect of COVID-19 has affected the demand for fuel products which in effect slowed down fuel storage requirements. Fuel demand is expected to recover to 2019 levels by 2024. Closure of refineries, however, has increased demand for finished fuel products in the medium term. To offset demand fallout, PCSPC continues to study and promote operating efficiencies and save costs. As at September, 2023, demand for fuel storage has picked up with travel opportunities already in full swing.

Real Estate. Landco, for over 30 years, has established its dominance in the leisure-resort real estate industry. During the past two years of the pandemic, there was an increased and renewed demand in resort properties across the industry and thereby increased selling prices. However, in 2022, more competitors are coming into the leisure-resort development.

To mitigate the impact of the competition, maintain market dominance and capitalize on the market demand, Landco ensured the following: (a) fast-tracked design and permitting process of its projects; (b) a constant search for new projects, expansions, landbanks, joint venture deals to sustain long-term strategic goals; and, (c) priming up of its developments by putting up resorts and accommodations in the project locations, managed by Millennial Resorts Corporation, which has consistently attracted more foot traffic.

- c) *Supply risk.* Prospective vendors, suppliers, contractors and service providers undergo a stringent accreditation process. One of the accreditation requirements is the submission of a contingency plan or a Business Continuity Plan (if available) to ensure availability of supply of goods and services by these vendors/suppliers/contractors/service providers in the event of crisis situations. Procurement has also put agreements in place for high consumption consumables and is developing multi-year supply agreements for critical spares.

Water

Maynilad has fundamental supply side risk in that: (i) it sources 88% of its supply from Angat dam; and (ii) this water source is shared by another water concessionaire, a hydro-electric plant, and the needs of farmers for irrigation.

Maynilad has moderated reliance on Angat by operationalizing a 300-MLD Water Treatment Plant at Putatan in Laguna Lake. Among the projects in the pipeline include a 300-MLD plant at Teresa, Rizal in connection with the planned Kaliwa Dam project. The 188-MLD Sumag Diversion Project being undertaken by Maynilad and Manila Water has not yet remobilized pending the renewal of the gratuitous permits by the Provincial Government of Quezon. Maynilad also has other plans in place including the reduction of its non-revenue water and the construction of Modular Treatment Plants (“MoTP”) that will draw raw water from certain identified dams of the National Irrigation Authority in Cavite. The MoTP in Valenzuela is ready to operate while the MoTP in Cavite is targeted to be energized in December 2023. Maynilad energized its first New Water Facility in Paranaque in October 2022 which used the effluent of sewerage treatment facility as raw water.

Toll Roads

The accreditation process in the MPTC group is a continuous process. This is to ensure that MPTC builds and expands its vendor pool, which will ensure that there will always be available suppliers, contractors and service providers who can service its requirements. Admittedly, the pandemic has slowed down the arrival of some imported goods (e.g. computers, etc.). The delay due to the pandemic, however, has not substantially impacted operations and did not result into business interruptions.

MPTC anticipates, however, that it will still continue to experience delays in the delivery and arrival of imported items in view of geopolitical issues. It also anticipates an increase in delivery costs, and operating expenses due to the increasing and fluctuating global prices of fuel.

Power

The energy sector faces various challenges, such as Malampaya gas restrictions, plant outages, and the impact of the EU ban on Russian oil. The country heavily relies on

imported fuel, leading to projected tightening of the power supply-demand situation. This situation continues to pose challenges for the Retail Electricity Supply business. In 2023, as businesses increase their operations, there may be inadequate power supply to meet the rising demand, potentially leading to red alerts and load curtailment measures.

MERALCO and Clark Electric as distribution utilities and the RES business' ability to generate revenues could be disrupted if the electricity suppliers are not able to generate the power needed. The power generation business is likewise affected by the increasing fuel prices particularly for supply contracts which have fixed fuel rate arrangement vis-à-vis pass-through fuel arrangement.

The power generation companies in the MPIC portfolio also depend on varying grades of coal for fuel. Primary supply sources are backed up by alternative supply sources. Appropriate level of inventories are also maintained.

The electricity distributed by MERALCO and Clark Electric are contracted through PSAs and long-term PPAs with generators. Any unsourced volume through the PSAs and PPAs is purchased from the WESM.

The demand for electricity changes over time and the supply of electricity should match such demand. Based on forecasted demand, MERALCO and Clark Electric conduct CSP for all prospective PSAs to have adequate supply of electricity.

Another factor affecting supply and demand is the growing demand for renewable energy from domestic and multinational companies, as legislative and regulatory pressures to accelerate transition to green energy increase. This is being addressed with the Company's increased investments in cleaner technologies such as solar, hydro, and battery energy storage systems.

Rail

LRMC has a dedicated procurement team who conducts a continuous evaluation of supplier sufficiency for critical commodities and source/qualify potential new suppliers if needed. Critical vendors were segmented and Supplier Relationship Management (SRM) policies were developed to ensure appropriate level of engagement is established with priority vendors. The Company is also developing direct collaboration with manufacturers, and has driven localization of commodities where it is possible to reduce logistics cost and lead-time of purchase.

Real Estate

The rising fuel cost and inflation rate pose the highest risk impact to Landco which directly affect the various bids of contractors and suppliers. To mitigate risk, Landco implemented the following measures:

- a. Divided the scope of work among general contractor, trade contractor, and owner-supplied materials to lessen contractors' mark-up
 - b. Constant value-engineering without sacrificing quality and value of the projects;
 - c. Wider and more intensive sourcing of materials to weigh the higher local material cost and the increasing dollar rates; and,
 - d. Landco also strengthened its contractor/supplier accreditation process during the year to ensure capability of all contractors/suppliers in meeting the company's expectations.
- d) *Safety and Security risk.*

Rail

LRMC manages significant operational, safety and security risks in running the LRT-1. LRMC is mitigating these risks by establishing a Safety Management System driven from the top, appointing a strong senior management team with extensive light rail operating experience and using appropriate engineering and administrative controls. Furthermore, the team has adopted state-of-the-art security systems like CCTVs and the digitization of reporting process via the RIA (Recognition, Information, Action) platform relaunched in March 2022 for employees and ikotMNL for passengers. The risk of terrorism in the trains and stations, which is assessed as a key risk of LRMC, is also mitigated through strict inspection of incoming passengers using metal detectors, installation of x-ray screening devices in high density stations, baggage search/inspection using K-9 security and continuous conduct of safety and security drills and exercises such as terrorist attack and Business Continuity Management drills. In addition, paneling, penetration tests, security risks and threat audits are conducted by the Office of Transportation Security. Regular safety and security drills and exercises with the LGUs, Philippine National Police ("PNP") and Bureau of Fire Protection ("BFP") are being conducted as part of the emergency response and business continuity management to account for the safety hazards and security threats. LRMC implemented safety practices throughout its operations, ensuring zero fatalities and zero lost time injury due to work-related injuries. Occupational Safety and Health engagement activities are implemented recently and conducted every Saturdays. Recently, LRMC launched the GOLD internal certification standards, incorporating ISO 9001, 14001, 45001, 22301 and GRI sustainability standards, as part of its operational excellence framework.

Water

For Maynilad, possible common safety-related incidents include slips, trips and falls into a confined space such as in wastewater treatment plants. These incidents become more acute with the presence of dangerous gases such as methane and hydrogen sulfide as well as possible oxygen reduction. Chlorine, a hazardous chemical, is used by Maynilad in the decontamination of the waste and effluent water. Maynilad is mitigating these risks through closely monitoring employees who are at higher risk for hazard exposure and providing preventive measures including extensive safety training.

Any incident of poor water quality distributed by Maynilad could hurt the health and safety of its customers. Maynilad mitigates this risk by performing both quality assurance and quality control checks to ensure that the water distributed to the customers is compliant with the 2017 Philippine National Standard for Drinking Water. The process control laboratories of its La Mesa and Putatan plants conduct quality assurance at every stage of the treatment

process. For water distribution, Maynilad's WATERLab performs quality control activities through daily testing of water samples collected from customers' taps at a ratio of 1 sample per 10,000 population. Moreover, WATERLab acquired additional capabilities allowing it to conduct in-house regulatory monitoring for trihalomethanes and volatile organics including nuisance compounds such as 2MIB and Geosmin in drinking water and pesticide residue analysis in source water.

Power

For MERALCO, safety risks relate to those operating an above ground power distribution system, serving approximately 7.6 million residential, commercial and industrial customer accounts. The primary risks are death, injury from fall, burn or electrocution, and fire incidents in its facilities. Extensive training is conducted on using safety equipment and operating protocols to minimize unsafe incidents, as well as strict compliance with electrical safety standards and the requirements of the Fire Code of the Philippines.

Toll roads

MPTC's operational safety risks concern accidents due to possible driver error, poor vehicle maintenance, combination of the nature of road design and vehicle mishandling, or violations of relevant traffic rules and regulations and the Limited Access Facility Law, which prohibits, among others, the movement of pedestrians on expressways. These risks are mitigated by road user safety campaigns, diligent and consistent traffic management, optimized design and construction, and coordination with Local Government Units and other government agencies.

In line with its safety value, MPTC, with its Business Units, supports the United Nation's Second Decade of Action for Road Safety, MPTC entered into a 3-year Memorandum of Agreement with United Nations Children's Fund ("UNICEF") on the promotion of Child Road Safety (Child Road Traffic Injury Prevention) and Children's Rights and Business Principles.

MPTC is also exposed to all safety risks inherent in construction activities as well as natural disasters.

The Group has institutionalized its safety programs, monitoring and reporting of work-related fatalities and serious injuries including significant environmental non-compliances and major governance and corruption issues, if any, for review by the MPIC Risk Management Committee.

Fuel Storage

Compromising on Health, Safety and Security in the course of work can lead to fatality, injury, damage to property, regulatory fines, penalties and temporary shut down by authorities for investigation. PCSPC implements integrated management systems and operating procedures as mitigation. New employees and contractors undergo on boarding process and safety training before deployment on site. Preventive maintenance of facility is monitored through Computerized Maintenance Management System to ensure reliability. Regular safety meetings, sharing of best practices and lessons learned are done to keep employees aware on safety.

Real Estate

Landco's on-site workers are exposed to construction hazards that may cause injury, harm and other damage. The pandemic also posed risk of illness to the workers. Moving forward,

Landco mandates all contractors to delegate a safety officer. Landco will also engage a safety officer consultant who will oversee safety and security of all vertical projects.

- e) *Climate change risk and related issues.* Extreme or unusual weather patterns associated with climate change are key risks for the Group. MPIC's principal operating companies' mitigation measures include: weather hardening for above ground power distribution; increasing water processing capacity for highly turbid water; and improved drainage and flood protection for toll roads. The principal operating companies have also formalized and are continuously improving their Business Continuity Plans including coordination with government and private organizations such as the Philippine Institute of Volcanology and Seismology, National Disaster Risk Reduction and Management Council and Philippine Disaster Resilience Foundation ("PDRF") together with the operating companies' respective regulators.

MERALCO plays a significant role in the country's greenhouse gas ("GHG") emissions, contributing to about 11% of the total emissions in the country. This exposes the company to greater regulatory scrutiny, pressure from institutional investors to veer away from coal, as well as from big banks who have recently ended all new coal financing.

Other climate-related factors projected to affect the Philippines include stronger typhoons, sea-level rise, changing temperatures, heatwaves, and tropical windstorms that could have adverse effects on Meralco's business operations. Impacts of these weather disturbances could materialize as physical risks and/or transition risks. For MERALCO, physical risks include damage to power lines, transformers, and other equipment leading to power outages and disruptions in service, while transition risks include financial impact of implementing CAPEX related to a low-carbon economy transition, as well as complying with regulations regarding emissions and carbon pricing, which could increase the company's operating expenses.

As part of the energy transition, the focus is on moving away from fossil fuels in both contracting and generation. By June 2023, the company has already secured 1,880 MW of clean energy contracts, surpassing the target of 1,500 MW of renewable energy for the next five years according to the DOE's Renewable Portfolio Standards. The company is also deploying next-generation clean technologies such as battery energy storage systems, offshore wind, and small modular reactors based on their economic maturity. Additionally, the strategy includes driving deep decarbonization through carbon capture, utilization, and storage and nature-based offset solutions. For MGP thermal projects, they are using high-efficiency, low-emission plants and continuously monitoring coal emissions through the Continuous Emission Monitoring System. Furthermore, the company is partnering with local government units on ecotourism projects in protected areas.

Climate change is resulting in variable rainfall patterns leading to a combination of reduced water supply (see supply risk) and increased turbidity of water sources including an increase in algae bloom making it harder for Maynilad to sustain service levels. This risk is mitigated through increased investment in water treatment capabilities and working with the Government to explore new water sources.

Acute physical climate related risks could lead to damage to assets and accidents along MPTC's expressways and project sites. Top of mind are heavy rainfall or precipitation during the monsoon seasons or typhoons/cyclones. MPTC has established mitigating measures in response to these, e.g. routine maintenance (tree trimming, drainage cleaning), heavy maintenance, identification of flood prone areas along the carriage way and introduction of flood reduction mechanisms and programs, traffic rerouting, clearing the roads from debris that may lead to damaged assets and accidents.

In a recent exercise with an external consultant, 3 other climate related risks were identified, which are particularly relevant to MPTC, namely, extreme heat, sea level rise and transition risks. For the third, MPTC anticipates that, pursuant to its national commitment to reduce carbon emissions, the Philippine government will be issuing legislation, rules and regulations, requiring the private sector to make corresponding adjustments in its business operations in order to contribute to the government's commitment. In addition, there have been pronouncements from the Securities and Exchange Commission that reporting on climate related risks and its financial impact will be required of both publicly and non-publicly listed companies by 2024.

The effects of the aforementioned physical climate related risks may result in increase in claims against our maintained insurance coverages and increase in capital and operating and maintenance costs. In the recent renewal period for insurance coverages for the South tollroads, there was a reported increase in premium rates. Per MPTC's broker and insurance advisor, the same is principally due to offshore reinsurers increasing rates due to physical climate related risks. These offshore reinsurers are also more wary about covering said risks in the region because of its inherent exposure to these risks. Because of this, reinsurance treaties with local insurers have increased from 30% to 50% in 2023.

For LRMC, intensified water reuse and recycling are being implemented especially in the train wash and light maintenance areas. LRMC has zero effluent discharge. Treated effluent is reused for washing equipment exterior and maintaining of greens. An interconnection with Maynilad's Maricaban Facility is being undertaken for the domestic wastewater of LRMC. A total of 30 water dispenser units were installed in all LRT1 stations for the use of passengers. This will help in the management of heat exhaustion especially during days with elevated ambient temperatures.

The Group is also trying to mitigate this risk through carbon offsetting initiatives such as tree planting and other greening initiatives, use of solar power, use of clean and efficient technology in our coal operations and exploring renewable energy sources (e.g. biogas and energy from waste) to complement our existing coal investments. As for LRMC, 4 out of 11 Rectifier Sub-Stations are being powered by renewable energy through Retail Electricity Suppliers. LRMC also embarked on a renewable energy service contract and solar installations at the depots in Pasay and Paranaque. The Baclaran depot expansion featured energy saving measures in its lighting and ventilation designs. Waste reductions are also encouraged for Scope 3 GhG and installation of bike lanes in Libertad Street Pasay and bike racks in all LRT-1 stations were completed in 2021. Waste reductions are also encouraged for Scope 3 GhG such as plastic collection for Waste-to-Energy initiative, and installation of bike lanes in Libertad Street Pasay and bike racks in all LRT-1 stations were completed in 2021.

LRMC continues to enhance Business Continuity Management Systems and Emergency Response Team procedures and increasing competency through trainings such as the Rapid Earthquake Damage Assessment System ("REDAS") to help mitigate climate change risk and related issues. REDAS training is expanded to include LGUs, BFP, PNP and other stakeholders situated along or adjacent to LRT-1 facilities. Disaster-related playbooks are part of its Business Continuity Management Strategies.

There were no devastating typhoons or earthquakes that hit Landco's projects. Landco puts a lot of importance on the effect of climate change during the design and planning stages where pre-engineering studies were diligently done on top of the regular requirements required by various government agencies. Landco also has insured all its projects in case of force majeure.

- f) *Environmental risk.* As a storage facility mainly for petroleum products, there is exposure to potential leaks from pipelines and the storage tanks. If not addressed properly, this could affect the soil and water quality within the freeport zone and lead to significant environmental and political risks. There are currently no major environmental issues in PCSPC and occurrences of leaks have been properly managed by the team. Regulatory reporting requirements of DENR have also been met by PCSPC management. Further, the business plan has already taken into account capital and operating expenditure items to ensure proactive environmental management of the facility.

During the pandemic, LRMC sees resource depletion due to the increased usage in personal protective equipment (“PPE”) and the generation of additional hazardous wastes (infectious or M501 wastes) which require special handling and the demand for disinfectant like alcohol and chlorine-based disinfectants. To address these, LRMC uses ultraviolet-C (“UVC”) light to augment for surface disinfection. It also made enhancement on air conditioning systems using a combination of UVC, activated carbon and high efficiency particulate air filters. The government of the Philippines lifting of COVID-related restrictions in the Philippines reduced this risk from high to low.

Hazardous wastes, such as busted fluorescent bulbs, oil-soiled ballasts, electronic wastes, grease traps and asbestos are generated in LRT1 operations and are managed using the best available technology and best environmental practices. Asbestos Containing Material (“ACM”) roofing materials were encapsulated to reduce exposure to asbestos fibers. Emergency response team and 3rd party contractor are engaged for broken ACM incidents. Emergency preparedness and chemical spill response trainings are conducted bi-annually, with stakeholders from LGUs, barangays, government agencies and contractors as part of the attendees.

The construction of toll roads poses an environmental risk as this activity may entail the destruction of the environment and ecosystems (e.g., tree cutting for Right of Way, massive earthworks, etc.). MPTC, however, has recently formalized its Sustainability Strategic Priorities, one of which is to design, build, and operate with the least environmental and social disruption. To this end, MPTC will increase its investments in renewable energy installations, adopt science and nature based environmental solutions and continue to pursue community engagement initiatives. MPTC will also continue to conduct an Environmental Impact Assessment for its new projects, comply with the requirements for the issuance of an Environmental Compliance Certificate and the requirements for tree replacement for trees cut, and other government and regulatory requirements.

Landco strictly adheres to the government regulations in terms of environmental protection. All resort projects have their own Sewerage Treatment Plants (“STPs”) and uses the effluent water for irrigation and landscape maintenance. Landco’s BeachTown Projects such as Calatagan South Beach and Club Laiya will use double piping water system wherein effluent water from the STP will be distributed back to all saleable lots for recycling purposes. Both projects are pursuing certification in Leadership in Energy and Environmental Design under the U.S. Green Building Council with the objective to have an environmentally and sustainable resort community.

- g) *Cybersecurity risk including increasing data privacy protection requirements.* Any disruption due to cyberattacks may result in service interruption, especially damaging for our utilities, lost revenue, increased costs for protection, remediation costs, reputational damage and regulatory fines. The Group is continuously enhancing its cybersecurity skills and processes, including risk now associated with expanded working from home which increases exposures to possibly unsecured residential networks used by employees. Maynilad and LRMC focus on continual implementation of awareness campaign to strengthen the people aspect of security controls with the employees as first line of defense.

The Group is also reviewing and purchasing appropriate insurance coverage. In addition, there is an ongoing procurement of additional tools and applications like IT Patch Management, IT Asset Management and expansion of Security Information and Event Management (“SIEM”) capacity to cater to more analysis and correlation of relevant logs to identify, detect, and block security threats.

Detecting security incidents or data breaches poses a challenge for companies for various reasons. It often involves detecting of compromise from an overwhelming number of false alarms; as a result, we are improving our log correlation and analysis through threat intelligence in SIEM, which provides reliable threat information to assist in the mitigation of cyberthreats. It is also important to study events occurring throughout the network, so we are enhancing our anomalous user behavior analytics with the use of Sophos Central and Managed Engine correlated in SIEM to constantly detect any deviation from a normal behavior pattern of a user.

Furthermore, due to the increasing number of social engineering attacks and email being the most popular platform used by hackers worldwide, we have automated our reporting strategy through Phish Alert Button (Microsoft-Outlook) and increased our controls in email filtering and warning messages to remind employees of the cautions, particularly when receiving emails from external sources. Phishing simulation tests are also conducted periodically to assess employee’s awareness and response. Management involvement helps develop the Security First culture among employees.

Given that incident may come from anywhere and in different forms, we implemented the Incident Management Program to provide the organization with a methodology and guidance to respond effectively to incidents and efficiently assess all potential risks scenarios in our ever-changing technology and threat landscape. In addition to that, numerous security projects such as the Privilege Access Management to secure admin accounts and audit activities, Data Leak Prevention to control information being taken out on external media, and advance email and cloud application protection to enhance blocking of phishing and spam emails, and Business Email Compromise.

Because the insecure Operational Technology (“OT”) space has become an attack territory for cyber-criminals, the team is conducting system security/compliance and user access reviews to provide increased visibility and bridge the gap in effectively securing and managing risks not only in IT but also in OT environments.

As we live in the age of digital transformation and most businesses rely heavily on technology, Risk Assessments and Vulnerability Assessment and External Penetration Testing (“VAPT”) are performed to identify system weaknesses that could lead to data breaches and successful cyberattacks. Results of regular VAPT helps us validate the effectiveness of existing controls and prioritize the actions required to protect and monitor our critical information assets and maintain a strong security posture.

Since the start of the year, 70% of cyberattacks target business email accounts and while remote and mobile work have been necessary and useful, they also open the door for cybercriminals to take advantage of lax of security measures and employees’ ignorance of best practices. To thrive on this revolution, LPMC establishes the needed skillsets through continuous implementation of online cybersecurity training, webinars/orientations, email blasts and phishing simulation activities to ensure that employees are prepared to recognize risks, guard against threats and properly react to attacks whenever they occur both in the scope and influence of their personal and professional life.

The threat landscape is constantly evolving, with increase in incidents and breaches being reported across industries, continuous vulnerability management is being practiced by

LRMC to continuously assess and track vulnerabilities on all information assets in order to remediate and minimize the window of opportunities for attackers and monitor internal and external sources for new threats and vulnerability information.

LRMC aims to properly protect information around any project whether it is in-house developed applications, commercial, financial or operational tools, where we defined and established information security requirements throughout the entire project management life cycle through Systems Development Life Cycle. Execution includes assessment of risk impact from information security threats and managed such risks by implementing, monitoring appropriate controls and processes in consideration of business needs and legal obligations.

As the Company is moving towards its goal to digital transformation, for which the process need to adopt with fast-paced and critical changes (i.e. system, business model and process changes), LRMC will be implementing an IT Change Management Policy to help speed up transformation, manage risks along the way and ensure that the expected results have been achieved and that the change is impactful and sustainable both for employees and the organization.

Other risks associated with the Group's operations, specifically on its Environmental, Social and Governance aspects are discussed in the Company's Annual Sustainability Reports which can be downloaded from the MPIC website.

4. Financial Risk Management

The financial risks of MPIC's operating companies are primarily: interest rate risk, foreign currency risk, liquidity risk, credit risk and equity price risk (see Note 33, *Financial Risk Management Objectives and Policies* attached to the 2022 Audited Consolidated Financial Statements for more details on these risks).

Liquidity risk. MPIC has ample liquidity to support its essential investment projects, meet debt obligations and to maintain the current level of dividend payments to shareholders. It is reasonable for MPIC to anticipate reduced dividend income from its operations. MPIC is also alert to the rapid decline in financial liquidity around the world and will modify its investment program accordingly.

To date MPIC's other major investees have maintained ample liquidity during the COVID-19 pandemic.

Equity Price Risk. MPIC's operating companies are generally not faced with equity price risk beyond that normal for any listed company, where relevant.

The regulatory returns for MERALCO are benchmarked in part to the changing cost of equity (and debt) in the Philippines with a positive correlation between rising equity risk premiums and nominal returns. For more details on MERALCO's risk factors, see MERALCO's Information Statement which should be uploaded on the Edge website of the PSE.

Refer to the Risk Management section of MPIC's Integrated Report for the Company's risk governance structure and overview of risk management process.

Key Variable and Other Qualitative and Quantitative Factors

- i. *Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation*

The Company has various outstanding contingent liabilities as disclosed in Note 23 – *Contingencies* and Note 24 – *Contracts, Agreements and Commitments* to the September 30, 2023 Interim Condensed Consolidated Financial Statements.

- ii. *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 periods*

The Company has various outstanding contingent obligations as disclosed in Note 23 – *Contingencies* and Note 24 – *Contracts, Agreements and Commitments* to the September 30, 2023 Interim Condensed Consolidated Financial Statements.

- iii. *Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures*

Refer to Note 9 – *Service Concession Assets* and Note 24 – *Contracts, Agreements and Commitments* to the September 30, 2023 Interim Condensed Consolidated Financial Statements for the updates on the Company's commitments.

- iv. *Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations*

The Company's results of operations are highly dependent on its ability to set and collect adequate tariffs under its concession agreements with the Philippine Government. Refer to Note 23 – *Contingencies* to the September 30, 2023 Interim Condensed Consolidated Financial Statements.

Impact of COVID-19 is disclosed in Note 3 – *Impact of COVID-19 to MPIC's businesses and operations* to the September 30, 2023 Interim Condensed Consolidated Financial Statements.

- v. *Any seasonal aspects that had a material effect on the financial condition or results of operations*

Refer to Note 3 – *Operating Segment Information* to the September 30, 2023 Interim Condensed Consolidated Financial Statements.

From: [ICTD Submission](#)
To: [MPIC Compliance](#)
Subject: Re: Metro Pacific Investments Corporation_SEC Form 17-Q_13November2023
Date: Monday, November 13, 2023 7:02:01 PM

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Thank you for reaching out to ictdsubmission@sec.gov.ph!

Your submission is subject for Verification and Review of the Quality of the Attached Document only for Secondary Reports. The Official Copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order through the SEC Express at <https://secexpress.ph/>. For further clarifications, please call (02) 8737-8888.

----- NOTICE TO
COMPANIES -----

Please be informed of the reports that shall be filed only through ictdsubmission@sec.gov.ph.

Pursuant to SEC MC Circular No. 3 s 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (pdf) through email at ictdsubmission@sec.gov.ph such as the following SECONDARY REPORTS:

1. 17-A 6. ICA-QR 11. IHAR 16. 39-AR 21. Monthly Reports
2. 17-C 7. 23-A 12. AMLA-CF 17. 36-AR 22. Quarterly Reports
3. 17-L 8. 23-B 13. NPM 18. PNFS 23. Letters
4. 17-Q 9. GIS-G 14. NPAM 19. MCG 24. OPC (Alternate Nominee)
5. ICASR 10. 52-AR 15. BP-FCLC 20. S10/SEC-NTCE-EXEMPT

Further, effective 01 July 2023, the following reports shall be submitted through <https://efast.sec.gov.ph/user/login>.

1. FORM MC 18 7. Completion Report
2. FORM 1 - MC 19 8. Certificate-SEC Form MCG- 2009
3. FORM 2- MC 19 9. Certificate-SEC Form MCG- 2002, 2020 ETC.
4. ACGR 10. Certification of Attendance in Corporate Governance
5. I-ACGR 11. Secretary's Certificate Meeting of Board Directors (Appointment)
6. MRPT

Please be informed that the submission of the abovementioned eleven (11) reports through the ictdsubmission@sec.gov.ph shall no longer be accepted. For further information, please access this link Notice for guidance on the filing of reports:

Likewise, the following reports shall be filed through the Electronic Filing and Submission Tool (eFAST) at <https://efast.sec.gov.ph/user/login> :

1. AFS 7. IHFS 13. SSF
2. GIS 8. LCFS 14. AFS with Affidavit of No Operation

3. BDFS 9. LCIF 15. AFS with NSPO Form 1,2, and 3
4. FCFS 10. OPC_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6
5. FCIF 11. PHFS 17. FS - Parent
6. GFFS 12. SFFS 18. FS – Consolidated

For the submission and processing of compliance in the filing of Memorandum Circular No. 28 Series of 2020, please visit this link – <https://apps010.sec.gov.ph/>

For your information and guidance.

Thank you.