

MEGAWIDE CONSTRUCTION CORPORATION
Company's Full Name

**20 N. Domingo Street,
Barangay Valencia
Quezon City**
Company's Address

655-1111
Telephone Number

December 31
Fiscal Year Ending
(Month & Day)

SEC FORM 17-Q
Form Type

March 31, 2020
Period Ended Date

(Secondary License Type and File Number)

cc: Philippine Stock Exchange

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the Quarterly Period Ended **March 31, 2020**
2. SEC Identification Number **CS200411461**
3. BIR Tax Identification No. **232-715-069-000**
4. Exact Name of Issuer as Specified in its Charter **Megawide Construction Corporation**
5. Province, Country or other Jurisdiction of Incorporation or Organization **Philippines**
6. Industry Classification Code (SEC use only)
7. Address of Principal Office **No. 20 N. Domingo Street,
Barangay Valencia, Quezon City
Postal Code 1112**
8. Issuer's Telephone Number, including Area Code **(02) 655-1111**
9. Former Name, Former Address and Fiscal Year, if Changed since Last Report **Not Applicable**
10. Securities registered pursuant to Section 8 and 12 of the SRC, or Section 4 and 8 of the RSA:

| Title of Each Class | Number of Shares Outstanding | Amount of Debt Outstanding (₱) |
|---------------------|------------------------------|--------------------------------|
| Common | 2,013,409,717 | 0 |
| Preferred | 40,000,000 | 0 |

11. Are any or all these securities listed on a stock exchange?

Yes No

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

Philippine Stock Exchange - Common and Preferred Shares

12. Check whether the issuer:

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

Yes No

has been subject to such filing requirements for the past 90 days.

Yes No

PART I –FINANCIAL INFORMATION

Item 1. Financial Statements

The interim Consolidated Financial Statements of Megawide Construction Corporation (“Megawide”) as of March 31, 2020 with comparative figures as of December 31, 2019 and March 31, 2019, Cash Flows and Schedule of Aging Accounts Receivable is incorporated by reference as Exhibit 1.

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

A. RESULTS OF OPERATIONS

Review of results for the three (3) months ended March 31, 2020 as compared with the results for the three (3) months ended March 31, 2019

Results of Operations

Revenues increased by 39% or P1.40 billion

Consolidated revenues for the period increased by 39% or P1.40 billion to P4.96 billion. The construction segment revenue amounted to P3.80 billion, P1.23 billion or 48% higher from year ago levels and contributed 77% to the consolidated revenues. Since the first quarter of 2019, construction segment continues to recover its business as it delivered from its growing construction orderbook.

Airport operations delivered P809 million in revenue for the period as passenger volumes slowed down. International passenger arrivals from COVID19-affected countries like China, Japan and Korea went down beginning February while domestic volumes declined as the government declared a state of public emergency and placed Luzon under enhanced community quarantine (ECQ). Airport merchandising segment, which is ancillary to airport operations, likewise experienced a slowdown in sales beginning February and generated revenue of P65 million, which accounted for 1% of the consolidated revenues.

Landport operations, which started operations in latter half of 2019, delivered revenue of P287 million from office towers and commercial spaces for the period and contributed 6% of the consolidated revenues. Terminal operations were temporarily suspended upon the imposition of the ECQ in the second half of March 2020 but has been serving as a transportation convergence point for healthcare workers and frontliners.

Direct Costs increased by 42% or P1.08 billion

The movement in direct cost was consistent with the movement in revenue across all three segments taking in consideration the cost related to the operation of PITX terminal and decline in margin of the airport segment due to reduced passenger volume.

Gross Profit increased by 32% or P319 million

Consolidated gross profit amounted to P1.31 billion for the first quarter of 2020, translating to a consolidated gross profit margin of 26%. The construction business contributed P567 million or

43% of the Group's gross profit. Airport operations accounted for P460 million or 35%. Meanwhile, terminal operations contributed P231 million or 18% of the consolidated gross profit. The balance came from the airport merchandising segment.

Other Operating Expenses increased by 55% or P142 million

Net Other Operating Expenses for the three-month period amounted to P400 million. The increase of P142 million is mainly related to the costs associated with the issuance of the P5 billion corporate note facility in February 2020 and cost to ramp up the landport operations.

Other Income (Charges) increased by 116% or P327 million

Other income (charges), which consists of finance cost, finance income and other income (expenses), increased due to recognition of mark-to-market loss amounting to P94 million on the airport segment's interest rate swap and the interest cost on loans availed by the terminal operations segment towards third quarter of 2019.

Consolidated Net Profit for the first three months of 2020 amounted to P174 million

Consolidated net profit amounted to P174 million and is mainly attributed to a steady profit of the construction segment, contribution of landport terminal and the impact of the airport's recognition of mark-to-market loss on the airport segment's interest rate swap.

B. FINANCIAL CONDITION

Review of financial conditions as of March 31, 2020 as compared with financial conditions as of December 31, 2019

ASSETS

Current Assets decreased by 8% or by P2.7 billion

The following discussion provides a detailed analysis of the decrease in current assets:

Cash and Cash Equivalents decreased by 35% or P2.28 billion

The decrease in cash & cash equivalents was due to payment of dividends on common shares declared in 2019, which were taken from the Company's 2018 retained earnings, working capital requirements as collections were limited at the start of the ECQ when most businesses were closed, and share buyback program.

Trade and Other Receivables decreased by 10% or by P1.73 billion

The contract receivables decreased due to the P2 billion collection from the Clark airport project representing the first milestone payment. Meanwhile, retention receivables increased relative to accomplishments for the period. Retention receivables pertain to progress billings, which is withheld by the project owner equivalent to 5% to 10% of the contract cost, but are collected upon issuance of the certificate of completion by the project owner. Terminal operations receivables increased due to recognition of additional lease income of P53 million in accordance with PFRS 16 and uncollected billings from tenants of P114M, which were not received on time due to the suspension of terminal operations under ECQ guidelines.

Construction Materials increased by 2% or by P21 million

The minimal increase is due to the two-week work stoppage of the construction segment as a result of work restriction imposed by the government.

Contract assets increased by 4% or P139 billion

The increase is mainly due to newly awarded contracts, which are on mobilization phase.

Other Current Assets increased by 18% or by P1.15 billion

The increase is mainly due to advances made by the Parent to its suppliers and subcontractors for its new projects entered in late part of 2019 to lock in most of the material cost. The related input VAT also increased as a result of payments made to subcontractors.

Non-Current Assets increased by 1% or by P381 million

The following discussion provides a detailed analysis of the increase in non-current assets:

Investments in Associates and Joint Ventures increased by 1% or by P10 million

The increase is a result of share in the net gains taken up on the Group's investment in various joint ventures.

Concession Assets increased by P44 million

The increase is due to capital investments of GMCAC related to capacity augmentation of the airport. Meanwhile, amortization charges for the year amounted to P149 million.

Property, Plant and Equipment decreased by 2% or by P127 million

The Group recognized depreciation charges on property, plant and equipment amounting to P291 million and procured certain construction equipment to support specification requirement of the ongoing projects.

Investment Properties increased by P3 million

The increase is mainly related to recognition of late billing on landport construction which was reduced by depreciation charges for the period amounting to P26 million

Other Non-Current Assets increased by 16% or by P491 million

The increase is mainly due to the additional placement funds to GMCAC's "Cash Flow Waterfall Accounts" as required under the Omnibus Loan and Security Agreement.

LIABILITIES AND EQUITY

Current Liabilities decreased by 8% or by P2.33 billion

The following discussion provides a detailed analysis of the decrease in current liabilities:

Interest-Bearing Loans and Borrowings-Current decreased by 11% or by P1.58 billion

The decrease is due to the payment of short-term loans for the Clark project upon collection of the portion of receivables from the said project. Payment was made in accordance with the terms of the loan agreement.

Trade and Other Payables decreased by 11% or by P863 million

The decrease is mainly related to payment of retention payable and rebar materials billed towards the end of 2019.

Contract liabilities increased by 1% or P72 million

The increase in contract liabilities was a result of unreceived subcontractor billings towards the end of March despite related work accomplishment billed to clients. This also includes receipts of downpayments for new projects, reduced by the recoupment against billings to clients.

Other Current Liabilities increased by 17% or by P37 million

The increase is due to the increase in tax liabilities of the Group such as withholding taxes and output Vat.

Non-Current Liabilities increased by 2% or by P633 million

The following discussion provides a detailed analysis of the increase in non-current liabilities:

Interest-Bearing Loans and Borrowings-Non-Current increased by 2% or by P550 million

The increase is due to loan availments of the Parent from its newly issued corporate note facility. Proceeds were partially used to refinance existing long-term debt while the remaining was used for working capital requirements.

Deferred tax liabilities increased by 4% or P26 million

The increase is due to impact on taxes of the recognition of additional revenue and finance cost in accordance with PFRS 15.

Other non-current liabilities increased by 7% or by P55 million

The increase is mainly due to the increase in security deposits received during the year from its landport operations.

Equity attributable to Parent decreased by 4% or by P592 million

The decrease is mainly the function of the share buyback program of the Parent and dividend payment to preferred stock shareholders.

C. MATERIAL EVENTS AND UNCERTAINTIES

There are no other material changes in Megawide's financial position by five percent (5%) or more and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition of Megawide.

Other than the impact of COVID to the business which is disclosed in Note 24.2 to the consolidated financial statements, there are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing Megawide's liquidity in any material way. Megawide does not anticipate having any cash flow or liquidity problems. It is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no material off-balance transactions, arrangements, obligations (including contingent obligations), and other relationships of Megawide with unconsolidated entities or other persons created during the reporting period.

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of Megawide.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of Megawide.

There are no explanatory comments on the seasonality of interim operations. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements of the interim period.

There are no material amounts affecting assets, liabilities, equity, net income or cash flows that are unusual in nature. Neither are there changes in estimates of amounts reported in prior interim period of the current financial year.

D. LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table sets forth information from Megawide’s pro forma statements of cash flows for the period indicated:

| (Amounts in P Millions) | For three (3) months ended March 31 | |
|---|--|---------------------------|
| | 2020 UNAUDITED | 2019 UNAUDITED |
| Cash Flow | | |
| Net cash from (used in) operating activities | P1,305 | (P1,044) |
| Net cash used in investing activities | (935) | (1,411) |
| Net cash provided by (used in) financing activities | (2,648) | 921 |

Indebtedness

As of March 31, 2020, Megawide has not been in default in paying interests and principal amortizations.

Megawide is not aware of any events that will trigger direct or contingent financial obligations that are material to it, including any default or acceleration of an obligation.

E. RISK MANAGEMENT OBJECTIVES AND POLICIES

Megawide is exposed to a variety of financial risks in relation to its financial instruments. Its risk management is coordinated with the Board of Directors, and focuses on actively securing Megawide’s short-to-medium term cash flows by minimizing the exposure to financial markets.

Megawide does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which it is exposed to are market risk, credit risk and liquidity risk. The detailed discussion of the impact of these risks are discussed in the quarterly financial statements, Exhibit 1.

F. **KEY PERFORMANCE INDICATORS**

Megawide's top KPIs are as follows:

| Amounts in PhP Billion, except Ratios and Earnings per Share | March 31, 2020 | March 31, 2019 |
|---|-----------------------|-----------------------|
| Current Ratio ¹ | 1.28 | 1.45 |
| Book Value Per Share ² | 4.85 | 5.09 |
| Earnings per Share ^{3/z} | 0.06 | 0.08 |
| Return on Assets ⁴ | 0.01 | 0.02 |
| Return on Equity ⁵ | 0.01 | 0.02 |
| Gross Profit Margin ⁶ | 0.26 | 0.28 |

The KPIs were chosen to provide management with a measure of Megawide's sustainability on financial strength (Current Ratio), and profitability (Earnings per Share, Return on Assets, Return on Equity, Gross Profit Margin).

PART II—OTHER INFORMATION

There are no any information not previously reported in a report on SEC Form 17-C.

¹ *Current Assets/Current Liabilities*

² *Total Equity/Issued and Outstanding Shares*

³ *Net Profit/Issued and Outstanding Shares*

⁴ *Net Profit / Average Shares (Assets)*

⁵ *Net Profit / Average Equity*

⁶ *Gross Profit / Revenue*

SIGNATURES

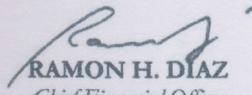
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in

QUEZON CITY on 11 AUG 2020



EDGAR B. SAAVEDRA
President and Chief Executive Officer

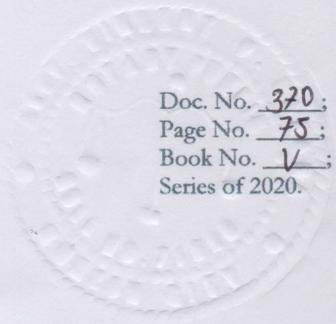
By:



RAMON H. DIAZ
Chief Financial Officer

SUBSCRIBED AND SWORNTO before me in QUEZON CITY on 11 AUG 2020
affiants exhibiting to me their respective valid IDs, as follows:

| NAME | Valid ID | DATE OF ISSUE/VALID UNTIL | PLACE OF ISSUE |
|-------------------|------------------------|--------------------------------|----------------|
| Edgar B. Saavedra | Passport No. P0395124A | Valid until September 25, 2021 | Manila |
| Ramon H. Diaz | Passport No. EC6375686 | Valid until January 12, 2021 | Zamboanga |



Doc. No. 320;
Page No. 75;
Book No. V;
Series of 2020.



ATTY. VINCENT ANGELO P. CALARA, MBA
NOTARY PUBLIC FOR AND IN QUEZON CITY
AM Adm. Not. Comm. No. NP 275 04-25-19 until 12-31-20
IBP OR No. 067799 Jan. 10, '19 & IBP OR No. 11879 Jan. 2020
PTR OR No. 7377336 C 1-8-'19/Roll No. 71528/TIN No. 436-893-322
MCLE Compliance No. VI-0016020 12-7-18 Valid until 12-7-21
Address: 17 Broadway Ave., Mariana, Quezon City



P&A
Grant Thornton

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Report on Review of Interim Condensed Consolidated Financial Statements

Punongbayan & Araullo

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The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

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The Board of Directors and Stockholders
Megawide Construction Corporation and Subsidiaries
(A Subsidiary of Citicore Holdings Investment, Inc.)
20 N. Domingo Street
Brgy., Valencia
Quezon City

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Megawide Construction Corporation (the Parent Company) and subsidiaries (collectively referred to herein as “the Group”), which comprise the interim condensed consolidated statement of financial position as of March 31, 2020, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three months then ended, and notes to the condensed consolidated interim financial statements, including a summary of significant accounting policies.

Management’s Responsibility for the Condensed Consolidated Interim Financial Statements

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Certified Public Accountants

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd (GTIL).

Offices in Cavite, Cebu, Davao
BOA/PRC Cert. of Reg. No. 0002
SEC Accreditation No. 0002-FR-5

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Scope of Review

We conducted our review in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the interim condensed consolidated financial position of the Group as of March 31, 2020, and their interim condensed consolidated financial performance and their interim condensed consolidated cash flows for the three months then ended in accordance PAS 34.

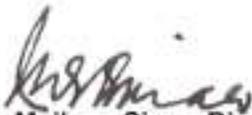
Emphasis of Matter

We draw attention to Note 24 to the interim condensed consolidated financial statements, which describes the likely negative impact of the business disruption as a result of the coronavirus outbreak to the Group's financial condition and performance after the end of the interim reporting period. Our opinion is not modified with respect to this matter.

Other Matter

We have previously audited the consolidated financial statements of the Group as of December 31, 2019, including the consolidated statement of financial position, which is presented herein for comparative purposes, on which we have rendered our report thereon dated May 28, 2020.

PUNONGBAYAN & ARAULLO


By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8116539, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 1, 2021)
Firm - No. 0002-FR-5 (until Mar. 28, 2021)
BIR AN 08-002511-20-2018 (until Jan. 25, 2021)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

July 30, 2020

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2020 AND DECEMBER 31, 2019
(Amounts in Philippine Pesos)

| | <u>Notes</u> | <u>(Unaudited)</u> <u>March 31, 2020</u> | | <u>(Audited)</u> <u>December 31, 2019</u> |
|--|--------------|---|---|--|
| <u>ASSETS</u> | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | 4 | P 4,240,822,139 | P | 6,518,599,861 |
| Trade and other receivables - net | 5 | 15,642,810,807 | | 17,373,476,547 |
| Construction materials | | 1,308,468,423 | | 1,287,127,532 |
| Contract assets | 6 | 4,115,070,960 | | 3,975,734,097 |
| Other current assets | 8 | 7,461,793,858 | | 6,310,724,077 |
| Total Current Assets | | <u>32,768,966,187</u> | | <u>35,465,662,114</u> |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value | | | | |
| through other comprehensive income | | 3,544,472 | | 3,544,472 |
| Investments in associates and joint ventures | 7 | 968,344,514 | | 959,506,555 |
| Concession assets | 9 | 29,481,061,480 | | 29,436,586,470 |
| Property, plant and equipment - net | | 7,841,573,962 | | 7,968,155,611 |
| Investment properties | 10 | 3,887,622,745 | | 3,884,575,281 |
| Deferred tax assets - net | | 4,396,234 | | 44,298,557 |
| Other non-current assets | 8 | 3,493,437,545 | | 3,001,997,171 |
| Total Non-current Assets | | <u>45,679,980,952</u> | | <u>45,298,664,117</u> |
| TOTAL ASSETS | | <u>P 78,448,947,139</u> | P | <u>80,764,326,231</u> |

| | Notes | (Unaudited) March 31, 2020 | (Audited) December 31, 2019 |
|---|-------|--------------------------------|--------------------------------|
| <u>LIABILITIES AND EQUITY</u> | | | |
| CURRENT LIABILITIES | | | |
| Interest-bearing loans and borrowings | 13 | P 13,105,735,024 | P 14,681,061,253 |
| Trade and other payables | 12 | 7,304,322,000 | 8,167,589,445 |
| Contract liabilities | 14 | 5,002,798,918 | 4,931,269,957 |
| Other current liabilities | 15 | <u>257,533,028</u> | <u>220,061,764</u> |
| Total Current Liabilities | | <u>25,670,388,970</u> | <u>27,999,982,419</u> |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing loans and borrowings | 13 | 33,622,323,502 | 33,071,851,424 |
| Post-employment defined benefit obligation | | 341,841,233 | 340,207,630 |
| Deferred tax liabilities - net | | 639,041,536 | 612,629,956 |
| Other non-current liabilities | 15 | <u>795,988,701</u> | <u>741,142,106</u> |
| Total Non-current Liabilities | | <u>35,399,194,972</u> | <u>34,765,831,116</u> |
| Total Liabilities | | <u>61,069,583,942</u> | <u>62,765,813,535</u> |
| EQUITY | | | |
| Equity attributable to shareholders of the Parent Company: | 18 | | |
| Common stock | | 2,399,426,127 | 2,399,426,127 |
| Preferred stock | | 40,000,000 | 40,000,000 |
| Additional paid-in capital | | 8,776,358,765 | 8,776,358,765 |
| Revaluation reserves | | (63,383,647) | (63,383,647) |
| Other reserves | | (22,474,837) | (22,474,837) |
| Treasury shares | | (4,635,582,713) | (3,912,617,536) |
| Retained earnings | | <u>7,214,135,803</u> | <u>7,083,442,710</u> |
| Total equity attributable to shareholders of the Parent Company | | 13,708,479,498 | 14,300,751,582 |
| Non-controlling interests | | <u>3,670,883,699</u> | <u>3,697,761,114</u> |
| Total Equity | | <u>17,379,363,197</u> | <u>17,998,512,696</u> |
| TOTAL LIABILITIES AND EQUITY | | <u>P 78,448,947,139</u> | <u>P 80,764,326,231</u> |

See Notes to Interim Condensed Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2020, 2019 AND 2018
(UNAUDITED)
(Amounts in Philippine Pesos)

| | Notes | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|------------------------------------|-------|------------------------|------------------------|------------------------|
| REVENUES | 16 | | | |
| Construction operation revenues | | P 3,799,434,584 | P 2,567,727,559 | P 3,736,723,366 |
| Airport operations revenues | | 808,626,970 | 891,994,561 | 646,077,558 |
| Terminal operations revenue | | 286,947,160 | 20,003,363 | - |
| Trading operations revenues | | <u>64,794,831</u> | <u>84,918,604</u> | <u>66,742,264</u> |
| | | <u>4,959,803,545</u> | <u>3,564,644,087</u> | <u>4,449,543,188</u> |
| DIRECT COSTS | 17 | | | |
| Cost of construction operations | | 3,232,058,267 | 2,171,979,201 | 3,171,327,735 |
| Costs of airport operations | | 349,075,030 | 366,841,747 | 89,576,188 |
| Costs of terminal operations | | 55,534,561 | 15,927,021 | - |
| Costs of trading operations | | <u>16,519,606</u> | <u>22,031,831</u> | <u>16,833,393</u> |
| | | <u>3,653,187,464</u> | <u>2,576,779,800</u> | <u>3,277,737,316</u> |
| GROSS PROFIT | | 1,306,616,081 | 987,864,287 | 1,171,805,872 |
| OTHER OPERATING EXPENSES | | <u>399,553,632</u> | <u>257,118,581</u> | <u>282,417,407</u> |
| OPERATING PROFIT | | <u>907,062,449</u> | <u>730,745,706</u> | <u>889,388,465</u> |
| OTHER INCOME (CHARGES) | | | | |
| Finance costs | | (675,993,086) | (401,720,449) | (160,191,718) |
| Finance income | | 133,044,625 | 54,277,541 | 39,320,937 |
| Others - net | 7 | (<u>65,845,381</u>) | <u>65,403,834</u> | <u>17,898,179</u> |
| | | (<u>608,793,842</u>) | (<u>282,039,074</u>) | (<u>102,972,602</u>) |
| PROFIT BEFORE TAX | | 298,268,607 | 448,706,632 | 786,415,863 |
| TAX EXPENSE | | (<u>124,202,928</u>) | (<u>167,049,268</u>) | (<u>150,641,607</u>) |
| NET PROFIT | | <u>P 174,065,679</u> | <u>P 281,657,364</u> | <u>P 635,774,256</u> |
| Net Profit Attributable To: | | | | |
| Shareholders of the Parent Company | | P 200,943,093 | P 239,255,166 | P 475,290,232 |
| Non-controlling interests | | (<u>26,877,415</u>) | <u>42,402,198</u> | <u>160,484,024</u> |
| | | <u>P 174,065,678</u> | <u>P 281,657,364</u> | <u>P 635,774,256</u> |
| Earnings per Share | 23 | <u>P 0.06</u> | <u>P 0.08</u> | <u>P 0.19</u> |

See Notes to Interim Condensed Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2020, 2019 AND 2018
(UNAUDITED)
(Amounts in Philippine Pesos)

| | Attributable to Shareholders of the Parent Company | | | | | | | | | |
|--|--|---------------------|---------------------------|----------------------------|------------------------|------------------------|------------------------|-------------------------|---------------------------|-------------------------|
| | Common Stock | Preferred Stock | Treasury Shares | Additional Paid-in Capital | Revaluation Reserves | Other Reserves | Retained Earnings | Total | Non-controlling Interests | Total |
| Balance at January 1, 2020 | P 2,399,426,127 | P 40,000,000 | (P 3,912,617,536) | P 8,776,358,765 | (P 63,383,647) | (P 22,474,837) | P 7,083,442,710 | P 14,300,751,582 | P 3,697,761,114 | P 17,998,512,696 |
| Acquisition of treasury shares | - | - | (722,965,177) | - | - | - | - | (722,965,177) | - | (722,965,177) |
| Cash dividends | - | - | - | - | - | - | (70,250,000) | (70,250,000) | - | (70,250,000) |
| Total comprehensive income (loss) for the period | - | - | - | - | - | - | 200,943,093 | 200,943,093 | (26,877,415) | 174,065,678 |
| Balance at March 31, 2020 | <u>P 2,399,426,127</u> | <u>P 40,000,000</u> | <u>(P 4,635,582,713)</u> | <u>P 8,776,358,765</u> | <u>(P 63,383,647)</u> | <u>(P 22,474,837)</u> | <u>P 7,214,135,803</u> | <u>P 13,708,479,498</u> | <u>P 3,670,883,699</u> | <u>P 17,379,363,197</u> |
| Balance at January 1, 2019 | P 2,399,426,127 | P 40,000,000 | (P 3,454,826,462) | P 8,776,358,765 | P 15,204,702 | (P 22,474,837) | P 6,752,591,330 | P 14,506,279,625 | P 3,497,821,425 | P 18,004,101,050 |
| Acquisition of treasury shares | - | - | (99,521,677) | - | - | - | - | (99,521,677) | - | (99,521,677) |
| Cash dividends | - | - | - | - | - | - | (70,250,000) | (70,250,000) | - | (70,250,000) |
| Total comprehensive income for the period | - | - | - | - | - | - | 239,255,166 | 239,255,166 | 42,402,198 | 281,657,364 |
| Balance at March 31, 2019 | <u>P 2,399,426,127</u> | <u>P 40,000,000</u> | <u>(P 3,554,348,139)</u> | <u>P 8,776,358,765</u> | <u>P 15,204,702</u> | <u>(P 22,474,837)</u> | <u>P 6,921,596,496</u> | <u>P 14,575,763,114</u> | <u>P 3,540,223,623</u> | <u>P 18,115,986,737</u> |
| Balance at January 1, 2018 | P 2,399,426,127 | P 40,000,000 | (P 2,627,738,885) | P 8,776,358,765 | (P 3,949,890) | (P 22,474,837) | P 6,501,996,949 | P 14,382,407,416 | P 3,071,826,040 | P 17,454,233,456 |
| Acquisition of treasury shares | - | - | - | - | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | - | (70,250,000) | (70,250,000) | - | (70,250,000) |
| Total comprehensive income (loss) for the period | - | - | - | - | (8,281,484) | - | 475,290,232 | 467,008,748 | 160,484,024 | 627,492,772 |
| Balance at March 31, 2018 | <u>P 2,399,426,127</u> | <u>P 40,000,000</u> | <u>(P 2,627,738,885)</u> | <u>P 8,776,358,765</u> | <u>(P 12,231,374)</u> | <u>(P 22,474,837)</u> | <u>P 6,907,037,181</u> | <u>P 14,779,166,164</u> | <u>P 3,232,310,064</u> | <u>P 18,011,476,228</u> |

See Notes to Interim Condensed Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2020, 2019 and 2018
(UNAUDITED)
(Amounts in Philippine Pesos)

| | 2020 | 2019 | 2018 |
|---|------------------------|----------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | P 298,268,607 | P 448,706,631 | P 786,415,863 |
| Adjustments for: | | | |
| Finance costs | 675,993,086 | 401,720,449 | 160,191,719 |
| Depreciation and amortization | 466,940,414 | 349,326,060 | 176,654,400 |
| Finance income | (133,044,625) | (54,277,541) | (39,320,937) |
| Equity in net losses (gains) on associates and joint venture | (5,777,994) | 763,913 | (3,606,389) |
| Gain on disposals of property, plant and equipment | (2,935,367) | - | - |
| Operating profit before working capital changes | <u>1,299,444,121</u> | <u>1,146,239,512</u> | <u>1,080,334,656</u> |
| Decrease (increase) in trade and other receivables | 1,919,041,522 | (94,525,045) | (1,151,489,448) |
| Decrease (increase) in construction materials | (21,340,891) | 33,274,026 | (50,419,955) |
| Decrease (increase) in contract assets | (139,336,863) | (549,685,336) | 264,171,926 |
| Increase in other current assets | (1,208,958,806) | (698,168,237) | (210,002,515) |
| Increase (decrease) in trade and other payables | (491,428,459) | 143,745,684 | 1,329,761,280 |
| Increase (decrease) in contract liabilities | (22,504,521) | (888,811,898) | 616,924,133 |
| Increase (decrease) in other liabilities | 92,317,893 | 29,593,875 | (24,830,806) |
| Increase in post-employment defined benefit obligation | <u>1,633,568</u> | <u>1,354,533</u> | <u>7,732,691</u> |
| Cash generated from (used in) operations | <u>1,428,867,564</u> | (876,982,886) | 1,862,181,962 |
| Cash paid for income taxes | (<u>124,202,928</u>) | (<u>167,049,268</u>) | (<u>29,253,996</u>) |
| Net Cash From (Used in) Operating Activities | <u>1,304,664,636</u> | (<u>1,044,032,154</u>) | <u>1,832,927,966</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Increase in investment in trust fund | (305,438,663) | (722,551,855) | - |
| Additions to concession assets | (193,734,617) | (221,384,503) | (1,351,712,506) |
| Acquisitions of property, plant and equipment, | (191,211,255) | (216,218,686) | (116,933,039) |
| Increase in other non-current assets | (186,001,711) | - | (125,363,221) |
| Interest received | (55,331,157) | 54,277,541 | 37,416,239 |
| Acquisition of investment in joint ventures | (3,059,965) | - | (294,841,005) |
| Acquisitions of investment properties | - | (331,289,620) | - |
| Proceeds from sale (purchase) of financial assets at fair value through profit or loss | <u>-</u> | <u>26,290,139</u> | (<u>243,926,196</u>) |
| Net Cash Used in Investing Activities | (<u>934,777,368</u>) | (<u>1,410,876,984</u>) | (<u>2,095,359,728</u>) |
| <i>Balance carried forward</i> | <u>P 369,887,268</u> | (<u>P 2,454,909,138</u>) | (<u>P 262,431,762</u>) |

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-------------------------------|-------------------------------|-------------------------------|
| <i>Balance brought forward</i> | P 369,887,268 | (P 2,454,909,138) | (P 262,431,762) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of interest-bearing loans and borrowings | (9,349,854,151) | (165,634,971) | (1,066,006,916) |
| Proceeds from interest-bearing loans and borrowings | 8,325,000,000 | 1,459,731,916 | 1,085,173,989 |
| Acquisition of treasury shares | (722,965,177) | (99,521,677) | - |
| Interest paid | (581,959,604) | (202,939,614) | (229,295,503) |
| Dividends paid | (317,886,058) | (70,250,000) | (70,250,000) |
| Net Cash From (Used in) Financing Activities | (<u>2,647,664,990</u>) | <u>921,385,654</u> | (<u>280,378,430</u>) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (2,277,777,722) | (1,533,523,484) | (542,810,192) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | <u>6,518,599,861</u> | <u>5,734,720,648</u> | <u>4,930,939,177</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>P 4,240,822,139</u> | <u>P 4,201,197,164</u> | <u>P 4,388,128,985</u> |

See Notes to Interim Condensed Consolidated Financial Statements

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
MARCH 31, 2020 AND DECEMBER 31, 2019
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

Megawide Construction Corporation (the Parent Company) was incorporated in the Philippines on July 28, 2004 and is engaged in the general construction business, including constructing, enlarging, repairing, or engaging in any work upon buildings, houses and condominium, roads, plants, bridges, piers, waterworks, railroads and other structures. It performs other allied construction business like the construction and sale of precast items, concrete production, and purchase, sale and/or lease of formworks system and construction equipment.

On January 28, 2011, the Philippine Stock Exchange (PSE) and the Securities Exchange Commission (SEC) approved the Parent Company's application for the listing of its common stock. The approval covered the initial public offering (IPO) of 292.0 million unissued common shares of the Parent Company at P7.84 offer price per share and the listing of those shares in PSE's main board on February 18, 2012. On December 3, 2014, the Parent Company made a primary offer of 40.0 million preferred shares at an offer price of P100.0 per share. These preferred shares are also listed in the PSE (see Note 18.1).

On September 22, 2014, the SEC approved the Parent Company's amendment of articles of incorporation, which includes: (i) the Parent Company's power to extend corporate guarantees to its subsidiaries and affiliates; and, (ii) the increase in its authorized capital stock of P5,000.0 million divided into 4,930.0 million common shares and 70.0 million cumulative, non-voting, non-participating, non-convertible to common shares and redeemable, at the option of the Parent Company, perpetual preferred shares (see Note 18.1). Both common and preferred shares have a par value of P1.0 per share.

On August 16, 2017, Megacore Holdings, Inc. (Megacore) acquired 313,786,575 shares representing 14.7% ownership over the Parent Company from Citicore Holdings Investment, Inc. (Citicore). This resulted in a decrease in Citicore's ownership from 66.7% to 51.0%.

On December 22, 2017, Megacore further acquired additional shares from Citicore which resulted to an increase in Megacore's equity interest to the Parent Company equivalent to 28.9% or 617,709,197 shares as of December 31, 2017.

The Parent Company remains a subsidiary of Citicore which owns and controls 33.3% of the issued and outstanding capital stock of the Parent Company as of December 31, 2018 and 2017 because Citicore still directs the overall business operations of the Parent Company through its Chief Executive Officer and President, who is also the President of Citicore.

On December 20, 2017, the state-owned Social Security System acquired a total of 110,532,500 shares or equivalent to 5.2% interest of the Parent Company through purchase of 3.45% stake held by Megacore and the remaining interest from the public.

Citicore is a company incorporated in the Philippines and is engaged in the business of a holding company through buying and holding shares of other companies. The registered address of Citicore and the Parent Company, which is also their principal place of business, is at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

1.2 *Subsidiaries, Associates and Joint Arrangements*

The Parent Company holds ownership interest in the following subsidiaries, associates and joint arrangements (together with the Parent Company, collectively hereinafter referred to as the Group), which are all incorporated in the Philippines:

| <u>Subsidiaries/Associates/Joint Operations/Joint Ventures</u> | <u>Notes</u> | <u>Percentage of Ownership</u> |
|--|--------------|--------------------------------|
| <i>Subsidiaries:</i> | | |
| GMR Megawide Cebu Airport Corporation (GMCAC) | a | 60% |
| Megawatt Clean Energy, Inc. (MCEI) | b | 70% |
| Globemercants, Inc. (GMI) | c | 50% |
| Megawide Land, Inc. (MLI) | d | 100% |
| Megawide Construction (BVI) Corporation (MCBVI) | e | 100% |
| MWM Terminals, Inc. (MWMTI) | j | 100% |
| Megawide Terminals, Inc. (MTI) <i>(formerly WM Property Management, Inc.)</i> | i | 100% |
| Megawide International Limited (MIL) | h | 100% |
| Megawide Construction (Singapore) Pte. Ltd (MC SG). | o | 100% |
| Megawide Construction DMCC (DMCC) <i>Accounted for as Asset Acquisition –</i> | p | 100% |
| Altria East Land, Inc. (Altria) | f | 100% |
| <i>Associates:</i> | | |
| Megawide World Citi Consortium, Inc. (MWCCI) | g | 51% |
| Citicore Megawide Consortium, Inc. (CMCI) | g | 10% |
| <i>Joint Operations:</i> | | |
| Megawide GISPL Construction Joint Venture (MGCJV) | k | 50% |
| Megawide GISPL Construction Joint Venture, Inc. (MGCJVI) | l | 50% |
| <i>Joint Ventures:</i> | | |
| Mactan Travel Retail Group Corp. (MTRGC) | m | 25% |
| Select Service Partners Philippines Corp. (SSPPC) | n | 25% |

a) ***GMCAC***

GMCAC was incorporated in the Philippines and registered in the SEC in 2014. GMCAC's primary purpose is to construct, develop, operate and maintain the Mactan Cebu International Airport (MCIA), including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facility (MCIA Project). GMCAC started commercial operations on November 1, 2014.

GMCAC was established for the purpose of implementing the provisions of the Concession Agreement (see Note 9) that was signed on April 22, 2014 between the Parent Company and GMR Infrastructure Limited (GIL), and the Department of Transportation and Communications (currently, the Philippine Department of Transportation or DOTr) and Mactan-Cebu International Airport Authority (MCIAA) (collectively, the Grantors).

GIL is an entity duly organized and registered in India. DOTr and MCIAA are the agencies of the Philippine Government vested with the power and authority to develop dependable and coordinated transportation systems and to principally undertake the economical, efficient, and effective control, management, and supervision of the MCIA Project. GMCAC's registered address, which is also its principal place of business, is located at Mactan-Cebu International Airport Passenger Terminal Building, Airport Terminal, Lapu-Lapu City.

b) MCEI

MCEI was incorporated in 2014 to engage in the development of clean or renewable energy sources for power generation. Its registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City.

c) GMI

GMI was incorporated in the Philippines in 2016 and is primarily engaged in general merchandise operations. GMI registered address, which is also its principal place of business, is located at Mactan-Cebu International Airport Passenger Terminal Building, Airport Terminal, Lapu-Lapu City. GMI started its commercial operations in March 2017.

On March 15, 2017, the Parent Company sold 2,000,000 shares or 10% interest of GMI to GMR Holdings Overseas (Singapore) Pte. Ltd. (GHOSPL). As of December 31, 2017, GMI is 50% owned by the Parent Company. The Parent Company still consolidates its ownership in GMI after the sale as the management considers that the Group has de facto control over GMI even though it effectively holds 50% ownership interest.

d) MLI

MLI was incorporated in 2016 primarily to engage in real estate and related business. MLI's registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City.

e) MCBVI

On June 20, 2017, the Parent Company acquired 100% ownership interest in MCBVI, an entity incorporated in the territory of British Virgin Islands to primarily engage in buying and holding shares of other companies. MCBVI's registered address, which is also its principal place of business, is Marcy Building, 2nd floor, Purcell Estate, Road Town Tortola, British Virgin Islands.

f) Altria

The Parent Company's acquisition of Altria is accounted for as an asset acquisition since it does not constitute an acquisition of business.

g) MWCCI and CMCI

The Group's investments in MWCCI and CMCI are accounted for as investments in associates since the ownership of the Parent Company does not result to control over the entities' relevant activities.

h) MIL

MIL, whose registered office is at Marcy Building, 2nd Floor, Purcell Estate, P.O. Box 2416, Road Town Tortola, British Virgin Islands, was incorporated on July 26, 2019.

i) MTI

On August 9, 2018, the Parent Company acquired 344.5 million shares or 100% ownership interest in MTI from existing shareholders of MTI for P344.1 million. MTI owns 49% interest over MWMTI.

MTI (previously WM Properties Management, Inc.) is an entity incorporated and registered on November 11, 2011 to establish, own, manage, administer, operate, maintain, and carry the business of providing property management services, either directly or through third parties, but not limited to the services of rent collection, tenant and lease management, marketing and advertising, repair and maintenance, liaison and other similar services. MTI's registered address and principal place of business is at Waltermart Building, 8001 Epifanio de los Santos Avenue, Veterans Village, Quezon City, Metro Manila.

j) MWMTI

MWMTI is a joint venture arrangement formed on February 10, 2015 by the Parent Company and MTI, both exercising joint control to direct the relevant activities of MWMTI. The joint venture undertakes the development and implementation of the Paranaque Integrated Terminal Exchange (PITX) Project (formerly Southwest Integrated Transport System Project) granted by the Philippine Government to MWMTI under a Build-Operate-Transfer Agreement (BOT Agreement) through the DOTr.

k) MGCJV

MGCJV is an unincorporated joint venture formed in 2014 by the Parent Company and GMR Infrastructure (Singapore) PTE Limited – Philippines Branch (GISPL) each owning 50% interest and exercising joint control. MGCJV was established to provide construction of works for the renovation and expansion of the MCIA Project and other airport related construction projects of the Group.

l) MGCJVI

MGCJVI is an incorporated joint arrangement formed in January 2018 by the Parent Company owning 50% interest and GMR Infrastructure (Singapore) PTE Limited with 45% interest and GMR Holdings Overseas (Singapore) PTE Limited owning the remaining 5%. The Parent Company and GMR both exercising joint control. MGCJVI was established to provide general construction business including construction, improvement and repair of Clark Airport project. MGCJVI began to operate in the same year it was formed.

m) MTRGC

MTRGC was incorporated and registered under the laws of the Republic of the Philippines with the SEC on March 21, 2018 to develop, set-up, operate, maintain and manage the duty paid outlets at the locations in the Mactan Cebu International Airport. It started operations in the same year of incorporation.

n) SSPPC

SSPPC was incorporated and registered under the laws of the Republic of the Philippines with the SEC on March 13, 2018 to develop, set-up, operate, maintain and manage food and beverage outlets at specified locations in Terminal 1 and Terminal 2 of Mactan Cebu International Airport and the provision of related services thereto. It started operations in the same year of incorporation.

o) MC SG

Megawide Construction (Singapore) Pte. Ltd was registered on March 1, 2019 as a general building engineering design and consultancy services. The Company is 100% owned by Megawide International Limited (SG). Its registered office is located at 8 cross street #24-03/04 Manulife Tower Singapore (048424).

p) DMCC

Megawide Construction DMCC was registered on December 10, 2017 as . The Company is 100% owned by Megawide Construction (BVI) Cora project development consultant and turnkey projects contracting. Its registered office is located at Unit 4401-005 Mazaya Business Avenue BB2 Plot No JLTE-PH2-BB2 Jumeirah Lake Towers, Dubai, UAE.

1.3 Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements of the Group as of and for three months ended March 31, 2020 (including the interim condensed comparative consolidated financial statements as of December 31, 2019 and for the periods ended March 31, 2019 and 2018) were authorized for issue by the Parent Company's Board of Directors (BOD) on July 30, 2020, as endorsed by its Audit and Compliance Committee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements have been prepared in accordance with the accounting policies adopted by the Group in its recent annual consolidated financial statements for the year ended December 31, 2019.

The policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards (PFRS)

The interim condensed consolidated financial statements of the Group and of the Parent Company have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all of the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2019.

The preparation of interim condensed consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. There were no changes in estimates of amounts reported in prior financial years that have material effect in the current interim period.

(b) Presentation of Consolidated Financial Statements

The interim condensed consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These interim condensed consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the interim condensed consolidated financial statements are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2020 that are Relevant to the Group

The Group adopted for the first time the following PFRS, and amendments, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

| | | |
|---|---|--|
| PAS 1 (Amendments) | : | Presentation of Financial Statements |
| PAS 8 (Amendments) | : | Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material |
| Revised Conceptual Framework for Financial Reporting | | |

Discussed below and in the succeeding page are the relevant information about these amendments.

- (i) PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of ‘material’ in PAS 1 by including the concept of ‘obscuring’ material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity’s own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other Standards that contain definition of material or refer to the term ‘material’ to ensure consistency.
- (ii) Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

(a) *Effective Subsequent to 2020 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2020, which are adopted by the Financial Reporting Standards Council (FRSC). Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group’s consolidated financial statements:

- (i) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor’s financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture.

Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

3. SEGMENT REPORTING

The Group's operating businesses are recognized and managed separately according to the nature of services provided with a segment representing a strategic business unit. The Group's business segments follow:

3.1 *Business Segments*

- (a) *Construction Operations* – principally refers to general construction business, including constructing and sale of precast items and concrete production and rental of construction equipment.
- (b) *Airport Operations* – mainly relate to the business of building, rehabilitating, renovating, constructing, developing, operating, and maintaining the MCLIA, including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facility. Also included is importing, exporting, buying, selling and distributing goods, wares and merchandise within the airport facility.
- (c) *Landport Operations* – relate to the business of building and developing the transport model system in PITX and operating the commercial assets within the facility.

Other operations of the Group comprise the operations and financial control groups. These segments are also the basis of the Group in reporting to its executive committee for its strategic decision-making activities. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment revenues and expenses that are directly attributable to business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

3.2 *Segment Assets and Liabilities*

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

3.3 Analysis of Segment Information

Presented below are the relevant operating segment information about the results of operations for the three months ended March 31, 2020, 2019 and 2018 and financial position of the Group's business segments as of March 31, 2020 and December 31, 2019 and 2018 (amounts in thousands).

| | Construction | | | Airport | | | Landport | | | Total | | |
|---|----------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|-----------------------------|
| | 2020 | 2019 | 2018 | 2020 | 2019 | 2018 | 2020 | 2019 | 2018 | 2020 | 2019 | 2018 |
| Results of operations | | | | | | | | | | | | |
| Sales to external customers | P 3,799,435 | P 2,567,728 | P 3,736,723 | P 873,422 | P 976,913 | P 712,820 | P 286,947 | P 20,003 | P - | P 4,959,804 | P 3,564,644 | P 4,449,543 |
| Intersegment sales | - | 189,547 | 275,956 | - | - | - | - | - | - | - | 189,547 | 275,956 |
| Segment Revenues | <u>3,799,435</u> | <u>2,757,275</u> | <u>4,012,679</u> | <u>873,422</u> | <u>976,913</u> | <u>712,820</u> | <u>286,947</u> | <u>20,003</u> | <u>-</u> | <u>4,959,804</u> | <u>3,754,191</u> | <u>4,725,499</u> |
| Cost and other operating expenses: | | | | | | | | | | | | |
| Cost of construction and airport operations excluding depreciation and amortization | 2,997,299 | 2,201,689 | 3,299,433 | 216,335 | 215,093 | 78,962 | 2,857 | 13,810 | - | 3,216,491 | 2,430,592 | 3,378,395 |
| Depreciation and amortization | 243,691 | 153,161 | 141,043 | 166,108 | 191,645 | 35,611 | 55,588 | 4,377 | - | 465,387 | 349,183 | 176,654 |
| Other income (charges) – net | 226,245 | 44,074 | 26,490 | 361,431 | 247,110 | 72,842 | 45,248 | (730) | - | 632,924 | 290,454 | 99,332 |
| Tax expense | 35,511 | 89,238 | 144,783 | 44,694 | 77,810 | 5,418 | 43,827 | - | - | 124,032 | 167,048 | 150,201 |
| Other expenses | 172,266 | 91,481 | 131,661 | 156,228 | 145,790 | 125,070 | 33,099 | 5,850 | - | 361,593 | 243,121 | 256,731 |
| | <u>3,675,012</u> | <u>2,579,643</u> | <u>3,743,410</u> | <u>944,796</u> | <u>877,448</u> | <u>317,903</u> | <u>180,619</u> | <u>23,307</u> | <u>-</u> | <u>4,800,427</u> | <u>3,480,398</u> | <u>4,061,313</u> |
| Segment Net Profit (Loss) | <u>P 124,423</u> | <u>P 177,632</u> | <u>P 269,269</u> | <u>(P 71,374)</u> | <u>P 99,465</u> | <u>P 394,917</u> | <u>P 106,328</u> | <u>(P 3,304)</u> | <u>P -</u> | <u>P 159,377</u> | <u>P 273,793</u> | <u>P 664,186</u> |
| | | | | | | | | | | | | |
| | Construction | | | Airport | | | Landport | | | Total | | |
| | March 31, 2020 (Unaudited) | December 31, 2019 (Audited) | December 31, 2018 (Audited) | March 31, 2020 (Unaudited) | December 31, 2019 (Audited) | December 31, 2018 (Audited) | March 31, 2020 (Unaudited) | December 31, 2019 (Audited) | December 31, 2018 (Audited) | March 31, 2020 (Unaudited) | December 31, 2019 (Audited) | December 31, 2018 (Audited) |
| Consolidated Statements of Financial Position | | | | | | | | | | | | |
| Total Segment Assets | P 40,071,266 | P 43,330,597 | P 33,198,176 | P 36,486,350 | P 35,934,450 | P 35,137,295 | P 7,914,817 | P 7,998,133 | P 4,326,878 | P 84,472,433 | P 87,263,189 | P 72,662,349 |
| Total Segment Liabilities | <u>P 28,439,788</u> | <u>P 31,030,326</u> | <u>P 20,473,361</u> | <u>P 27,115,645</u> | <u>P 26,491,719</u> | <u>P 26,184,165</u> | <u>P 7,261,520</u> | <u>P 7,451,163</u> | <u>P 3,749,546</u> | <u>P 62,816,953</u> | <u>P 64,973,208</u> | <u>P 50,407,072</u> |

3.4 Reconciliation

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its interim condensed consolidated financial statements (amounts in thousands).

| | <u>2020</u> <u>(Unaudited)</u> | <u>2019</u> <u>(Unaudited)</u> | <u>2018</u> <u>(Unaudited)</u> |
|--|---|--|--|
| Profit or loss | | | |
| Segment net profit | P 159,377 | P 273,793 | P 664,186 |
| Other unallocated income (expense) | <u>14,689</u> | <u>7,864</u> | <u>(28,412)</u> |
| Net profit as reported in the consolidated statements of income | <u>P 174,066</u> | <u>P 281,657</u> | <u>P 635,774</u> |
| | March 31, 2020 (Unaudited) | December 31, 2019 (Audited) | December 31, 2018 (Audited) |
| Assets | | | |
| Total segment assets | P 84,472,433 | P 87,263,189 | P 72,662,349 |
| Elimination of intercompany accounts | <u>(9,566,906)</u> | <u>(9,031,919)</u> | <u>(8,391,125)</u> |
| Other unallocated assets | <u>3,543,420</u> | <u>2,533,056</u> | <u>1,634,486</u> |
| Total assets as reported in the consolidated statements of financial position | <u>P 78,448,947</u> | <u>P 80,764,326</u> | <u>P 65,905,710</u> |
| Liabilities | | | |
| Total segment liabilities | P 62,816,953 | P 64,973,208 | P 50,407,072 |
| Elimination of intercompany accounts | <u>(4,627,139)</u> | <u>(4,083,754)</u> | <u>(3,605,142)</u> |
| Other unallocated liabilities | <u>2,879,770</u> | <u>1,876,360</u> | <u>1,099,679</u> |
| Total liabilities as reported in the consolidated statements of financial position | <u>P 61,069,584</u> | <u>P 62,765,814</u> | <u>P 47,901,609</u> |

3.5 Other Segment Information

The Group has not identified any segment based on geographical location since the Group's operation is concentrated in one country of location.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

| | March 31, 2020 <u>(Unaudited)</u> | December 31, 2019 <u>(Audited)</u> |
|-----------------------|--|--|
| Cash on hand | P 7,187,519 | P 8,010,339 |
| Cash in banks | 2,022,031,753 | 4,047,584,897 |
| Short-term placements | <u>2,211,602,867</u> | <u>2,463,004,625</u> |
| | <u>P 4,240,822,139</u> | <u>P 6,518,599,861</u> |

Cash in banks generally earn interest based on daily bank deposit rates.

Short-term placements are made for varying periods from 14 to 90 days and earn annual effective interest of 2.0% to 6.0% in 2020, 2019 and 2018.

5. TRADE AND OTHER RECEIVABLES

This account consists of the following:

| | <u>Notes</u> | March 31, 2020 <u>(Unaudited)</u> | December 31, 2019 <u>(Audited)</u> |
|--|--------------|--|--|
| Contract receivables: | | | |
| Third parties | | P 3,358,516,565 | P 5,769,575,204 |
| Related parties | 19.1 | <u>718,852,368</u> | <u>498,607,908</u> |
| | | <u>4,077,368,933</u> | <u>6,268,183,112</u> |
| Retention receivables: | | | |
| Third parties | | 1,750,255,987 | 1,750,053,759 |
| Related parties | 19.1 | <u>768,522,356</u> | <u>835,195,022</u> |
| | | <u>2,518,778,343</u> | <u>2,585,248,781</u> |
| Advances to: | | | |
| Related parties | 19.4 | 6,316,442,860 | 6,267,546,499 |
| Officers and employees | 19.3 | <u>125,743,668</u> | <u>51,503,789</u> |
| | | <u>6,442,186,528</u> | <u>6,319,050,288</u> |
| Receivables from airport operations | 16.2 | <u>800,783,515</u> | <u>814,927,327</u> |
| Lease receivable | | 256,107,351 | 142,092,645 |
| Lease receivable – PFRS 16 | | <u>435,660,473</u> | <u>382,476,437</u> |
| Receivables from lease | 16.4 | <u>691,767,824</u> | <u>524,569,082</u> |
| <i>Balance carried forward</i> | | <u>P14,530,885,143</u> | <u>P16,511,978,590</u> |

| | <u>Notes</u> | March 31, 2020 (Unaudited) | December 31, 2019 (Audited) |
|-----------------------------------|--------------|---|-----------------------------------|
| <i>Balance brought forward</i> | | <u>P14,530,885,143</u> | <u>P16,511,978,590</u> |
| Receivables from sale of goods | 16.3 | <u>72,570,211</u> | <u>60,380,697</u> |
| Accrued interest receivables | 19.4 | <u>687,435,613</u> | <u>577,950,645</u> |
| Other receivables | 19.2 | <u>362,875,912</u> | <u>234,122,687</u> |
| | | 15,653,766,879 | 17,384,432,619 |
| Allowance for impairment | | (<u>10,956,072</u>) | (<u>10,956,072</u>) |
| | | <u>P15,642,810,807</u> | <u>P17,373,476,547</u> |

Retention receivables pertain to progress billings which are withheld by the project owners equivalent to 5.0% or 10.0% as provided in the respective construction contract of each project. These will only be collected after a certain period of time upon acceptance by project owners of the certificate of completion.

Receivables from airport operations pertain to the Group's accrual of aeronautical, concession, rental and commercial revenues as authorized under the Concession Agreement.

Certain advances to related parties are earmarked for potential investment opportunities being pursued by the said related party in line with the Parent Company's expansion and diversification plans.

Trade and other receivables except advances to related parties do not bear any interest. All receivables, except Advances to officers and employees are subject to credit risk exposure. These receivables are evaluated by the Group for impairment and assessed that no ECL should be provided for the periods presented.

6. CONTRACT ASSETS

The balance of contract assets presented in the interim condensed consolidated statements of financial position as of March 31, 2020 and December 31, 2019 is P4.1 billion and P4.0 billion, respectively, which is net of allowance for impairment amounting to P288.2 million (see Note 25.2).

The significant changes in the contract asset balances during the reporting periods are as follows:

| | March 31, 2020 <u>(Unaudited)</u> | December 31, 2019 <u>(Audited)</u> |
|---|--|--|
| Balance at beginning of the period | P 3,975,734,097 | P 3,060,770,976 |
| Increase as a result of changes in measurement of progress | 2,150,126,374 | 16,207,809,210 |
| Decrease as a result of reversal to trade receivables | (2,010,789,511) | (15,292,846,089) |
| Balance at end of the period | <u>P 4,115,070,960</u> | <u>P 3,975,734,097</u> |

Contract assets pertain to the gross amount due from customers for contract works of all contracts in progress which are not yet billed. Contract assets also include the cost of the terminal area of the PITX Project amounting to P510.1 million, which is to be recovered through the Grantor payments.

The Group satisfies its performance obligation when the full completion of the project and benefit therefrom can be derived by the customers. Invoices are due once related accomplishments for the month is complete.

The Group recognizes contract assets, due to timing difference of billings and satisfaction of performance obligation, to the extent of satisfied performance obligation on all open contracts as of the end of the reporting period. Changes in the contract assets are recognized by the Group when a right to receive payment is already established.

7. EQUITY ADVANCES AND INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AND ACQUISITION OF ASSETS

The carrying values of Investments in Associates and Joint Ventures account are shown below:

| | <u>Note</u> | March 31, 2020 <u>(Unaudited)</u> | December 31, 2019 <u>(Audited)</u> |
|-----------------|-------------|--|--|
| Investments in: | | | |
| Associates | 7.1 | P 822,041,638 | P 813,771,562 |
| Joint ventures | 7.3 | <u>146,302,876</u> | <u>145,734,993</u> |
| | | <u>P 968,344,514</u> | <u>P 959,506,555</u> |

These associates and joint ventures are not listed in the local stock exchange; hence, the fair value of the shares cannot be determined reliably. However, management believes that the carrying amounts of the investments are fully recoverable based on either the prospect of the business or the recoverable amount from the net assets of these associates and joint ventures.

7.1 Equity Advances and Investments in Associates

The components of the carrying values of this account are as follows:

| | March 31, 2020 (Unaudited) | December 31, 2019 (Audited) |
|--|---|-----------------------------------|
| Acquisition cost: | | |
| MWCCI | P 580,890,000 | P 580,890,000 |
| CMCI | <u>200,000,000</u> | <u>200,000,000</u> |
| | <u>780,890,000</u> | <u>780,890,000</u> |
| Equity advances in MWCCI | <u>23,572,864</u> | <u>23,572,864</u> |
| Equity share in net profit: | | |
| Balance at beginning of period | 9,308,698 | 2,882,282 |
| Equity in net profit for the period | <u>8,270,076</u> | <u>6,426,416</u> |
| Balance at end of period | <u>17,578,774</u> | <u>9,308,698</u> |
| | <u>P 822,041,638</u> | <u>P 813,771,562</u> |

These associates do not have any other comprehensive income (losses) both in 2020 and 2019. Equity in net profit of associates are presented as part of Others – net account under the Other Income (Charges) section in the consolidated statements of income.

(a) MWCCI

MWCCI was incorporated in the Philippines on January 16, 2014 and is primarily established to undertake and implement the construction of a 700-bed capacity super-specialty tertiary orthopedic hospital (New Hospital Facility), under the Modernization of the Philippine Orthopedic Center (MPOC) Project. MWCCI's registered office, which is also its principal place of business, is at 20 N. Domingo Street, 1112 Valencia, Quezon City. The Parent Company has 51% ownership interest in MWCCI.

(b) CMCI

The Parent Company, together with Citicore, formed CMCI as a consortium for the construction of classrooms in Regions 3 and 4 under the build-lease-transfer Public Private Partnership (PPP) agreement with the Philippine Department of Education ownership interest. CMCI was incorporated in the Philippines on October 15, 2012 and is primarily engaged in general construction business. CMCI's registered address, which is also its principal place of business, is located at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

The Parent Company owns 10% interest in CMCI as a joint venture partner. The rights and powers of the Parent Company over the management and control of CMCI are exercised through a seat in the Board of Directors (BOD) of CMCI. Taking this into consideration, the Group concluded that it has significant influence over the investee; accordingly, the investment is accounted for as an investment in an associate.

Management determined that the difference between the respective share in the net assets of the associates and the carrying amount of the investment is not material to the consolidated financial statements.

The Parent Company did not receive any dividends from its associates in both reporting periods.

7.2 Acquisition of Assets of Altria

On December 26, 2012, pursuant to a memorandum of agreement dated December 17, 2012, the Parent Company acquired 100% ownership interest in Altria. Altria is a company incorporated in the Philippines and holds an investment property in the form of land. The registered office of Altria, which is also its principal place of business, is located at Coastal Road Bangiad, San Juan, Taytay, Rizal.

As of the reporting periods, Altria has no operations and its assets mainly pertain to the land where the Parent Company's precast and batching facilities are constructed. In accordance with Group's policy, the transaction is treated by the Group as an asset acquisition since the transaction does not constitute a business combination.

The purchase price upon acquisition was allocated among the following accounts based on their relative fair values:

| | | |
|------------------|---|----------------------|
| Cash in bank | P | 486,426 |
| Bond deposits | | 1,500,958 |
| Land | | 303,468,569 |
| Accrued expenses | | (<u>100,000</u>) |
| | | <u>P 305,355,953</u> |

Subsequent to the date of acquisition, any changes in the carrying value of the net assets acquired in the books of Altria, including the expenses incurred in administering the property (i.e, property taxes), shall be updated in the books of the Parent Company on a line-by-line basis, as if they are consolidated into a single entity.

7.3 Interest in Joint Ventures

This account includes the carrying values of the following components:

| | March 31, 2020 (Unaudited) | December 31, 2019 (Audited) |
|-------------------------------------|---|-----------------------------------|
| Acquisition costs: | | |
| MTRGC | P 58,324,000 | P 58,324,000 |
| SSPPC | <u>58,324,000</u> | <u>58,324,000</u> |
| | <u>116,648,000</u> | <u>116,648,000</u> |
| Equity share in net profit: | | |
| Balance at beginning of period | 29,086,993 | 2,838,966 |
| Equity in net profit for the period | <u>567,883</u> | <u>26,248,027</u> |
| | <u>29,654,876</u> | <u>29,086,993</u> |
| Balance at end of period | <u>P 146,302,876</u> | <u>P 145,734,993</u> |

GMCAC has 41.66% interest in Mactan Travel Retail Group Corp. (MTRGC) and Select Service Partners Philippines Corporation (SSPPC), which are primarily engaged in the set-up, operation and management of duty paid retail, food and beverage outlets and provision of related services thereto in the airport terminals (T1 and T2). Equity in net profit of these joint ventures as recorded as part of Other Income (Charges) net account in the consolidated statements of income.

7.4 Interest in Joint Operations

As discussed in Notes 1.2(j) and 1.2(k), MGCJV shall undertake the construction works for the renovation and expansion of the MCIA Project in Cebu, while, MGCJVI shall undertake the construction works of the Clark Airport. The Parent Company's interests in MGCJV and MGCJVI are accounted for as joint arrangement – joint operation and, as such, the Parent Company accounts for its interest in the relevant assets, liabilities, revenues and expenses of MGCJV and MGCJVI.

As of March 31, 2020 and December 31, 2019 and for the three months period ending March 31, 2020 and 2019, the relevant financial information of the Group's interest in MGCJV and MGCJVI which are included in the appropriate accounts in the Group's consolidated statements of financial position and consolidated statements of income is as follows:

| | <u>Before</u> <u>Elimination</u> | <u>Elimination</u> | <u>After</u> <u>Elimination</u> |
|---|-------------------------------------|-------------------------------|------------------------------------|
| March 31, 2020 (Unaudited) | | | |
| <i>Assets:</i> | | | |
| Cash and cash equivalents | P 1,062,829,087 | P - | P 1,062,829,087 |
| Trade and other receivables | 1,555,099,330 | (225,687,509) | 1,329,411,821 |
| Other current assets | 38,155,529 | - | 38,155,529 |
| Property, plant, and equipment – net | <u>9,201,463</u> | <u>-</u> | <u>9,201,463</u> |
| | <u>P 2,665,285,409</u> | <u>(P 225,687,509)</u> | <u>P 2,439,597,900</u> |
| <i>Liabilities:</i> | | | |
| Trade and other payables | P 783,019,494 | P - | P 783,019,494 |
| Due to related parties | 6,419,325 | - | 6,419,325 |
| Loans payable | <u>1,379,115,693</u> | <u>-</u> | <u>1,379,115,693</u> |
| | <u>P 2,168,554,512</u> | <u>P -</u> | <u>P 2,168,554,512</u> |
| <i>Revenues and Expenses:</i> | | | |
| Construction operation revenues | P 453,858,607 | P - | P 377,021,136 |
| Cost of construction operations | (405,901,880) | - | (336,849,508) |
| Other operating expenses | (12,963,680) | - | (12,963,680) |
| Finance cost | <u>(9,028,895)</u> | <u>-</u> | <u>(9,028,895)</u> |
| | <u>P 25,964,152</u> | <u>P -</u> | <u>P 18,179,053</u> |

| | <u>Before Elimination</u> | <u>Elimination</u> | <u>After Elimination</u> |
|---|-------------------------------|------------------------|------------------------------|
| <i>December 31, 2019</i> | | | |
| <i>Assets:</i> | | | |
| Cash and cash equivalents | P 1,167,163,906 | P - | P 1,167,163,906 |
| Trade and other receivables | 3,962,343,717 | (224,587,759) | 3,737,755,958 |
| Other current assets | 42,132,100 | - | 42,132,100 |
| Property, plant, and equipment – net | <u>10,624,220</u> | <u>-</u> | <u>10,624,220</u> |
| | <u>P 5,182,263,943</u> | <u>(P 224,587,759)</u> | <u>P 4,957,676,184</u> |
| <i>Liabilities:</i> | | | |
| Trade and other payables | P 927,731,006 | P - | P 927,731,006 |
| Due to related parties | 9,082,068 | - | 9,082,068 |
| Loans payable | <u>3,750,000,000</u> | <u>-</u> | <u>3,750,000,000</u> |
| | <u>P 4,686,813,074</u> | <u>P -</u> | <u>P 4,686,813,074</u> |
| <i>March 31, 2019</i> | | | |
| <i>Revenues and Expenses:</i> | | | |
| Construction operation revenues | P 559,359,644 | (P 122,802,154) | P 436,557,490 |
| Contract costs | (454,854,995) | 99,401,409 | (355,453,586) |
| Other operating expenses | (17,406,856) | 11,795,877 | (5,610,979) |
| Other income charges | <u>(2,095,016)</u> | <u>-</u> | <u>(2,095,016)</u> |
| | <u>P 85,002,777</u> | <u>(P 11,604,868)</u> | <u>P 73,397,909</u> |

8. OTHER ASSETS

This account is composed of the following:

| | <u>Notes</u> | <u>March 31, 2020 (Unaudited)</u> | <u>December 31, 2019 (Audited)</u> |
|--|--------------|---|--|
| <i>Current:</i> | | | |
| Advances to contractors and suppliers | 8.1 | P 4,648,316,279 | P 3,636,414,208 |
| Input value-added tax (VAT) | 8.2 | 774,592,601 | 591,350,448 |
| Prepaid taxes | 8.4 | 650,486,991 | 723,415,162 |
| Deferred fulfilment costs | | 625,664,952 | 579,089,321 |
| Refundable security and bond deposits | | 160,131,828 | 164,136,039 |
| Deferred input VAT | | 320,229,328 | 477,092,309 |
| Prepaid subscription | | 119,679,566 | 9,402,172 |
| Prepaid rent | | 35,895,088 | 17,505,228 |
| Prepaid insurance | | 21,194,496 | 13,122,680 |
| Deferred transaction cost | | 5,369,517 | 7,252,715 |
| Miscellaneous | | <u>100,233,212</u> | <u>91,943,795</u> |
| <i>Balance forwarded</i> | | <u>P 7,461,793,858</u> | <u>P 6,310,724,077</u> |

| | | March 31, 2020 | December 31, 2019 |
|--|--------------|--------------------------------|------------------------|
| | <u>Notes</u> | <u>(Unaudited)</u> | <u>(Audited)</u> |
| <i>Balance carried forward</i> | | <u>P 7,461,793,858</u> | <u>P 6,310,724,077</u> |
| Non-current: | | | |
| Input VAT | 8.2 | 1,826,242,031 | 1,909,715,112 |
| Investment in trust fund | 8.5 | 1,432,695,136 | 862,704,457 |
| Deposits for condominium units | 8.3 | 136,301,359 | 136,301,359 |
| Computer software license – net | | 49,700,352 | 47,315,840 |
| Refundable security deposits | | 32,643,694 | 32,643,694 |
| Advances to contractors and suppliers | 8.1 | <u>15,854,973</u> | <u>13,316,709</u> |
| | | <u>3,493,437,545</u> | <u>3,001,997,171</u> |
| | | <u>P 10,955,231,403</u> | <u>P 9,312,721,248</u> |

8.1 Advances to Contractors and Suppliers

Advances to contractors and suppliers pertain to down payments made by the Group for the construction of airport terminal facilities and purchase of property and equipment based on a certain percentage of the contract price. The initial payment will eventually be recouped or deducted from the amount payable of the Group either in a pro-rated basis or in full once billed by the contractors and supplier. These advances are classified as current if it would be applied as payments for construction of assets to be classified as inventories, while payments for construction of assets to be classified as property, plant and equipment and investment properties are classified as non-current.

8.2 Input VAT

Input VAT under other current assets pertains to the payment of VAT on purchases of services and goods that is recoverable within 12 months. Deferred input VAT pertains to the unamortized input VAT on purchases of capital goods exceeding P1.0 million and bid premium. Deferred input VAT arising from purchase of capital goods exceeding P1.0 million is to be amortized and credited against output tax evenly over five years or the life of the asset, whichever is shorter.

Non-current portion of input VAT represents GMCAC's input VAT, pertaining mainly to VAT from the payment of bid premium in 2014, which will be recovered in future years. The balance is to be transferred to input VAT under Other Current Assets systematically on the basis of the Group's projected output VAT payments over the term of the Concession Agreement.

8.3 Deposits for Condominium Units

Deposits for condominium units represent initial down payments made for the purchase of condominium units. These will be reclassified to investment property upon execution of contract to sell and deed of sale.

8.4 Prepaid Taxes

Prepaid taxes pertain to the excess of quarterly income tax payments over the current tax due during the year and creditable withholding taxes.

8.5 Investment in Trust Fund

On November 28, 2014, GMCAC's BOD authorized GMCAC to establish, maintain and operate trust and investment accounts with a local universal bank (Security Trustee). The investment in trust fund constitutes (i) Revenue Accounts; (ii) Future Major Maintenance Fund Account; (iii) Debt Service Reserve Accounts; (iv) Debt Service Payment Account; and, (v) Distribution Accounts, collectively referred to as "Cash Flow Waterfall Accounts" and Loan Disbursement Accounts under a certain Omnibus Loan and Security Agreement (OLSA) to ensure the prompt payment of the required amortization, interest and principal of the long-term loan. As of March 31, 2020 and December 31, 2019, the investment in trust fund is composed only of cash.

The OLSA provided that the Security Trustee shall invest and reinvest the monies in the collateral accounts.

9. CONCESSION ASSETS

Concession Agreement refers to the agreement entered into by the Parent Company and GIL with DOTr and MCIA by virtue of Revised Implementing Rules and Regulations of Republic Act (R.A.) No. 6957, "*An Act Authorizing the Financing, Construction, Operation and Maintenance of Infrastructure Projects by the Private Sector and for Other Purposes*", as amended by R.A. No. 7718 (referred to as the "*BOT Law*"). Under the said agreement, GMCAC was granted by DOTr and MCIA an exclusive right to design, develop, and undertake the MCIA Project; and, enjoy complete and uninterrupted possession of all movable and immovable assets for purposes of implementing the Project, whether tangible or intangible pertaining to concessionaire Operations and Maintenance (O&M) Facilities such as the existing assets, project land, assets produced, installed, built and created pursuant to the Concession Agreement, commercial assets, among others, (collectively referred as Project Assets) [see Note 1.2(a)]. The Concession Agreement is for a period of 25 years commencing on O&M start date unless further extended pursuant to the Concession Agreement.

The MCIA Project comprises the following undertaking:

- Construction of Terminal 2 (T2), along with all Associated Facilities;
- Renovation and expansion, but not the demolition of Terminal 1 (T1) and Associated Facilities;
- Complete reconstruction of Terminal 2 Apron (T2 Apron);
- Capacity Augmentation;
- Development of Commercial Assets; and,
- Operation and Maintenance of the Concessionaire O&M Facilities and Commercial Assets.

10. INVESTMENT PROPERTIES

MWMTI was granted an exclusive right and obligation under the Concession Agreement. Relative to the arrangement, MWMTI incurred costs necessary to construct the facility. The separately identifiable accumulated costs incurred in the development of the PITX Project are allocated based on development and implementation plan for the terminal and commercial areas.

Investment properties also includes parcels of land that are not used by the Group in the ordinary course of the business amounting to P160.3 million in both periods presented. Based on management's assessment, the carrying amounts of these assets are fully recoverable, hence, no impairment loss is required in both years.

11. LEASES

The Group has leases for construction equipment and transportation equipment. With the exception of short-term leases and leases of low-value underlying assets, each right-of-use asset and lease liability from leases are reflected on the consolidated statements of financial position as part of property, plant and equipment and interest-bearing loans and borrowings, respectively. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over warehouses and offices, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use assets recognized in the consolidated statement of financial position.

| | <u>Number of right-of-use assets leased</u> | <u>Range of remaining term</u> | <u>Number of average remaining lease term</u> | <u>Number of leases with extension options</u> | <u>Number of leases with options to purchase</u> | <u>Number of leases with termination options</u> |
|------------------------------------|---|------------------------------------|---|--|--|--|
| Transportation equipment | 154 | 1 – 5 years | 3 years | - | 49 | - |
| Precast and construction equipment | 62 | 2 – 10 years | 6 years | - | 54 | - |

11.1 *Right-of-use Assets*

The carrying amounts of the Group's right-of-use assets as at March 31, 2020 and December 31, 2019 and the movements during the period are shown below.

| | <u>Precast and Construction Equipment</u> | <u>Transportation Equipment</u> | <u>Total</u> |
|-------------------------------|---|-------------------------------------|-----------------------------|
| Balance as of January 1, 2020 | P 376,631,729 | P 191,812,743 | P 568,444,472 |
| Additions | 50,727,613 | 22,449,836 | 73,177,449 |
| Depreciation and amortization | (15,684,175) | (14,206,201) | (29,890,376) |
| Balance at March 31, 2020 | <u>P 411,675,167</u> | <u>P 200,056,378</u> | <u>P 611,731,545</u> |
| Balance as of January 1, 2019 | P 134,891,630 | P 77,291,818 | P 212,183,448 |
| Additions | 272,329,885 | 152,201,629 | 424,531,514 |
| Depreciation and amortization | (30,589,786) | (37,680,704) | (68,270,490) |
| Balance at December 31, 2019 | <u>P 376,631,729</u> | <u>P 191,812,743</u> | <u>P 568,444,472</u> |

11.2 *Lease Liabilities*

Lease liabilities are presented in the consolidated statements of financial position as part of Interest-bearing Loans and Borrowings (see Note 13) are as follows:

| | March 31, 2020 (Unaudited) | December 31, 2019 (Audited) |
|-------------|---|-----------------------------------|
| Current | P 156,176,663 | P 139,443,656 |
| Non-current | <u>345,003,123</u> | <u>334,907,047</u> |
| | <u>P 501,179,786</u> | <u>P 474,350,703</u> |

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's business strategy and the economic benefits of exercising the option exceeds the expected overall cost.

As of March 31, 2020 and December 31, 2019, the Group has not committed to any leases which had not commenced.

11.3 *Lease Payments Not Recognized as Liabilities*

The Group has elected not to recognize a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The expenses relating short-term leases and low-value assets amounted to P7.1 million and P16.7 million is presented as Rentals as part of Administrative expenses under Other Operating Expenses in the consolidated statements of income.

11.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P49.04 and P102.1 million in 2020 and 2019, respectively. Interest expense in relation to lease liabilities amounted to P11.0 million and P22.1 million in 2020 and 2019, respectively, and is presented as part of Finance costs under Other Income (Charges) in the interim condensed consolidated statements of income.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at March 31, 2020 is as follows:

| | <u>Within 1 year</u> | <u>1 to 2 years</u> | <u>2 to 3 years</u> | <u>3 to 4 years</u> | <u>4 to 5 years</u> | <u>Total</u> |
|-------------------|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|----------------------|
| Lease payments | P 191,568,342 | P 172,930,326 | P 121,857,461 | P 69,110,069 | P 22,036,250 | P 577,502,448 |
| Finance charges | (35,391,679) | (23,291,076) | (12,345,372) | (4,858,057) | (436,478) | (76,322,662) |
| Net present value | <u>P 156,176,663</u> | <u>P 149,639,250</u> | <u>P 109,512,089</u> | <u>P 64,252,012</u> | <u>P 21,599,772</u> | <u>P 501,179,786</u> |

12. TRADE AND OTHER PAYABLES

This account consists of the following:

| | March 31, 2020 (Unaudited) | December 31, 2019 (Audited) |
|--|---|-----------------------------------|
| Trade payables | P 3,426,990,668 | P3,954,928,198 |
| Retention payable | 1,858,100,299 | 2,166,300,006 |
| Accrued expenses | 924,866,513 | 1,235,331,916 |
| Interest payable | 560,441,978 | 119,628,207 |
| Derivative liability | 172,209,424 | 78,552,254 |
| Security deposits | 108,536,386 | 149,921,652 |
| Accrued salaries | 123,212,348 | 77,545,697 |
| Due to stockholders and related parties | 20,000,000 | 20,000,000 |
| Dividend payable | - | 239,937,858 |
| Non-trade payable | - | 25,000,000 |
| Others | <u>109,964,384</u> | <u>100,443,657</u> |
| | <u>P 7,304,322,000</u> | <u>P8,167,589,445</u> |

Retention payable pertains to amounts withheld from payments made to subcontractors to ensure compliance and completion of contracted projects ranging from 5% to 10% of every billing made by the contractor. Upon completion of the subcontracted projects, the amounts are returned to the subcontractors.

Accrued expenses include unreleased checks and unpaid utilities, while accrued salaries pertains to unclaimed salaries and wages of resigned employees.

13. INTEREST-BEARING LOANS AND BORROWINGS

The details of short-term and long-term interest-bearing loans and borrowings are as follows:

| | <u>Note</u> | March 31, 2020 (Unaudited) | December 31, 2019 (Audited) |
|-------------------|-------------|---|-----------------------------------|
| Current: | | | |
| Bank loans | | P 11,044,541,670 | P 10,791,617,597 |
| Notes payable | | 1,905,016,691 | 3,750,000,000 |
| Lease liabilities | 11.2 | <u>156,176,663</u> | <u>139,443,656</u> |
| | | <u>13,105,735,024</u> | <u>14,681,061,253</u> |
| Non-current: | | | |
| Bank loans | | 27,662,890,389 | P 27,634,014,387 |
| Notes payable | | 5,614,429,990 | 5,102,929,990 |
| Lease liabilities | 11.2 | <u>345,003,123</u> | <u>334,907,047</u> |
| | | <u>33,622,323,502</u> | <u>33,071,851,424</u> |
| | | <u>P 46,728,058,526</u> | <u>P 47,752,912,677</u> |

13.1 Notes Payable

(a) Notes Payable – Current

The current portion of Notes Payables pertains to 50% share in loans availed to MGCJVI. On March 22, 2018, MGCJVI entered into a P7.50 billion OLSA with Metropolitan Bank & Trust Company and Philippine National Bank (PNB) as Lenders, PNB Trust Banking Group as Facility Agent and Security Trustee, and PNB Capital and Investment Corp. and First Metro Investment Corp. as Lead Arrangers.

The proceeds from the loan shall be used to partially finance the capital expenditures and costs in relation to the Project.

Details of the loan follow:

- i) Interest: Interest is the sum of the benchmark rate plus 100 basis points. Benchmark rate is the PDST-R2 benchmark tenor for three (3) months as published on the PDEx page (or such successor page) of Bloomberg (or such successor electronic service provider) under the heading "PDST-R2" at approximately 4:15 pm on the Interest Rate Setting Date; provided, that, in the event that a new benchmark rate will be adopted by the Bankers' Association of the Philippines or the existing benchmark rate is no longer reflective of the prevailing market rates, as may be reasonably determined by the Lenders together with the MGCJVI, all parties shall adopt a new benchmark rate appropriate for the Loan. Such interest shall accrue from and including the first day of each interest period and excluding the last day of such interest period.
- ii) Repayment: The principal amount shall be paid in the following instalments, within three (3) banking days from the MGCJVI's receipt of the relevant milestone payments from Bases Conversion and Development Authority (BCDA) for the construction services rendered.

| <u>Principal Repayment Schedule</u> | <u>Milestone payment from BCDA - at 100% (in Bn)</u> | <u>Principal repayment of the Loan amount</u> |
|-------------------------------------|--|---|
| First | P5.58 | 85% of milestone payment |
| Second | 1.66 | 100% of milestone payment |
| Third | 2.12 | remaining balance of loan |

As of January 23, 2020, the MGCJVI paid the first milestone payment to MTBC and PNB amounting to P4,785 million. The full repayment of the Loan shall be made not later than the maturity date which is May 18, 2021.

- iii) Security: As security for timely payment of the loan and prompt observance of all provisions of the OLSA, the following are assigned as collateral on the Loan:
- Project receivables and all monies standing in the MGCJVI's Payment Accounts
 - Project documents (EPC Contract, Notice of Award Certificate of Funds Availability and Bid Proposal)
- iv) Covenants: The OLSA provide certain restrictions and requirements which include among others, maintaining and preserving its corporate existence, complying with all of its material obligations under the project arrangements, restrictions on granting of loans or advances and disposal of major properties and restrictions on payment of dividends. The OLSA also provide financial covenants which include maintaining at each testing date a maximum debt-to-equity ratio of 80:20 after the first principal repayment date. As at March 31, 2020, the Company has complied with the financial covenants.

(b) 2020 Notes Facility

On February 19, 2020, the Parent Company signed a P5.0 billion corporate note facility, the proceeds of which will be used by the Company to (a) retire maturing debt obligations; (b) to fund growth projects; and, (c) for general corporate purposes.

The final maturity dates of notes issued under this agreement are on 2024. As of March 31, 2020, the Company availed a total of P3,600 million from the facility.

(c) 2013 Notes Facility

On February 19, 2013, the Parent Company executed a notes facility agreement with a local universal bank. In this agreement, the Parent Company desired to offer and issue fixed-rate corporate notes in the aggregate principal amount of P4,000.0 million. The net proceeds of the notes after deducting direct issue costs, such as underwriting fees and commissions, documentary stamp tax and other expenses associated with the issuance, amounted to P3,957.3 million.

The notes constitute direct, unconditional, unsubordinated, general and unsecured obligation ranking at least pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Parent Company.

The notes are issued in three tranches with the following details:

| | <u>Principal</u> | <u>Term in Years</u> | <u>Interest Rate</u> |
|-----------|------------------------|----------------------|----------------------|
| Tranche A | P 650,000,000 | 5 | 5% |
| Tranche B | 3,250,000,000 | 7 | 6% |
| Tranche C | <u>100,000,000</u> | 10 | 6% |
| | <u>P 4,000,000,000</u> | | |

The nominal rates refer to the Philippine Dealing System Treasury Fixing (PDST-F) rates with respect to the term of each tranche plus an interest spread of 1.75% for Tranche A and B and 1.50% for Tranche C.

The notes, among other things, restrict the Parent Company's ability to:

- (a) incur any indebtedness to be secured by or to benefit from any lien, in favor of any creditor on, or in respect of any present or future assets or revenues or the right to receive income;
- (b) make any material change in the nature of its business from that being carried on as of the signing date;
- (c) enter into any merger or consolidation except if the issuer retains control of the surviving corporation, such merger or consolidation is required by law, and such merger does not result in material adverse effect;
- (d) amend its articles of incorporation and/or by-laws except as required by law;
- (e) declare or pay any cash dividend to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the notes are current and updated and provided that any such payment is made out of retained earnings and the debt to equity ratio of 2:1 are maintained;
- (f) sell, assign, lease, transfer, and/or dispose all or substantially all of its properties;
- (g) assign, transfer or otherwise convey any right to receive any of its income or revenues;
- (h) voluntarily suspend its business operations in a manner that will result in a material adverse effect;
- (i) extend any loan, advance or subsidy to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
- (j) permit its financial debt to equity ratio to exceed 2:1; and,
- (k) voluntarily prepay any indebtedness.

The Parent Company has complied with all the debt covenants set forth in the notes facility agreement as the transactions during the intervening periods are under the ordinary course of business.

In 2018 Tranche A matured whereas in 2020, Tranche B and a portion of Tranche C were refinanced through P5 billion corporate note issued in 2020, leaving Tranche C outstanding, with a carrying value of P94.0 million, as of date, maturing in 2023.

(d) 2016 Various Notes Facility

In 2016, the Parent Company entered into various notes facility arrangement with a local bank to refinance the corporate note issued in 2011 and to finance its capital expenditure and general corporate requirements. The notes are issued with the following details:

| <u>Date Issued</u> | <u>Principal</u> | <u>Term in years</u> | <u>Interest Rate</u> |
|--------------------|------------------------|----------------------|----------------------|
| September 16, 2016 | P 650,000,000 | 10 | 5.50% |
| December 5, 2016 | 350,000,000 | 10 | 6.37% |
| December 16, 2016 | <u>1,000,000,000</u> | 10 | 6.37% |
| | <u>P 2,000,000,000</u> | | |

These 10-year corporate notes bear an interest rate based on the closing per annum rates of a ten (10)-year PDST-R2 rate on the PDS Group website plus a certain spread. The Parent Company has to maintain a debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of at least 1.1.

The notes, among other things, restrict the Parent Company's ability to:

- (a) Engage in any business or make or permit any material change in the character of its business from that authorized on its amended articles of incorporation and by-laws;
- (b) Amendment of articles of incorporation and by-laws which would cause a material adverse effect or be inconsistent with the provisions of the finance document;
- (c) Change of ownership and management if as a result the stockholdings of Citicore Investments Holdings Inc. will fall below 51% or enter into profit sharing, partnership or joint venture whereby its profits are shared with any other person that may have a material adverse effect;
- (d) Sale of asset, transfer or dispose of all or substantially all of its properties and assets except in the ordinary course of business;
- (e) Declaration of dividends or retirement of capital if the issuer shall not be in compliance with the financial covenants or would result to an event of default;
- (f) Loans and advances to its directors, officers and stockholders (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
- (g) Make a capital expenditure not in the ordinary course of business;
- (h) Incur additional debt or act as surety on behalf of third parties or incur monetary obligation which shall cause the issuer to breach the financial covenants;
- (i) Loans and advances to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;

- (j) Directly or indirectly incur or suffer to exist any lien upon any assets and revenues, present and future of the issuer or enter into any loan facility agreement secured by or to be secured by a lien upon any assets and revenues, present and future whether registered or unregistered of the issuer;
- (k) Except for permitted investments, invest in or acquire any (i) share in or any security issued by any person, (ii) acquire directly or indirectly the business or going concern or all substantially all the properties and assets or business of any other corporation or entity or invest in a controlling entity therein; and,
- (l) It will not voluntarily suspend or discontinue its entire or a substantial portion of its business operation.

On August 10, 2017, the Parent Company sent a letter to the bank requesting the waiver of one of the loan negative covenants that prohibits the stockholdings of Citicore in the Parent Company to fall below 51% or enter into profit sharing, partnership or joint venture whereby its profits are shared with any other person that may have a material adverse effect. In September 2017, the request was granted by the bank. The Parent Company is in compliance with all other covenants required to be observed under the loan facility agreement in both periods.

13.2 Bank Loans

(a) Omnibus Loan and Security Agreement – December 17, 2014

On December 17, 2014, GMCAC entered into a P20,000.0 million (which at GMCAC's option may be increased up to P23,300.0 million) OLSA with various local universal banks, as onshore lenders. On January 26, 2015, the parties amended the facility to include another universal bank as offshore lender to contribute US \$75.0 million (or equivalent to P3,500.0 million) into the facility.

The facility has a term of 15 years, the repayment of which starts in 2019 and shall continue every year thereafter until 2030; and, interest requirements that are payable annually based on the following:

| | <u>First 7 Years</u> | <u>Last 8 Years</u> |
|--------------------------------|--|--|
| P20,000.0 million onshore loan | Sum of Base Rate 1 (PDST-R2 benchmark yield) and credit spread | Sum of Base Rate 2 (PDST-R2 benchmark yield) and credit spread |
| US\$75.0 million offshore loan | LIBOR plus credit spread | LIBOR plus credit spread |

As security for timely payment of the loan and prompt observance of all provision of the Omnibus Agreement, the following are pledge as collateral on this loan:

- all monies deposited and from time to time standing in the Cash Flow Waterfall Accounts;
- the Project receivables;
- the proceeds of any asset and business insurance obtained, except for the proceeds of insurance policies arising from damage of any Project Assets;
- the Project Documents (Accession Agreement, Technical Service Agreement and Engineering and Procurement Contract); and,
- the 100% of the total issued and outstanding capital stock of GMCAC.

In addition, the OLSA provides certain restrictions and requirements which include, among others, maintaining and preserving its corporate existence, complying with all of its material obligations under the project arrangements, restrictions on granting of loans or advances and disposal of major properties and restrictions on payment of dividends. The OLSA also provides financial covenants which include maintaining a maximum debt to equity ratio of 70:30 and a debt service coverage ratio of at least 1.1 times following the Project completion date. GMCAC has complied with the financial and non-financial covenants in both periods.

Moreover, GMCAC's BOD authorized GMCAC to establish, maintain and operate trust and investment accounts with a Security Trustee to ensure the prompt payment of the required amortization, interest and principal of the long-term loan, which was established and maintained by GMCAC during the reporting period.

The total drawdowns to date made for the onshore loan amounted to P20,850.0 million while drawdowns on the offshore loan amounted to US\$75.0 million (or equivalent to P3.8 billion).

Provision in the loan indicates that the borrower shall pay to the lenders, a commitment fee equivalent to 0.3% per annum of the undrawn or uncanceled portion of the commitment that GMCAC does not draw in accordance with the drawdown schedule.

In November 2015, the Group entered into an interest rate swap transaction to hedge the interest rate exposure on its floating rate US dollar-denominated loan maturing in June 2022, start date is on December 15, 2017. A notional amount of US\$75.0 million floating rate loan was swapped to fixed rate. Under the interest rate swap agreement, the Group pays annual fixed interest rate of a range of 1.79% to 2.65% and receives floating rate of six-month US\$ LIBOR rate on Bloomberg Page on the notional amount. For three months period ended March 31, 2020 and 2019, unrealized loss from change in fair value of the interest rate swap amounted to US\$1.8 million of P93.7 million and US\$0.8 million or P41.5 million, respectively and is presented as part of Others – net under Other Income (Charges) account in the consolidated statements of income.

On June 22, 2018, GMCAC amended the amended and restated OLSA increasing the peso denominated loan facility to P8,700 million. The additional loan facility will be used to finance the investment related to the Fuel Hydrant System Infrastructure.

The total drawdowns (net of P18 million repayment) to date made for the onshore loan amounted to P20,766.0 million while drawdowns on the offshore loan amounted to US\$75.0 million (or equivalent to P3.8 billion).

(b) OLSA for PITX project

In 2015, the MWMTI entered into an OLSA with a local universal bank for a loan facility amounting to P3.3 billion to finance the construction of the ITS Project. In 2019, the MWMTI requested the lender to increase the loan by P600 million making the total principal loan to P3.9 billion.

In 2017, MWMTI made its first drawdown amounting to P825 million while the remaining loan facility was fully drawn in 2019 in tranches amounting to P3,075 million.

The loan principal shall be amortized quarterly over 15 years and the first principal repayment is due on January 16, 2021. The interest-bearing loan is secured by the Joint Venturers and bear annual interest of 4.62%-6.89% in 2019.

The interest-bearing loan requires the MWMTI to maintain a maximum debt-to-equity ratio of 70:30. In addition, the MWMTI is also required to observe at all times until full payment of the loan a debt service coverage ratio of at least 1.25. Compliance to the ratios is monitored on a quarterly basis.

With regard to the loans aforementioned, MWMTI has complied with affirmative and negative covenants, except that as of March 31, 2020 and December 31, 2019, MWMTI exceeded the agreed Debt-to-Equity Ratio and had lower than the stated Debt Service Coverage Ratio. Prior to December 31, 2019, MWMTI requested for the financial covenants not to be enforced during the grace period of the loan, which was conformed by one of the Bank's officers. MWMTI was also able to increase its credit line and drawdown such increase in 2019, has been up to date in its servicing of the loan and not received any written notice from the bank, as of the date of the issuance of the consolidated financial statements, that the loan is already due and demandable, which is provided in the loan agreement as basis to classify the loan as current.

The total carrying value of bank loans of MWMTI amounting to P3,900.0 million both in March 31, 2020 and December 31, 2019 respectively are presented under the non-current portion of bank loans.

(c) Other Bank Loans

In addition, the Group also obtained various bank loans in 2020 and 2019, representing unsecured short-term loans from other local banks. The loans bear fixed annual interest rates ranging from 5.13% to 7.0% in 2020 and 2019. Total interest on these bank loans is presented as part of Interest expense from bank loans under Finance costs under Other Income (Charges) account in the consolidated statements of income. The unpaid portion of these interest is presented as part of Interest payable under Trade and Other Payables account in the consolidated statements of financial position.

14. CONTRACT LIABILITIES

The significant changes in the contract liabilities balances during the reporting periods are as follows:

| | March 31, 2020 <u>(Unaudited)</u> | December 31, 2019 <u>(Audited)</u> |
|---|--|--|
| Balance at beginning of period | P 4,931,269,957 | P 4,670,482,671 |
| Increase due to billings excluding amount recognized as revenue during the period | 84,530,893 | 3,931,138,000 |
| Revenue recognized that was included in contract liability at the beginning of the period | (45,977,596) | (3,765,451,114) |
| Effect of financing component | <u>32,975,664</u> | <u>95,100,400</u> |
| Balance at end of the period | <u>P 5,002,798,918</u> | <u>P 4,931,269,957</u> |

15. OTHER LIABILITIES

The details of this account are as follows:

| | March 31, 2020 (Unaudited) | December 31, 2019 (Audited) |
|----------------------|---|-----------------------------------|
| Current: | | |
| Withholding taxes | P 89,680,702 | P 80,913,142 |
| Deferred output VAT | 88,214,126 | 70,994,272 |
| Deferred revenue | 5,326,520 | 12,147,113 |
| Others | <u>74,311,680</u> | <u>56,007,237</u> |
| | <u>P 257,533,028</u> | <u>P 220,061,764</u> |
| Non-current: | | |
| Security deposits | P 635,902,015 | P 586,498,441 |
| Unearned rent income | <u>160,086,686</u> | <u>154,643,665</u> |
| | <u>P 795,988,701</u> | <u>P 741,142,106</u> |

Deferred revenue represents advance payments from customers and concessionaires that are subject to refund or future billing applications within 12 months from the end of the reporting period.

Unearned rent income pertains to the difference between the fair value and principal amount of security deposits received at the inception of the lease with concessionaires, which shall be amortized over the corresponding lease term.

Others under current liabilities significantly include government-related payables for employee benefits.

16. REVENUES

When the Group prepares its investor presentations and when the Group's Executive Committee evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting.

The Group determines that the categories used in the investor presentations and financial reports used by the Group's management can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers and other counterparties into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

A summary of additional disaggregation from the segment revenues and other unallocated income are shown below.

| | Notes | Point in time | Over time | Short-term | Long-term | Total |
|---|-------|---------------|-----------------|-------------|-----------------|-------------------------------|
| March 31, 2020: | | | | | | |
| Construction revenues | | | | | | |
| | 16.1 | | | | | |
| Contract revenues | | P - | P 3,653,926,733 | P - | P 3,653,926,733 | P 3,653,926,733 |
| Sale of precast | | - | 129,905,412 | 129,905,412 | - | 129,905,412 |
| Sale of ready mix concrete | | 1,759,371 | - | 1,759,371 | - | 1,759,371 |
| Equipment rental | | - | 13,843,068 | 13,843,068 | - | 13,843,068 |
| Airport operations: | | | | | | |
| | 16.2 | | | | | |
| Aeronautical revenues | | - | 422,603,527 | 422,603,527 | - | 422,603,527 |
| Aero related revenues | | - | 96,287,543 | 96,287,543 | - | 96,287,543 |
| Non-aero related revenues | | - | 289,735,900 | 289,735,900 | - | 289,735,900 |
| Airport merchandising operations: | | | | | | |
| | 16.3 | | | | | |
| Food revenues | | 36,519,974 | - | 36,519,974 | - | 36,519,974 |
| Non-food revenues | | 28,274,857 | - | 28,274,857 | - | 28,274,857 |
| Terminal operations | | | | | | |
| | 16.4 | | | | | |
| Rental revenue – effect of straight-line method | | - | 233,763,124 | - | 233,763,124 | 233,763,124 |
| Rental revenue – per contract | | - | 53,184,036 | - | 53,184,036 | 53,184,036 |
| | | | | | | <u>P 4,959,803,545</u> |
| March 31, 2019: | | | | | | |
| Contract revenues | | | | | | |
| | 16.1 | | | | | |
| Contract revenues | | P - | P 2,333,373,105 | P - | P 2,333,373,105 | P 2,333,373,105 |
| Sale of precast | | - | 153,519,335 | 153,519,335 | - | 153,519,335 |
| Sale of ready mix concrete | | 18,286,808 | - | 18,286,808 | - | 18,286,808 |
| Equipment rental | | - | 62,548,311 | 62,548,311 | - | 62,548,311 |
| Airport operations: | | | | | | |
| | 16.2 | | | | | |
| Aeronautical revenues | | - | 469,867,706 | 469,867,706 | - | 469,867,706 |
| Aero related revenues | | - | 175,827,790 | 175,827,790 | - | 175,827,790 |
| Non-aero related revenues | | - | 246,299,065 | 246,299,065 | - | 246,299,065 |
| Airport merchandising operations: | | | | | | |
| | 16.3 | | | | | |
| Food revenues | | 47,547,120 | - | - | 47,547,120 | 47,547,120 |
| Non-food revenues | | 37,371,484 | - | - | 37,371,484 | 37,371,484 |
| Terminal operations | | | | | | |
| | 16.4 | | | | | |
| | | - | 20,003,362 | - | 20,003,362 | 20,003,363 |
| | | | | | | <u>P 3,564,644,087</u> |
| March 31, 2018: | | | | | | |
| Contract revenues | | | | | | |
| | 16.1 | | | | | |
| Contract revenues | | P - | P 3,664,934,593 | P - | P 3,664,934,593 | P 3,664,934,593 |
| Sale of precast | | - | 34,076,467 | 34,076,467 | - | 34,076,467 |
| Sale of ready mix concrete | | 37,712,306 | - | 37,712,306 | - | 37,712,306 |
| Airport operations: | | | | | | |
| | 16.2 | | | | | |
| Aeronautical revenues | | - | 356,587,698 | 356,587,698 | - | 356,587,698 |
| Aero related revenues | | - | 77,271,675 | 77,271,675 | - | 77,271,675 |
| Non-aero related revenues | | - | 212,218,185 | 212,218,185 | - | 212,218,185 |
| Airport merchandising operations: | | | | | | |
| | 16.3 | | | | | |
| Food revenues | | 36,879,141 | - | - | 36,879,141 | 36,879,141 |
| Non-food revenues | | 29,863,123 | - | - | 29,863,123 | 29,863,123 |
| | | | | | | <u>P 4,449,543,188</u> |

16.1 Construction Operation Revenues

The details of this account are composed of the revenues from:

| | 2020 (Unaudited) | 2019 (Unaudited) | 2018 (Unaudited) |
|-----------------------|-------------------------------|------------------------|------------------------|
| Contracts in progress | P 3,438,074,076 | P 2,462,408,314 | P 3,537,775,010 |
| Completed contracts | <u>361,360,508</u> | <u>105,319,245</u> | <u>198,948,356</u> |
| | <u>P 3,799,434,584</u> | <u>P 2,567,727,559</u> | <u>P 3,736,723,366</u> |

About 3%, 2%, and 3% of the contract revenues for 2020, 2019 and 2018, respectively, were earned from contracts with an associate and certain related parties under common ownership.

16.2 Airport Operations Revenues

The details of this account are composed of the revenues from:

| | 2020 | 2019 | 2018 |
|--------------|-----------------------------|----------------------|----------------------|
| | <u>(Unaudited)</u> | <u>(Unaudited)</u> | <u>(Unaudited)</u> |
| Aeronautical | P 422,603,527 | P 485,063,920 | P 356,587,698 |
| Concession | 128,815,722 | 147,082,722 | 112,758,423 |
| Rental | 123,069,195 | 125,704,298 | 62,033,118 |
| Others | <u>134,138,526</u> | <u>134,143,621</u> | <u>114,698,319</u> |
| | <u>P 808,626,970</u> | <u>P 891,994,561</u> | <u>P 646,077,558</u> |

16.3 Trading Operations Revenues

The details of this account are composed of the revenues from:

| | 2020 | 2019 | 2018 |
|-------------------|----------------------------|---------------------|---------------------|
| | <u>(Unaudited)</u> | <u>(Unaudited)</u> | <u>(Unaudited)</u> |
| Food revenues | P 36,519,974 | P 47,547,120 | P 36,879,141 |
| Non-food revenues | <u>28,274,857</u> | <u>37,371,484</u> | <u>29,863,123</u> |
| | <u>P 64,794,831</u> | <u>P 84,918,604</u> | <u>P 66,742,264</u> |

16.4 Terminal Operations Revenue

The details of this account for the three months period ending March 31 (nil in 2018) are composed of the revenues from:

| | 2020 | 2019 |
|----------------------|-----------------------------|---------------------|
| | <u>(Unaudited)</u> | <u>(Unaudited)</u> |
| Leasing | P 233,763,124 | P - |
| PAS 17 adjustment | 53,184,036 | - |
| Construction revenue | <u>-</u> | <u>20,003,363</u> |
| | <u>P 286,947,160</u> | <u>P 20,003,363</u> |

17. DIRECT COSTS

17.1 Cost of construction operations

The following is the breakdown of contract costs for the periods ended March 31:

| | 2020 | 2019 | 2018 |
|--------------------------------|-------------------------------|------------------------|------------------------|
| | <u>(Unaudited)</u> | <u>(Unaudited)</u> | <u>(Unaudited)</u> |
| Materials | P 1,292,411,083 | P 857,350,662 | P 1,048,955,737 |
| Outside services | 1,228,594,365 | 703,320,311 | 1,334,487,158 |
| Salaries and employee benefits | 420,569,932 | 290,068,434 | 224,873,595 |
| Depreciation and amortization | 234,755,078 | 147,417,789 | 134,703,153 |
| Project overhead | <u>55,727,809</u> | <u>173,822,005</u> | <u>428,308,092</u> |
| | <u>P 3,232,058,267</u> | <u>P 2,171,979,201</u> | <u>P 3,171,327,735</u> |

Project overhead includes insurance, repairs and maintenance, gas and oil, travel and transportation, professional fees, utilities, municipal permits, taxes, security services, office supplies and various rental expenses of staging areas.

17.2 Costs of Airport Operations

The following is the breakdown of cost of services:

| | 2020 | 2019 | 2018 |
|----------------------------------|-----------------------------|----------------------|---------------------|
| | <u>(Unaudited)</u> | <u>(Unaudited)</u> | <u>(Unaudited)</u> |
| Amortization of concession asset | P 149,259,607 | P 173,780,681 | P 28,815,213 |
| Utilities | 56,684,787 | 65,620,472 | 25,152,425 |
| Repairs and maintenance | 35,432,924 | 33,332,728 | 5,033,164 |
| Airline collection charges | 17,490,796 | 8,277,510 | 5,917,711 |
| Salaries and other benefits | 15,051,660 | 14,828,419 | 8,978,288 |
| Airport operator's fee | 10,398,054 | 13,350,225 | 8,207,846 |
| Insurance | 9,404,169 | 8,317,761 | 5,515,250 |
| Others | <u>55,353,033</u> | <u>49,333,951</u> | <u>1,956,291</u> |
| | <u>P 349,075,030</u> | <u>P 366,841,747</u> | <u>P 89,576,188</u> |

17.3 Costs of Trading Operations

The following is the breakdown of cost of trading:

| | 2020 | 2019 | 2018 |
|------------------|----------------------------|---------------------|---------------------|
| | <u>(Unaudited)</u> | <u>(Unaudited)</u> | <u>(Unaudited)</u> |
| Cost of food | P 9,547,385 | P 9,599,930 | P 9,258,101 |
| Cost of non-food | 6,943,584 | 12,431,901 | 7,575,292 |
| Freight-in | <u>28,637</u> | <u>-</u> | <u>-</u> |
| | <u>P 16,519,606</u> | <u>P 22,031,831</u> | <u>P 16,833,393</u> |

17.4 Cost of Terminal Operations

The details of this account for the three-months periods ending March 31 (nil in 2018) are composed of the revenues from:

| | 2020 | 2019 |
|-----------------------------|----------------------------|----------------------------|
| | <u>(Unaudited)</u> | <u>(Unaudited)</u> |
| Cost of terminal operations | P 52,649,502 | P 15,927,021 |
| Depreciation | 52,677,612 | - |
| Property maintenance – net | <u>(49,792,553)</u> | <u>-</u> |
| | <u>P 55,534,561</u> | <u>P 15,927,021</u> |

18. EQUITY

18.1 Dividends

In 2020 and 2019, the Parent Company's BOD approved the declaration of cash dividends of P1.76 per share or equivalent to P70.3 million per quarter (total of P281.0 million) to holders of preferred shares, which were taken out of the unrestricted earnings of the Parent Company as of December 31, 2019 and 2018, respectively. The series of record dates and payments are as follows:

| | <u>1st Quarter</u> | <u>2nd Quarter</u> | <u>3rd Quarter</u> | <u>4th Quarter</u> |
|----------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| 2020: | | | | |
| Approval dates | January 8, 2020 | n/a | n/a | n/a |
| Record dates | February 6, 2020 | n/a | n/a | n/a |
| Payment dates | March 3, 2020 | n/a | n/a | n/a |
| 2019: | | | | |
| Approval dates | January 8, 2019 | April 3, 2019 | July 8, 2019 | October 10, 2019 |
| Record dates | February 13, 2019 | May 16, 2019 | August 14, 2019 | November 15, 2019 |
| Payment dates | March 3, 2019 | June 3, 2019 | September 3, 2019 | December 3, 2019 |

The dividends on preferred shares bear cumulative, non-participating cash dividends based on the issue price, payable quarterly in arrears every dividend payment date, at the fixed rate of 7.025% per annum from listing date.

On December 26, 2019, the Company's BOD approved the declaration of cash dividends for common shares in the amount of P0.12 per share to all stockholders of record as of January 15, 2020, payable on January 31, 2020.

18.2 Treasury Shares

On July 20, 2016, the Parent Company's BOD approved the buy-back of 410.8 million common shares held by Sybase Equity Investment Corporation at a price equal to the 7-trading day volume weighted average price ending on July 28, 2016 or equivalent to P10.03 per share. Total purchase price of the treasury shares including incidental cost of the buy-back amounted P4,138.8 million.

On October 20, 2016, the Parent Company's BOD approved the sale of its 150.0 million treasury shares at P14.90 per share. Net proceeds of the sale of treasury share amounted to P2,181.7 million, net of incidental cost of the transaction. Outstanding balance of the treasury shares after the sale is 260.8 million treasury shares at cost of P2,627.7 million.

On October 1, 2018, the Parent Company's BOD approved a share buyback program worth up to P2.0 billion over a period of two years. Total cost to acquire treasury shares in 2018 amounted to P827.1 million which is equivalent to 48.8 million shares.

On March 3, 2020, the BOD approved an additional P3 billion to its Share buyback program (the "Program"), making it a total of P5 billion and removal of the period within which to execute the Program, making it open-ended.

18.3 Retained Earnings

On April 8, 2013, the BOD of the Parent Company approved the declaration of dividends and gave management the authority to decide the type (cash, stock or mixed) and amount of any dividends to be declared subsequently.

The Parent Company's retained earnings are restricted to the extent of the cost of treasury shares.

19. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent company and other shareholders, subsidiaries, associates, joint venture, parties related to the Parent Company by common ownership and key management personnel.

The summary of the Group's transactions with related parties as of March 31, 2020 is as follows:

| <u>Related Party Category</u> | <u>Notes</u> | <u>Amount of Transaction</u> | <u>Outstanding Receivable (Payable)</u> | <u>Terms</u> | <u>Conditions</u> |
|--|----------------|------------------------------|---|--|-------------------------------------|
| Ultimate Parent Company: | | | | | |
| Cash granted | 5, 19.4 | P 16,545,821 | P 3,085,917,546 | Interest-bearing | Unsecured; Unimpaired |
| Interest receivable | 5,19.4 | 55,125,000 | 344,100,323 | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| Shareholder: | | | | | |
| Revenue from services | 5, 16.1, 19.1 | 26,789,862 | 62,957,748 | Normal credit terms Noninterest-bearing | Unsecured; Unimpaired Unimpaired |
| Minority Shareholder and their affiliates – | | | | | |
| Cash granted | 5, 19.4 | 757,143 | 757,143 | Normal credit terms Noninterest-bearing | Unsecured; Unimpaired Unimpaired |
| Associate: | | | | | |
| Revenue from services | 5, 16.1, 19.1 | - | 905,413,727 | Normal credit terms | Unsecured; Unimpaired |
| Cash granted | 5, 19.4 | 30,013,778 | 36,013,778 | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| Cash obtained | 12, 19.4, 19.5 | - | (20,000,000) | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| Rent income | 19.2 | 13,393 | - | Normal credit terms | Unsecured; Unimpaired |
| Joint Arrangement: | | | | | |
| Revenue from services | 5, 16.1, 19.1 | 109,694,733 | 367,480,789 | Normal credit terms | Unsecured; Unimpaired |
| Cash granted | 5, 19.4 | (2,013,737) | 3,390,530 | On demand; Noninterest-bearing | Unsecured; Unimpaired |

| Related Party Category | Notes | Amount of Transaction | Outstanding Receivable (Payable) | Terms | Conditions |
|--|---------------|-----------------------|----------------------------------|---|------------------------------|
| Related Parties Under Common Ownership: | | | | | |
| Rent income | 19.2 | P 40,179 | P - | Normal credit terms | Unsecured; Unimpaired |
| Revenue from services | 5, 16.1, 19.1 | 49,207,840 | 151,522,460 | Normal credit terms | Unsecured; Unimpaired |
| Rent expense | 12, 19.2 | - | - | Normal credit terms | Unsecured; Unimpaired |
| Cash granted | 5, 19.4 | 3,593,356 | 3,190,363,863 | On demand; Interest-bearing and noninterest-bearing | Unsecured; Unimpaired |
| Interest receivable | 5,19.4 | 55,125,000 | 334,100,323 | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| Retirement fund | 19.5 | - | 4,384,701 | Upon retirement of beneficiaries | Partially funded; Unimpaired |
| Advances to Officers and Employees | 5, 19.3 | 74,239,879 | 125,743,668 | Upon liquidation, Noninterest-bearing | Unsecured; Unimpaired |
| Key Management Personnel – Compensation | | 310,903,975 | - | On demand | Unsecured; Unimpaired |

The summary of the Group's transactions with related parties as of March 31, 2019 is as follows:

| Related Party Category | Notes | Amount of Transaction | Outstanding Receivable (Payable) | Terms | Conditions |
|--|----------------|-----------------------|----------------------------------|---|-----------------------|
| Ultimate Parent Company – Cash granted | 5, 19.4 | (P 146,322,222) | P - | Interest-bearing | Unsecured; Unimpaired |
| Shareholder– Revenue from services | 5, 16.1, 19.1 | 34,663,347 | 70,683,755 | Normal credit terms Noninterest-bearing | Unsecured; Unimpaired |
| Associate– Revenue from services | 5, 16.1, 19.1 | - | 751,942,428 | Normal credit terms | Unsecured; Unimpaired |
| Joint Arrangement: Revenue from services | 5, 16.1, 19.1 | - | 53,190,760 | Normal credit terms | Unsecured; Unimpaired |
| Cash granted | 5, 19.4 | (1,074,666) | - | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| Cash obtained | 12, 19.4, 19.5 | 14,020,851 | (862,777) | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| Related Parties Under Common Ownership: | | | | | |
| Revenue from services | 5, 16.1, 19.1 | 26,818,241 | 93,917,922 | Normal credit terms | Unsecured; Unimpaired |
| Rent expense | 12, 19.2 | 883,217 | - | Normal credit terms | Unsecured; Unimpaired |
| Cash granted | 5, 19.4 | (40,034,882) | 3,104,335,839 | On demand; Interest-bearing and noninterest-bearing | Unsecured; Unimpaired |
| Cash obtained | 12, 19.4, 19.5 | 15,678,073 | (29,005,125) | On demand; Noninterest-bearing | Unsecured; Unimpaired |

| Related Party Category | Notes | Amount of Transaction | Outstanding Receivable (Payable) | Terms | Conditions |
|--|---------|--------------------------|--|--|------------------------------------|
| Retirement fund | | P - | P 3,934,974 | Upon retirement of beneficiaries | Partially funded; Unimpaired |
| Advances to Officers and Employees | 5, 19.3 | 6,159,952 | 40,431,491 | Upon liquidation, Noninterest-bearing | Unsecured; Unimpaired |
| Key Management Personnel – Compensation | | - | - | On demand | Unsecured; Unimpaired |

The summary of the Group's transactions with related parties as of December 31, 2019 is as follows:

| Related Party Category | Notes | Amount of Transaction | Outstanding Receivable (Payable) | Terms | Conditions |
|--|----------------|--------------------------|--|---|--------------------------|
| Ultimate Parent Company: | | | | | |
| Cash granted | 5, 19.4 | P 2,923,049,503 | P 3,069,371,725 | Interest-bearing | Unsecured; Unimpaired |
| Interest receivable | 5,19.4 | 220,500,000 | 288,975,323 | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| Minority shareholders and their affiliates– | | | | | |
| Cash granted | 5, 19.4 | (841,103) | - | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| Associate: | | | | | |
| Revenue from services | 5, 16.1, 19.1 | 313,577 | 905,413,727 | Normal credit terms | Unsecured; Unimpaired |
| Cash granted | 5, 19.4 | 6,000,000 | 6,000,000 | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| Cash obtained | 12, 16.4, 19.5 | (20,000,000) | (20,000,000) | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| Rent income | 19.2 | 53,571 | 57,321 | Normal credit terms | Unsecured; Unimpaired |
| Joint Arrangement: | | | | | |
| Revenue from services | 5, 16.1, 19.1 | 598,911,864 | 298,184,597 | Normal credit terms | Unsecured; Unimpaired |
| Cash granted | 5, 19.4 | 4,329,601 | 5,404,267 | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| Cash obtained | 12, 19.4, 19.5 | 14,883,628 | - | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| Related Parties Under Common Ownership: | | | | | |
| Rent income | 19.2 | 3,662,298 | 3,703,186 | Normal credit terms | Unsecured; Unimpaired |
| Revenue from services | 5, 16.1, 19.1 | 187,922,352 | 130,204,606 | Normal credit terms | Unsecured; Unimpaired |
| Rent expense | 17, 19.2 | 1,766,433 | - | Normal credit terms | Unsecured; Unimpaired |
| Cash granted | 5, 19.4 | 42,399,786 | 3,186,770,507 | On demand; Interest-bearing and noninterest-bearing | Unsecured; Unimpaired |
| Cash obtained | 12, 19.4, 19.5 | 44,683,199 | - | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| Interest receivable | 5,19.4 | 220,500,000 | 288,975,322 | On demand; Noninterest-bearing | Unsecured; Unimpaired |

| Related Party Category | Notes | Amount of Transaction | Outstanding Receivable (Payable) | Terms | Conditions |
|---|---------|--------------------------|--|---------------------------------------|------------------------------|
| Retirement fund | 19.5 | P 295,910 | P 4,384,701 | Upon retirement of beneficiaries | Partially funded; Unimpaired |
| Advances to Officers and Employees | 5, 19.3 | 17,232,250 | 51,503,789 | Upon liquidation, Noninterest-bearing | Unsecured; Unimpaired |
| Key Management Personnel – Compensation | | 310,903,975 | - | On demand | Unsecured; Unimpaired |

19.1 Rendering of Services

In the normal course of business, the Group provides construction services to its associate, a certain previous shareholder and other related parties. The related revenue from these transactions amounted to P185.7 million in 2020 and P53.8 million in 2019 and is recorded as part of Contract operation revenues account in the consolidated statements of income. Services rendered to the above related parties are based on normal terms similar to terms that would be available to non-related parties.

The outstanding contract receivables from these transactions, which are generally unsecured and settled through cash within three to six months, and the related retention receivables, which can only be collected after a certain period of time upon acceptance by project owners of the certificate of completion, are presented as part of Contract and Retention receivables under Trade and Other Receivables account in the consolidated statements of financial position.

19.2 Rental of Land and Building

The Group is a lessee of certain parcels of land and building owned by related parties under common ownership.

In 2019, the Group recognized rent expense amounting P0.75 million from the lease agreement with Megapolitan Realty and Development Corporation (Megapolitan) for the land where the Group's building is located. The Group has no outstanding payables from the rental transaction with Megapolitan. There were no such transaction in 2020.

19.3 Advances to Officers and Employees

Advances to officers and employees represent unsecured, noninterest-bearing cash advances for business-related expenditures that are to be liquidated 60 days from the date the cash advances were received. The outstanding receivables from these transactions are presented as part of Trade and Other Receivables.

19.4 Advances to and from Related Parties

The Group obtained unsecured, noninterest-bearing cash advances from certain related parties to finance portion of its working capital requirement payable upon demand. The outstanding balance from these transactions is shown under Trade and Other Payables account in the consolidated statements of financial position.

The Group has provided unsecured, interest-bearing cash advances to its associates and certain related parties under common ownership for their working capital requirements.

The outstanding balance from these transactions is shown under Trade and Other Receivables account in the consolidated statements of financial position. Interest income earned from these advances are presented as part of Finance Income under Other Income (Charges) account in the consolidated statements of income. The outstanding balance from interest income is presented as part of Trade and Other receivable) account in the consolidated statements of financial position.

Further, upon assessment of recoverability based on the capacity to pay and expected collectability of these advances, no impairment losses were recognized in both periods.

The Group's outstanding receivables from and payables to the same related parties as presented can be potentially offset to the extent of their corresponding outstanding balances.

19.5 Others

The Parent Company's retirement plan is in the form of a bank-trustee managed account. The fair value of the retirement plan totalled P4.4 million as of March 31, 2020 and December 31, 2019.

20. COMMITMENTS AND CONTINGENCIES

There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying interim condensed consolidated financial information. Management is of the opinion, that losses, if any, from these items will not have any material effect on its interim condensed consolidated financial information.

21. SEASONAL OR CYCLICALITY OF OPERATIONS

Due to the seasonal nature of the airport operation business, higher revenues and operating profits are usually expected in the months of January, April, May, July and December. Higher revenues from these months are mainly attributed to the increased traffic during the peak holiday season in the Philippines and other neighbouring countries.

22. CHANGES IN ACCOUNTING ESTIMATES

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or in estimates of amounts reported in prior financial years.

23. EARNINGS PER SHARE (EPS)

Basic and diluted EPS were computed as follows:

| | <u>2020</u> <u>(Unaudited)</u> | 2019 <u>(Unaudited)</u> | 2018 <u>(Unaudited)</u> |
|---|-----------------------------------|----------------------------|----------------------------|
| Net profit attributable to shareholders of the Parent Company | P 200,943,093 | P 239,255,166 | P 475,290,232 |
| Dividends on cumulative preferred shares | <u>(70,250,000)</u> | <u>(70,250,000)</u> | <u>(70,250,000)</u> |
| Net profit available to common shareholders of the Parent Company | 130,693,093 | 169,005,166 | 405,040,232 |
| Divided by weighted average number of outstanding common shares | <u>2,068,963,066</u> | <u>2,088,843,960</u> | <u>2,138,577,497</u> |
| Basic and diluted EPS | <u>P 0.06</u> | <u>P 0.08</u> | <u>P 0.19</u> |

The Group does not have dilutive potential common shares outstanding as of March 31, 2020, 2019 and 2018; hence, diluted EPS is equal to the basic EPS.

24. EVENTS AFTER THE REPORTING PERIOD

24.1 Annual Cash Dividend Declaration

On May 8, 2020, the Company's BOD approved the declaration of cash dividends of P1.76 per share or equivalent to P70.3 million to holders of preferred shares on record as of May 25, 2020. The dividends which is payable on June 3, 2020, shall be taken out of the unrestricted earnings of the Company as of December 31, 2019.

24.2 COVID-19 Outbreak

In December 2019, a novel strain of corona virus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared the outbreak as a 'public health emergency of international concern.' COVID-19 started to become widespread in the Philippines in early March 2020. This caused the government to declare the country in a state of public health emergency followed by implementation of enhanced quarantine and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. This resulted in a wide-ranging business suspension - disrupting the supply chains, affecting production and sales across a range of industries, and weakening the stock market.

The Enhanced Community Quarantine (ECQ), which suspended construction activities and PITX and MCIA terminal operations, imposed by the government on March 17, 2020 were relaxed beginning May 16, 2020 placing Metro Manila and Laguna in Luzon under modified ECQ (MECQ) as these areas are categorized as high-risk while moderate risk places are placed under General Community Quarantine (GCQ) which includes MCIA.

Under MECQ, public works and private construction projects are now allowed to operate subject to minimum health standards and measures. Although public transportation is suspended in PITX, operation of its office towers and retail groceries are allowed whereas restaurants are allowed to operate at 50% capacity provided service shall be limited to delivery or takeout. MCIA, on the other hand, which is placed under GCQ beginning May 16 are allowed to operate domestic flights provided incoming or outgoing flights are from GCQ area.

These circumstances are expected to delay activities during the ECQ period or for two months from its expected original schedule of 12 months, translating to delayed revenue recognition for the year. Meanwhile, revenues from airport operations and merchandising activities will be affected by the expected drop in international tourist arrivals, estimated by the government to fall by 30-40% this year, and the restricted travel within the Philippines due to the nationwide imposition of the ECQ. Recovery in revenue is contingent upon the lifting of travel bans imposed by the government and nearby countries as well as confidence of people to travel. Terminal or landport operations, being a new segment and went full swing in January 2020, is expected to contribute significantly and compensate for the slowdown in the airport segment and delay in construction activities. Cost, on the other hand, are expected to follow the revenue trajectory.

The Group does not foresee any impairment of its assets nor breaches from its existing loan covenant given its measures to address risk of losses and its healthy balance sheet. The Group foresees that the New Normal emerging from the COVID-19 pandemic presents several challenges in the businesses yet unlocks exciting opportunities in construction and infrastructure development, which the Group is in a very strong position to line up for. In the construction segment, the government's infrastructure acceleration under the modified Build, Build, Build program will be very attractive, considering our fully-integrated EPC capabilities, engineering technologies like precast, and track record in PPPs. The precast technology, in particular, is adaptive to social distancing and safety standards requirements for construction sites post-quarantine. As such, Megawide's precast business unit is now ramping up its capacity to deliver external sales orders.

The Group has determined that these events are non-adjusting subsequent events. Accordingly, their impact was not reflected in the Group's consolidated financial statements as of and for the year ended March 31, 2020.

25. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to its financial instruments. The Group's financial assets and financial liabilities by category are summarized below. The main types of risk are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with the Group's Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Group is exposed to are described below and in the succeeding pages.

25.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from its US dollar-denominated cash and cash equivalents and loans payable which have been used to fund the Cebu Mactan Airport project. The principal and interest of the loans payable will be funded by the US dollar-denominated sales generated by the airport operation. Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency transactions.

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually made at fixed rates.

The Group is exposed to changes in market rates through its cash in banks and short-term placements which are subject to monthly repricing intervals and some short-term working capital loans which are subject to variable interest rate. Any increase in finance costs due to changes in interest rates will be mitigated by the finance income on cash and cash equivalents and short-term placements.

25.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, such as the granting of loans and receivables to customers and related parties and placing deposits with local banks and investment in bonds and Unit Investment Trust Fund (UITF).

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets and contract assets is the carrying amount of the related assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized in the succeeding page.

| | March 31, 2020 <u>(Unaudited)</u> | December 31, 2019 <u>(Audited)</u> |
|--|--|--|
| Cash and cash equivalents | P 4,240,822,139 | P 6,518,599,861 |
| Trade and other receivables-net <i>(excluding advances to officers and employees)</i> | 15,517,067,139 | 17,321,972,758 |
| Refundable security and bond deposits | 192,775,522 | 196,779,733 |
| Investment in trust fund | 1,432,695,136 | 862,704,457 |
| Contract assets | <u>4,115,070,960</u> | <u>3,975,734,097</u> |
| | <u>P25,498,430,896</u> | <u>P 28,875,790,906</u> |

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and trade and other receivables as described below.

(a) *Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) *Trade and Other Receivables and Contract Asset*

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables and contract assets.

To measure the ECL, trade and other receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Group also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The expected loss rates are based on the payment and aging profiles over a period of 36 months before March 31, 2020 or December 31, 2019, respectively, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The Group identifies a default when the receivables become credit impaired or when the customer has not able to settle the receivables within the normal credit terms of 30 to 60 days, depending on the terms with customers; hence, these receivables were already considered as past due on its contractual payment. In addition, the Group considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty.

As the reporting period, none of the outstanding receivables and contract assets were found to be impaired using the provision matrix as determined by the management; hence, no additional amount of allowance for impairment have been recognized.

(c) *Investment in Trust Fund*

The Group is exposed to credit risk on its investments in UITF, short-term commercial papers and trust fund. However, the Group has assessed that such risk is minimal since the counterparties are reputable listed leasing company and financial institutions with high quality external credit ratings.

(d) *Refundable Security and Bond Deposits, and Investments in Retail Treasury Bonds (RTB)*

The Group is not exposed to any significant credit risk exposures to its lessors as lease agreements were executed with reputable entities. The Group can negotiate, before the end of the lease term, to apply deposit to rentals due. Also, the investments in RTB and bond deposits are made with the Philippine Government, hence, the exposure on credit risk is assessed by the management to be not be significant.

25.3 *Liquidity Risk*

The Group manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for six-month and one-year periods are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

| | March 31, 2020 (Unaudited) | | |
|---|-----------------------------------|----------------------------|-------------------------------|
| | Current | | Non-current |
| | Within 6 Months | 6 to 12 Months | 1 to 5 Years |
| Interest-bearing loans and borrowings | P13,048,306,800 | P 92,819,903 | P33,663,254,485 |
| Trade and other payables | 7,132,112,576 | - | - |
| Security deposits (gross of unearned income) | - | - | 635,902,015 |
| | <u>P20,180,419,376</u> | <u>P 92,819,903</u> | <u>P34,299,156,500</u> |

| | December 31, 2019 (Audited) | | |
|---|-----------------------------|---------------------|------------------------|
| | Current | | Non-current |
| | Within 6 Months | 6 to 12 Months | 1 to 5 Years |
| Interest-bearing loans and borrowings | P14,614,706,850 | P 66,354,402 | P33,882,124,037 |
| Trade and other payables | 8,089,037,191 | - | - |
| Security deposits (gross of unearned income) | - | - | 586,498,441 |
| | <u>P22,703,744,041</u> | <u>P 66,354,402</u> | <u>P34,468,622,478</u> |

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of reporting periods.

26. CATEGORIES, OFFSETTING AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

26.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

| | March 31, 2020 (Unaudited) | | December 31, 2019 (Audited) | |
|--|----------------------------|-------------------------|-----------------------------|-------------------------|
| | Carrying Values | Fair Values | Carrying Values | Fair Values |
| Financial Assets | | | | |
| At amortized cost: | | | | |
| Loans and receivables: | | | | |
| Cash and cash equivalents | P 4,240,822,139 | P 4,240,822,139 | P 6,518,599,861 | P 6,518,599,861 |
| Trade and other receivables – net | 15,517,067,139 | 15,517,067,139 | 17,373,476,547 | 17,373,476,547 |
| Refundable security and bond deposits | 192,775,522 | 192,775,522 | 196,779,733 | 196,779,733 |
| Investment in trust fund | 1,432,695,136 | 1,432,695,136 | 862,704,457 | 862,704,457 |
| Contract assets | <u>4,115,070,960</u> | <u>4,115,070,960</u> | <u>3,975,734,097</u> | <u>3,975,734,097</u> |
| | <u>25,498,430,896</u> | <u>25,498,430,896</u> | <u>28,927,294,695</u> | <u>28,927,294,695</u> |
| Financial assets at Fair value through other comprehensive income (FVOCI) | | | | |
| Club shares | 1,044,472 | 1,044,472 | 1,044,472 | 1,044,472 |
| Investment in SSPI | <u>2,500,000</u> | <u>2,500,000</u> | <u>2,500,000</u> | <u>2,500,000</u> |
| | <u>3,544,472</u> | <u>3,544,472</u> | <u>3,544,472</u> | <u>3,544,472</u> |
| | <u>P 25,501,975,368</u> | <u>P 25,501,975,368</u> | <u>P 28,930,839,167</u> | <u>P 28,930,839,167</u> |
| Financial Liabilities | | | | |
| At amortized cost: | | | | |
| Interest-bearing loans and borrowings | | | | |
| Trade and other payables | P 46,728,058,526 | P 46,728,058,526 | P 47,752,912,677 | P 47,752,912,677 |
| Security deposits | 7,132,112,576 | 7,132,112,576 | 8,089,037,191 | 8,089,037,191 |
| | <u>635,902,015</u> | <u>635,902,015</u> | <u>586,498,441</u> | <u>586,498,441</u> |
| | 54,496,073,117 | 54,496,073,117 | 56,428,448,309 | 56,428,448,309 |
| At fair value through profit or loss – Derivative liability | | | | |
| | <u>172,204,242</u> | <u>172,204,242</u> | <u>78,552,254</u> | <u>78,552,254</u> |
| | <u>P 54,668,277,359</u> | <u>P 54,668,277,359</u> | <u>P 56,507,000,563</u> | <u>P 56,507,000,563</u> |

26.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2020 and 2019 and does not have relevant offsetting arrangements except as disclosed in Notes 19.4 and 25.2(b). Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and stockholders. As such, the Group's outstanding receivables from and payables to the same related parties as presented in Note 19 can be potentially offset to the extent of their corresponding outstanding balances.

26.3 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

26.4 Financial Instruments Measured at Fair Value

The Group's AFS financial assets are under Level 2 of the fair value hierarchy. Moreover, certain equity investment classified as AFS financial asset is carried at cost; hence, such is no longer categorized in the fair value hierarchy.

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of March 31, 2020 and December 31, 2019.

| | <u>Note</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------------------|-------------|----------------|---------------------|----------------|----------------------|
| March 31, 2020 | | | | | |
| <i>Financial assets:</i> | | | | | |
| Equity securities – | | | | | |
| Golf club shares | | <u>P -</u> | <u>P 1,044,472</u> | <u>P -</u> | <u>P 1,044,472</u> |
| <i>Financial liabilities:</i> | | | | | |
| Derivative liability | 12 | <u>P -</u> | <u>P172,209,424</u> | <u>P -</u> | <u>P 172,209,424</u> |

| | Note | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|------|---------|--------------|---------|--------------|
| December 31, 2019 | | | | | |
| <i>Financial assets:</i> | | | | | |
| Equity securities – | | | | | |
| Golf club shares | | P - | P 1,044,472 | P - | P 1,044,472 |
| <i>Financial liabilities:</i> | | | | | |
| Derivative liability | 12 | P - | P 78,552,254 | P - | P 78,552,254 |

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both periods.

Described below and in the succeeding page is the information about how the fair values of the Group's classes of financial assets are determined.

(a) *Equity Securities*

As of March 31, 2020 and December 31, 2019, instrument included in Level 2 comprise equity securities classified as financial assets at FVOCI. These securities were valued based on their fair market values by reference on published share prices of golf club shares and Net Asset Value per unit (NAVpu) for UITF investments as of the end of the reporting periods. These are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.

(b) *Debt Securities*

The fair value of the Group's debt securities which consist of government bonds is estimated by reference to prices quoted in BVAL for March 31, 2020 and December 31, 2019 representing the net clean closing prices for outstanding government bonds.

26.5 Financial Instruments Measured at Amortized Cost

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed. Short-term commercial papers are included since these financial instruments are measured at amortized cost, which approximate their fair values upon designation as financial assets at fair value through profit or loss (see Note 26.4).

| | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------|-----------------------|------------|-------------------------|------------------------|
| March 31, 2020: | | | | |
| <i>Financial assets:</i> | | | | |
| Cash and cash equivalents | P4,240,822,139 | P - | P - | P 4,240,822,139 |
| Trade and other receivables - net | - | - | 15,517,067,139 | 15,517,067,139 |
| Refundable security and bond deposits | - | - | 192,775,522 | 192,775,522 |
| Investment in trust fund | 1,432,695,136 | - | - | 1,432,695,136 |
| Contract assets | - | - | 4,115,070,960 | 4,115,070,960 |
| | P5,673,517,275 | P - | P 19,824,913,621 | P25,498,430,896 |

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---------------------------------------|----------------|----------------|-------------------------|-------------------------|
| Financial liabilities: | | | | |
| Interest-bearing loans and borrowings | P - | P - | P 46,728,058,526 | P 46,728,058,526 |
| Trade and other payables | - | - | 7,132,112,576 | 7,132,112,576 |
| Security deposits | - | - | 635,902,015 | 635,902,015 |
| | <u>P -</u> | <u>P -</u> | <u>P 54,496,073,117</u> | <u>P 54,496,073,117</u> |

December 31, 2019:

| | | | | |
|---------------------------------------|-----------------------|------------|-------------------------|-------------------------|
| Financial assets: | | | | |
| Cash and cash equivalents | P6,518,599,861 | P - | P - | P 6,518,599,861 |
| Trade and other receivables - net | - | - | 17,373,476,547 | 17,373,476,547 |
| Refundable security and bond deposits | - | - | 196,779,733 | 196,779,733 |
| Investment in trust fund | 862,704,457 | - | - | 862,704,457 |
| Contract assets | - | - | 3,975,734,097 | 3,975,734,097 |
| | <u>P7,381,304,318</u> | <u>P -</u> | <u>P 21,545,990,377</u> | <u>P28,927,294,695</u> |
| Financial liabilities: | | | | |
| Interest-bearing loans and borrowings | P - | P - | P 47,752,912,677 | P 47,752,912,677 |
| Trade and other payables | - | - | 8,167,589,445 | 8,167,589,445 |
| Security deposits | - | - | 586,498,441 | 586,498,441 |
| | <u>P -</u> | <u>P -</u> | <u>P 56,507,000,563</u> | <u>P 56,507,000,563</u> |

26.6 Fair Value Measurement for Investment Property Carried at Cost

The table below shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis.

| | <u>Note</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------------------|-------------|----------------|----------------|------------------------|------------------------|
| March 31, 2020 | | | | | |
| Building for lease | 10 | P - | P - | P 3,727,351,810 | P 3,727,351,810 |
| Land | | - | - | 135,610,000 | 135,610,000 |
| | | <u>P -</u> | <u>P -</u> | <u>P 3,862,961,810</u> | <u>P 3,862,961,810</u> |
| December 31, 2019 | | | | | |
| Building for lease | 10 | P - | P - | P 3,724,304,346 | P 3,724,304,346 |
| Land | | - | - | 160,270,935 | 160,270,935 |
| | | <u>P -</u> | <u>P -</u> | <u>P 3,884,575,281</u> | <u>P 3,884,575,281</u> |

In estimating the fair value of investment property, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

There has been no change to the valuation techniques used by the Group during the period related to its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2020 and 2019.

27. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, equity and liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, re-issuance of treasury shares or sell assets to reduce debt.

| | | March 31, 2020 (Unaudited) | December 31, 2019 (Audited) |
|---------------------------------------|----|---|-----------------------------------|
| Interest-bearing loans and borrowings | 13 | P 46,728,058,526 | P 47,752,912,677 |
| Cash and cash equivalents | 4 | (4,240,822,139) | (6,518,599,861) |
| Net debt | | 42,487,236,387 | 41,234,312,816 |
| Total equity | | <u>17,379,363,197</u> | <u>17,998,512,696</u> |
| | | <u>2.44: 1.00</u> | <u>2.29: 1.00</u> |

MEGAWIDE CONSTRUCTION CORPORATION
AGING OF RECEIVABLES
as of March 31, 2020

| Segment | Current | 1-30 days | 31-60 days | 61-90 days | 91-120 days | 121-150 | 151-180 | Over 180 days | Total |
|---------------|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|--------------------|----------------------|
| Construction | 2,358,266,775 | 520,553,807 | 165,210,744 | 126,020,065 | 614,397,500 | 94,092,090 | 14,931,055 | 313,502,166 | 4,206,974,202 |
| Airport | 390,098,874 | 183,371,940 | 61,483,429 | 46,255,988 | 32,131,615 | 30,134,025 | 23,892,717 | 48,474,185 | 815,842,773 |
| Merchandising | - | 6,892,546.94 | 24,813,746.81 | 40,863,916.87 | - | - | - | - | 72,570,210.62 |
| Landport | 837,643 | 90,932,447 | 134,630,774 | 7,303,305 | 8,689,198 | 2,354,097 | 2,446,449 | 8,913,438 | 256,107,351 |
| TOTAL | 2,749,203,291 | 801,750,741 | 386,138,694 | 220,443,275 | 655,218,313 | 126,580,212 | 41,270,221 | 370,889,789 | 5,351,494,536 |