# COVER SHEET

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S.E.C. Registration Number

MEGAWIDE CONSTRUCTION

CORPORATION

(Company's Full Name)

20 N. DOMINGO STREET, BARANGAY VALENCIA, QUEZON CITY

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

**CHARLOTTE Y. KING**
**CHRISTIAN JASON O. DALUDADO**

Contact Person

**(02) 8655-1111**

Company's Telephone Number

31 December

Month Day of Fiscal Year

30 June

Month Day of Annual Meeting

**SEC FORM 17-Q**

Secondary License Type, If Applicable

S E C

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

**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

**June 30, 2022**
Period Ended Date

–
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(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 | **June 30, 2022** |
| 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<br>Postal Code | **No. 20 N. Domingo Street, Barangay Valencia, Quezon City**<br>**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 Issued and Outstanding | Amount of Debt Outstanding (Php) |
|---|---|---|
| MWIDE (Common) | 2,399,426,127 | 0 |
| MWP2A (Preferred) | 26,220,130 | 0 |
| MWP2B (Preferred) | 17,405,880 | 0 |
| MWP3 (Preferred) | 5,000,000 | 0 |
| MWP4 (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:

| | |
|---|---|
| **The Philippine Stock Exchange, Inc.** | **- Common Shares (MWIDE)**<br>**- Preferred Shares (MWP2A, and MWP2B, MWP4)** |

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 June 30, 2022 with comparative figures as of December 31, 2021 and June 30, 2021, 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 six (6) months ended June 30, 2022 as compared with the results for the six (6) months ended June 30, 2021*

***Results of Operations***

***Revenues increased by 6% or P436 million***

Consolidated revenues for the period amounted to P8.02 billion, 6% or P436 million higher from the same period last year. The construction segment revenue amounted to P7.07 billion, 1% or P87 million above from year ago levels and contributed 88% to the consolidated revenues. The construction segment has maintained its momentum in delivering projects on time despite quarantine measures at the start of the year. With a healthy orderbook, the Company is in the position to work on its order which are earmarked to be completed within two to three years from various projects such as Suntrust Home Developers' Suncity West Side City project, Megaworld's Newport Link project, and the DOTr's Malolos Clark Railway Phase 1 Project which is a joint

venture project with Hyundai Engineering & Construction Co., Ltd., and Dong-ah Geological Engineering Company Ltd.

Airport segment showed significant recovery with an increase in revenues by 174% or P409 million and remains optimistic of a turnaround as global vaccination program has been effectively rolled out and consumer are starting to travel. Revenue during the period amounted to P644 million and contributed 8% to the total consolidated revenue. Passenger volume more than doubled from last year's pandemic level although not enough to breach the pre-pandemic level with domestic passenger volume of 1.46 million from last year's 420 thousand and international passenger volume of 170 thousand to last year's 5 thousand. Passenger mix consists majority from domestic travel comprising 90% to total volume and the balance pertaining to international travel. Airport merchandising segment, which is ancillary to airport operations, likewise experienced an improvement in sales from P4 million to P54 million or resulting to an increase of 1,139%.

Landport operations delivered revenue of P250 million from office towers and commercial spaces during the period and contributed 3% to the total consolidated revenues. Due to the restrictions in foreign travel, Philippine Offshore Gaming Operators (POGO) experienced indefinite disruption on their operations, resulting in lower office occupancy levels and translated to 30% or P110 million lower revenue from the same period last year. PITX continued to serve as a transportation convergence point to serve commuters going to different places of work.

***Direct Costs increased by 4% or P276 million***

Direct costs amounted to P6.6 billion and were higher by 4% or P276 million. The movement was consistent with the revenue performance across all three segments, taking in consideration fixed costs and depreciation expenses despite reduced passenger volumes and lower occupancy rate at the airport and landport terminals.

***Gross Profit increased by 12% or P160 million***

Consolidated gross profit amounted to P1.5 billion for the first half of 2022, translating to a consolidated gross profit margin of 18%. The construction business contributed P1.1 billion or 75% of the Group's gross profit. Airport operations and merchandising segment accounted for P310 million or 21% to the total gross profit while Terminal operations contributed P60 million or 4% of the Group's gross profit.

***Other Operating Expenses decreased by 5% or P38 million***

Net Other Operating Expenses for the first half of 2022 amounted to P687 million. The decrease of P38 million is mainly related to conscious and aggressive cost reduction measures particularly for the airport segment such as review of service contracts, including scope and rates as part of its recovery plan.

***Other Income (Charges) increased by 130% or P655 million***

Other charges - net, which consists of finance cost, finance income and other income (charges) amounted to P1.16 billion, 130% higher from year-ago levels. The increase in other charges – net is due to unrealized foreign currency on long term loan amounting to P240 million, gain on loan modification recognized in 2021 amounting to P208 million and reduction from other income from year-ago levels.

***Tax Expense decreased by P69 million or 51%***

Total tax expense decreased due to the lower taxable income for the period. Tax expense in the previous year also includes impact of the adjustment of deferred tax assets to reduce in tax rate from 30% to 25% under the CREATE law.

***Consolidated Net Loss increased by 735% or P388 million***
Consolidated net loss amounted to P441 million compared to consolidated net loss of P53 million in 2021. While operating profit increased by 34% or P198 million, the impact of additional expenses from other charges net and tax expense resulted to the higher net loss in 2022.

## B. FINANCIAL CONDITION

*Review of financial conditions as of June 30, 2022 as compared with financial conditions as of December 31, 2021*

### ASSETS

***Current Assets increased by 4% or by P1.46 billion***

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

***Cash and Cash Equivalents decreased by 32% or P1.9 billion***
The decrease in cash and cash equivalents was due to payment of finance cost, dividends on preferred shares and various acquisitions of precast and construction equipment to ramp up capacity and other requirements for working capital.

***Trade and Other Receivables increased by 5% or by P799 million***
The increase in contract receivables is related to milestone payment contractual arrangement with customers, special payment arrangements to key clients and timing difference in collections as substantial portion of work accomplishment has been billed towards the end of the quarter and hence are being reviewed by the client whereas some recently billed receivables are not yet due. Increase in airport operations receivables by P106 million in mainly related to increase in operations as a result of the increase in revenues from last quarter of 2021. Meanwhile, receivables from Terminal operations increased by P188 million due to recognition of PFRS straight-line method of P75 million and the relaxation of payment schedule with the tenants in support to Bayanihan to Heal as One Act. To minimize credit risk, PITX as a matter of policy, ensures that there is sufficient amount of security deposits and advance rentals to cover unpaid balances.

***Construction Materials increased by 20% or by P419 million***
The increase in inventory levels during the period was due to the new projects started during the period, as well as to comply with the Company's business strategy to maintain buffer levels of inventory at site, considering longer procurement lead time during the quarantine period imposed by the government.

***Contract Assets increased by 11% or P514 million***
The increase in contract assets is attributed to timing difference on actual billing for portion of work-in-progress completed during the period, which can be billed and evaluated by the client upon completion of the said scope or activity.

***Other Current Assets increased by 16% or by P1.6 billion***
The increase was mainly due to advances made by the Parent to its suppliers and subcontractors for its new projects to lock in prices for steel required for the structural construction. The related input VAT also increased as a result of payments made to subcontractors. This is offset by the decrease in creditable withholding taxes under the construction segment that is directly related to the increase in tax expense and deferred fulfillment cost of newly started contracts which are being

amortized as expense as project progresses. The airport segment also recognized insurance claims with respect to typhoon Odette.

***Non-Current Assets amounted to P45 billion***

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

***Financial Assets at Fair Value Through Other Comprehensive Income (FVTOC) remains at P4 million***
FVTOC which represents shares of stocks held to unconsolidated entity and golf shares with no published market value references remains at P4 million for both periods.

***Investments in Associates and Joint Ventures decreased by 2% or by P14 million***
The decrease is a result of share in the net losses taken up on the Group's investment in various joint ventures and associates.

***Concession Assets increased by 1% or P247 million***
The increase in Concession Assets was attributed to capital investments of GMCAC amounting to P327 million in relation to its efficient execution of the concession agreement. Meanwhile, amortization charges for the period amounted to P80 million.

***Property, Plant and Equipment decreased by 1% or by P88 million***
The Group recognized depreciation charges on property, plant and equipment amounting to P707 million and procured certain pre-cast equipment to expand capacity of construction support and service units and various specialized equipment to support specification requirement of the ongoing projects.

***Investment Properties decreased by 1% or by P56 million***
The decrease is mainly related to the reclassification of completed works that were previously classified as construction in progress under property and equipment account after considering the depreciation charges for the period amounting to P59 million.

***Deferred tax assets increased by 85% or P21 million***
The increase was due to the increase in deferred tax assets recognized by a foreign subsidiary.

***Other Non-Current Assets decreased by 17% or P398 million***
The decrease in Other Non-Current Assets was mainly due to decrease in the deferred input VAT balance of the Group and the utilization of the cash waterfall account to pay off debt service requirement for the period of the airport segment.

**LIABILITIES AND EQUITY**

***Current Liabilities increased by 10% or by P2.8 billion***

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

***Interest-Bearing Loans and Borrowings-Current increased by 13% or P2 billion***
The increase is due to additional borrowings made during the year to support the working capital requirements of the Group.

***Trade and Other Payables increased by 7% or by P597 million***
The increase is due to progress billings on work in progress contracts, accrual of liabilities to replace damage caused by Typhoon Odette in the airport facility and accrual of interest.

***Contract Liabilities-Current increased by 8% or P278 million***
The increase is mainly related to reclassification from noncurrent portion and reduced by the recoupments from progress billings.

***Other Current Liabilities decreased by 26% or by P69 million***
The decrease is due to the decrease in tax liabilities of the Group such as withholding taxes and output VAT.

***Non-Current Liabilities decreased by 12% or P848 million***

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

***Interest-Bearing Loans and Borrowings-Non-Current increased by P136 million***
Current portion of finance lease payables and corporate note were reclassified to current loans based on scheduled payments within one year horizon. Meanwhile increase represent foreign currency adjustment on dollar denominated loan and the loan take for the acquisition of the Group's vehicle under finance and operating lease agreement with the local banks.

***Contract Liabilities-Non-Current decreased by 45% or P915 million***
The decrease is mainly related to reclassification to current portion of customer recoupments based on construction schedule.

***Deferred Tax Liabilities increased by 1% by P6 million***
The increase in deferred tax liabilities was due to the recognition of deferred tax liability on the airport and landport segment, and can be traced to the impact on taxes of the airport's depreciation policy and PFRS 16 adjustment for the landport segment.

***Other Non-Current Liabilities decreased by 12% or P78 million***
The increase is due to the accretion on security deposits received from landport and airport segments.

***Equity Attributable to Parent decreased by 3% or by P421 million***
The decrease in equity was mainly due to dividend payments of P271 million to preferred stock shareholders and net loss for the period attributable to parent company amounting to P126 million.

## 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 1.3 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.

Megawide has capital commitment on unutilized preferred shares amounting to P2,193.0 million for various PPP projects. Other than that, 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.

## 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 six (6) months ended June 30** | |
|---|---|---|
| **Cash Flow** | **2022**<br>UNAUDITED | **2021**<br>UNAUDITED |
| Net cash from (used in) operating activities | (P1,660) | P2,519 |
| Net cash used in investing activities | (P779) | (748) |
| Net cash from (used in) financing activities | P591 | (1,461) |

### Indebtedness

As of June 30, 2022, 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** | **June 30, 2022** | **June 30, 2021** |
|---|---|---|
| Current Ratio[1] | 1.37 | 1.39 |
| Book Value Per Share[2] | 3.91 | 4.37 |
| Earnings / (loss) per Share[3] | (0.20) | (0.12) |
| Return on Assets[4] | (0.005) | (0.025) |
| Return on Equity[5] | (0.023) | (0.026) |
| Gross Profit Margin[6] | 0.18 | 0.17 |

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 SAN JUAN CITY on AUG 0 2 2022.

By:

**EDGAR B. SAAVEDRA**
*President and Chief Executive Officer*

**RAMON H. DIAZ**
*Chief Financial Officer*

**SUBSCRIBED AND SWORNTO** before me in SAN JUAN CITY on AUG 0 2 2022, 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. P6875140B | Valid until May 26, 2031 | Manila |
| Ramon H. Diaz | Passport No. P5852124B | Valid until November 24, 2030 | Manila |

Doc. No. 195;
Page No. 40;
Book No. 9;
Series of 2022.

ATTY. MAE LALAINE H. DE LEON
NOTARY PUBLIC
PASIG
PATEROS
SAN JUAN
PHILS.
ROLL NO. 71079

ATTY. MAE LALAINE H. DE LEON
Appointment No. 176 (2021-2022)
Notary Public for and in the Cities of Pasig and San Jua
and in the Municipality of Pateros
Commission Expires on December 31, 2022
11/F Rockwell Santolan Town Plaza
276 Col. Bonny Serrano Avenue, San Juan City
Roll of Attorneys No. 71079
MCLE Compliance No. VI-0018800
IBP O.R. No. 197586 / 01-08-22 / Manila II
PTR No. 1574237 / 01-07-22 / San Juan C

MEGAWIDE

August 5, 2022

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY**
**FOR FINANCIAL STATEMENTS**

The management of **Megawide Construction Corporation and its subsidiaries** (the Group) is responsible for the preparation and fair presentation of the financial statements as of June 30, 2022 and December 31, 2021 and for the six months ended June 30, 2022, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or has no realistic alternative to do so.

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Group for the year ended December 31, 2021, in accordance with Philippine Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and in their report to the stockholders, has expressed their opinion on the fairness of presentation upon completion of such review. The financial statements as of and for the period ended June 30, 2022 and 2021 were not audited as allowed under the applicable rules of the Securities and Exchange Commission and the Philippine Stock Exchange.

**ENGR. EDGAR B. SAAVEDRA**
President
195-661-064-000

**RAMON H. DIAZ**
Group Chief Financial Officer
133-692-824-000

MEGAWIDE

**SUBSCRIBED AND SWORN TO** before me this AUG 09 2022 at **SAN JUAN CITY** affiants exhibiting to me their valid Tax Identification Numbers stated above.

Signed this 9 th day of August 2022.

Doc. No. 210;
Page No. 55;
Book No. 5;
Series of 2022.

ATTY. MAE LALAINE H. DE LEON
NOTARY PUBLIC
PASIG
PATEROS
SAN JUAN
PHILS.
ROLL NO. 71079

ATTY. MAE LALAINE H. DE LEON
Appointment No. 176 (2021-2022)
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Roll of Attorneys No. 71079
MCLE Compliance No. VI-0018800
IBP O.R. No. 197586 / 01-08-22 / Manila
PTR No. 1574237 / 01-07-22 / San Juan

**MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES**
***(A Subsidiary of Citicore Holdings Investment, Inc.)***
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**JUNE 30, 2022**
***(With Comparative Figures as of December 31, 2021)***
***(Amounts in Philippine Pesos)***

| | Notes | | June 30, 2022 (Unaudited) | | December 31, 2021 (Audited) |
|---|---|---|---|---|---|
| **A S S E T S** | | | | | |
| **CURRENT ASSETS** | | | | | |
| Cash and cash equivalents | 4 | **P** | **3,981,221,155** | P | 5,846,088,030 |
| Trade and other receivables - net | 5 | | **17,769,881,541** | | 16,970,554,555 |
| Financial assets at fair value through profit or loss | 7 | | **-** | | - |
| Construction materials | | | **2,463,728,019** | | 2,045,159,384 |
| Contract assets - net | 6 | | **5,291,724,188** | | 4,777,704,858 |
| Other current assets | 8 | | **11,730,180,709** | | 10,132,960,472 |
| Total Current Assets | | | **41,236,735,612** | | 39,772,467,299 |
| **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 | | **847,505,379** | | 861,513,183 |
| Concession assets | 9 | | **30,750,676,375** | | 30,503,822,564 |
| Property, plant and equipment - net | 10 | | **7,079,304,825** | | 7,166,867,342 |
| Investment properties | 11 | | **4,437,350,812** | | 4,493,343,814 |
| Deferred tax assets - net | | | **45,382,525** | | 24,595,138 |
| Other non-current assets | 8 | | **1,952,034,191** | | 2,350,475,048 |
| Total Non-current Assets | | | **45,115,798,579** | | 45,404,161,561 |
| **TOTAL ASSETS** | | **P** | **86,352,534,191** | P | 85,176,628,860 |

| | Notes | June 30, 2022 (Unaudited) | December 31, 2021 (Audited) |
|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | |
| **CURRENT LIABILITIES** | | | |
| Interest-bearing loans and borrowings | 14 | **P 16,733,148,315** | P 14,780,086,022 |
| Trade and other payables | 13 | **9,214,145,085** | 8,616,715,347 |
| Contract liabilities | 15 | **3,981,740,153** | 3,703,189,013 |
| Other current liabilities | 16 | **196,377,239** | 265,859,336 |
| Total Current Liabilities | | **30,125,410,792** | 27,365,849,718 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing loans and borrowings | 14 | **34,857,619,739** | 34,721,410,470 |
| Contract liabilities | 15 | **1,140,900,702** | 2,056,202,307 |
| Post-employment defined benefit obligation | | **303,543,567** | 300,125,050 |
| Deferred tax liabilities - net | | **878,561,482** | 872,560,526 |
| Other non-current liabilities | 16 | **581,737,624** | 659,573,110 |
| Total Non-current Liabilities | | **37,762,363,114** | 38,609,871,463 |
| Total Liabilities | | **67,887,773,906** | 65,975,721,181 |
| **EQUITY** | 19 | | |
| Equity attributable to shareholders of the Parent Company: | | | |
| Common stock | | **2,399,426,127** | 2,399,426,127 |
| Preferred stock | | **128,626,010** | 128,626,010 |
| Additional paid-in capital | | **16,987,855,617** | 16,987,855,617 |
| Treasury shares | | **( 8,615,690,576 )** | ( 8,615,690,576 ) |
| Revaluation reserves - net | | **70,319,532** | 94,011,896 |
| Other reserves | | **( 22,474,837 )** | ( 22,474,837 ) |
| Retained earnings | | **5,158,686,325** | 5,555,676,962 |
| Total equity attributable to shareholders of the Parent Company | | **16,106,748,198** | 16,527,431,199 |
| Non-controlling interests | | **2,358,012,087** | 2,673,476,480 |
| Total Equity | | **18,464,760,285** | 19,200,907,679 |
| **TOTAL LIABILITIES AND EQUITY** | | **P 86,352,534,191** | P 85,176,628,860 |

***See Selected 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 SIX MONTHS ENDED JUNE 30, 2022, 2021 AND 2020**
***(Amounts in Philippine Pesos)***
***(UNAUDITED)***

| | Notes | 2022 | | 2021 | | 2020 | |
|---|---|---|---|---|---|---|---|
| | | **Year-to-date** | **Quarter** | Year-to-date | Quarter | Year-to-date | Quarter |
| **REVENUES** | | | | | | | |
| Construction operations | 17 | **P 7,071,551,743** | **P 3,279,785,758** | P 6,984,412,972 | P 3,563,351,001 | P 4,861,282,449 | P 1,061,847,865 |
| Airport operations | | **643,819,560** | **420,131,269** | 235,011,515 | 121,073,409 | 882,260,383 | 73,633,413 |
| Landport operations | | **250,403,789** | **119,633,032** | 360,051,466 | 173,030,961 | 599,308,802 | 312,361,642 |
| Trading operations | | **54,378,035** | **35,790,724** | 4,389,555 | 3,245,333 | 69,345,209 | 4,550,378 |
| | | **8,020,153,127** | **3,855,340,783** | 7,583,865,508 | 3,860,700,704 | 6,412,196,843 | 1,452,393,298 |
| **DIRECT COSTS** | 18 | | | | | | |
| Cost of construction operations | | **5,971,573,151** | **2,774,688,313** | 5,934,350,295 | 3,011,815,870 | 4,444,509,997 | 1,212,451,730 |
| Costs of airport operations | | **354,915,035** | **238,169,993** | 174,627,633 | 90,618,561 | 450,302,685 | 101,227,655 |
| Costs of landport operations | | **190,859,127** | **102,091,216** | 161,055,977 | 77,460,000 | 166,776,965 | 55,284,395 |
| Costs of trading operations | | **33,183,936** | **21,498,030** | 4,203,588 | 2,189,506 | 19,730,286 | 3,210,680 |
| | | **6,550,531,249** | **3,136,447,552** | 6,274,237,493 | 3,182,083,937 | 5,081,319,933 | 1,372,174,460 |
| **GROSS PROFIT** | | **1,469,621,878** | **718,893,231** | 1,309,628,015 | 678,616,767 | 1,330,876,910 | 80,218,838 |
| **OTHER OPERATING EXPENSES** | | **686,743,448** | **324,643,708** | 724,511,012 | 349,923,725 | 784,547,182 | 377,409,768 |
| **OPERATING PROFIT** | | **782,878,430** | **394,249,523** | 585,117,003 | 328,693,042 | 546,329,728 | ( 297,190,930 ) |
| **OTHER INCOME (CHARGES)** | | | | | | | |
| Finance costs | | **( 1,553,637,761 )** | **( 839,436,952 )** | ( 1,213,171,048 ) | ( 573,805,630 ) | ( 1,252,741,463 ) | ( 576,748,377 ) |
| Finance income | | **225,318,459** | **112,666,598** | 233,126,775 | 111,619,987 | 256,753,730 | 129,220,542 |
| Others - net | | **169,450,784** | **114,580,597** | 476,081,747 | 367,594,659 | ( 1,072,880 ) | ( 4,280,727 ) |
| | | **( 1,158,868,518 )** | **( 612,189,757 )** | ( 503,962,526 ) | ( 94,590,984 ) | ( 997,060,613 ) | ( 451,808,562 ) |
| **PROFIT (LOSS) BEFORE TAX** | | **( 375,990,088 )** | **( 217,940,234 )** | 81,154,477 | 234,102,058 | ( 450,730,885 ) | ( 748,999,492 ) |
| **TAX EXPENSE (INCOME)** | | **65,150,229** | **30,993,087** | 134,004,643 | 149,034,116 | ( 1,387,859 ) | ( 125,590,787 ) |
| **NET PROFIT (LOSS)** | | **( P 441,140,317 )** | **( P 248,933,321 )** | ( P 52,850,166 ) | P 85,067,942 | ( P 449,343,026 ) | ( P 623,408,705 ) |
| **Net Profit (Loss) Attributable To:** | 24 | | | | | | |
| Shareholders of the Parent Company | | **( P 125,675,923 )** | **( P 64,927,757 )** | P 138,109,890 | P 135,262,106 | ( P 289,628,930 ) | ( P 490,572,023 ) |
| Non-controlling interests | | **( 315,464,393 )** | **( 184,005,564 )** | ( 190,960,056 ) | ( 50,194,164 ) | ( 159,714,096 ) | ( 132,836,682 ) |
| | | **( P 441,140,316 )** | **( P 248,933,321 )** | ( P 52,850,166 ) | P 85,067,942 | ( P 449,343,026 ) | ( P 623,408,705 ) |
| **Earnings (Loss) per Share** | 24 | **( P 0.20 )** | **( P 0.20 )** | ( P 0.12 ) | ( P 0.12 ) | ( P 0.21 ) | ( P 0.21 ) |

***See Selected Notes to Interim Condensed Consolidated Financial Statements.***

**MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES**
***(A Subsidiary of Citicore Holdings Investment, Inc.)***
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE SIX MONTHS ENDED JUNE 30, 2022, 2021 AND 2020**
***(Amounts in Philippine Pesos)***

| | **2022** | | 2021 | | 2020 | |
|---|---|---|---|---|---|---|
| | **Year-to-date** | **Quarter** | Year-to-date | Quarter | Year-to-date | Quarter |
| **NET PROFIT (LOSS)** | **( P 441,140,317 )** | **( P 248,933,321 )** | ( P 52,850,166 ) | P 85,067,942 | ( P 449,343,026 ) | ( P 623,408,705 ) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | | | |
| **Item that will not be reclassified subsequently to profit or loss** | | | | | | |
| Foreign currency translation adjustment | **( 23,692,364 )** | **( 23,354,225 )** | ( 354,888 ) | ( 328,954 ) | - | - |
| Tax income (expense) | **-** | **-** | ( 79,036 ) | ( 158,072 ) | - | - |
| | **( 23,692,364 )** | **( 23,354,225 )** | ( 433,924 ) | ( 487,026 ) | - | - |
| **Other Comprehensive Income (Loss) – net of tax** | **( 23,692,364 )** | **( 23,354,225 )** | ( 433,924 ) | ( 487,026 ) | - | - |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | **( P 464,832,681 )** | **( P 272,287,546 )** | ( P 53,284,090 ) | P 84,580,916 | ( P 449,343,026 ) | ( P 623,408,705 ) |
| **Total Comprehensive Income (Loss) Attributable To:** | | | | | | |
| Shareholders of the Parent Company | **( P 149,368,287 )** | **( P 88,281,982 )** | P 137,707,580 | P 134,838,310 | ( P 289,628,930 ) | ( P 490,572,023 ) |
| Non-controlling interests | **( 315,464,393 )** | **( 184,005,565 )** | ( 190,991,670 ) | ( 50,257,394 ) | ( 159,714,096 ) | ( 132,836,682 ) |
| | **( P 464,832,680 )** | **( P 272,287,547 )** | ( P 53,284,090 ) | P 84,580,916 | ( P 449,343,026 ) | ( P 623,408,705 ) |

***See Selected Notes to Interim Condensed Consolidated Financial Statements.***

**MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES**
***(A Subsidiary of Citicore Holdings Investment, Inc.)***
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE SIX MONTHS ENDED JUNE 30, 2022, 2021 AND 2020**
***(Amounts in Philippine Pesos)***
**(UNAUDITED)**

| | | Attributable to Shareholders of the Parent Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | 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, 2022 | | P 2,399,426,127 | P 128,626,010 | ( P 8,615,690,576 ) | P 16,987,855,617 | P 94,011,896 | ( P 22,474,837 ) | P 5,555,676,962 | P 16,527,431,199 | P 2,673,476,480 | P 19,200,907,679 |
| Declaration of cash dividends | 19 | - | - | - | - | - | - | ( 271,314,714 ) | ( 271,314,714 ) | - | ( 271,314,714 ) |
| Total comprehensive loss for the period | | - | - | - | - | ( 23,692,364 ) | - | ( 125,675,923 ) | ( 149,368,287 ) | ( 315,464,393 ) | ( 464,832,680 ) |
| Balance at June 30, 2022 | | **P 2,399,426,127** | **P 128,626,010** | **( P 8,615,690,576 )** | **P 16,987,855,617** | **P 70,319,532** | **( P 22,474,837 )** | **P 5,158,686,325** | **P 16,106,748,198** | **P 2,358,012,087** | **P 18,464,760,285** |
| | | - | - | - | - | - | - | - | - | - | - |
| Balance at January 1, 2021 | | P 2,399,426,127 | P 87,001,010 | ( P 4,615,690,576 ) | P 13,057,711,509 | ( P 8,950,923 ) | ( P 22,474,837 ) | P 6,404,291,624 | P 17,301,313,934 | P 3,221,153,930 | P 20,522,467,864 |
| Declaration of cash dividends | 19 | - | - | - | - | - | - | ( 379,222,069 ) | ( 379,222,069 ) | - | ( 379,222,069 ) |
| Subscription of preferred shares | 27 | - | 1,625,000 | - | - | - | - | - | 1,625,000 | - | 1,625,000 |
| Total comprehensive income (loss) for the period | | - | - | - | - | ( 402,310 ) | - | 138,109,890 | 137,707,580 | ( 190,991,670 ) | ( 53,284,090 ) |
| Balance at June 30, 2021 | | P 2,399,426,127 | P 88,626,010 | ( P 4,615,690,576 ) | P 13,057,711,509 | ( P 9,353,233 ) | ( P 22,474,837 ) | P 6,163,179,445 | P 17,061,424,445 | P 3,030,162,260 | P 20,091,586,705 |
| 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 | | - | - | ( 702,831,078 ) | - | - | - | - | ( 702,831,078 ) | - | ( 702,831,078 ) |
| Declaration of cash dividends | 19 | - | - | - | - | - | - | ( 140,500,000 ) | ( 140,500,000 ) | - | ( 140,500,000 ) |
| Total comprehensive income (loss) for tl | 19 | - | - | - | - | - | - | ( 289,628,930 ) | ( 289,628,930 ) | ( 159,714,096 ) | ( 449,343,026 ) |
| Balance at June 30, 2020 | | P 2,399,426,127 | P 40,000,000 | ( P 4,615,448,614 ) | P 8,776,358,765 | ( P 63,383,647 ) | ( P 22,474,837 ) | P 6,653,313,780 | P 13,167,791,574 | P 3,538,047,018 | P 16,705,838,592 |

***See Selected Notes to Interim Condensed Consolidated Financial Statements.***

**MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES**
***(A Subsidiary of Citicore Holdings Investment, Inc.)***
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE SIX MONTHS ENDED JUNE 30, 2022, 2021 AND 2020**
***(Amounts in Philippine Pesos)***
**(UNAUDITED)**

| | Notes | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Profit (loss) before tax | | **( P 375,990,087 )** | P 81,154,477 | ( P 450,730,885 ) |
| Adjustments for: | | | | |
| Finance costs | 14, 16 | **1,553,637,761** | 1,213,171,048 | 1,173,256,330 |
| Depreciation and amortization | 9, 10, 11, 12 | **859,270,029** | 812,334,222 | 772,570,670 |
| Finance income | 4 | **( 225,318,459 )** | ( 233,126,775 ) | ( 258,641,350 ) |
| Equity in net losses (gains) on associates and joint ventures | 7 | **14,007,804** | 40,031,528 | ( 444,913 ) |
| Gain on disposals of property, plant and equipment | 10 | **( 1,483,660 )** | ( 4,726,485 ) | ( 2,935,367 ) |
| Unrealized mark-to-market loss (gain) in interest rate swap | | **43,247,266** | 36,615,302 | - |
| Operating profit before working capital changes | | **1,867,370,654** | 1,737,623,807 | 1,233,074,485 |
| Decrease (increase) in trade and other receivables | | **( 601,333,924 )** | ( 1,407,545,873 ) | 2,780,034,065 |
| Increase in construction materials | | **( 418,568,635 )** | ( 22,762,587 ) | ( 183,160,776 ) |
| Decrease (increase) in contract assets | | **( 514,019,330 )** | ( 540,791,155 ) | ( 143,940,348 ) |
| Increase in other current assets | | **( 1,662,891,435 )** | ( 655,928,870 ) | ( 1,110,826,610 ) |
| Decrease (increase) in other non-current assets | | **290,185,688** | ( 194,799,912 ) | 33,972,307 |
| Increase (decrease) in contract liabilities | | **( 922,126,629 )** | 2,446,557,507 | 141,476,286 |
| Decrease in trade and other payables | | **459,383,234** | 1,253,558,594 | ( 328,088,400 ) |
| Increase (decrease) in other liabilities | | **( 147,317,583 )** | 33,760,947 | 214,960,787 |
| Increase in post-employment defined benefit obligation | | **3,418,517** | 2,984,594 | 3,358,055 |
| Cash generated from (used in) operations | | **( 1,645,899,443 )** | 2,652,657,052 | 2,640,859,851 |
| Cash paid for income taxes | | **( 14,265,462 )** | ( 134,004,643 ) | ( 20,589,881 ) |
| Net Cash From (Used in) Operating Activities | | **( 1,660,164,905 )** | 2,518,652,409 | 2,620,269,970 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Additions to concession assets | 9 | **( 326,817,030 )** | ( 303,727,281 ) | ( 387,762,048 ) |
| Acquisitions of property, plant and equipment, | | | 0 | |
| and computer software license | 10 | **( 524,727,258 )** | ( 446,363,937 ) | ( 285,899,258 ) |
| Proceeds from sale of property, plant and equipment | 10 | **71,809,340** | 23,962,100 | - |
| Interest received | | **3,633,033** | 11,170,275 | 38,141,351 |
| Acquisitions of investment properties | 11 | **( 3,361,759 )** | ( 12,271,023 ) | ( 29,527,252 ) |
| Increase in investment in trust fund | 8 | **-** | ( 20,904,125 ) | ( 528,349,110 ) |
| Net Cash Used in Investing Activities | | **( 779,463,674 )** | ( 748,133,991 ) | ( 1,193,396,317 ) |
| *Balance carried forward* | | **( P 2,439,628,579 )** | P 1,770,518,418 | P 1,426,873,653 |

| | Notes | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| *Balance brought forward* | | ( P 2,439,628,579 ) | P 1,770,518,418 | P 1,426,873,653 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Proceeds from interest-bearing loans and borrowings | 14 | 6,483,000,000 | 683,805,164 | 8,558,500,000 |
| Repayment of interest-bearing loans and borrowings | 14 | ( 4,786,977,533 ) | ( 648,878,046 ) | ( 10,312,317,194 ) |
| Interest paid | | ( 834,163,346 ) | ( 1,118,717,475 ) | ( 267,225,784 ) |
| Dividends paid | 19 | ( 271,314,714 ) | ( 379,222,069 ) | ( 388,136,058 ) |
| Acquisition of treasury shares | 19 | - | - | ( 702,831,078 ) |
| Net Cash Used in Financing Activities | | 590,544,407 | ( 1,461,387,426 ) | ( 3,112,010,114 ) |
| **Effect of Changes in Foreign Exchange Rate on Cash and Cash Equivalents** | | ( 15,782,703 ) | ( 5,630,272 ) | ( 483,484 ) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | ( 1,864,866,875 ) | 303,500,720 | ( 1,685,619,945 ) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | | 5,846,088,030 | 7,226,149,912 | 6,518,599,861 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | P 3,981,221,155 | P 7,529,650,632 | P 4,832,979,916 |

***See Selected 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**
**JUNE 30, 2022, 2021 AND 2020 AND DECEMBER 31, 2021**
***(Amounts in Philippine Pesos)***

# 1. GENERAL 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 Philippine 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. Moreover, the Parent Company also made follow-on offerings in 2020 and 2021 (see Note 19.1).

The Parent Company remains a subsidiary of Citicore Holding Investment, Inc. (Citicore) which owns and controls 35.41% of the issued and outstanding capital stock of the Parent Company as of June 30, 2022 and December 31, 2021 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. Moreover, Citicore also appoints majority of the board members and remains as the single largest stockholder controlling the Board of Directors (BOD).

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 effective ownership interest as of June 30, 2022 and December 31, 2021 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:

| Subsidiaries/Associates/Joint Operations/Joint Ventures | Notes | Percentage of Ownership |
|---|---|---|
| ***Subsidiaries:*** | | |
| GMR Megawide Cebu Airport Corporation (GMCAC) | a | 60% |
| Megawatt Clean Energy, Inc. (MCEI) | b | 70% |
| Globemerchants, Inc. (GMI) | c | 50% |
| Megawide Land, Inc. (MLI) | d | 100% |
| Megawide Cold Logistics, Inc. (MCLI) | d | 60% |
| Megawide Construction (BVI) Corporation (MCBVI) | e | 100% |
| Megawide Construction DMCC (DMCC) | e | 100% |
| Megawide Infrastructure DMCC (MW Infrastructure) | e | 100% |
| MWM Terminals, Inc. (MWMTI) | j | 100% |
| Megawide Terminals, Inc. (MTI) *(formerly WM Property Management, Inc.)* | i | 100% |
| Megawide International Limited (MIL) | h | 100% |
| Megawide Construction (Singapore) Pte. Ltd. (MC-SG) | h | 100% |
| Cebu2World Development, Inc. (CDI) | o | 100% |
| Wide-Horizons, Inc. (WHI) | p | 100% |
| Tiger Legend Holdings Limited (TLH) | q | 100% |
| *Accounted for as asset acquisition –* | | |
| Altria East Land, Inc. (Altria) | f | 100% |
| ***Associates:*** | | |
| Megawide World Citi Consortium, Inc. (MWCCI) | g | 51% |
| Citicore Megawide Consortium, Inc. (CMCI) | g | 10% |
| ***Joint Operations:*** | | |
| Megawide GISPL Construction Joint Venture (MGCJV) | k | 50% |
| Megawide GMR Construction Joint Venture, Inc. (MGCJVI) | l | 50% |
| HDEC- Megawide-Dongah JV (HMDJV) | r | 35% |
| ***Joint Ventures:*** | | |
| 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) or GMR, 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. As of June 30, 2022, MCEI has not yet started operations.

***c) GMI***

GMI was incorporated in the Philippines in 2016 and is primarily engaged in general merchandise operations. GMI'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. 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. MLI has not commenced its operations as of June 30, 2022.

MLI has a 60% ownership interest in MCLI, a company incorporated in the Philippines and was established to engage in cold and dry storage business. The registered office address of MCLI, which is also its principal place of business, is located at No. 20 N. Domingo Street, Brgy. Valencia, Quezon City. As of June 30, 2022, MCLI has not yet started operations.

***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. In 2018, MCBVI has commenced business operations.

MCBVI has wholly owned subsidiaries, DMCC and MW Infrastructure. DMCC, which was registered on December 10, 2017, is involved in infrastructure works. Its registered office is located at Unit 4401-05, Mazaya Business Avenue BB2, Jumeriah Lake Towers, Dubai UAE. MW Infrastructure was registered on September 30, 2020 as a turnkey project contracting and project development consultant. Its registered office is located at Unit 4501-009 Mazaya Business Avenue BB2 Plot No. JLTE-PH2-BB2 Jumeirah Lake Towers, Dubai, UAE.

***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 (see Note 7.2).

***g) MWCCI and CMCI***

The Group's investments in MWCCI and CMCI are accounted for as investments in associates despite the percentage of the Parent Company's ownership interest over these entities (see Note 7.1).

***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. MIL has a 100% owned subsidiary, MC-SG, which was registered on March 1, 2019 as a general building engineering design and consultancy services. Its registered office is located at 8 Cross St. #24-03/04 Manulife Tower Singapore.

***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 Property 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 20 N. Domingo St. Brgy. Valencia, Quezon City.

***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 Parañaque 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. In November 2018, MWMTI commenced its commercial operations.

***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 (see Note 7.4).

***l) MGCJVI***

MGCJVI is an incorporated joint arrangement formed in January 2018 by the Parent Company owning 50% interest and GISPL with 45% interest and GMR Holdings Overseas (Singapore) PTE Limited owning the remaining 5%. The Parent Company and GISPL both exercising joint control. MGCJVI was established to provide general construction business including construction, improvement and repair of Clark Airport project (see Note 7.4). MGJCVI began to operate in 2018.

***m) MTRGC***

MTRGC was incorporated and registered 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 (see Note 7.3). It started operations in 2018.

***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 (see Note 7.3). It started operations in 2018.

***o) CDI***

CDI, whose registered office is at Unit 1504 Ayala Life FGU Center Cebu, Mindanao Avenue corner Biliran Road, Cebu Business Park, Cebu City, was incorporated on November 3, 2020 to deal, engage, or otherwise acquire an interest in land or real estate business, without engaging in real estate investment trust. As of June 30, 2022, CDI has not yet started commercial operations.

***p) WHI***

WHI, whose registered office is at 20 N. Domingo Street, Brgy. Valencia, Quezon City, was incorporated on November 16, 2020 to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description. As of June 30, 2022, WHI has not yet started commercial operations.

### *q) TLH*

TLH was incorporated on October 16, 2020 to primarily engage in buying and holding shares of other companies. TLH's registered address is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, British Virgin Islands.

### *r) HMDJV*

HMDJV is an unincorporated joint venture formed on October 27, 2020, by the Parent Company owning 35% and Hyundai Engineering & Construction Co., Ltd. And Dong-Ah Geological Engineering Company Ltd. Owning 57.5%, and 7.5% interest, respectively, and exercising joint control. HMDJV was established to provide construction works for the civil structures, viaducts, bridges, and stations of Malolos- Clark Railway Project (MCRP). HMDJV began to operate in 2021.

## *1.3 Impact of COVID-19 on the Group's Business*

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and its impact has been continuing until the date of the approval of these interim condensed consolidated financial statements. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations.

In 2022 and 2021, the Group has taken the following measures to mitigate the adverse effects of the COVID-19 pandemic to the Group's business:

- implemented effective cost-reduction and cash preservation strategies, including recruitment freeze, deferral of some non-essential and capital expenditures, maximizing credit terms provided by suppliers and creditors and focus to collect outstanding receivables;
- comprehensive and regular monitoring of the Group's liquidity position and cash flow, including issuance of series 4 preferred shares in September 2021 with a lower coupon rate of 5.3% to redeem series 1 preferred shares with a higher coupon rate of 7.025%;
- for construction segment, implementation of physical distancing through work bubbles was the key to full recovery as workers were encouraged to stay in construction site to avoid disruption in business operations. Meanwhile, those with suspected COVID symptoms were isolated, as soon as practicable;
- for airport segment, negotiation with lenders to amend certain provisions of the Omnibus Loan and Security Agreement (OLSA) which include, among others, changes in the timing of principal payments and changes in the debt covenant requirements for debt to equity ratio and debt service coverage ratio (see Note 14);
- review of insurance coverage to protect against potential risk;
- automation and digitization to improve processes, enhance operational efficiencies, and support remote work arrangements for back office support;
- regular information updates on health and safety protocols to all its employees;
- implemented flexible working arrangements like hybrid or full remote work setup, where applicable, to ensure employee safety but at the same time minimize operational disruptions; and,
- encouraged all employees and their eligible household members to take any available COVID-19 vaccine, including the booster.

As a result of the actions taken by management, the Group's operations showed the following:

- full operation on construction activities in 2022 and 2021 as the Group was able to adopt to various quarantine measures imposed by the government;
- decrease in occupancy rate in the landport segment due to work-from-home arrangements which affected the real estate industry;
- decrease in airport operations revenues by about 87% from pre-pandemic levels due to decrease in air traffic movement as a result of travel restrictions;
- decrease in airport trading sales by about 97% from pre-pandemic levels due to decrease in air traffic movement in the airport segment; and,
- administrative expenses were incurred to ensure health and safety of its employees, subcontractors and customers, although these are not considered substantial in amount.

Based on the above actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Group would still remain liquid to meet current obligations, as they fall due, and expects the gradual recovery of all of its segments in the subsequent reporting periods. Accordingly, management has not determined any material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

### *1.4 Approval of the Interim Condensed Consolidated Financial Statements*

The interim condensed consolidated financial statements of the Group as of and for the six months ended June 30, 2022 (including the consolidated financial statements as of December 31, 2021 and interim condensed consolidated financial statements for the six months ended June 30, 2021 and 2020) were authorized for issue by the Parent Company's BOD on August 5, 2022.

## 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, 2021.

These policies have been consistently applied to all the years presented, unless otherwise stated.

### *2.1 Basis of Preparation of Interim Condensed Consolidated Financial Statements*

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

The interim condensed consolidated financial statements of the Group 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, 2021.

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 Interim Condensed Consolidated Financial Statements*

The interim condensed consolidated financial statements are presented in accordance with PAS 1, *Presentation of Financial Statements*. The Group opted to present a separate interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income.

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 Amended PFRS*

*(a) Effective in 2022 that are Relevant to the Group*

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

| | | |
|---|---|---|
| PFRS 3 (Amendments) | : | Business Combination – Reference to the Conceptual Framework |
| PAS 16 (Amendments) | : | Property, Plant and Equipment – Proceeds Before Intended Use |
| PAS 37 (Amendments) | : | Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract |
| Annual Improvements to PFRS 2018-2020 Cycle | | |
| PFRS 9 (Amendments) | : | Financial Instruments – Fees in the '10 per cent' for Derecognition of Liabilities |
| PFRS 16 (Amendments) | : | Leases – Lease Incentives |

Discussed below are the relevant information about these pronouncements.

(i) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework*. The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard. The application of these amendments had no significant impact to the Group's interim condensed consolidated financial statements.

(ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact to the Group's interim condensed consolidated financial statements.

(iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The application of these amendments had no significant impact to the Group's interim condensed consolidated financial statements.

(iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, are relevant to the Group but have no significant impact to the Group's interim condensed consolidated financial statements:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*. The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The improvements merely remove from the example, the illustrations of the reimbursement of leasehold improvements by lessor in order to resolve any potential confusion regarding the treatment of lease incentives.

*(b) Effective Subsequent to June 30, 2022 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to June 30, 2022, which are adopted by the FRSC. Management will adopt the 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 interim condensed consolidated financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(iii) PAS 8 (*Amendments*), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

(iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

(v) 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)

## 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 MCIA, including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facility. The Group also has merchandising operations of food and non-food items.

*(c) Landport Operations* – principally relates to the development and implementation of the Southwest Integrated System Project (ITS Project), now known as PITX.

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 six months ended June 30, 2022, 2021 and 2020 and financial position of the Group's business segments as of June 30, 2022 and December 31, 2021 and 2020 (amounts in thousands).

| | Construction | | | Airport | | | Landport | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2022** | 2021 | 2020 | **2022** | 2021 | 2020 | **2022** | 2021 | 2020 | **2022** | 2021 | 2020 |
| **Results of operations** | | | | | | | | | | | | |
| Sales to external customers | **P 7,071,552** | P 6,984,413 | P 4,861,283 | **P 698,198** | P 239,401 | P 951,605 | **P 250,404** | P 360,051 | P 599,309 | **P 8,020,154** | P 7,583,865 | P 6,412,197 |
| Intersegment sales | **107,540** | 17,234 | 76,837 | **-** | - | - | **-** | - | - | **107,540** | 17,234 | 76,837 |
| Segment Revenues | **7,179,092** | 7,001,647 | 4,938,120 | **698,198** | 239,401 | 951,605 | **250,404** | 360,051 | 599,309 | **8,127,694** | 7,601,099 | 6,489,034 |
| Cost and other operating expenses: | | | | | | | | | | | | |
| Cost of construction, airport and landport operations excluding depreciation and amortization | **5,473,845** | 5,332,839 | 4,051,680 | **308,136** | 161,760 | 318,908 | **76,870** | 51,697 | 61,422 | **5,858,851** | 5,546,296 | 4,432,010 |
| Depreciation and amortization | **634,980** | 644,864 | 474,705 | **103,562** | 45,854 | 185,221 | **119,168** | 115,485 | 111,181 | **857,710** | 806,203 | 771,107 |
| Interest income | **( 223,664 )** | ( 227,604) | ( 235,552) | **( 1,633)** | ( 5,370 ) | ( 15,615 ) | **( 11)** | ( 152) | ( 5,587 ) | **( 225,308 )** | ( 233,126) | ( 256,753 ) |
| Interest expense | **590,973** | 609,105 | 676,250 | **893,881** | 522,826 | 468,473 | **68,507** | 80,908 | 106,278 | **1,553,361** | 1,212,839 | 1,251,001 |
| Material non-cash items | **-** | - | - | **( 43,247)** | 36,615 | 91,187 | **-** | - | - | **( 43,247 )** | 36,615 | 91,187 |
| Interest in profit or loss of associates and joint ventures (equity method) | **8,958** | 8,176 | ( 10,654) | **15,683** | 31,855 | 10,210 | **-** | - | - | **24,641** | 40,031 | ( 444 ) |
| Other charges (income) – net | **( 22,025 )** | ( 123,868 ) | 9,282 | **( 561)** | ( 283,027) | 112,923 | **( 58,369)** | ( 91,191) | ( 85,156 ) | **( 80,954 )** | ( 498,086) | ( 37,049 ) |
| Tax expense (income) | **65,032** | 112,111 | ( 126,274) | **( 10,121)** | 6,980 | 10,343 | **( 7,078)** | 16,598 | 112,068 | **47,833** | 135,689 | 3,863 |
| Other expenses | **294,732** | 277,980 | 410,136 | **221,164** | 197,025 | 171,416 | **75,781** | 119,026 | 44,345 | **591,676** | 594,031 | 625,896 |
| | **6,822,831** | 6,633,603 | 5,249,573 | **1,486,864** | 714,518 | 1,353,066 | **274,868** | 292,371 | 344,551 | **8,584,563** | 7,640,492 | 6,947,190 |
| Segment Net Profit (Loss) | **P 356,261** | P 368,044 | (P 311,453) | **(P 788,666)** | ( P 475,117) | (P 401,461) | **(P 24,464)** | P 67,680 | P 254,758 | **(P 456,869)** | ( P 39,393) | (P 458,156) |
| | **June 30, 2022 (Unaudited)** | December 31, 2021 (Audited) | | **June 30, 2022 (Unaudited)** | December 31, 2021 (Audited) | | **June 30, 2022 (Unaudited)** | December 31, 2021 (Audited) | | **June 30, 2022 (Unaudited)** | December 31, 2021 (Audited) | |
| **Interim Condensed Consolidated Statements of Financial Position** | | | | | | | | | | | | |
| Total Segment Assets | **P 49,795,757** | P 49,988,040 | | **P 35,960,386** | P 34,980,098 | | **P 6,741,699** | P 6,727,959 | | **P 92,497,843** | P 91,696,097 | |
| Total Segment Liabilities | **P 33,047,599** | P 32,351,079 | | **P 29,871,031** | P 28,100,062 | | **P 4,863,922** | P 4,826,617 | | **P 67,782,552** | P 65,277,758 | |
| Capital Expenditures | **P 461,100** | P 631,034 | | **P 326,817** | P 279,511 | | **P -** | P 80,688 | | **P 787,917** | P 991,233 | |
| Investment in associates and joint ventures accounted for by the equity method | **P 815,468** | P 813,793 | | **P 32,037** | P 47,720 | | **P -** | P - | | **P 847,505** | P 861,513 | |

### *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).

| | Six Months Ended June 30 (Unaudited) | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| **Revenues** | | | |
| Segment revenues | **P 8,020,154** | P 7,583,865 | P 6,412,197 |
| Intersegment sales | **107,540** | 17,234 | 76,837 |
| Revenues as reported in the interim condensed consolidated statements of income | **P 8,127,694** | P 7,601,099 | P 6,489,034 |
| **Profit or loss** | | | |
| Segment net profit (loss) | **( P 456,869)** | (P 39,393) | (P 458,156) |
| Other unallocated income | **15,729** | ( 13,457) | 8,813 |
| Net profit (loss) as reported in the in the interim condensed consolidated statements of income | **( P 441,140)** | (P 52,850) | (P 449,343) |

| | **June 30, 2022 (Unaudited)** | December 31, 2021 (Audited) |
|---|---|---|
| **Assets** | | |
| Total segment assets | **P 92,497,843** | P 91,696,097 |
| Elimination of intercompany accounts | **( 13,790,269)** | ( 12,629,646) |
| Other unallocated assets | **7,644,960** | 6,110,178 |
| Total assets as reported in the interim condensed consolidated statements of financial position | **P 86,352,534** | P 85,176,629 |
| **Liabilities** | | |
| Total segment liabilities | **P 67,782,552** | P 65,277,758 |
| Elimination of intercompany accounts | **( 3,493,450)** | ( 3,253,619) |
| Other unallocated liabilities | **3,598,672** | 3,951,582 |
| Total liabilities as reported in the interim condensed consolidated statements of financial position | **P 67,887,774** | P 65,975,721 |

### *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:

| | **June 30, 2022 (Unaudited)** | December 31, 2021 (Audited) |
|---|---|---|
| Cash on hand | **P 56,623,664** | P 4,515,280 |
| Cash in banks | **2,846,484,578** | 2,889,408,586 |
| Short-term placements | **1,078,112,913** | 2,952,164,164 |
| | **P 3,981,221,155** | P 5,846,088,030 |

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 0.7% to 6.0% in 2022, 2021 and 2020.

## 5. TRADE AND OTHER RECEIVABLES

This account consists of the following:

| | Notes | **June 30, 2022 (Unaudited)** | December 31, 2021 (Audited) |
|---|---|---|---|
| Contract receivables: | | | |
| Third parties | | **P 2,929,842,346** | P 2,911,018,409 |
| Related parties | 20.1 | **1,768,524,350** | 1,454,980,969 |
| | | **4,698,366,696** | 4,365,999,378 |
| Retention receivables: | | | |
| Third parties | | **1,661,435,398** | 1,689,943,587 |
| Related parties | 20.1 | **720,299,897** | 788,840,503 |
| | | **2,381,735,295** | 2,478,784,090 |
| Advances to: | | | |
| Related parties | 20.4 | **6,425,197,498** | 6,418,877,754 |
| Officers and employees | 20.3 | **108,737,097** | 85,798,075 |
| | | **6,533,934,595** | 6,504,675,829 |
| Receivables from airport operations | 14.2(a) | **806,168,750** | 699,627,783 |
| *Balance carried forward* | | **P 14,420,205,336** | P 14,049,087,080 |

| | Note | June 30, 2022 (Unaudited) | December 31, 2021 (Audited) |
|---|---|---|---|
| *Balance brought forward* | | **P 14,420,205,336** | P 14,049,087,080 |
| Rental receivables: | | | |
| Lease receivable – per contract | | **817,162,421** | 703,189,750 |
| Lease receivable – effect of straight-line method | | **726,777,300** | 652,564,199 |
| | | **1,543,939,721** | 1,355,753,949 |
| Accrued interest receivables | 20.4 | **1,675,111,844** | 1,452,075,646 |
| Other receivables | 20.2 | **378,622,862** | 345,402,891 |
| | | **18,017,879,763** | 17,202,319,566 |
| Allowance for impairment | | **( 247,998,222)** | ( 231,765,011) |
| | | **P 17,769,881,541** | P 16,970,554,555 |

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.

Rental receivables include those uncollected from third party tenants of the Group, and the related rent receivables arising from the difference between the cash basis rent income and the straight-line rent income of all lease contracts with fixed payments as of the end of the reporting period.

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 additional expected credit loss (ECL) should be provided for the periods presented.

All of the Group's trade and other receivables have been reviewed for impairment using the provision matrix as determined by the management. The total impairment losses recognized by the Group are presented in the succeeding paragraphs.

The total allowance for impairment for contract, retention and airport receivables provided by the Group amounted to P248.0 million and P231.8 million as of June 30, 2022 and December 31, 2021, respectively.

A reconciliation of the allowance for impairment at the beginning and end of 2022 and 2021 is shown below.

| | **June 30, 2022 (Unaudited)** | December 31, 2021 (Audited) |
|---|---|---|
| Balance at beginning of year | **P 231,765,011** | P 37,932,641 |
| ECL | **16,233,211** | 222,772,533 |
| Reversal of impairment loss | **-** | ( 17,792,630) |
| Write-off | **-** | ( 11,147,533) |
| Balance at end of year | **P 247,998,222** | P 231,765,011 |

## 6. CONTRACT ASSETS

The balance of contract assets presented in the interim condensed consolidated statements of financial position as of June 30, 2022 and December 31, 2021 is P5.3 billion and P4.8 billion, respectively, which is net of allowance for impairment amounting to P288.2 million.

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

| | **June 30, 2022 (Unaudited)** | December 31, 2021 (Audited) |
|---|---|---|
| Balance at beginning of the period | **P 4,777,704,858** | P 4,231,600,246 |
| Increase as a result of changes in measurement of progress | **4,812,560,267** | 10,780,020,228 |
| Decrease as a result of reversal to trade receivables | **( 4,298,540,937)** | ( 10,233,915,616) |
| Balance at end of the period | **P 5,291,724,188** | P 4,777,704,858 |

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 landport 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. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

| | Note | **June 30, 2022 (Unaudited)** | December 31, 2021 (Audited) |
|---|---|---|---|
| Investments in: | | | |
| Associates | 7.1 | **P 815,468,189** | P 813,793,409 |
| Joint ventures | 7.3 | **32,037,190** | 47,719,774 |
| | | **P 847,505,379** | P 861,513,183 |

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 prospects 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:

| | **June 30, 2022 (Unaudited)** | December 31, 2021 (Audited) |
|---|---|---|
| Acquisition costs: | | |
| MWCCI | **P 580,890,000** | P 580,890,000 |
| CMCI | **200,000,000** | 200,000,000 |
| | **780,890,000** | 780,890,000 |
| Equity advances in MWCCI | **23,572,864** | 23,572,864 |
| Equity share in net profit (losses): | | |
| Balance at beginning of period | **9,330,545** | 19,963,169 |
| Share in net profit (losses) for the period | **1,674,780** | ( 10,632,624) |
| Balance at end of period | **11,005,325** | 9,330,545 |
| | **P 815,468,189** | P 813,793,409 |

These associates do not have any other comprehensive income or loss both in 2022 and 2021.

*(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 MPOC Project. MWCCI's registered office address, 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.

MWCCI sent a Notice of termination of its BOT Agreement with the Department of Health (DOH), which was accepted by DOH in 2016. MWCCI is undertaking measures to recover compensation costs from DOH and believes that that it will ultimately recover in full the costs it incurred relative to the MPOC Project. Accordingly, the Parent Company has not recognized any impairment losses for its investment 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 (DepEd) ownership interest. CMCI was incorporated in the Philippines on October 15, 2012 and is primarily engaged in general construction business. CMCI's registered office 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 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 interim condensed 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 address of Altria, which is also its principal place of business, is located at Coastal Road Bangiad, San Juan, Taytay, Rizal.

As of the end 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 | ( 100,000) |
| | P 305,355,953 |

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. The difference shall be charged directly to profit or loss as part of Others – net account under the Other Income (Charges) section in the interim condensed consolidated statements of income.

### *7.3 Interest in Joint Ventures*

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

| | **June 30, 2022 (Unaudited)** | December 31, 2021 (Audited) |
|---|---|---|
| Acquisition costs: | | |
| Mactan Travel Retail Group Corp. (MTRGC) | **P 58,324,000** | P 58,324,000 |
| Select Service Partners Philippines Corporation (SSPPC) | **58,324,000** | 58,324,000 |
| | **116,648,000** | 116,648,000 |
| Equity share in net losses: | | |
| Balance at beginning of period | **( 68,928,226)** | ( 11,878,047) |
| Share in net losses for the period | **( 15,682,584)** | ( 57,050,179) |
| Balance at end of period | **( 84,610,810)** | ( 68,928,226) |
| | **P 32,037,190** | P 47,719,774 |

GMCAC has 41.66% interest in MTRGC and 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). Share in net losses of these joint ventures as recorded as part of Others – net account under Other Income (Charges) section in the interim condensed consolidated statements of income.

### *7.4 Interest in Joint Operations*

As discussed in Note 1.2, MGCJV shall undertake the construction works for the renovation and expansion of the MCIA Project in Cebu. MGCJVI shall undertake the construction works of the Clark Airport, while HMDJV shall undertake the construction works of the Malolos-Clark Railway. The Parent Company's interests in MGCJV, MGCJVI and HMDJV 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, MGCJVI and HMDJV.

As of June 30, 2022 and December 31, 2021 and for the six months ended June 30, 2022, 2021, and 2020 the relevant financial information of the Group's interest in MGCJV and MGCJVI which are included in the appropriate accounts in the Group's interim condensed consolidated statements of financial position and interim condensed consolidated statements of income is as follows:

| | Before Elimination | Elimination | After Elimination |
|---|---|---|---|
| ***June 30, 2022 (Unaudited)*** | | | |
| *Assets:* | | | |
| Cash and cash equivalents | P 785,358,356 | P - | P 785,358,356 |
| Trade and other receivables | 1,047,344,067 | ( 65,633,939) | 981,710,128 |
| Other current assets | 295,343,094 | - | 295,343,094 |
| Property, plant, and equipment – net | 161,804,816 | - | 161,804,816 |
| | **P 2,289,850,334** | **(P 65,633,939)** | **P 2,224,216,394** |
| *Liabilities:* | | | |
| Trade and other payables | P 1,097,703,408 | P - | P 1,097,703,408 |
| Due to related parties | 705,220 | - | 705,220 |
| Other liabilities | 89,760,549 | - | 89,760,549 |
| | **P 1,188,169,176** | **P -** | **P 1,188,169,176** |
| *Revenues and Expenses:* | | | |
| Contract revenues | P 799,958,322 | (P 40,940,534) | P 759,017,788 |
| Contract costs | ( 673,774,041) | 36,890,896 | ( 636,883,145) |
| Other operating expenses | ( 15,976,018) | - | ( 15,976,018) |
| Finance income | 22,553,018 | - | 22,553,018 |
| | **P 132,761,280** | **(P 4,049,638)** | **P 136,810,918** |
| *December 31, 2021 (Audited)* | | | |
| *Assets:* | | | |
| Cash and cash equivalents | P 721,895,985 | P - | P 721,895,985 |
| Trade and other receivables | 683,049,548 | ( 190,658,362) | 492,391,186 |
| Other current assets | 306,767,498 | - | 306,767,498 |
| Property, plant, and equipment – net | 120,521,764 | - | 120,521,764 |
| | P 1,832,234,795 | (P 190,658,362) | P 1,641,576,433 |
| *Liabilities:* | | | |
| Trade and other payables | P 443,092,629 | P - | P 443,092,629 |
| Due to related parties | 1,953,674 | - | 1,953,674 |
| Other liabilities | 15,558,696 | - | 15,558,696 |
| | P 460,604,999 | P - | P 460,604,999 |
| *June 30, 2021* | | | |
| *Revenues and Expenses:* | | | |
| Contract revenues | P 170,541,955 | P - | P 170,541,955 |
| Contract costs | ( 96,030,904) | - | ( 96,030,904) |
| Other operating expenses | ( 49,631,415) | - | ( 49,631,415) |
| Finance income | 6,868,835 | - | 6,868,835 |
| | P 31,748,471 | P - | P 31,748,471 |

| | Before Elimination | Elimination | After Elimination |
|---|---|---|---|
| *June 30, 2020* | | | |
| *Revenues and Expenses:* | | | |
| Contract revenues | P 663,545,013 | (P 76,837,471) | P 586,707,542 |
| Contract costs | ( 582,505,612) | 69,052,372 | ( 513,453,240) |
| Other operating expenses | ( 32,956,209) | - | ( 32,956,209) |
| Finance cost | 9,465,224 | - | 9,465,224 |
| | P 57,548,416 | (P 7,785,099) | P 49,763,317 |

## 8. OTHER ASSETS

This account is composed of the following:

| | Notes | **June 30, 2022 (Unaudited)** | December 31, 2021 (Audited) |
|---|---|---|---|
| Current: | | | |
| Advances to contractors and suppliers | 8.1 | **P 7,615,288,654** | P 7,020,949,969 |
| Prepaid taxes | 8.4 | **1,115,390,353** | 1,045,342,030 |
| Input value-added tax (VAT) | 8.2 | **812,672,635** | 570,366,701 |
| Deferred fulfilment costs | | **775,187,582** | 743,947,850 |
| Refundable security and bond deposits | | **868,948,765** | 189,540,978 |
| Deferred input VAT | 8.2 | **393,773,859** | 426,529,409 |
| Prepaid insurance | | **76,587,766** | 75,768,970 |
| Prepaid subscription | | **32,634,357** | 12,638,510 |
| Prepaid rent | | **14,575,558** | 6,164,110 |
| Miscellaneous | | **25,121,180** | 41,711,945 |
| | | **11,730,180,709** | 10,132,960,472 |
| Non-current: | | | |
| Deferred input VAT | 8.2 | **1,712,998,650** | 1,906,045,520 |
| Investment in trust fund | 8.5, 14.2(a) | **17,361,959** | 163,541,216 |
| Deposits for condominium units | 8.3 | **115,337,468** | 115,337,468 |
| Refundable security deposits | | **45,140,924** | 44,692,207 |
| Computer software license – net | | **30,551,015** | 39,783,913 |
| Advances to contractors and suppliers | 8.1 | **10,381,481** | 7,999,946 |
| Miscellaneous | | **20,262,694** | 73,074,778 |
| | | **1,952,034,191** | 2,350,475,048 |
| | | **P13,682,214,900** | P12,483,435,520 |

### *8.1 Advances to Contractors and Suppliers*

Current portion of advances to contractors and suppliers pertain to down payments made by the Group based on a certain percentage of the contract price. The initial payment will eventually be recouped or deducted from the amount payable by the Group either in a pro-rata basis or in full once billed by the contractors and supplier. These advances are classified as current since it would be applied as payments to the subcontractors for the Group's construction operations. This also includes materials and supplies provided by the Group to subcontractors which will be deducted from the progress billings of the subcontractors upon installation. The risk of loss on these materials and supplies are borne by the subcontractors.

The impairment of the current portion of advances to contractors and suppliers was assessed by determining the financial position of the contractors and suppliers and their capability to comply the agreed performance obligation. Despite the impact of COVID-19 pandemic, the Group assessed that the advances could be recouped from the contractors and suppliers through the work rendered and offsetting any unrecouped portion against the outstanding liability to the contractors and suppliers from another project or within the Group.

On the other hand, non-current portion of these advances relate to the down payments made by the Group for the construction of airport terminal building and acquisitions of property, plant and equipment.

### *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 input VAT related to purchase of services which remains unpaid as of reporting date, and unamortized input VAT on purchases of capital goods exceeding P1.0 million and bid premium incurred in 2021 and prior years. Beginning January 1, 2022, deferred input VAT arising from the purchase of capital goods exceeding P1.0 million need not be amortized. The related input VAT on purchase of capital goods exceeding P1.0 million shall be allowed as credit against output tax outright pursuant to Republic Act (R.A.) No. 10963, known as the *Tax Reform for Acceleration and Inclusion (TRAIN) Law*.

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 OLSA to ensure the prompt payment of the required amortization, interest and principal of the long-term loan.

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

### *8.6 Deferred Fulfilment Costs*

Deferred fulfilment cost pertains to costs that are directly related to a specific construction contract, generate or enhance resources that will be used to fulfill a performance obligations of the Group in the future, and are recoverable under the contract. Such costs include, but are not limited to, mobilization costs of equipment and labor, engineering and design costs, insurance and depreciation of equipment related to a specific contract.

The movement of deferred fulfilment costs is shown below:

| | **June 30, 2022 (Unaudited)** | December 31, 2021 (Audited) |
|---|---|---|
| Balance at beginning of the period | **P 743,947,850** | P 787,283,237 |
| Additions | **148,083,413** | 66,734,247 |
| Amortization | **( 116,843,681)** | ( 110,069,634) |
| Balance at end of the period | **P 775,187,582** | P 743,947,850 |

### *8.7 Computer Software License*

This account pertains to licenses on computer programs and software used by the Group. For the period ended June 30, 2022 and December 31, 2021, the Group recognized total additions amounting to P3.6 million and P7.8 million, respectively.

## 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 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.

The Group recognized additions to the concession assets amounting to P326.8 million and P625.3 million for the periods ended June 30, 2022 and December 31, 2021, respectively. There were no disposals of concession assets in 2022 and 2021.

The Group has capital commitments on concession assets amounting to P253.7 million as of June 30, 2022 and December 31, 2021.

The balance of concession assets as of June 30, 2022 and December 31, 2021 amounted to P30,750.7 million and P30,503.8 million, respectively.

## 10. PROPERTY, PLANT AND EQUIPMENT

As of June 30, 2022, and December 31, 2021, the property, plant and equipment is composed of building, construction equipment, improvements, and right-of-use assets totalling P7,079.3 million and P7,166.9 million, respectively.

For the periods ended June 30, 2022 and December 31, 2021, the Group recognized additions to property, plant and equipment totalling to P590.9 million and P1,278.6 million, respectively, and sold certain property, plant and equipment for P71.8 million and P110.4 million, respectively. As a result of sale, the Group recognized gains amounting to P1.5 million and P24.3 million for the periods ended June 30, 2022 and December 31, 2021, respectively.

There are no restrictions on title, and property, plant and equipment pledged as security liabilities, except for right-of-use assets with carrying amount of P640.3 million and P635.0 million as of June 30, 2022 and December 31, 2021, respectively.

There is no contractual commitment to acquire property and equipment.

There were no items of property, plant and equipment that were impaired or retired, lost or given up as of June 30, 2022 and December 31, 2021.

## 11. INVESTMENT PROPERTIES

As of June 30, 2022, and December 31, 2021, the investment properties are composed of land, commercial area and construction in progress totalling P4,437.4 million and P4,493.3 million, respectively.

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 include parcels of land that are not used by the Group for administrative and supply of goods or services of the business and only held for capital appreciation amounting to P581.9 million and P578.5 million as of June 30, 2022 and December 31, 2021, respectively. Based on management's assessment, the carrying amounts of these assets are fully recoverable, hence, no impairment loss is required in both years.

There are no restrictions on the realizability of investment property or the remittance of income and proceeds of disposal.

No contractual obligations to purchase, construct, or develop investment property, or for repairs and maintenance or enhancements has been agreed with.

For the periods ended June 30, 2022 and December 31, 2021, the Group recognized total additions amounting to P3.4 million and P229.2 million, respectively. There were no disposals of investment properties in 2022 and 2021.

In 2021, the Group also recognized reclassification from property, plant and equipment, specifically under construction in progress, to investment property amounting to P250.9 million after its completion during the period. There was no similar transaction in 2022.

As of June 30, 2022 and December 31, 2021, the investment properties has a fair value amounting to P5,860.3 million which was recognized under the Level 3 fair value hierarchy (see Note 27.6).

## 12. 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 interim condensed 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 ensure 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 asset recognized in the interim condensed consolidated statement of financial position.

| | Number of right-of-use assets leased | Range of remaining term | Number of average remaining lease term | Number of leases with extension options | Number of leases with options to purchase | Number of leases with termination options |
|---|---|---|---|---|---|---|
| June 30, 2022 | | | | | | |
| Transportation equipment | 165 | 1 – 5 years | 3 years | - | 52 | - |
| Precast and construction equipment | 164 | 2 – 10 years | 6 years | - | 54 | - |
| Parcel of land | 1 | 4 years | 4 years | - | - | - |
| December 31, 2021: | | | | | | |
| Transportation equipment | 186 | 1 – 5 years | 3 years | - | 49 | - |
| Precast and construction equipment | 168 | 1 – 5 years | 4 years | - | 54 | - |
| Parcel of land | 1 | 4 years | 4 years | - | - | - |

The lease contracts of the Group (as a lessee) do not have any variable payment arrangement in all periods presented. More so, the Group has no finance lease arrangement on any of its lease contracts as a lessor.

Certain Investment Property, Construction Equipment and Concession Assets of the Group are being leased out to customers. In managing risk, the Group ensures that assets are well maintained, preventive maintenance schedule are on track and appropriate insurance cover are in place.

### *12.1 Right-of-use Assets*

The carrying amounts of the Group's right-of-use assets as at June 30, 2022 and December 31, 2021 and the movements during the period are shown below.

| | Land | Precast and Construction Equipment | Transportation Equipment | Total |
|---|---|---|---|---|
| Balance as of January 1, 2022 | P 50,972,815 | P 461,692,819 | P 122,297,531 | P 634,963,165 |
| Additions | - | 69,676,962 | 55,825 | 69,732,787 |
| Disposals | - | - | - | - |
| Reclassification | - | - | 2,148,541 | 2,148,541 |
| Depreciation and amortization | ( 8,495,469 ) | ( 34,421,699 ) | ( 23,583,118 ) | ( 66,500,286 ) |
| Balance at June 30, 2022 (Unaudited) | **P 42,477,346** | **P 496,948,082** | **P 100,918,779** | **P 640,344,207** |
| Balance as of January 1, 2021 | P - | P 440,424,375 | P 167,956,599 | P 608,380,974 |
| Additions | 67,963,753 | 118,05s8,865 | 1,552,534 | 187,575,152 |
| Disposals | - | - | ( 926,423 ) | ( 926,423 ) |
| Depreciation and amortization | ( 16,990,938 ) | ( 101,629,143 ) | ( 41,446,456 ) | ( 160,066,537 ) |
| Balance at December 31, 2021 (Audited) | P 50,972,815 | P 456,854,097 | P 127,136,254 | P 634,963,166 |

### *12.2 Lease Liabilities*

Lease liabilities presented in the interim condensed consolidated statements of financial position are as follows:

| | **June 30, 2022 (Unaudited)** | December 31, 2021 (Audited) |
|---|---|---|
| Current | **P 196,214,874** | P 219,483,607 |
| Non-current | **196,948,282** | 246,214,092 |
| | **P 393,163,156** | P 465,697,699 |

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 June 30, 2022 and December 31, 2021, the Group has not committed to any leases which had not commenced.

### *12.3 Lease Payments Not Recognized as Liabilities*

The Group has elected not to recognize a lease liability for short-term leases. 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 to short-term leases and low-value assets amounted to P31.3 million and P22.1 million in 2022 and 2021, respectively, and is presented as part of Other Operating Expenses in the interim condensed consolidated statements of income. There are no low-value assets that were not recognized as lease liabilities for the periods presented.

### *12.4 Additional Profit or Loss and Cash Flow Information*

The total cash outflow in respect of leases amounted to P458.2 million and P254.5 million for the period ended June 30, 2022 and December 31, 2021, respectively.

The lease liabilities are secured by the related underlying assets. The maturity analysis of lease liabilities as at June 30, 2022 and December 31, 2021.

| | **Within 1 year** | **1 to 2 years** | **2 to 3 years** | **3 to 4 years** | **4 to 5 years** | **Total** |
|---|---|---|---|---|---|---|
| *June 30, 2022* | | | | | | |
| Lease payments | P 218,925,409 | P 161,269,290 | P 46,748,817 | P - | P - | P 426,943,516 |
| Finance charges | ( 22,710,535) | ( 9,564,506) | ( 1,509,319) | - | - | ( 33,780,360) |
| Net present value | **P 196,214,874** | **P 151,704,784** | **P 45,243,498** | **P -** | **P -** | **P 393,163,156** |
| *December 31, 2021* | | | | | | |
| Lease payments | P 248,374,420 | P 169,959,559 | P 84,711,884 | P 8,765,243 | P - | P 511,811,106 |
| Finance charges | ( 28,890,813) | ( 13,514,723) | ( 3,494,320) | ( 213,551) | - | ( 46,113,407) |
| Net present value | P 219,483,607 | P 156,444,836 | P 81,217,564 | P 8,551,692 | P - | P 465,697,699 |

## 13. TRADE AND OTHER PAYABLES

This account consists of the following:

| | Notes | June 30, 2022 (Unaudited) | December 31, 2021 (Audited) |
|---|---|---|---|
| Trade payables | | **P 6,141,049,762** | P 5,344,764,258 |
| Retention payable | | **2,162,797,383** | 2,180,081,529 |
| Accrued expenses | | **325,908,042** | 506,190,339 |
| Interest payable | 14.2(c) | **290,122,552** | 195,323,314 |
| Security deposits | | **201,059,338** | 235,216,916 |
| Derivative liability | | **12,598,141** | 54,872,973 |
| Due to related parties | 20.4 | **20,000,000** | 20,000,000 |
| Others | | **60,609,867** | 80,266,018 |
| | | **P 9,214,145,085** | P 8,616,715,347 |

Retention payable pertains to amounts withheld from payments made to subcontractors to ensure compliance with agreed performance obligations and completion of contracted projects. The amount withheld ranges from 5% to 10% of the amount billed by the subcontractors. Upon completion of the subcontracted projects, the amounts are returned to the subcontractors.

Accrued expenses include mainly unpaid utilities, while others accrued and other non-trade payables

## 14. INTEREST-BEARING LOANS AND BORROWINGS

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

| | Notes | June 30, 2022 (Unaudited) | December 31, 2021 (Audited) |
|---|---|---|---|
| Current: | | | |
| Bank loans | 14.2 | **P16,448,142,209** | P14,504,602,415 |
| Lease liabilities | 12.2 | **196,214,874** | 219,483,607 |
| Notes payable | 14.1 | **88,791,232** | 56,000,000 |
| | | **16,733,148,315** | 14,780,086,022 |
| Non-current: | | | |
| Bank loans | 14.2 | **29,216,671,456** | 28,961,405,146 |
| Notes payable | 14.1 | **5,444,000,001** | 5,513,791,232 |
| Lease liabilities | 12.2 | **196,948,282** | 246,214,092 |
| | | **34,857,619,739** | 34,721,410,470 |
| | | **P51,590,768,054** | P49,501,496,492 |

### *14.1 Notes Payable*

*(a) 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:

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

The nominal rates refer to the Philippine Dealing System Treasury (PDST) Fixing 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 Parent Company has complied with all the debt covenants set forth in the notes facility agreement.

Tranche A and B has matured already, leaving Tranche C outstanding, with a carrying value of P68.8 million and P69.8 million as at June 30, 2022 and December 31, 2021, respectively.

*(b) 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:

| Date Issued | Principal | Term in years | Interest Rate |
|---|---|---|---|
| September 16, 2016 | P 650,000,000 | 10 | 5.5% |
| December 5, 2016 | 350,000,000 | 10 | 6.37% |
| December 16, 2016 | 1,000,000,000 | 10 | 6.37% |
| | **P 2,000,000,000** | | |

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.

All of the three tranches of the second corporate note remained outstanding, with a carrying value of P1,900.0 million as at June 30, 2022 and December 31, 2021.

The Parent Company has complied with all the debt covenants set forth in the notes facility agreement.

*(c) 2020 Various Notes Facility*

On February 19, 2020, the Parent Company signed a P5,000.0 million corporate note facility, the proceeds of which will be used by the Parent Company to (a) retire maturing debt obligations, (b) to fund growth projects, and (c) for general corporate purposes. 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 Company.

The notes will be issued in five tranches as follows:

| | Principal |
|---|---|
| Tranche A | P 3,600,000,000 |
| Tranche B | 350,000,000 |
| Tranche C | 350,000,000 |
| Tranche D | 350,000,000 |
| Tranche E | 350,000,000 |
| | P 5,000,000,000 |

These 4.5-year corporate notes bear an interest rate based on the closing per annum rates of a 4.5-year PHP BVAL reference rate on the PDS Group website plus a certain spread, subject to a floor rate of 5%. The Company has to maintain a debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of at least 1.10. Debt pertains to all interest-bearing loans and borrowing.

As of June 30, 2022, and December 31, 2021, the Parent Company has complied with all the debt covenants set forth in the facility agreement.

In 2020, the Parent Company made its first drawdown on its third unsecured corporate note amounting to P3,600.0 million. All of the three tranches of the third corporate note remained outstanding, with a carrying value of P3,564.0 million and P3,600.0 million as at June 30, 2022 and December 31, 2021, respectively.

As of June 30, 2022, and December 31, 2021, the carrying amount of all the corporate notes are P5,532.8 million and P5,569.8 million, respectively.

### *14.2 Bank Loans*

*(a) OLSA – December 17, 2014*

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:

| | First 7 Years | Last 8 Years |
|---|---|---|
| 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 pledged 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;
- 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.

The carrying value of the Project receivables as of June 30, 2022 and December 31, 2021 amounted to P806.2 million and P699.6 million, respectively, net of allowance for ECL amounting to P21.2 million and P4.9 million as of June 30, 2022 and December 31, 2021, respectively. These are noninterest-bearing and generally on a 30 to 60-day credit terms.

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. As of June 30, 2022 and December 31, 2021, the carrying amount of the assets pledged, in the form of a trust fund investment, as collateral amounted to P17.4 million and P163.5 million, respectively (see Note 8).

As of June 30, 2022, and December 31, 2021, the total carrying value of these bank loans amounted to P25,560.4 million and P25,236.9 million, respectively.

The trust fund investment is composed of dollar bank deposit accounts which earns interest of 0.5% to 1.6% in 2022, 2021 and 2020 and peso bank deposit accounts which earns interest of 0.5% to 6.5% in 2022, 2021 and 2020.

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. As at December 31, 2020, the GMCAC has debt-to-equity ratio of 67:33 and DSCR of 0.09, hence unable to comply with the financial covenants. GMCAC, therefore, made negotiations with the lenders as more fully discussed below and in the succeeding paragraphs. As there is no event of default yet based on the terms of the loan, the outstanding balance was not yet considered due and demandable [see Note 14.2(d)].

Pursuant to Schedule V of the OLSA, GMCAC has principal and interest payable due on December 15, 2020, with the principal payable equivalent to 1% of total loan and with the interest accrued payable covering the period from June 16, 2020 to December 15, 2020. On December 11, 2020, GMCAC requested from the Lenders through a formal letter request, for the deferment of the principal and interest that will fall due on December 15, 2020 to February 15, 2021. On December 15, 2020, GMCAC received a reply from the Lenders unanimously approving the deferment for principal and interest, of which interest on the outstanding principal shall continue to accrue until February 15, 2021, as if such date were an interest payment date.

On a letter dated February 14, 2021, GMCAC requested for further extension of payment date from February 15, 2021 to March 31, 2021. Interest on the outstanding principal shall continue to accrue until March 31, 2021, as if such date were an interest payment date and the current interest period shall be extended, and the succeeding interest period shall be shortened accordingly. The Lenders approved the request on February 15, 2021.

GMCAC has availed of certain reliefs and renegotiated the terms of its existing loan agreements with its lenders. As a result, on May 4, 2021, GMCAC and the lenders executed the second amendment to the amended and restated OLSA. The second amendment agreement include among others the following significant provisions:

- Changes in the principal repayment schedule as follows:

| Year | Percentage |
|---|---|
| 2020 | 1.00% |
| 2024 | 8.00% |
| 2025 | 9.40% |
| 2026 | 12.04% |
| 2027 | 11.00% |
| 2028 | 11.28% |
| 2029 | 16.78% |
| 2030 | 30.00% |

  The remaining 0.50% pertains to principal repayment made on December 15, 2019 amounting to P104.4 million and US$0.4 million on the onshore and offshore loan facility, respectively;

- Principal repayment date will start June 15, 2024 and every six months thereafter;

- Deferral of interest payment incurred from September 15, 2020 to March 31, 2021. 19.97% of the accrued interest related to that period shall be paid in May 2021, the balance or 80.03% shall be paid on June 15, 2023 together with the interest accrued;

- For interest incurred from March 31, 2021 to December 15, 2021, 37.12% of the accrued interest related to the period shall be paid monthly starting May 15, 2021 until December 15, 2021, the balance or 62.88% shall be paid on December 2023 together with the interest accrued;

- Shareholders' loan extension (subordinated debt) totaling P640.0 million which shall be deposited in the Debt Service Reserve account on or before June 15, 2021;

- Changes in certain financial covenants. For debt to equity ratio, maintain a maximum debt to equity ratio of 75:25 for the period commencing on January 1, 2021 and ending on December 31, 2023, and 70:30 for the period commencing on January 1, 2024 and ending on the date on which all indebtedness under the finance documents has been irrevocably paid in full. For debt service coverage ratio, maintain a debt service coverage ratio at all times of at least 1.1x until the maturity date from the project completion date other than during the period commencing on January 1, 2021 and ending on the date that the recovery conditions stated in sponsor's support section have been satisfied. As at June 30, 2022 and December 31, 2021, GMCAC was able to comply with the required debt to equity ratio;

- Debt service coverage ratio of at least 1.1x at all times during the period commencing on December 31, 2024 and ending on the date that the recovery conditions stated in the sponsor's support section have been satisfied; and,

- Changes in the composition of retained earnings during the relief period of January 1, 2021 to December 31, 2023 taking into consideration the impact of deferred interest.

The modifications in the contractual cash flows are not substantial and therefore did not result in the derecognition of the affected financial liabilities.

As of June 30, 2022 and December 31, 2021, GMCAC has unamortized premium on long-term debt amounting to P1.1 billion arising from the modification of terms. The amount is the result of recognizing the new carrying amount of the long-term debt based on the present value of the modified contractual cash flows discounted at the original effective interest rate. The premium on long-term debt is attributable to the deferred interests payable by GMCAC on June 15, 2023 and December 15, 2023 under the Second Amendment Agreement which formed part of the new carrying amount of the long-term debt under the modified terms.

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.

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 uncancelled portion of the commitment that GMCAC does not draw in accordance with the drawdown schedule. In order to hedge the interest rate exposure on this floating rate US dollar-denominated loan maturing in June 2022, GMCAC entered into an interest rate swap transaction. As at June 30, 2022 and December 31, 2021, GMCAC recognized P12.6 million and P54.9 million derivative liability arising from this interest rate swap transaction.

*(b) OLSA for PITX project*

In 2015, the MWMTI entered into an OLSA with a local universal bank for a loan facility amounting to P3,300.0 million to finance the construction of the ITS Project. In 2019, the MWMTI requested the lender to increase the loan by P600.0 million making the total principal loan to P3,900.0 million.

In 2017, the MWMTI made its first drawdown amounting to P825.0 million while the remaining loan facility was fully drawn in 2019 in tranches amounting to P3,075.0 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 4.82%, 4.62%, and 6.89% in 2022, 2021, and 2020, respectively.

As of June 30, 2022, and December 31, 2021, the total carrying value of these bank loans amounted to P3,783.7 million and P3,842.5 million, respectively.

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. MWMTI has complied with affirmative and negative covenants.

*(c) Other Bank Loans*

In addition, the Group also obtained various bank loans with total outstanding balance of P16,321.4 million and P14,443.6 million as of June 30, 2022 and December 31, 2021, respectively, representing unsecured short-term loans from other local banks. The loans bear fixed annual interest rates ranging from 4.73% to 5.10% in 2022 and 2021, respectively. 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 interim condensed 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 interim condensed consolidated statements of financial position.

*(d) Events of Default and Covenant Compliance*

The Group is in compliance with all other covenants required to be observed under the loan facility agreements, except for GMCAC which breached the loan covenant during 2020; however, retains its loan to non-current, due to on-going negotiation with their syndicated loan with the banks. After the approved re-negotiated loan, there were no breach made on its loan covenants as of June 30, 2022.

In the event of a default, the loan and all interest accrued and unpaid shall be due and payable as instructed by the facility agent and all declared commitments terminated, then the Security Trustee and the Lenders may foreclose upon any of the Security pursuant to the terms of the Agreement and the proceeds of any sale, disposition or other realization or foreclosure shall be paid to the loan distributed in the manner stated in the Agreement.

Events of default constitutes default on loan payment due and payable, except due to technical or administrative error, material misrepresentation, non-remediable violation of the covenants in the Loan Document, revocation of the project documents, cross default, failure to observe material obligations in the Project Documents or it becomes unlawful resulting to a material adverse effect, suspension, insolvency, payment of decree or writ of garnishment, the assigned assets are substantially impaired or seized and any event resulting in a material adverse effect.

## 15. CONTRACT LIABILITIES

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

| | **June 30, 2022 (Unaudited)** | December 31, 2021 (Audited) |
|---|---|---|
| Balance at beginning of period | **P 5,759,391,320** | P 4,593,930,101 |
| Increase due to billings excluding amount recognized as revenue during the period | **2,022,720,652** | 3,000,814,182 |
| Revenue recognized that was included in contract liability at the beginning of the period | **( 2,716,536,327)** | ( 1,955,644,394) |
| Effect of financing component | **57,065,210** | 120,291,431 |
| Balance at end of period | **P 5,122,640,855** | P 5,759,391,320 |

These are presented and classified in the interim condensed consolidated statements of financial position as follows:

| | June 30, 2022 (Unaudited) | December 31, 2021 (Audited) |
|---|---|---|
| Current | **P 3,981,740,153** | P 3,703,189,013 |
| Non-current | **1,140,900,702** | 2,056,202,307 |
| | **P 5,122,640,855** | P 5,759,391,320 |

## 16. OTHER LIABILITIES

The details of this account are as follows:

| | June 30, 2022 (Unaudited) | December 31, 2021 (Audited) |
|---|---|---|
| Current: | | |
| Deferred output VAT | **P 94,678,584** | P 139,255,223 |
| Withholding taxes | **46,513,383** | 67,137,365 |
| Government liabilities | **26,190,481** | 30,641,077 |
| Deferred revenue | **28,212,830** | 28,212,830 |
| Others | **781,961** | 612,841 |
| | **196,377,239** | 265,859,336 |
| Non-current: | | |
| Security deposits | **394,054,563** | 471,258,850 |
| Unearned rent income | **187,683,061** | 188,314,260 |
| | **581,737,624** | 659,573,110 |
| | **P 778,114,863** | P 925,432,446 |

Deferred revenue represents advance payments from customers and concessionaires that are subject to refund or application against future billing 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.

## 17. 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 are shown below.

| | Note | Point in time | Over time | Short-term | Long-term | Total |
|---|---|---|---|---|---|---|
| **June 30, 2022:** | | | | | | |
| **Construction operations:** | 17.1 | | | | | |
| Contract revenues | | P - | P 6,351,186,824 | P - | P 6,351,186,824 | P 6,351,186,824 |
| Sale of precast | | - | 392,303,843 | 392,303,843 | - | 392,303,843 |
| Sale of ready mix concrete | | - | 247,376,586 | 247,376,586 | - | 247,376,586 |
| Equipment rental | | - | 80,684,490 | 80,684,490 | - | 80,684,490 |
| | | - | 7,071,551,743 | 720,364,919 | 6,351,186,824 | 7,071,551,743 |
| **Airport operations:** | 17.2 | | | | | |
| Aeronautical revenues | | - | 292,239,000 | 292,239,000 | - | 292,239,000 |
| Aero related revenues | | - | 75,314,786 | 75,314,786 | - | 75,314,786 |
| Non-aero related revenues | | - | 276,265,774 | 276,265,774 | - | 276,265,774 |
| | | - | 643,819,560 | 643,819,560 | - | 643,819,560 |
| **Landport operations:** | 17.3 | | | | | |
| Rental revenue – effect of straight-line method | | - | 176,190,688 | - | 176,190,688 | 176,190,688 |
| Rental revenue – per contract | | - | 74,213,101 | - | 74,213,101 | 74,213,101 |
| | | - | 250,403,789 | - | 250,403,789 | 250,403,789 |
| **Trading operations:** | 17.4 | | | | | |
| Food revenues | | 49,110,322 | - | 49,110,322 | - | 49,110,322 |
| Non-food revenues | | 5,267,713 | - | 5,267,713 | - | 5,267,713 |
| | | 54,378,035 | - | 54,378,035 | - | 54,378,035 |
| | | **P 54,378,035** | **P7,965,775,092** | **P 1,418,562,513** | **P 6,601,590,614** | **P8,020,153,127** |
| June 30, 2021: | | | | | | |
| Construction operations: | 17.1 | | | | | |
| Contract revenues | | P - | P 6,655,090,225 | P - | P6,655,090,225 | P 6,655,090,225 |
| Sale of precast | | - | 277,354,942 | 277,354,942 | - | 277,354,942 |
| Sale of ready mix concrete | | 14,481,623 | - | 14,481,623 | - | 14,481,623 |
| Equipment rental | | - | 37,486,182 | 37,486,182 | - | 37,486,182 |
| | | 14,481,623 | 6,894,958,985 | 329,322,747 | 6,655,090,225 | 6,984,412,972 |
| Airport operations: | 17.2 | | | | | |
| Aeronautical revenues | | - | 69,223,080 | 69,223,080 | - | 69,223,080 |
| Aero related revenues | | - | 30,172,053 | 30,172,053 | - | 30,172,053 |
| Non-aero related revenues | | - | 135,616,382 | 135,616,382 | - | 135,616,382 |
| | | - | 235,011,515 | 235,011,515 | - | 235,011,515 |
| Landport operations: | 17.3 | | | | | |
| Rental revenue – effect of straight-line method | | - | 317,911,839 | - | 317,911,839 | 317,911,839 |
| Rental revenue – per contract | | - | 42,139,627 | - | 42,139,627 | 42,139,627 |
| | | - | 360,051,466 | - | 360,051,466 | 360,051,466 |
| Trading operations: | 17.4 | | | | | |
| Food revenues | | 3,617,296 | - | 3,617,296 | - | 3,617,296 |
| Non-food revenues | | 772,259 | - | 772,259 | - | 772,259 |
| | | 4,389,555 | - | 4,389,555 | - | 4,389,555 |
| | | P 18,871,178 | P7,490,021,966 | P 568,723,817 | P7,015,141,691 | P7,583,865,508 |
| June 30, 2020: | | | | | | |
| Construction operations: | 17.1 | | | | | |
| Contract revenues | | P - | P4,684,112,996 | P - | P 4,684,112,996 | P 4,684,112,996 |
| Sale of precast | | - | 149,470,074 | 149,470,074 | - | 149,470,074 |
| Sale of ready mix concrete | | 3,593,762 | - | 3,593,762 | - | 3,593,762 |
| Equipment rental | | - | 24,105,617 | 24,105,617 | - | 24,105,617 |
| | | 3,593,762 | 4,809,477,453 | 177,169,453 | 4,684,112,996 | 4,861,282,449 |
| Airport operations: | 17.2 | | | | | |
| Aeronautical revenues | | - | 434,799,537 | 434,799,537 | - | 434,799,537 |
| Aero related revenues | | - | 103,673,026 | 103,673,026 | - | 103,673,026 |
| Non-aero related revenues | | - | 343,787,820 | 343,787,820 | - | 343,787,820 |
| | | - | 882,260,383 | 882,260,383 | - | 882,260,383 |
| Landport operations: | 17.3 | | | | | |
| Rental revenue – effect of straight-line method | | - | 255,543,475 | - | 255,543,475 | 255,543,475 |
| Rental revenue – per contract | | - | 343,765,327 | - | 343,765,327 | 343,765,327 |
| | | - | 599,308,802 | - | 599,308,802 | 599,308,802 |
| Trading operations: | 17.4 | | | | | |
| Food revenues | | 40,277,447 | - | 40,277,447 | - | 40,277,447 |
| Non-food revenues | | 29,067,762 | - | 29,067,762 | - | 29,067,762 |
| | | 69,345,209 | - | 69,345,209 | - | 69,345,209 |
| | | P 72,938,971 | P6,291,046,638 | P1,128,775,045 | P 5,283,421,798 | P6,412,196,843 |

There are no variable considerations arising from the Group's contracts with customers in all periods presented.

### *17.1 Construction Operation Revenues*

The details of this account for the period ended June 30 are composed of the revenues from:

| | **2022 (Unaudited)** | 2021 (Unaudited) | 2020 (Unaudited) |
|---|---|---|---|
| Completed contracts | **P 1,488,006,516** | P 528,289,354 | P 318,833,495 |
| Contracts in progress | **5,583,545,227** | 6,456,123,618 | 4,542,448,954 |
| | **P 7,071,551,743** | P6,984,412,972 | P4,861,282,449 |

About 10%, 5%, and 3% of the contract revenues for 2022, 2021 and 2020, respectively, were earned from contracts with an associate and certain related parties under common ownership.

### *17.2 Airport Operations Revenues*

The details of this account for the period ended June 30 are composed of the revenues from:

| | **2022 (Unaudited)** | 2021 (Unaudited) | 2020 (Unaudited) |
|---|---|---|---|
| Aeronautical | **P 292,239,000** | P 69,223,080 | P 434,799,537 |
| Concession | **91,688,582** | 40,940,301 | 139,553,966 |
| Rental | **77,263,434** | 17,229,503 | 125,184,828 |
| Others | **182,628,544** | 107,618,631 | 182,722,052 |
| | **P 643,819,560** | P 235,011,515 | P 882,260,383 |

### *17.3 Landport Operations Revenue*

The details of this account for the period ended June 30 are composed of the revenues from:

| | **2022 (Unaudited)** | 2021 (Unaudited) | 2020 (Unaudited) |
|---|---|---|---|
| Rental revenue – per contract | **P 176,190,687** | P 317,911,839 | P 255,543,475 |
| Rental revenue – effect of straight-line method | **74,213,102** | 42,139,627 | 343,765,327 |
| | **P 250,403,789** | P 360,051,466 | P 599,308,802 |

### *17.4 Trading Operation Revenues*

The details of this account for the period ended June 30 are composed of the revenues from:

| | **2022 (Unaudited)** | 2021 (Unaudited) | 2020 (Unaudited) |
|---|---|---|---|
| Food revenues | **P 49,110,322** | P 3,617,296 | P 40,277,447 |
| Non-food revenues | **5,267,713** | 772,259 | 29,067,762 |
| | **P 54,378,035** | P 4,389,555 | P 69,345,209 |

## 18. DIRECT COSTS

### *18.1 Cost of Construction Operations*

The following is the breakdown of this account for the period ended June 30:

| | **2022 (Unaudited)** | 2021 (Unaudited) | 2020 (Unaudited) |
|---|---|---|---|
| Materials | **P 2,188,726,200** | P2,200,959,027 | P1,353,656,487 |
| Outside services | **2,145,816,445** | 2,133,539,633 | 1,646,513,553 |
| Salaries and employee benefits | **738,790,490** | 770,298,935 | 647,051,773 |
| Depreciation and amortization | **589,230,807** | 592,537,643 | 444,167,267 |
| Project overhead | **309,009,209** | 237,015,057 | 353,120,917 |
| | **P 5,971,573,151** | P 5,934,350,295 | P4,444,509,997 |

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.

### *18.2 Costs of Airport Operations*

The following is the breakdown of this account for the period ended June 30:

| | **2022 (Unaudited)** | 2021 (Unaudited) | 2020 (Unaudited) |
|---|---|---|---|
| Amortization of concession assets | **P 79,963,219** | P 17,071,095 | P 151,124,830 |
| Repairs and maintenance | **55,974,740** | 25,318,729 | 60,770,212 |
| Utilities | **54,725,525** | 46,122,646 | 80,117,401 |
| Outside service | **32,052,909** | 15,060,873 | 55,249,523 |
| Insurance | **24,171,147** | 20,131,656 | 17,979,729 |
| Salaries and other benefits | **23,154,221** | 26,745,963 | 28,130,499 |
| Airline collection charges | **11,623,982** | 2,554,016 | 17,848,338 |
| Airport operator's fee | **8,612,984** | 3,242,770 | 11,437,802 |
| Technical service charges | **6,800,742** | 9,873,552 | 13,415,456 |
| Others | **57,835,566** | 8,516,333 | 14,228,895 |
| | **P 354,915,035** | P 174,637,633 | P 450,302,685 |

### *18.3 Costs of Landport Operations*

The following is the breakdown of this account for the period ended June 30:

| | **2022 (Unaudited)** | 2021 (Unaudited) | 2020 (Unaudited) |
|---|---|---|---|
| Cost of terminal operations | **P 25,874,520** | P 41,385,009 | P 50,940,587 |
| Depreciation | **113,988,764** | 109,359,022 | 105,355,224 |
| Miscellaneous | **50,995,843** | 10,311,946 | 10,481,154 |
| | **P 190,859,127** | P 161,055,977 | P 166,776,965 |

### *18.4 Costs of Trading Operations*

The following is the breakdown of this account for the period ended June 30:

| | **2022 (Unaudited)** | 2021 (Unaudited) | 2020 (Unaudited) |
|---|---|---|---|
| Cost of food | **P 29,631,754** | P 2,619,812 | P 12,268,905 |
| Cost of non-food | **3,550,650** | 1,199,262 | 6,972,157 |
| Freight | **1,532** | 384,514 | 489,224 |
| | **P 33,183,936** | P 4,308,588 | P 19,730,286 |

## 19. EQUITY

### *19.1 Capital Stock*

Capital stock as of June 30, 2022, and December 31, 2021 and 2020 consists of:

| | **Shares** | | | **Amount** | | |
|---|---|---|---|---|---|---|
| | **June 30, 2022 (Unaudited)** | December 31, 2021 (Audited) | December 31, 2020 (Audited) | **June 30, 2022 (Unaudited)** | December 31, 2021 (Audited) | December 31, 2020 (Audited) |
| Common shares – P1 par value | | | | | | |
| Authorized | **4,930,000,000** | 4,930,000,000 | 4,930,000,000 | **P 4,930,000,000** | P4,930,000,000 | P 4,930,000,000 |
| Subscribed and paid in: | **2,399,426,127** | 2,399,426,127 | 2,399,426,127 | **P 2,399,426,127** | P2,399,426,127 | P 2,399,426,127 |
| Less: | | | | | | |
| Treasury shares | | | | | | |
| Balance at beginning of period | **386,016,410** | 386,016,410 | 335,792,310 | **P 4,615,690,576** | P4,615,690,576 | P 3,912,617,536 |
| Reacquisition | **-** | - | 50,224,100 | **-** | - | 703,073,040 |
| Balance at end of period | **386,016,410** | 386,016,410 | 386,016,410 | **P 4,615,690,576** | P4,615,690,576 | P 4,615,690,576 |
| Issued and outstanding | **2,013,409,717** | 2,013,409,717 | 2,013,409,717 | | | |
| Preferred shares – P1 par value | | | | | | |
| Authorized | | | | | | |
| Balance at beginning of period | **150,000,000** | 124,000,000 | 70,000,000 | **P 150,000,000** | P 124,000,000 | P 70,000,000 |
| Increase during the period | **-** | 26,000,000 | 54,000,000 | **-** | 26,000,000 | 54,000,000 |
| Balance at end of period | **150,000,000** | 150,000,000 | 124,000,000 | **P 150,000,000** | P 150,000,000 | P 124,000,000 |
| Subscribed and paid in: | | | | | | |
| Balance at beginning of period: | | | | | | |
| Series 1 | **40,000,000** | 40,000,000 | 40,000,000 | **P 40,000,000** | P 40,000,000 | P 40,000,000 |
| Series 2A | **26,220,130** | 26,220,130 | - | **26,220,130** | 26,220,130 | - |
| Series 2B | **17,405,880** | 17,405,880 | - | **17,405,880** | 17,405,880 | - |
| Series 3 | **20,000,000** | 13,500,000 | - | **20,000,000** | 13,500,000 | - |
| Series 4 | **40,000,000** | - | - | **40,000,000** | - | - |
| Issuance during the period: | | | | | | |
| Series 2A | **-** | - | 26,220,130 | **-** | - | 26,220,130 |
| Series 2B | **-** | - | 17,405,880 | **-** | - | 17,405,880 |
| Series 3 | **-** | 6,500,000 | 13,500,000 | **-** | 6,500,000 | 13,500,000 |
| Series 4 | **-** | 40,000,000 | - | **-** | 40,000,000 | - |
| | **143,626,010** | 143,626,010 | 97,126,010 | **143,626,010** | 143,626,010 | 97,126,010 |
| Less: Subscription receivable | | | | | | |
| Balance at beginning of period | **15,000,000** | 10,125,000 | - | **15,000,000** | 10,125,000 | - |
| Subscription – Series 3 | **-** | 4,875,000 | 10,125,000 | **-** | 4,875,000 | 10,125,000 |
| Balance at end of period | **15,000,000** | 15,000,000 | 10,125,000 | **15,000,000** | 15,000,000 | 10,125,000 |
| Balance at end of period | **128,626,010** | 128,626,010 | 87,001,010 | **P 128,626,010** | P 128,626,010 | P 87,001,010 |
| Less: Treasury shares | | | | | | |
| Redemption of Series 1 preferred shares | **40,000,000** | 40,000,000 | - | **P 4,000,000,000** | P4,000,000,000 | P - |
| Issued and outstanding | **88,626,010** | 88,626,010 | 87,001,010 | | | |

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
Both common and preferred shares have a par value of P1.00 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 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.

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

On September 22, 2020, the SEC has approved the increase of the authorized capital stock of the Parent Company to P5,054,000,000, divided into the following classes:

1. 4,930,000,000 voting common shares with the P1 par value; and
2. 124,000,000 cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares with the P1 par value

The Preferred Shares shall be issued in series, sub-series or in tranches as the BOD may determine, and authority is hereby expressly granted to the BOD, to establish and designate the series, sub-series or tranches of the Preferred Shares, fix the issue price and the number of shares in each sub-series or tranche, establish the specific terms and conditions of each sub-series or tranche and determine the manner by which the Preferred Shares will be subscribed and paid for, such as but not limited to, a private placement transaction or public offering.

Preferred shares of stock shall be cumulative, non-voting, non-participating, non-convertible, perpetual; Provided, that no share will be issued below par value. The preferred shares shall have the following features, rights and privileges:

a. The issue value of shares shall be determined by the BOD at the time of the issuance of the shares;
b. The BOD shall declare a dividend rate equivalent to the 7-year benchmark rate or any other rate determined by the BOD as of issue date, payable on a date to be set by the BOD in accordance with Philippine laws, rules and regulations;
c. Preferred shares shall be non-convertible into common shares;
d. Preference over holders of common stock in the distribution of the corporate assets in the event of dissolution and liquidation of the corporation and in the payment of the dividend at the rate specified at the time of issuance;
e. Preferred shares shall be cumulative;
f. Preferred shares shall be non-participating in any other or further dividends beyond that specifically payable on the shares;
g. Holders of preferred shares shall have no pre-emptive rights to any issue of shares, common or preferred; and,

h. The preferred shares may be redeemed by the corporation at the sole option of the BOD at the price to be determined by the BOD.

On September 30, 2020, the Parent Company entered into a Subscription Agreement with Citicore whereby Citicore subscribed to 13.5 million preferred shares of the Parent Company at P1.00 each and paid 25% of such subscription in cash amounting to P3.4 million.

On November 5, 2020, the SEC has approved the Parent Company's offer and sale of Series 2 preferred shares which are to be issued in two subseries: Series 2A and Series 2B preferred shares, at a subscription price of P100.00. As of December 31, 2020, preferred shares of 26,220,130 and 17,405,880 for Series 2A and 2B, respectively, were subscribed and listed in the PSE. As a result, the Parent Company recognized additional paid in capital amounting to P4,281.4 million, arising from the excess of subscription price over par value of the issuance of Series 2A and 2B preferred shares. The Parent Company also recognized issuance-related costs amounting to P37.1 million which was charged against the additional paid in capital recorded from the issuance of Series 2A and 2B preferred shares.

On February 26, 2021, the Parent Company's BOD approved the resolution increasing the Parent Company's authorized capital stock on preferred shares by 26.0 million shares , to a total of 150.0 million cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares at a par value of P1.00 per share, thereby increasing the Parent Company's total authorized capital stock to P5,080.0 million. At the same date, the BOD approved the offer and sale of up to 40.0 million preferred shares from the unissued authorized capital stock of the Company and the issuance of 6.5 million shares to Citicore. On September 9, 2021, the SEC has approved the increase in preferred capital stock.

On July 23, 2021, the Parent Company filed with the SEC a registration statement and preliminary prospectus relating to its offer and sale of up to 40.0 million Series 4 preferred shares with a par value of P1.00 per share, composed of a base offer of 30.0 million shares and an oversubscription option of up to 10.0 million shares, at an offer price of P100.00 per share. On September 30, 2021, the SEC has approved the Parent Company's offer and sale of Series 4 preferred shares. As a result, the Parent Company recognized additional paid-in capital amounting to P3,930.1 million, arising from the excess of subscription price over par value related to the issuance of Series 4 preferred shares. Transaction costs from the issuance amounting to P29.9 million was charged against the additional paid in capital relating to this issuance. The proceeds from such issuance were used for the redemption of the outstanding Series 1 preferred shares as discussed in the succeeding paragraphs.

On September 10, 2021, Citicore subscribed to additional 6.5 million preferred shares at a price of P1.00 per share and paid P1.6 million in cash representing the 25% of such subscription. As of December 31, 2021, Citicore has subscribed to a total of 20.0 million preferred shares at a par value of P1.00 per share, and has paid 25% of such subscription. On October 19, 2021, the BOD approved the redemption of the Parent Company's Series 1 Preferred Shares on December 3, 2021, at a redemption price of P100.00 per share, increasing the treasury shares by P4,000.0 million. The cost of the redemption was considered temporarily as part of treasury shares until such time that the SEC will approve the decrease in authorized capital stock of the Parent Company to reflect such redemption wherein the redemption price will be charged against the paid-up capital arising from the original issuance. The details of the redemption are as follows:

| | |
|---|---|
| *Ex- date* | November 4, 2021 |
| *Record date* | November 9, 2021 |
| *Redemption date* | December 3, 2021 |

## *19.2 Dividends*

### *19.2.1 Series 1 Preferred Shares*

In 2021 and 2020, 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 per year) to holders of Series 1 preferred shares, which were taken out of the unrestricted earnings of the Company as of December 31, 2021 and 2020, respectively. In 2021, the BOD approved the redemption of the Parent Company's Series 1 Preferred Shares.

The dividends on Series 1 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 7.03% per annum from listing date.

### *19.2.2 Series 2A and Series 2B Preferred Shares*

The Parent Company's BOD approved the declaration of cash dividends of P1.2 per share and P1.4 per share or equivalent to P31.1 million and P25.0 million (total of P124.5 million and P100.1 million per year) to holders of Series 2A and Series 2B preferred shares, respectively, in both 2022 and 2021, which were taken out of the unrestricted earnings of the Parent Company as of December 31, 2021 and 2020.

### *19.2.3 Series 4 Preferred Shares*

In 2021 and 2022, the Parent Company's BOD approved the declaration of cash dividends of P1.3 per share or equivalent to P53.0 million per quarter (total of P212.0 million per year) to holders of Series 4 preferred shares, which were taken out of the unrestricted earnings of the Company as of December 31, 2021.

The series of record dates and payments are as follows:

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|---|---|---|---|---|
| **2022:** | | | | |
| *Series 2A Preferred Shares:* | | | | |
| Approval dates | January 18, 2022 | April 21, 2022 | n/a | n/a |
| Record dates | February 4, 2022 | May 9, 2022 | n/a | n/a |
| Payment dates | February 27, 2022 | May 27, 2022 | n/a | n/a |
| *Series 2B Preferred Shares:* | | | | |
| Approval dates | January 18, 2022 | April 21, 2022 | n/a | n/a |
| Record dates | February 4, 2022 | May 9, 2022 | n/a | n/a |
| Payment dates | February 27, 2022 | May 27, 2022 | n/a | n/a |
| *Series 4 Preferred Shares:* | | | | |
| Approval dates | March 22, 2022 | June 23, 2022 | n/a | n/a |
| Record dates | April 6, 2022 | July 8, 2022 | n/a | n/a |
| Payment dates | April 29, 2022 | July 29, 2022 | n/a | n/a |
| 2021: | | | | |
| *Series 1 Preferred Shares:* | | | | |
| Approval dates | January 11, 2021 | April 8, 2021 | June 30, 2021 | October 19, 2021 |
| Record dates | February 8, 2021 | May 18, 2021 | August 9, 2021 | November 9, 2021 |
| Payment dates | March 1, 2021 | June 3, 2021 | September 3, 2021 | December 3, 2021 |
| *Series 2A Preferred Shares:* | | | | |
| Approval dates | January 18, 2021 | April 8, 2021 | June 30, 2021 | October 19, 2021 |
| Record dates | February 3, 2021 | May 4, 2021 | August 5, 2021 | November 5, 2021 |
| Payment dates | March 3, 2021 | May 27, 2021 | August 27, 2021 | November 29,2021 |
| *Series 2B Preferred Shares:* | | | | |
| Approval dates | January 18, 2021 | April 8, 2021 | June 30, 2021 | October 19, 2021 |
| Record dates | February 3, 2021 | May 4, 2021 | August 5, 2021 | November 5, 2021 |
| Payment dates | March 3, 2021 | May 27, 2021 | August 27, 2021 | November 29, 2021 |

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|---|---|---|---|---|
| *Series 4 Preferred Shares:* | | | | |
| Approval dates | n/a | n/a | n/a | December 23, 2021 |
| Record dates | n/a | n/a | n/a | January 10, 2022 |
| Payment dates | n/a | n/a | n/a | January 31, 2022 |
| 2020: | | | | |
| *Series 1 Preferred Shares:* | | | | |
| Approval dates | January 8, 2020 | May 8, 2020 | July 7, 2020 | October 5, 2020 |
| Record dates | February 6, 2020 | May 25, 2020 | August 8, 2020 | November 6, 2020 |
| Payment dates | March 3, 2020 | June 3, 2020 | September 3, 2020 | December 3, 2020 |

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.

### *19.3 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 Parent Company's BOD approved an additional P3.0 billion to its share buyback program, making it a total of P5.0 billion and removal of the period within which to execute the program, making it open-ended. Total cost of acquired treasury shares in 2020 amounted to P703.1 million, which is equivalent to 50.2 million shares. There are no buyback transactions in 2022 and 2021.

On October 19, 2021, the Parent Company's BOD approved the redemption of the Parent Company's Series 1 Preferred Shares on December 3, 2021, at a redemption price of P100.00 per share, increasing the treasury shares by P4,000 million.

### *19.4 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 Group's retained earnings are restricted up to the extent of the cost of its treasury shares, except those treasury shares acquired in the redemption of redeemable preferred shares amounting to P4,000.0 million as of December 31, 2021.

## 20. RELATED PARTY TRANSACTIONS

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

The summary of the Group's transactions with related parties for the six months ended June 30, 2022 is as follows:

| Related Party Category | Notes | Amount of Transaction | Receivable (Payable) | Terms | Conditions |
|---|---|---|---|---|---|
| **Ultimate Parent Company:** | | | | | |
| Cash granted | 5, 20.4 | (P 200,000) | P 3,089,095,108 | Interest-bearing | Unsecured; Unimpaired |
| Interest receivable | 5, 20.4 | 111,518,099 | 837,555,922 | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| Rent income | 5, 20.2 | 26,786 | 472,902 | Normal credit terms | Unsecured; Unimpaired |
| **Associates:** | | | | | |
| Revenue from services | 5, 17.1, 20.1 | - | 1,104,240,678 | Normal credit terms | Unsecured; Unimpaired |
| Cash granted | 5, 20.4 | ( 7,999,750) | 34,179,296 | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| Cash obtained | 13, 20.4 | - | ( 20,000,000) | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| Rent income | 5, 20.2 | 26,786 | 313,393 | Normal credit terms | Unsecured; Unimpaired |
| **Joint Arrangement:** | | | | | |
| Revenue from services | 5, 17.1, 20.1 | 460,923,084 | 105,206,454 | Normal credit terms | Unsecured; Unimpaired |
| Cash granted | 5, 20.4 | ( 335,934) | 285,421 | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| **Related Parties Under Common Ownership:** | | | | | |
| Rent income | 5, 20.2 | 80,357 | 40,411,048 | Normal credit terms | Unsecured; Unimpaired |
| Revenue from services | 5, 17.1, 20.1 | 258,307,496 | 1,279,377,115 | Normal credit terms | Unsecured; Unimpaired |
| Cash granted | 5, 20.4 | 14,098,285 | 3,301,637,673 | On demand; Interest-bearing and noninterest-bearing | Unsecured; Unimpaired |
| Interest receivable | 5, 20.4 | 111,518,099 | 837,555,922 | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| **Retirement fund** | 20.6 | - | 4,691,732 | Upon retirement of beneficiaries | Partially funded; Unimpaired |
| **Advances to Officers and Employees** | 5, 20.3 | 22,939,022 | 108,737,097 | Upon liquidation, Noninterest-bearing | Unsecured; Unimpaired |
| **Key Management Personnel –** Compensation | 20.6 | 139,589,654 | - | On demand | Unsecured; Unimpaired |

The summary of the Group's transactions with related parties for the six months ended June 30, 2021 is as follows:

| Related Party Category | Notes | Amount of Transaction | Receivable (Payable) | Terms | Conditions |
|---|---|---|---|---|---|
| **Ultimate Parent Company –** | | | | | |
| Cash granted | 5, 20.4 | P 142,429 | P 3,089,437,538 | Interest-bearing | Unsecured; Unimpaired |
| Interest receivable | 5, 20.4 | 110,250,000 | 615,787,823 | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| **Minority shareholders and their affiliates:** | | | | | |
| Revenue from services | 5, 17.1, 20.1 | 147,310,692 | 122,083,380 | Normal credit terms | Unsecured; Unimpaired |
| Cash granted | 5, 20.4 | - | 757,143 | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| **Associates:** | | | | | |
| Revenue from services | 5, 17.1, 20.1 | - | 1,016,283,022 | Normal credit terms | Unsecured; Unimpaired |
| Cash granted | 5, 20.4 | 22,428,668 | 64,634,636 | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| Cash obtained | 13, 20.4 | P - | (P 20,000,000 ) | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| Rent income | 5, 20.2 | 26,786 | 272,277 | Normal credit terms | Unsecured; Unimpaired |
| **Joint Arrangement:** | | | | | |
| Revenue from services | 5, 17.1, 20.1 | 1,942,671 | 545,580,400 | Normal credit terms | Unsecured; Unimpaired |
| Cash granted | 5, 20.4 | - | 1,356,355 | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| **Related Parties Under Common Ownership:** | | | | | |
| Rent income | 5, 20.2 | 80,357 | 6,842,869 | Normal credit terms | Unsecured; Unimpaired |
| Revenue from services | 5, 17.1, 20.1 | 123,077,347 | 339,466,904 | Normal credit terms | Unsecured; Unimpaired |
| Cash granted | 5, 20.4 | ( 298,810,809) | 2,978,264,291 | On demand; Interest-bearing and noninterest-bearing | Unsecured; Unimpaired |
| Interest receivable | 5, 20.4 | 110,250,000 | 615,787,823 | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| **Retirement fund** | 20.6 | - | 4,634,679 | Upon retirement of beneficiaries | Partially funded; Unimpaired |
| **Advances to Officers and Employees** | 5, 20.3 | 22,765,184 | 97,246,491 | Upon liquidation, Noninterest-bearing | Unsecured; Unimpaired |
| **Key Management Personnel –** | | | | | |
| Compensation | 20.6 | 87,305,762 | - | On demand | Unsecured; Unimpaired |

The summary of the Group's transactions with related parties for December 31, 2021 is as follows:

| Related Party Category | Notes | Amount of Transaction | Receivable (Payable) | Terms | Conditions |
|---|---|---|---|---|---|
| **Ultimate Parent Company –** | | | | | |
| Cash advance granted | 5, 20.4 | P - | P 3,089,295,108 | Interest-bearing | Unsecured; Unimpaired |
| Interest receivable | 5, 20.4 | 220,500,000 | 726,037,823 | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| **Associates:** | | | | | |
| Revenue from services | 5, 17.1, 20.1 | - | 1,105,839,908 | Normal credit terms | Unsecured; Unimpaired |
| Cash granted | 5, 20.4 | ( 26,922) | 42,179,046 | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| Cash obtained | 13, 20.4 | - | ( 20,000,000) | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| Rent income | 5, 20.2 | 53,571 | 286,607 | Normal credit terms | Unsecured; Unimpaired |
| **Joint Arrangement:** | | | | | |
| Revenue from services | 5, 17.1, 20.1 | 356,773,700 | 80,247,052 | Normal credit terms | Unsecured; Unimpaired |
| Cash granted | 5, 20.4 | ( 735,000) | 621,354 | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| **Related Parties Under Common Ownership:** | | | | | |
| Rent income | 5, 20.2 | P 3,804,016 | P 18,473,666 | Normal credit terms | Unsecured; Unimpaired |
| Revenue from services | 5, 17.1, 20.1 | 378,457,534 | 1,057,734,512 | Normal credit terms | Unsecured; Unimpaired |
| Cash granted | 5, 20.4 | 8,950,004 | 3,286,782,246 | On demand; Interest-bearing and noninterest-bearing | Unsecured; Unimpaired |
| Interest receivable | 5, 20.4 | 220,500,000 | 726,037,823 | On demand; Noninterest-bearing | Unsecured; Unimpaired |
| Management and consultancy | 5, 20.5 | 103,280,955 | 103,280,955 | Normal credit terms | Unsecured; Unimpaired |
| **Retirement fund** | | 57,053 | 4,691,732 | Upon retirement of beneficiaries | Partially funded; Unimpaired |
| **Advances to Officers and Employees** | 6, 20.3 | 11,316,768 | 85,798,075 | Upon liquidation, Noninterest-bearing | Unsecured; Unimpaired |
| **Key Management Personnel –** | | | | | |
| Compensation | 20.6 | 286,309,661 | - | On demand | Unsecured; Unimpaired |

## *20.1 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 P719.6 million, P370.8 million and P242.6 million in 2022, 2021 and 2020, respectively, and is recorded as part of Construction Operation Revenues account in the interim condensed 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 interim condensed consolidated statements of financial position (see Note 5).

Through application of the ECL model based on the lifetime expected credit loss wherein the Group used its historical experience, external indicators and forward-looking information to calculate the ECL using the provision matrix, no impairment losses was required to be recognized for the period ended June 30, 2022 and December 31, 2021.

### *20.2 Rental of Building*

The Parent Company leases out its office space to its associates and related parties under common ownership. As a result, the Group recognized rent income amounting to P0.1 million, P0.1 million, and P2.7 million in 2022, 2021 and 2020, respectively, from the lease of its office building to several related parties. This is recorded as part of Other Income (Charges) – net account in the interim condensed consolidated statements of income. Rent income from the above related parties are based on normal terms similar to terms that would be available to non-related parties. The outstanding balances arising from these transactions are presented as part of Other receivables under the Trade and Other Receivables account in the interim condensed consolidated statements of financial position (see Note 5).

### *20.3 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.

### *20.4 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 interim condensed 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 interim condensed 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.

### *20.5 Others*

The Parent Company's retirement plan is in the form of a bank-trustee managed account. The fair value of the retirement plan totaled P4.7 million as of June 30, 2022 and December 31, 2021.

In 2021, the Parent Company provided certain project management and consultancy services to a related party under common ownership amounting to P103.3 million. The amount is outstanding as of December 31, 2021 and is presented as part of Other receivables under Trade and Other Receivables account in the 2021 interim condensed consolidated statement of financial position (see Note 5). There was no similar transaction in 2022 and 2020.

### *20.6 Key Management Compensation*

The compensation of key management personnel for the periods ended June 30, 2022, 2021 and 2020 pertains only to short-term employee benefits amounting to P139.6 million, P118.9 million and P143.0 million, respectively.

## 21. 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.

## 22. 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. Other business segments are not subject to seasonality.

## 23. 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.

## 24. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share were computed as follows:

| | Six Months Ended June 30 (Unaudited) | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| Net profit (loss) attributable to shareholders of the Parent Company | **(P 125,675,923)** | P 138,109,890 | P 289,628,930 |
| Dividends on cumulative preferred shares | **( 271,314,714)** | ( 379,222,069) | ( 140,500,000) |
| Net profit (loss) available to common shareholders of the Parent Company | **( 396,990,637)** | ( 241,112,179) | 430,128,930 |
| Divided by weighted average number of outstanding common shares | **2,013,409,717** | 2,013,409,717 | 2,051,139,961 |
| Basic and diluted earnings (loss) per share | **(P 0.20)** | (P 0.12) | P 0.21 |

The Group does not have dilutive potential common shares outstanding as of June 30, 2022, 2021 and 2020; hence, diluted earnings per share is equal to the basic earnings per share.

## 25. EVENTS AFTER THE REPORTING PERIOD

On July 22, 2022, the Parent Company's BOD approved the declaration of cash dividends of P1.19 per share and P1.4 per share or equivalent to P31.1 million and P25.0 million, respectively, to holders of Series 2A and Series 2B preferred shares, respectively, on record as of August 8, 2022. The dividends which is payable on August 30, 2022, shall be taken out of the unrestricted earnings of the Parent Company as of December 31, 2021.

## 26. 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 in the succeeding pages. 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 in the succeeding pages.

### *26.1 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.

### *26.2 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.

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 interim condensed consolidated statements of financial position or in the detailed analysis provided in the selected explanatory notes to the interim condensed consolidated financial statements, as summarized below.

| | Notes | **June 30, 2022 (Unaudited)** | December 31, 2021 (Audited) |
|---|---|---|---|
| Cash and cash equivalents | 4 | **P 3,981,221,155** | P 5,846,088,030 |
| Trade and other receivables – net | 5 | **17,661,097,243** | 16,884,756,480 |
| Contract assets – net | 6 | **5,291,724,188** | 4,777,704,858 |
| Investment in trust fund | 8 | **17,361,959** | 163,541,216 |
| Refundable security and bond deposits | 8 | **913,689,038** | 234,233,185 |
| | | **P 27,865,093,583** | P 27,906,323,769 |

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 and in the succeeding page.

*(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 June 30, 2022 or December 31, 2021, 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 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 been able to settle the receivables when due, depending on the terms with customers or after completion and acceptance of the stage of completion as represented by the billings. In making the assessment, the Group considers the net position of the customer after advances and deposits received from the customer, reason for non-payment (i.e., dispute related to quality of work completed has been raised by the customer) and the credit standing of the customer. 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. When customer is unlikely to pay a past due account in the next year due to financial difficulty, an ECL is recognized in the books. The Group has determined that the credit standing and liquidity of the significant portion of its receivables and customers from the construction segment are not affected severely by COVID-19 as these customers have reputable cash management strategies.

On that basis, the loss allowance as at June 30, 2022 and December 31, 2021 was determined based on months past due. For the period ended June 30, 2022 and

December 31, 2021, the Group recognized additional impairment losses amounting to P16.2 million and P222.8 million, respectively. In 2021, the Group recognized reversal and write-off amounting to P17.8 million and P11.1 million, respectively. No reversal or write-off was recognized in 2022.

For contract assets, the Group has recognized an allowance for ECL amounting to P288.2 million representing unbilled costs incurred by the Group and assessed to be not recoverable. No additional impairment losses on contract assets have been recognized in 2022 and 2021.

*(c) Investment in Trust Fund*

The Group is exposed to credit risk on its investments in 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*

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.

### *26.3 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.

| | Current | | Non-current |
|---|---|---|---|
| | Within 6 Months | 6 to 12 Months | 1 to 10 Years |
| **June 30, 2022 (Unaudited):** | | | |
| Interest-bearing loans and borrowings | P 16,533,286,670 | P 264,464,874 | P 34,857,619,739 |
| Trade and other payables | 9,214,145,085 | - | - |
| Security deposits (gross of unearned income) | - | - | 394,054,563 |
| | **P 25,747,431,755** | **P 264,464,874** | **P35,251,674,302** |
| December 31, 2021 (Audited): | | | |
| Interest-bearing loans and borrowings | P 15,750,563,082 | P1,615,263,105 | P43,295,463,244 |
| Trade and other payables | 8,616,715,347 | - | - |
| Security deposits (gross of unearned income) | - | - | 471,258,850 |
| | P 24,367,278,429 | P1,615,263,105 | P43,766,722,094 |

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.

## 27. CATEGORIES, OFFSETTING AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### *27.1 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 interim condensed consolidated statements of financial position are shown below.

| | **June 30, 2022 (Unaudited)** | | December 31, 2021 (Audited) | |
|---|---|---|---|---|
| | **Carrying Values** | **Fair Values** | Carrying Values | Fair Values |
| ***Financial Assets*** | | | | |
| At amortized cost: | | | | |
| Cash and cash equivalents | **P 3,981,221,155** | **P 3,981,221,155** | P 5,846,088,030 | P 5,846,088,030 |
| Trade and other receivables – net | **17,661,144,444** | **17,661,144,444** | 16,884,756,480 | 16,884,756,480 |
| Refundable security and bond deposits | **913,689,038** | **913,689,038** | 234,233,185 | 234,233,185 |
| Investment in trust fund | **17,361,959** | **17,361,959** | 163,541,216 | 163,541,216 |
| | **22,573,416,596** | **22,573,416,596** | 23,128,618,911 | 23,128,618,911 |
| Financial assets at FVOCI: | | | | |
| Club shares | **1,044,472** | **1,044,472** | 1,044,472 | 1,044,472 |
| Investment in SSPI | **2,500,000** | **2,500,000** | 2,500,000 | 2,500,000 |
| | **3,544,472** | **3,544,472** | 3,544,472 | 3,544,472 |
| | **P 22,576,961,068** | **P 22,576,961,068** | P 23,132,163,383 | P 23,132,163,383 |
| ***Financial Liabilities*** | | | | |
| At amortized cost: | | | | |
| Interest-bearing loans and borrowings | **P 51,590,768,054** | **P 51,590,768,054** | P 49,501,496,492 | P 52,120,777,047 |
| Trade and other payables | **9,214,145,085** | **9,214,145,085** | 8,616,715,347 | 8,616,715,347 |
| Security deposits | **394,054,563** | **394,054,563** | 471,258,850 | 471,258,850 |
| | **61,198,967,702** | **61,198,967,702** | 58,589,470,689 | 61,208,751,244 |
| Financial assets at FVTPL – Derivative liability | **12,598,141** | **12,598,141** | 54,872,973 | 54,872,973 |
| | **P 61,211,565,843** | **P 61,211,565,843** | P 58,644,343,662 | P61,263,624,217 |

### *27.2 Offsetting of Financial Assets and Financial Liabilities*

The Group has not set-off financial instruments in 2022 and 2021 and does not have relevant offsetting arrangements except as disclosed in Notes 20.4 and 26.2(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 20 can be potentially offset to the extent of their corresponding outstanding balances.

### *27.3 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.

### *27.4 Financial Instruments Measured at Fair Value*

Since the fair value of the Group's financial assets through FVOCI approximates the cost amounting to P3.5 million as of June 30, 2022 and December 31, 2021, the fair value change is deemed immaterial. The Group's financial assets through FVOCI are under Level 2 and 3 of 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 June 30, 2022 and December 31, 2021.

| | Note | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **June 30, 2022 (Unaudited)** | | | | | |
| *Financial assets –* | | | | | |
| Equity securities: | | | | | |
| SSPI | | P - | P - | P 2,500,000 | P 2,500,000 |
| Golf club shares | | - | 1,044,472 | - | 1,044,472 |
| | | **P -** | **P 1,044,472** | **P 2,500,000** | **P 3,544,472** |
| *Financial liability –* | | | | | |
| Derivative liability | 13 | **P -** | **P 12,598,141** | **P -** | **P 12,598,141** |
| December 31, 2021 (Audited) | | | | | |
| *Financial assets –* | | | | | |
| Equity securities: | | | | | |
| SSPI | | P - | P - | P 2,500,000 | P 2,500,000 |
| Golf club shares | | - | 1,044,472 | - | 1,044,472 |
| | | P - | P 1,044,472 | P 2,500,000 | P 3,544,472 |
| *Financial liability –* | | | | | |
| Derivative liability | 13 | P - | P 54,872,973 | P - | P 54,872,973 |

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

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

*(a) Equity Securities*

As of June 30, 2022 and December 31, 2021, 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 as at June 30, 2022 and December 31, 2021, respectively. 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.

The Group has equity interest of 1% in SSPI as of June 30, 2022 and December 31, 2021. These securities were valued based on entity specific estimate; thus, included in Level 3.

*(b) Derivative Liability*

The fair value of the Group's derivative liability are measured under Level 2. As of June 30, 2022 and December 31, 2021, the fair values of the Group's derivative financial instruments classified as financial liabilities at FVTPL, were valued using pricing models whose inputs, such as foreign exchange rates and interest rates, are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including forward contracts and swaps) or are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

### *27.5 Financial Instruments Measured at Amortized Cost*

The table below and in the succeeding page summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the interim condensed 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 FVTPL (see Note 27.4).

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **June 30, 2022 (Unaudited):** | | | | |
| ***Financial assets:*** | | | | |
| Cash and cash equivalents | P 3,981,221,155 | P - | P - | P 3,981,221,155 |
| Trade and other receivables - net | - | - | 17,661,144,444 | 17,661,144,444 |
| Refundable security and bond deposits | - | - | 913,689,038 | 913,689,038 |
| Investment in trust fund | 17,361,959 | - | - | 17,361,959 |
| | **P3,998,583,114** | **P -** | **P 18,574,833,482** | **P22,573,416,596** |

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| ***Financial liabilities:*** | | | | |
| Interest-bearing loans and borrowings | P - | P - | P 51,590,768,054 | P 51,590,768,054 |
| Trade and other payables | - | - | 9,214,145,085 | 9,214,145,085 |
| Security deposits | - | - | 394,054,563 | 394,054,563 |
| | **P -** | **P -** | **P 61,198,967,702** | **P61,198,967,702** |

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| December 31, 2021 (Audited): | | | | |
| *Financial assets:* | | | | |
| Cash and cash equivalents | P 5,846,088,030 | P - | P - | P 5,846,088,030 |
| Trade and other receivables - net | - | - | 16,884,756,480 | 16,884,756,480 |
| Refundable security and bond deposits | - | - | 234,233,185 | 234,233,185 |
| Investment in trust fund | 163,541,216 | - | - | 163,541,216 |
| | P 6,009,629,246 | P - | P 17,118,989,665 | P 23,128,618,911 |
| *Financial liabilities:* | | | | |
| Interest-bearing loans and borrowings | P - | P - | P 52,120,777,047 | P 52,120,777,047 |
| Trade and other payables | - | - | 8,616,715,347 | 8,616,715,347 |
| Security deposits | - | - | 471,258,850 | 471,258,850 |
| | P - | P - | P 61,208,751,244 | P 61,208,751,244 |

### *27.6 Fair Value Measurement for Investment Property Carried at Cost*

The table below shows the fair value of the Group's investment property measured at cost but for which fair value is disclosed and determined under the Level 3 fair value hierarchy as of June 30, 2022 and December 31, 2021.

| | |
|---|---|
| Building for lease | P 3,962,447,034 |
| Land | 1,897,868,396 |
| | **P 5,860,315,430** |

The fair value of certain parcels of land are determined on the basis of the appraisals performed by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. On the other hand, the fair value of other parcels of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Both valuation process was applied as sale comparable method.

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. In 2022 and 2021, the Level 3 fair value of commercial area under investment properties was determined using the income approach which utilized discounted cash flow method to convert future cash flows to be generated by the non-financial assets in reference to the value of expected income, net of cost of services, other operating expenses and income taxes. The significant unobservable inputs used in the valuation of the property were future annual free cash flows ranging from P520.0 million to P2,400.0 million for average period of 29 years. The discount rates

applied in determining the present value of future annual free cash flows is 12%. The management has determined that a reasonably possible change in the unobservable inputs to a different amounts or rates would not cause the fair values of the non-financial assets to be increase or decrease significantly.

There has been no other change to the valuation techniques used by the Group for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2022 and 2021.

## 28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

| | Bank Loans (Note 14) | Notes Payable (Note 14) | Lease Liabilities (Note 12) | Total |
|---|---|---|---|---|
| Balance as of January 1, 2022, | P 43,466,007,560 | P 5,569,791,232 | P 465,697,699 | P 49,501,496,491 |
| Cash flows from financing activities: | | | | |
| Additional borrowings | 6,483,000,000 | - | - | 6,483,000,000 |
| Repayment of borrowings | ( 4,607,710,205) | ( 36,999,999 ) | ( 142,267,328 ) | ( 4,786,977,532) |
| Non-cash financing activities: | | | | |
| Unrealized foreign currency exchange on dollar valuation | 309,560,762 | - | - | 309,560,762 |
| Amortization of debt issuance costs | 13,955,548 | - | - | 13,955,548 |
| Additional lease liabilities | - | - | 69,732,785 | 69,732,785 |
| Balance as of June 30, 2022 (Unaudited) | **P 45,644,813,665** | **P 5,532,791,233** | **P 393,163,156** | **P 51,590,768,054** |
| Balance as of January 1, 2021 | P 39,796,906,098 | P 5,590,791,232 | P 532,667,977 | P 45,920,365,307 |
| Cash flows from financing activities: | | | | |
| Additional borrowings | 4,291,987,360 | - | - | 4,291,987,360 |
| Repayment of borrowings | ( 2,018,602,072 ) | ( 21,000,000 ) | ( 254,545,430 ) | ( 2,294,147,502 ) |
| Non-cash financing activities: | | | | |
| Effect of modification | 1,118,939,962 | - | - | 1,118,939,962 |
| Unrealized foreign currency Exchange on dollar valuation | 241,381,112 | - | - | 241,381,112 |
| Amortization of debt issuance costs | 35,395,100 | - | - | 35,395,100 |
| Additional lease liabilities | - | - | 187,575,152 | 187,575,152 |
| Balance as of December 31, 2021 (Audited) | P 43,466,007,560 | P 5,569,791,232 | P 465,697,699 | P 49,501,496,491 |

## 29. 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 interim condensed 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.

| | Note | **June 30, 2022 (Unaudited)** | December 31, 2021 (Audited) |
|---|---|---|---|
| Interest-bearing loans and borrowings | 14 | **P 51,590,768,054** | P 49,501,496,492 |
| Total equity | | **18,464,760,285** | 19,200,907,679 |
| | | **2.79: 1.00** | 2.58 : 1.00 |

**MEGAWIDE CONSTRUCTION CORP. & SUBSIDIARIES**
**CONSOLIDATED AR AGING REPORT**
**JUNE 30, 2022**

| Segment | Current | 1-30 days | 31-60 days | 61-90 days | 91-120 days | Over 121-360 days | Over 360 days | Total |
|---|---|---|---|---|---|---|---|---|
| Construction | 339,707,515 | 1,944,916 | 2,896,118 | 3,423,202 | 3,149,774 | 8,867,369 | 403,045,524 | 763,034,418 |
| Airport | 289,002,517 | 9,953,125 | 4,087,663 | 17,275,438 | 5,190,870 | 57,443,095 | 423,216,042 | 806,168,749 |
| Terminal | 151,416,588 | 50,862,699 | 23,951,144 | 23,543,909 | 46,709,878 | 27,849,332 | 492,828,871 | 817,162,421 |
| **TOTAL** | **780,126,620** | **62,760,739** | **30,934,925** | **44,242,548** | **55,050,522** | **94,159,796** | **1,319,090,437** | **2,386,365,588** |