

May 12, 2017

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA Greenhills,  
Mandaluyong City, Metro Manila

ATTENTION : **DIR. VICENTE GRACIANO P. FELIZMENIO JR.**  
*Director, Markets and Securities Regulation Department*

*via PSE EDGE*

**PHILIPPINE STOCK EXCHANGE, INC.**  
3rd Floor, Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

ATTENTION : **MR. JOSE VALERIANO B. ZUÑO III**  
*OIC – Head, Disclosure Department*

*via electronic mail*

**PHILIPPINE DEALING & EXCHANGE CORP.**  
Market Regulatory Services Group  
37/F Tower 1, The Enterprise Center  
6766 Ayala Avenue corner Paseo de Roxas  
Makati City

ATTENTION : **MS. VINA VANESSA S. SALONGA**  
*Head – Issuer Compliance and Disclosures Department*

Gentlemen:

Please see enclosed SEC Form 17-Q (1st Quarterly Report 2017) of Aboitiz Power Corporation.

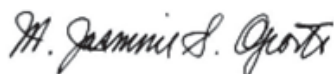
Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

**ABOITIZ POWER CORPORATION**

By:



**M. JASMINE S. OPORTO**  
Corporate Secretary

**COVER SHEET**

C 1 9 9 8 0 0 1 3 4

**S.E.C. Registration Number**

A B O I T I Z P O W E R C O R P O R A T I O N

(Company's Full Name)

3 2 N D S T R E E T , B O N I F A C I O G L O B A L

C I T Y , T A G U I G C I T Y , M E T R O M A N I L A

P H I L I P P I N E S

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

**M. JASMINE S. OPORTO**

Contact Person

**02-886-2729**

Company Telephone Number

1 2 3 1

Month Day  
Fiscal Year

**1st Quarterly Report 2017**

1 7 - Q

FORM TYPE

**3rd Monday of May**

0 5 1 5

Month Day  
Annual Meeting

Secondary License Type, if Applicable

**S E C**

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

x

Domestic

Foreign

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To be accomplished by SEC Personnel concerned

File Number

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Document I.D.

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Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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



1. For the quarterly period ended March 31, 2017
2. Commission identification number C199800134
3. BIR Tax Identification No. 200-652-460-000

4. Exact name of issuer as specified in its charter

ABOITIZ POWER CORPORATION

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

Philippines

6. Industry Classification Code:  (SEC Use Only)

7. Address of issuer's principal office

Postal Code

32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines 1634

8. Issuer's telephone number, including area code

(02) 886-2800

9. Former name, former address and former fiscal year, if changed since last report

N/A

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

Title of Each Class

Number of Shares of Common Stock  
Outstanding and Amount of Debt Outstanding  
(as of March 31, 2017)

Common Stock ₱1 Par Value 7,358,604,307

Amount of Debt Outstanding ₱213,084,290,000.00

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

Yes [ x ] No [ ]

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

Philippine Stock Exchange

Common

12. Indicate by check mark whether the registrant:

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

Yes  No

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

Yes  No

## PART I--FINANCIAL INFORMATION

### Item 1. Financial Statements.

Please refer to the financial statements and schedules attached herewith.

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

*The following discussion and analysis of Aboitiz Power Corporation's (AP, AboitizPower, Parent or the Company) consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying schedules and disclosures set forth elsewhere in this report.*

#### Key Performance Indicators

Management uses the following indicators to evaluate the performance of the Company and its subsidiaries (the Company and its subsidiaries are hereinafter collectively referred to as the "Group"):

- 1. Share in Net Earnings of Associates and Joint Ventures.** It represents the Group's share in the undistributed earnings or losses of its investees for each reporting period subsequent to acquisition of said investment. It also indicates profitability of the investment and investees' contribution to the Group's net income.

Manner of Computation:

*Investee's Net Income (Loss) x Investor's % ownership - Goodwill Impairment Cost*

- 2. Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA).** The Company computes EBITDA as earnings before extra-ordinary items, net finance expense, income tax provision, depreciation and amortization. It provides management and investors with a tool for determining the ability of the Group to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Group's ability to service its debts.
- 3. Cash Flow Generated.** Using the Statement of Cash Flows, management determines the sources and usage of funds for the period and analyzes how the Group manages its profit and uses its internal and external sources of capital. This aids management in identifying

the impact on cash flow when the Group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.

4. **Current Ratio.** Current ratio is a measurement of liquidity, calculated by dividing total current assets by total current liabilities. It is an indicator of the Group's short-term debt paying ability. The higher the ratio, the more liquid the Group.
5. **Debt-to-Equity Ratio.** Debt-to-Equity ratio gives an indication of how leveraged the Group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total debt by stockholders' equity.

The table below shows the comparative figures of the top five key performance indicators for the first three months of 2017 and 2016, and as of December 31, 2016:

	<b>MAR 2017</b>	<b>MAR 2016</b>	<b>DEC 2016</b>
SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	<b>1,342,004</b>	897,320	
EBITDA	<b>10,716,403</b>	9,239,460	
CASH FLOW GENERATED:			
Net cash flows from operating activities	<b>7,288,596</b>	9,071,032	
Net cash flows used in investing activities	<b>(2,901,538)</b>	(6,173,603)	
Net cash flows (used in) from financing activities	<b>(5,723,843)</b>	13,108,169	
Net (decrease) increase in cash & cash equivalents	<b>(1,336,785)</b>	16,005,598	
Cash & cash equivalents, beginning	<b>47,094,741</b>	51,098,269	
Cash & cash equivalents, end	<b>45,738,582</b>	67,039,999	
CURRENT RATIO	<b>1.71</b>		2.25
DEBT-TO-EQUITY RATIO	<b>2.38</b>		2.18

Share in net earnings of associates and joint ventures increased by 50% or by P445 million (mn). The increase is mainly a result of higher income contributions from SN Aboitiz Power – Magat, Inc. (SN AboitizPower-Magat) and SN Aboitiz Power – Benguet, Inc. (SN AboitizPower-Benguet) due to higher volumes sold and higher ancillary revenues.

Consolidated EBITDA grew by 16% year-on-year (YoY) as fresh EBITDA contributions are recognized from the acquisition of GNPowder Mariveles Coal Plant Ltd. Co. (GMCP), as well as stronger operating results from various subsidiaries, in particular, the hydroelectric power plants and the distribution utilities (DUs).

Cash was used to fund ongoing projects, timely payments of financial obligations, and working capital requirements of subsidiaries.

Current ratio decreased from 2.25x at the end of 2016 to 1.71 x at the end of the first quarter of 2017, as trade and other payables caused an increase in total current liabilities. This is due to the recognition of dividends payable after the Company's Board of Directors approved the declaration of cash dividends in March 2017.

The 4% increase in total liabilities accounts for the movement of debt-to-equity ratio from 2.18 as of December 31, 2016 to 2.38 as of March 31, 2017.

## Results of Operations

AboitizPower recorded an increase of 16% YoY in consolidated earnings before interest, tax, depreciation and amortization (EBITDA) for the quarter ending March 31, 2017, from ₱9.24 billion (bn) ending March 31, 2016 to ₱10.72 bn. Increased interest expense and depreciation narrows the growth at the core net income level to 4% YoY, from ₱4.77 bn in the first quarter of 2016 to ₱ 4.98 bn in the first quarter of 2017. The Company recognized non-recurring losses of ₱577 mn (versus last year's gain of ₱242 mn) from foreign exchange (forex) losses on the revaluation of its dollar-denominated liabilities and mark-to-market of derivatives. These one-off losses bring AboitizPower's net income for the first quarter of 2017 to ₱4.37 bn, which is 13% lower YoY.

## Business Segments

### *Power Generation*

For the quarter ending March 31, 2017, the power generation business recorded an EBITDA increase of 18% YoY coming from strong performance of the hydroelectric power plants and fresh contribution from GMCP. Increased interest expense and depreciation from the initial take up of GMCP's costs narrows the growth at the core net income level to 5% YoY. Non-recurring losses of ₱577 mn (versus last year's gain of ₱242 mn) from forex losses on the revaluation of dollar-denominated liabilities and mark-to-market of derivatives brings the net income of the Group to ₱3.56 bn, 15% lower as compared to the same period last year.

For the period, AboitizPower's attributable net energy sold remained flat YoY, from 3,451 gigawatt-hours (GWh) to 3,448 GWh, as the contribution of GMCP and the increase in the hydropower plants' output are offset by the outages of Therma South, Inc. (TSI), the lower dispatch of the oil-fired power plants, and lower steam supply affecting the Tiwi plant output as it continues to recover from the effects of typhoon Nina.

### *Power Distribution*

On the back of higher margins, EBITDA for the power distribution business increased by 9% YoY. Net income contribution increased 7% YoY for the first quarter of 2017, from ₱851 mn to ₱908 mn.

The power distribution group's gross margin on a per kilowatt-hours basis for the period increased to ₱1.59 from ₱1.46 in the first quarter of 2017. The increase came from improved margins as operating costs decreased due to lower dispatch of Davao Light & Power Company, Inc.'s (Davao Light) Bajada power plant versus the same period last year. Further, better recoveries on purchased power costs contributed to improving margins.

AboitizPower's attributable sales for the period was at 1,208 GWh, remaining close to flat compared to the same period last year.

## Material Changes in Line Items of Registrant's Statements of Income and Comprehensive Income

### Consolidated Statements of Income

The various movements in the revenue and expense line items leading to the Consolidated Net Income Attributable to Equity Holders of the Parent of ₱4.37 bn are shown below:

Consolidated Net Income Attributable to Equity Holders of the Parent (January – March 2016)	<b>₱ 5,016,232</b>
Increase in operating revenues	5,429,362

Increase in operating expenses	-4,633,900
Increase in interest income	93,280
Increase in interest expense	-808,529
Increase in share in net earnings of associates and joint ventures	444,684
Increase in other expenses	-1,114,240
Lower provision for taxes	1,057
Increase in income attributable to non-controlling interests	-54,673
Total	<u>-642,959</u>
Consolidated Net Income Attributable to Equity Holders of the Parent (January – March 2017)	<u><b>₱ 4,373,273</b></u>

### **Operating Revenues**

*(25% increase from ₱21.36 bn to ₱26.79 bn)*

Operating revenues increased by ₱5.43 bn mainly from the full quarter consolidation of the operating revenues of GMCP. For the period, retail electricity supply (RES) companies of the Group also noted higher operating revenues versus the same quarter last year.

### **Operating Expenses**

*(31% increase from ₱14.90 bn to ₱19.54 bn)*

Consolidated operating expenses increased by ₱4.63 bn as the Company recognized the operating expenses of GMCP. Higher cost of purchased power at the RES companies also contributed to the increase.

### **Interest Income**

*(34% increase from ₱275 mn to ₱369 mn)*

Increase is mainly due to the consolidation of interest income of the newly-acquired GMCP.

### **Interest Expense and Other Financing Costs**

*(39% increase from ₱2.08 bn to ₱2.89 bn)*

The increase is mainly due to the consolidation of interest expense at newly-acquired GMCP, as well as interest expenses on: (i) a new loan of Therma Power, Inc. to partly fund the acquisition of partnership interests in GMCP and GNPowder Dinginin Ltd. Co. (GNPower-Dinginini), (ii) full quarter interest on AP Renewable Inc.'s loan, and (iii) Hedcor Sibulan, Inc.'s loan taken out in the last quarter of 2016.

### **Share in Net Earnings of Associates and Joint Ventures**

*(50% increase from ₱897 mn to ₱1.34 bn)*

The increase is mainly due to better hydrology in the first quarter of the year, and increased capacities available at the two large hydroelectric power plants, SN AboitizPower-Magat and SN AboitizPower-Benguet. As a result, higher volumes sold and better ancillary revenues were recognized, which improved earnings contributions from the two large hydro plants.

### **Other Income (Expenses) - net**

*(144% decrease from ₱776 mn other income to ₱338 mn other expense)*

The ₱1.11 bn change from an other income-net to other expense-net position is from the recognition of non-recurring forex losses (versus last year's gain) on the revaluation of dollar-denominated liabilities and mark-to-market of derivatives.

### **Net Income Attributable to Non-controlling Interests**

*(16% increase from ₱333 mn to ₱387 mn)*

The initial recognition of Income Attributable to Non-controlling Interests of GMCP drove the increase to this account. This increase is also augmented by higher income at non wholly-owned subsidiaries, Visayan Electric Company, Inc. (VECO) and Cebu Private Power Corporation (CPPC).

### **Consolidated Statements of Comprehensive Income**

Consolidated comprehensive income attributable to equity holders of the Parent decreased from ₱5.27 bn in the first three months of 2016 to ₱4.78 bn for the same period in 2017, in line with the decrease in consolidated net income.

### **Changes in Registrant's Resources, Liabilities and Shareholders' Equity**

#### **Assets**

Total assets (as of March 31, 2017 of ₱358.05 bn versus December 31, 2016 of ₱354.78 bn) increased by ₱3.27 bn. The major line items accounting for the increase are as follows:

- a) Lower trade and other receivables at GMCP, Therma Marine, Inc. and the various DUs led to the 5% decrease in this account (from ₱15.47 bn as of December 2016 to ₱14.70 bn as of March 2017).
- b) Inventories increased by 6% (from ₱4.45 bn in 2016 to ₱4.72 bn as of March 2017) due to higher coal inventory held at GMCP versus balances at year-end 2016.
- c) Other current assets increased by 30% (from ₱6.45 bn in 2016 to ₱8.39 bn as of March 2017). The increase is accounted for by various transactions, in particular, higher input value-added tax (VAT), higher prepaid taxes and insurance, as well as the recognition of restricted cash by TSI to comply with the covenants of its project debt financing.
- d) The increase in property, plant and equipment is only 1% versus prior year, although it is worth mentioning that the ₱2.74 bn increase is attributable to the on-going construction of the coal power plant in Cebu owned by Therma Visayas, Inc. (TVI) and the hydro power plant by Hedcor Bukidnon, Inc.
- d) Derivative assets (current and noncurrent portions) declined by 14% mainly due to unrealized mark-to-market losses on a derivative instrument.

#### **Liabilities**

Consolidated liabilities increased by 4% from ₱243.15 bn as of December 31, 2016 to ₱252.15 bn as of March 31, 2017.

- a) Short term loans outstanding as of March 31, 2017 increased by 8% (from ₱4.16 bn as of December 2016 to ₱4.50 bn as of March 2017) mainly due to temporary advances availed by Davao Light net of payments made on short term loans by other subsidiaries.
- b) Trade and other payables increased by 51% (from ₱17.40 bn as of December 31, 2016 to ₱26.30 bn as of March 2017) mainly due to the recognition of dividends payable after the Company's Board of Directors approved the declaration of cash dividends in March 2017.



- c) During the period, both long-term debt and finance lease obligations (current and non-current) decreased by only 1%. The decrease amounts to ₱945 mn for long-term debt and ₱533 mn for finance lease obligations in absolute amounts, as various subsidiaries made timely payments on their financial obligations.
- d) Income tax payable increased by 131% (from ₱654 mn ending December 2016 to ₱1.51 bn as of March 2017) primarily due to higher tax payables of various subsidiaries, particularly Therma Luzon, Inc., GMCP, CPPC and VECO.
- e) Derivative liabilities decreased by 27% due to unrealized mark-to-market changes recognized on outstanding hedging instruments during the current period.
- f) Deferred income tax liabilities increased by 6% (₱1.04 bn in 2016 to ₱1.10 bn as of March 2017) due to higher deferred tax liabilities recognized at Davao Light at the end of this quarter.
- g) Other noncurrent liabilities increased by 10% as retention payables to contractors are recognized during the period.

### **Equity**

Equity attributable to equity shareholders of the Parent decreased by 5% (from ₱105.11 bn as of December 31, 2016 to ₱99.50 bn as of March 31, 2017) after the declaration of dividends in March 2017, net of income recognized during the period.

### **Material Changes in Liquidity and Cash Reserves of Registrant**

Cash generated from operations continue to be the main cash generating activity of the Group, as it brought in ₱7.29 bn year to date. The cash generated from operations for the first quarter of 2017 is approximately ₱1.78 bn less compared to the same period last year. This is, however, due to the increase in other assets as TSI recognizes restricted cash to comply with the covenants of its project loan financing.

The bulk of the Group's net cash used in investing activities, totaling ₱2.90 bn, continue to be spent on capital expenditure as the construction for various thermal plants and a hydro power plant are underway. However, as these projects reach the tail end of their construction activities, the cash outflows are expected to be lower than the levels spent in the same period last year.

For the first quarter of 2017, the cash flows used in financing activities was ₱5.72 bn, a marked contrast from the cash flows coming from financing activities at ₱13.11 bn for the same period last year. This is a result of timely payments made by the Group on its debt service obligations, both on interest and principal payments, in the current period versus debt-raising activities in the same period last year.

As of March 31, 2017, the Group's cash and cash equivalents decreased by 3%, from ₱47.09 bn as of year-end 2016 to ₱45.74 bn.

### **Financial Ratios**

The increase in current liabilities, mainly as a result of the recognition of dividends payable, drove the change in current ratio from 2.25x to 1.71x as of the end of the first quarter 2017.

Consolidated debt to equity ratio was at 2.38x as of March 31, 2017 (versus year end 2016's 2.18x). The change is mainly due to the 4% increase in consolidated debt versus the 5% decrease in equity.

## ***Outlook for the Upcoming Year/Known Trends, Events, Uncertainties which may have Material Impact on Registrant***

AboitizPower is well-positioned to take advantage of opportunities arising from developments in the power industry. Its sound financial condition will give it the agility to create or acquire additional generating capacity over the next few years.

### **I. Generation Business**

#### **1. Expiration of Income Tax Holiday**

Several of the AboitizPower's plants were eligible for an income tax holiday (ITH) during acquisition by the Company. Upon the expiration of the ITH, the respective plants will now be assessed a corporate income tax in accordance with the relevant laws.

SN Aboitiz Power-Benguet's Ambuklao Plant obtained an ITH extension on February 26, 2013, which is valid until June 30, 2018.

#### **2. Increase in Attributable Generating Capacity**

Notwithstanding the challenges over the short-term, AboitizPower has built the necessary foundation to sustain its growth trajectory over the long term. In line with its robust growth target of building 4,000 MW by 2020, AboitizPower looks to expanding its portfolio of generation assets by implementing the following projects.

##### *Greenfield and Brownfield Developments.*

AboitizPower, together with its subsidiaries and Associates, is in various stages of construction of its Greenfield and Brownfield projects.

420-MW Pulverized Coal-Fired Expansion Unit 3 in Pagbilao, Quezon. This project is undertaken by Pagbilao Energy Corporation, a partnership between AboitizPower subsidiary, Therma Power, Inc. (TPI), and TeaM (Philippines) Energy Corporation. Last April 25, 2014, the Engineering, Procurement and Construction (EPC) contract was awarded to a contractor consortium comprised of Mitsubishi Hitachi Power Systems Ltd, Daelim Industrial Co, Ltd, DESCO, Inc. and Daelim Philippines, Inc. The plant construction commenced last September 2014 and the target commercial operation is planned for year-end 2017.

340-MW Circulating Fluidized Bed (CFB) Coal-Fired Project in Toledo City, Cebu. This project is undertaken by TVI, a partnership between AboitizPower and the Garcia Group, through Vivant Integrated Generation Corporation (VIGC) and Vivant Energy Corporation (VEC). The project involves the construction of a 2 x 170-MW coal-fired power plant. The EPC contract was awarded to Hyundai Engineering Co. Ltd. The Notice to Proceed for all EPC activities was issued on March 18, 2015. Targeted commercial operation is first quarter of 2018.

68.8-MW Manolo Fortich Hydropower Plant in Bukidnon. This Project is composed of the 43.4-MW Manolo Fortich Hydro 1 and the 25.4-MW Manolo Fortich Hydro 2 plants which shall be located in the Province of Bukidnon. Both plants are expected to produce at least 350 gigawatt hours (GWh) annually. The construction of the Manolo Fortich Project began in 2015 with a total project cost is estimated at ₱13 bn and is expected to be completed by the third quarter of 2017.

8.8MW Biomass Plant in Lian, Batangas. This project is undertaken by Aseagas Corporation (Aseagas) and involves the construction of an initial biomass plant with a capacity of 8.8 MW.

The construction commenced last March 18, 2014 and expected to be completed in 2017. Aseagas has already amended the Biomass Renewable Energy Operating Contract with Department of Energy (DOE). The DOE endorsement, which is one of the requirements for a point to point application with National Grid Corporation of the Philippines (NGCP) to secure certificate for feed-in-tariff (FIT) eligibility, has since been secured. At the moment, the FIT rate is expected to be at ₱6.63/kWh.

8.5-MW Maris Canal Hydropower Plant Project in Ramon Isabela. This project is undertaken by SN Aboitiz Power-Magat and involves the construction of an 8.5 MW run-of-river hydropower plant. The project, which broke ground in late 2015, is targeted to be completed by late-2017. As of February 2017, the project is already 66% completed.

*Other Greenfield and Brownfield Developments.*

668-MW Supercritical Coal-Fired GNPowder Dinginin Unit 1 in Bataan. This project is a joint venture of AC Energy Holdings, Inc., Aboitiz Power subsidiary TPI and Power Partners Company, Ltd. The GNPowder Dinginin Plant will initially consist of a 1 x 668 MW supercritical coal-fired power plant (with a one-time expansion option for an additional 1 x 668 MW supercritical unit). Unit 1 is currently under construction and estimated completion is in 2019.

660-MW CFB Coal-Fired Power Plant in Subic. This project is undertaken by Redondo Peninsula Energy, Inc., a joint venture among Meralco PowerGen Corporation, AboitizPower subsidiary TPI and Taiwan Cogeneration International Corporation. The project involves the construction and operation of a 2 x 300 MW (net) CFB coal-fired power plant. Full implementation of the project is ongoing with expected commercial operation of the power plant starting 2020.

390-MW Alimit Hydropower Complex in Ifugao. This project is undertaken by SN Aboitiz Power-Ifugao, Inc. and involves the construction of the 120-MW Alimit hydropower plant, 250-MW Alimit pumped storage facility, and the 20-MW Olilicon hydropower plant. The company remains committed in securing the necessary permits to develop the proposed 390-MW hydro complex project in Ifugao. Foremost here is the Free Prior and Informed Consent from the indigenous peoples. This consent is an important component of the feasibility review for the project.

Hydro in the Philippines. The Hedcor group continually explores hydropower potentials located in Luzon and Mindanao. Based on exploration, group sees the potential of building plants with capacities ranging from 20 MW to 70 MW. When the projects pass the evaluation stage and once permits are secured, the construction period for the hydropower plant facilities will commence.

Hydro in Indonesia. AboitizPower entered into an agreement with SN Power AS and PT Energi Infrasantara to participate in the feasibility studies for the exploration and development of a potential 127 MW hydropower generation project along the Lariang River in Central Sulawesi, Indonesia. The project company, PT Auriga Energi, was awarded the basic license to develop the project. It is and is currently conducting pre-feasibility studies.

Solar in the Philippines. AboitizPower is continuously looking for opportunities in the solar space.

### **3. Participation in the Government's Privatization Program for its Power Assets**

AboitizPower continues to closely evaluate the investment viability of the remaining power generation assets that Power Sector Assets and Liabilities Management (PSALM) Corporation intends to auction off.

AboitizPower is also keen on participating in PSALM's public auction for the Independent Power Producer Administrator (IPPA) contracts, which involves the transfer of the management and control of total energy output of power plants under contract with National Power Corporation to the IPP administrators.

#### **4. Naga Power Plant**

Senator Sergio Osmeña filed a petition for Certiorari with the Supreme Court to nullify the right to top granted by PSALM to SPC Power Corporation (SPC) in respect of the 153.1 MW Naga Power Plant Complex bidding and to enjoin the award on the grounds that SPC's right to top is against public policy.

On February 14, 2017, AboitizPower was informed by Therma Power Visayas, Inc. that it received the Entry of Judgment dated January 9, 2017 issued by the Supreme Court. SPC Power Corporation has a pending Motion for Leave to File and Admit Motion for Reconsideration dated December 9, 2016 with the Supreme Court.

## **II. Distribution Business**

AboitizPower remains optimistic that it will realize modest growth on its existing DUs. It continually seeks efficiency and improvements in its operations to maintain healthy margins.

Performance-Based Rate-setting regulation (PBR) replaced the Return on Rate Base (RORB) mechanism which has historically determined the distribution charges paid by customers. Under PBR, DUs can collect from customers over a four-year regulatory period.

The ERC has implemented a Performance Incentive Scheme whereby annual rate adjustments, under PBR, are made. The annual rate adjustments take into consideration the ability of a distribution utility to meet or exceed service performance targets set by the ERC, such as: (i) the average duration of power outages; (ii) the average time of restoration to customers; and (iii) the average time to respond to customer calls. The utilities are either rewarded or penalized, depending on their ability to meet these performance targets.

In April 2016, the ERC posted on its website the following documents: (1) "Draft Rules for Setting Distribution Wheeling Rates or "RDWR" for Privately Owned Distribution Utilities Operating under Performance Based Regulation, First Entry Group, Fourth Regulatory Period"; (2) "Draft Position Paper: Regulatory Reset for the July 1, 2015 to June 30, 2019, Fourth Regulatory Period for the First Entry Group of Privately-Owned Distribution Utilities Subject to Performance Based Regulation"; and (3) "Draft Commission Resolution on the Issues on the Implementation of PBR for Privately Owned DUs under the RDWR". Comments on the said draft documents were submitted to the ERC on May 13, 2016.

Through ERC Resolution No. 25 Series of 2016 dated July 12, 2016, the ERC adopted the Resolution Modifying the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Distribution Utilities Entering Performance Based Regulation (PBR). Based on said Resolution, the Fourth Regulatory Period shall be as follows:

- (a) Cotabato Light & Power Company: April 1, 2017 to March 31, 2021
- (b) Davao Light & Power Co., Inc. & Visayas Electric Co., Inc.: July 1, 2018 to June 30, 2022
- (c) Subic Enerzone Corporation and San Fernando Electric Light & Power Co., Inc.: October 1, 2019 to September 30, 2023

On November 21, 2016, the ERC posted the draft “Regulatory Asset Base Roll Forward Handbook for Privately Owned Electricity Distribution Utilities” for comments. Public consultations were conducted on January 6 and 9, 2017 in Cebu and Manila, respectively.

There was a Petition filed by Matuwid na Singil sa Kuryente Consumer Alliance, Inc. (MSK) wherein it proposed a modified RORB methodology or even a modified PBR methodology, in which the DUs’ capital expenditures and rate recovery thereon are approved in advance but the charges to the customers will only start after the investments have actually been made and validated by ERC auditors. Public consultations were set by the ERC on March 17 and April 10 in its main office, and on March 22 and 24 in its field offices in Cebu and Davao, respectively.

### **III. Market and Industry Developments**

#### **1. Retail Competition and Open Access (Open Access)**

The implementation of Open Access starting June 26, 2013 enabled AboitizPower to increase its contracted capacity through the delivery of power to affiliate and non-affiliate RES companies. AboitizPower has two wholly owned Subsidiaries, Aboitiz Energy Solutions, Inc. and AdventEnergy, Inc., which are licensed RES.

In 2015, the DOE released Circular No. 2015-06-0010 with the following pertinent provisions:

- (a) All Contestable Customers (CCs) with an average demand of 1 MW and above, which are currently being served by their franchised DUs, are mandated to secure their respective Retail Supply Contracts (RSCs) no later than June 25, 2016 with any licensed RES. After which, the CC and its counterparty shall submit to the DOE and ERC their signed RSC for assessment, monitoring, policy and rule-making purposes.
- (b) All CCs with an average demand ranging from 750 kW and 999 kW for the preceding 12-month period are mandated to secure their RSCs with a RES no later than June 25, 2016. Effective June 26, 2016, Aggregators shall be allowed to compete with RES, generation company, and prospective generation company.
- (c) Lowering Contestability Threshold Below 750 kW. All electricity end-users with an average demand ranging from 501 kW to below 750 kW for the preceding 12 months may be allowed to choose their respective RES effective June 26, 2018.

The lowering of the contestability threshold will open a new market, hence, an opportunity to expand and diversify AboitizPower’s customer base.

In 2016, the ERC promulgated Resolution No. 5 Series of 2016 entitled “A Resolution Adopting the 2016 Rules Governing the Issuance of Licenses to Retail Electricity Suppliers (RES) and Prescribing the Requirements and Conditions Therefor”, with the following pertinent provisions:

- (a) Generation Company or affiliate, DU affiliate (with restrictions on market share and conduct of business activity), Retail Aggregators and IPPAs are allowed entities to become RES;
- (b) There is a stipulation that ERC will not be precluded from imposing additional restrictions on the current issuance, separate guidelines issued or any future issuance.
- (c) Resolution No. 22 shall continue to have full force and effect except as insofar that it is inconsistent with Resolution 5 Series of 2016.

- (d) Resolution No. 5, Series of 2016 enumerates the qualifications for becoming a RES, including financial standards, B2B system, ability & knowledge, and treatment of cash deposits.
- (e) It also enumerates the obligations of RES entities, including reportorial requirements, website, unbundling, compliance with qualifications stated above and other pertinent rules, laws, and compliance with limitation requirements.
- (f) It also contains the process of obtaining a RES license, including the fee, and other reportorial requirements by ERC.

ERC further issued Resolution 10 Series of 2016 is entitled "A Resolution Adopting the Revised Rules for Contestability". It generally discusses the mandatory contestability dates, further limitations on contract terms and other provisions found in DC2015-06-0010. Among the pertinent provisions of this Resolution are the following:

- (a) Setting of Threshold Reduction Date for end-user with at least 750kW demand on June 26, 2016;
- (b) Lowering of threshold to 500kW and start of retail aggregation on June 26, 2018;
- (c) Start of the mandatory contestability for end-users:
- (d) with at least 1MW average monthly peak demand on December 26, 2016;
- (e) with at least 750kW average monthly peak demand on June 26, 2017;
- (f) Issuance of provisional RES license for Prospective Gencos, with guidelines;
- (g) Options for DUs with Displaced Contract Capacities with Generators due to migration of Contestable Customers as follows:
  - (i) Renegotiate contracts
  - (ii) Auction off contracted capacities
  - (iii) Declare in WESM as capacities for sale
- (h) Eligibility of end-users to be part of the contestable market;
- (i) Limitation of Retail Supply Contract term from 1 billing period to 2 years only;

Another resolution issued by the ERC is Resolution No. 11, Series of 2016 entitled "A Resolution Imposing Restrictions on the Operations of Distribution Utilities and Retail Electricity Suppliers in the Competitive Retail Electricity Market". From the title itself, the Resolution contains restrictions on RES entities, as follows:

- (a) Prohibition of Local RES, in which DUs can only supply to end-users in the Contestable Market as Supplier of Last Resort and Local RES to wind down business within three years;
- (b) Market cap of each RES to supply no more than 30% of the total average monthly peak demand of all contestable customers in the Competitive Retail Electricity Market;
- (c) Prohibition of RES to transact not more than 50% of the total energy transactions of its Supply business with its affiliate Contestable Customers; and
- (d) Repeal of Resolution No. 22, Series of 2013.

DC 2015-06-0010, Resolution Nos. 5, 10 and 11, Series of 2016 are all subject of a case for Declaratory Relief with the Pasig Regional Trial Court (RTC) filed by Manila Electric Company (Meralco). On July 13 2016, the Pasig RTC has issued a preliminary injunction enjoining DOE from implementing its Circular and ERC from implementing Resolutions, insofar as they prohibit DUs from engaging in supply business, impose restrictions, contract term limits, mandatory contestability and market caps.

On September 21, 2016, the DOE filed a Petition for Certiorari and Prohibition to the Supreme Court praying, among others, for the nullification of all Orders and Decision of the Pasig RTC. The Supreme Court issued a Resolution on October 10, 2016 granting a Temporary Restraining Order to the Pasig RTC from enforcing its decisions, orders, resolutions regarding the abovementioned case until the instant petition is finally resolved.

The ERC issued Resolution No. 28, Series of 2016 dated November 15, 2016 to revise the timeframe of mandatory contestability from December 26, 2016 to February 26, 2017.

On February 21, 2017, the Supreme Court issued a Temporary Restraining Order (TRO) from the case filed by Philippine Chamber of Commerce and Industry, San Beda College Alabang Inc., Ateneo de Manila University, and Riverbanks Development Corporation. The TRO enjoined ERC and DOE from implementing Resolution No. 5 Series of 2016, Resolution No. 10 Series of 2016, Resolution No. 11 Series of 2016, Resolution No. 28 Series of 2016 and DOE Circular No. 2015-06-0010.

## **2. Possibility of Mindanao Wholesale Electricity Spot Market**

The DOE issued a draft Circular entitled *“Declaring the Launch of the Wholesale Electricity Spot Market (WESM) in Mindanao and Providing for Transition Arrangements”*. The DOE held a series of public consultations from February to March 2017 to solicit comments on the draft circular from the Mindanao power industry participants. The DOE is already in the process of finalizing the circular and interim dispatch protocol.

## **3. Reserve Market**

The DOE issued Department Circular No. DC2013-12-0027, *“Declaring the Commercial Launch for the Trading of Ancillary Service in Luzon and Visayas under the Philippine Wholesale Electricity Spot Market”* dated December 2, 2013. The said Department Circular sets the responsibility of the Philippine Electricity Market Corporation (PEMC), NGCP, National Electrification Administration and all WESM Members with regards to the operation of the Reserve Market.

The trial operations started on February 26, 2014, and PEMC is still reviewing its results before certifying for market readiness. The Pricing and Cost Recovery Mechanism of the Reserve Market is still under review by the ERC under ERC Case No. 2007-004RC. The last hearing was on March 13, 2014.

The Reserve Market will cover three reserve categories, namely: Frequency Regulation, Contingency Reserve and Dispatchable Reserve. The Reserve Market will also include the scheduling of the ancillary services under an Ancillary Services Procurement Agreement with NGCP. No date has been set for the launch of the Reserve Market.

Since ERC has yet to issue the approval for the Price Determination Methodology of the Reserve Market, the DOE and PEMC implemented the Central Dispatch and Scheduling of Energy and Reserves in the WESM starting January 2016. The protocol follows that of the Reserve Market, however, participants will only be those contracted with NGCP and that no settlement amount will come from WESM.

AboitizPower, through SN Aboitiz Power - Benguet, SN Aboitiz Power-Magat, and Therma Luzon, Inc., is well-positioned to take advantage of this opportunity.

The categories of reserves may have to be revised due to new types of ancillary services under the 2016 version of the Philippine Grid Code.

#### 4. Feed-in-tariff (FIT) scheme

The Renewable Energy Act of 2008 (RE Law) was signed into law by former President Gloria Macapagal-Arroyo on December 16, 2008 and took effect on January 2009. The RE Law offered fiscal and non-fiscal incentives to RE developers, including the feed-in-tariff scheme which gives preferential rates.

In Resolution No. 10, Series of 2012 (as amended by ERC Case No. 2014-004RM), the ERC adopted the following FIT and degression rates for electricity generated from biomass, run-of-river hydropower, solar and wind resources:

	FIT Rate (₱ /kWh)	Degression Rate
Wind	8.53 and 7.40**	0.5% after year 2 from effectivity of FIT
Biomass	6.63	0.5% after year 2 from effectivity of FIT
Solar	9.68 and 8.69*	6% after year 1 from effectivity of FIT
Hydro	5.90	0.5% after year 2 from effectivity of FIT

*\*New solar FIT rate as per ERC Case No. 2014-004RM, as necessitated by the new installation target for Solar Energy Generation set by the DOE.*

*\*\*New wind FIT rate as per ERC Case No. 2015-002RM, as necessitated by the new installation target for Solar Energy Generation set by the DOE.*

On July 23, 2012, the ERC promulgated ERC Resolution No. 10, Series of 2012, with approved solar FIT rate of ₱9.68/kWh and installation target of 50 MW. After the DOE increased the installation target of solar to 500 MW, a new FIT rate of ₱8.69/kWh was approved by the ERC to apply after the earlier of full subscription of the revised solar installation target of 500 MW or March 15, 2016. For the solar plants that have been commissioned prior to the effectivity of the ERC (up to 50MW) decision, the original Solar FIT of ₱9.68/kWh shall apply.

For wind, DOE endorsed the increase of wind installation target from 200 MW to 400 MW.

The ERC approved in February 2016 the new FIT-All rate for 2016 at ₱0.1240/kWh. The ERC used, in the interim, the existing unadjusted FIT rates so as not to pre-empt whatever decision the ERC may make on the adjustment of the FITs. The rate is effective in the succeeding billing period following the receipt by the National Transmission Corporation of the Order, which was on April 2016.

On March 2017, ERC issued Resolution No. 01, Series of 2017 entitled "Resolution Setting the Degressed Feed-In tariff Rates for Run-Of-River Hydro and Biomass, as Provided in Section 2.11 of the Feed-In Tariff Rules (FIT Rules)". The degressed rates will be applied for run-of-river hydro and biomass plants which will be on commercial operation from January to December 2017. The degressed rate for hydro is PhP5.8705/kWh and for biomass is ₱6.5969/kWh.

#### 5. Competitive Selection Process in Securing Power Supply Agreements

The DOE issued Department Circular No. DC2015-06-0008, entitled "Mandating all Distribution Utilities to Undergo Competitive Selection Process (CSP) in securing Power Supply Agreements (PSA)". The DOE recognizes that CSP in the procurement of PSAs by the DUs ensures long term security and certainty of electricity prices of electric power to end-users. The following are principles that will guide the DUs in undertaking CSPs:

- (a) Increase the transparency needed in the procurement process in order to reduce risks;



- (b) Promote and instill competition in the procurement and supply of electric power to all electricity end-users;
- (c) Ascertain least-cost outcomes that are unlikely to be challenged in the future as the political and institutional scenarios should change; and
- (d) Protect the interest of the general public.

This Circular shall apply to any entity that owns, operates, or controls one or more distribution systems in the main grid and off-grid areas, such as but not limited to:

- (a) Electric Cooperatives;
- (b) Private Investor-Owned Distribution Utilities;
- (c) Local Government Unit Owned-and-Operated Distribution Systems/Utility;
- (d) Multi-Purpose Cooperatives duly authorized by appropriate Government agencies to operate electric power system;
- (e) Entities duly authorized to operate within economic zones; and
- (f) Other duly authorized entities engaged in the distribution of electricity.

The ERC issued Resolution No. 13, Series of 2015, entitled "A Resolution Directing All Distribution Utilities to Conduct a Competitive Selection Process in the Procurement of Their Supply in the Captive Market," on November 4, 2015. The pertinent provisions are as follows:

- (a) DUs may adopt any accepted form of CSP pending the issuance by ERC of prescribed CSP as per DOE Circular;
- (b) Minimum terms were identified by ERC;
- (c) A CSP is considered successful if the DU received at least two qualified bids from entities which the DU is not prohibited from entering into a contract for power supply; and
- (d) For two unsuccessful CSPs, the DU is allowed to enter into direct negotiations.

This development will increase transparency and competition. This is prospective, hence, will not affect AboitizPower's existing contracts.

## **6. Maintaining the Share of Renewable Energy (RE) in the Installed Capacity**

The DOE released Department Circular No. DC2015-07-0014, entitled "Prescribing the Policy for Maintaining the Share of Renewable Energy (RE) Resources in the Country's Installed Capacity Through the Wholistic Implementation of the Pertinent Provisions of Republic Act No. 9513 or the RE Act on FIT System, Priority and Must Dispatch, Among Others," in August 2015. The pertinent provisions are as follows:

- (a) In order to maintain the share of RE in power generation, the DOE had set a policy of adopting at least 30% share of RE in the country's total power generation capacity through the wholistic implementation of the FIT system and other pertinent provisions under the RE Act and RE Implementing Rules and Regulations;
- (b) The succeeding rounds for the installation targets for FIT-eligible resources shall be made through an auction system to be adopted by the DOE upon the full subscription of the existing FIT installation targets; and
- (c) Compliance with the provisions stated in the Circular shall be deemed compliance with the RPS.

AboitizPower's current net sellable capacity mix is roughly 68% thermal and 32% renewable. Even with all the new capacity additions, AboitizPower will remain within the said capacity mix. Additionally, the above mentioned auction system has not yet been adopted.

**IV. Capital Expenditure 2017**

AboitizPower is allotting P59 bn in capital expenditure this year, of which 74% is for new thermal projects, 8% for new renewable projects and 18% for exploratory and operating activities.

**PART II--OTHER INFORMATION**

There are no significant information on the company which requires disclosure herein and/or were not included in SEC Form 17-C.

**SIGNATURES**

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

Issuer ABOITIZ POWER CORPORATION

Principal Accounting Officer  Cristina B. Beloria

Signature and Title Vice President – Controller

Date MAY 12 2017

Authorized Officer of the Issuer  M. Jasmine S. Oporto

Signature and Title Corporate Secretary and Compliance Officer

Date MAY 12 2017

# Aboitiz Power Corporation and Subsidiaries

Unaudited Consolidated Financial Statements

As of March 31, 2017 (with Comparative Figures as of December 31, 2016) and  
For the Three-Month Period Ended March 31, 2017 and 2016

**ABOITIZ POWER CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(Amounts in Thousands)

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	₱45,738,582	₱47,094,741
Trade and other receivables	14,700,475	15,465,121
Derivative assets	99,935	188,417
Inventories	4,718,278	4,452,812
Other current assets	8,389,535	6,448,096
<b>Total Current Assets</b>	<b>73,646,805</b>	<b>73,649,187</b>
<b>Noncurrent Assets</b>		
Investments and advances	31,406,823	30,595,989
Property, plant and equipment	195,377,942	192,633,546
Intangible assets	43,621,526	43,642,533
Investment properties	3,300	3,300
Derivative assets - net of current portion	905,750	977,770
Available-for-sale (AFS) investments - net of allowance for impairment of ₱5,254	100,821	100,309
Net pension assets	45,667	45,667
Deferred income tax assets	2,207,806	2,115,951
Other noncurrent assets	10,730,458	11,011,983
<b>Total Noncurrent Assets</b>	<b>284,400,093</b>	<b>281,127,048</b>
<b>TOTAL ASSETS</b>	<b>₱358,046,898</b>	<b>₱354,776,235</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Short-term loans	₱4,500,500	₱4,155,600
Current portions of:		
Long-term debts	7,588,246	7,458,363
Finance lease obligation	2,968,491	2,968,491
Long-term obligation on power distribution system	40,000	40,000
Derivative liabilities	131,109	127,442
Trade and other payables	26,301,029	17,398,218
Income tax payable	1,510,381	654,392
<b>Total Current Liabilities</b>	<b>43,039,756</b>	<b>32,802,506</b>

(Forward)

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Noncurrent portions of:		
Long-term debts	<b>₱149,188,316</b>	₱150,263,301
Finance lease obligation	<b>48,838,737</b>	49,371,713
Long-term obligation on power distribution system	<b>204,454</b>	197,248
Derivative liabilities – net of current portion	<b>171,529</b>	233,435
Customers’ deposits	<b>7,133,583</b>	6,831,242
Asset retirement obligation	<b>1,852,787</b>	1,821,577
Net pension liabilities	<b>245,879</b>	247,387
Deferred income tax liabilities	<b>1,103,563</b>	1,043,996
Other noncurrent liabilities	<b>367,011</b>	334,398
<b>Total Noncurrent Liabilities</b>	<b>209,105,859</b>	210,344,297
<b>Total Liabilities</b>	<b>252,145,615</b>	243,146,803
<b>Equity Attributable to Equity Holders of the Parent</b>		
Paid-in capital	<b>19,947,498</b>	19,947,498
Net unrealized loss on AFS investments	<b>(2,799)</b>	(3,311)
Share in net unrealized valuation gains on AFS investments of an associate	<b>114,920</b>	114,920
Cumulative translation adjustments	<b>(62,508)</b>	(78,232)
Share in cumulative translation adjustments of associates and joint ventures	<b>(128,203)</b>	(128,203)
Actuarial losses on defined benefit plans	<b>(607,880)</b>	(607,913)
Share in actuarial losses on defined benefit plans of associates and joint ventures	<b>(1,878)</b>	(1,878)
Acquisition of non-controlling interests	<b>(259,147)</b>	(259,147)
Excess of cost over net assets of investments	<b>(526,883)</b>	(526,883)
Retained earnings		
Appropriated	<b>34,060,000</b>	34,060,000
Unappropriated	<b>46,963,139</b>	52,597,568
	<b>99,496,259</b>	105,114,419
<b>Non-controlling Interests</b>	<b>6,405,024</b>	6,515,013
<b>Total Equity</b>	<b>105,901,283</b>	111,629,432
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱358,046,898</b>	₱354,776,235

**ABOITIZ POWER CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME**

(Amounts in Thousands, Except Earnings Per Share Amounts)

(Unaudited)

	For the three months ended March 31	
	2017	2016
<b>OPERATING REVENUES</b>	<b>₱26,791,590</b>	<b>₱21,362,228</b>
<b>OPERATING EXPENSES</b>	<b>19,536,025</b>	<b>14,902,125</b>
<b>FINANCIAL INCOME (EXPENSES)</b>		
Interest income	368,539	275,259
Interest expense and other financing costs	(2,885,113)	(2,076,584)
	<b>(2,516,574)</b>	<b>(1,801,325)</b>
<b>OTHER INCOME (EXPENSES)</b>		
Share in net earnings of associates and joint ventures	1,342,004	897,320
Other income (expenses) - net	(338,065)	776,175
	<b>1,003,939</b>	<b>1,673,495</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>5,742,930</b>	<b>6,332,273</b>
<b>PROVISION FOR INCOME TAX</b>	<b>982,481</b>	<b>983,538</b>
<b>NET INCOME</b>	<b>₱4,760,449</b>	<b>₱5,348,735</b>
Attributable to:		
Equity holders of the parent	₱4,373,273	₱5,016,232
Non-controlling interests	387,176	332,503
	<b>₱4,760,449</b>	<b>₱5,348,735</b>
<b>EARNINGS PER COMMON SHARE</b>		
Basic and diluted, income for the period attributable to ordinary equity holders of the parent	<b>₱0.59</b>	<b>₱0.68</b>

*See Note 1 for the computation of Earnings per Common Share.*

**ABOITIZ POWER CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Amounts in Thousands)

(Unaudited)

For the three months ended March 31

2017

2016

**NET INCOME ATTRIBUTABLE TO:**

Equity holders of the parent	<b>₱4,373,273</b>	₱5,016,232
Non-controlling interests	<b>387,176</b>	332,503
	<b>4,760,449</b>	5,348,735

**OTHER COMPREHENSIVE INCOME***Other comprehensive income that may be reclassified to profit or loss in subsequent periods:*

Movement in unrealized valuation gain on AFS investments	<b>512</b>	–
Movement in cumulative translation adjustments	<b>15,723</b>	(117,898)
Share in movement in cumulative translation adjustment of associates and joint ventures	–	39,579
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<b>16,235</b>	(78,319)

*Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:*

Actuarial gains (losses) on defined benefit plans, net of tax	<b>33</b>	(77)
Total other comprehensive loss, net of tax	<b>16,268</b>	(78,396)

<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱4,776,717</b>	₱5,270,339
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**Attributable to:**

Equity holders of the parent	<b>₱4,389,541</b>	₱4,937,836
Non-controlling interests	<b>387,176</b>	332,503
	<b>₱4,776,717</b>	₱5,270,339



**ABOITIZ POWER CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE PERIODS ENDED MARCH 31, 2017, DECEMBER 31, 2016 AND MARCH 31, 2016**
**(Amounts in Thousands, Except Dividends Per Share Amounts)**

(Unaudited)

	Attributable to Equity Holders of the Parent													
	Paid-in Capital	Net Unrealized Loss on AFS Investments	Share in Net Unrealized Valuation Gains on AFS Investments of an Associate	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates and Joint Ventures	Share in Actuarial Gains (Losses) on Defined Benefit Plans	Share in Actuarial Gains (Losses) on Defined Benefit Plans of Associates and Joint Ventures	Acquisition of Non-controlling Interests	Excess of cost over net assets of investment	Retained Earnings			Non-controlling Interests	Total
										Appropriated	Unappropriated			
Balances at January 1, 2017	₱19,947,498	(3,311)	₱114,920	(₱78,232)	(₱128,203)	(₱607,913)	(₱1,878)	(₱259,147)	(₱526,883)	₱34,060,000	₱52,597,568	₱6,515,013	₱111,629,432	
Net income	-	-	-	-	-	-	-	-	-	-	4,373,273	387,176	4,760,449	
Other comprehensive income	-	512	-	15,723	-	33	-	-	-	-	-	-	16,268	
Total comprehensive income (loss)	-	512	-	15,723	-	33	-	-	-	-	4,373,273	387,176	4,776,717	
Cash dividends - ₱1.66 a share	-	-	-	-	-	-	-	-	-	-	(10,007,702)	-	(10,007,702)	
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(446,437)	(446,437)	
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(50,727)	(50,727)	
Balances at March 31, 2017	₱19,947,498	(₱2,799)	₱114,920	(₱62,509)	(₱128,203)	(₱607,880)	(₱1,878)	(₱259,147)	(₱526,883)	₱34,060,000	₱46,963,139	₱6,405,025	₱105,901,283	
Balances at January 1, 2016	₱19,947,498	-	₱114,920	₱185,431	(₱256,376)	(₱609,066)	(₱3,748)	(₱259,147)	(₱421,260)	₱20,900,000	₱57,970,269	₱4,045,046	₱101,613,567	
Net income	-	-	-	-	-	-	-	-	-	-	5,016,232	332,503	5,348,735	
Other comprehensive income	-	-	-	(117,898)	39,579	(77)	-	-	-	-	-	-	(78,396)	
Total comprehensive income (loss)	-	-	-	(117,898)	39,579	(77)	-	-	-	-	5,016,232	332,503	5,270,339	
Cash dividends - ₱1.66 a share	-	-	-	-	-	-	-	-	-	-	(12,215,283)	-	(12,215,283)	
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(423,432)	(423,432)	
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5)	(5)	
Balances at March 31, 2016	₱19,947,498	₱-	₱114,920	₱67,533	(₱216,797)	(₱609,143)	(₱3,748)	(₱259,147)	(₱421,260)	₱20,900,000	₱50,771,218	₱3,954,112	₱94,245,186	

(Forward)

Attributable to Equity Holders of the Parent

	Paid-in Capital	Net Unrealized Loss on AFS Investments	Share in Net Unrealized Valuation Gains on AFS Investments of an Associate	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates and Joint Ventures	Actuarial Gains (Losses) on Defined Benefit Plans	Share in Actuarial Gains (Losses) on Defined Benefit Plans of Associates and Joint Ventures	Acquisition of Non-controlling Interests	Excess of cost over net assets of investment	Retained Earnings		Non-controlling Interests	Total
										Appropriated	Unappropriated		
Balances at January 1, 2016	₱19,947,498	₱-	₱114,920	₱185,431	(₱256,376)	(₱609,066)	(₱3,748)	(₱259,147)	(₱421,260)	₱20,900,000	₱57,970,269	₱4,045,046	₱101,613,567
Net income for the year	-	-	-	-	-	-	-	-	-	-	20,002,582	1,501,524	21,504,106
Other comprehensive income	-	(3,311)	-	(5,697)	128,173	2,527	496	-	-	-	-	(50,966)	71,222
Total comprehensive income (loss) for the year	-	(3,311)	-	(5,697)	128,173	2,527	496	-	-	-	20,002,582	1,450,558	21,575,328
Acquisition of subsidiaries	-	-	-	(257,966)	-	(1,374)	1,374	-	(105,623)	-	-	2,584,442	2,220,853
Cash dividends - ₱1.66 a share	-	-	-	-	-	-	-	-	-	-	(12,215,283)	-	(12,215,283)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,614,684)	(1,614,684)
Appropriation during the year	-	-	-	-	-	-	-	-	-	13,160,000	(13,160,000)	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	49,651	49,651
Balances at December 31, 2016	₱19,947,498	(₱3,311)	₱114,920	(₱78,232)	(₱128,203)	(₱607,913)	(₱1,878)	(₱259,147)	(₱526,883)	₱34,060,000	52,597,568	₱6,515,013	₱111,629,432

**ABOITIZ POWER CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Amounts in Thousands)**

(Unaudited)

For the three months ended March 31  
2017 2016**CASH FLOWS FROM OPERATING ACTIVITIES**

Income before income tax	<b>₱5,742,930</b>	₱6,332,273
Adjustments for:		
Interest expense and other financing costs	<b>2,885,113</b>	2,076,584
Depreciation and amortization	<b>1,808,348</b>	1,410,338
Net unrealized foreign exchange losses (gains)	<b>537,136</b>	(510,386)
Unrealized fair valuation loss on derivatives	<b>171,095</b>	264,769
Gain on disposal of property, plant and equipment	<b>(585)</b>	(321)
Interest income	<b>(368,539)</b>	(275,259)
Share in net earnings of associates and joint ventures	<b>(1,342,004)</b>	(897,320)
Operating income before working capital changes	<b>9,433,494</b>	8,400,678
Increase in operating assets	<b>(1,495,684)</b>	(1,647,049)
Increase (decrease) in operating liabilities	<b>(542,848)</b>	2,585,003
Cash provided by operations	<b>7,394,962</b>	9,338,632
Income and final taxes paid	<b>(106,366)</b>	(267,600)
Net cash flows from operating activities	<b>7,288,596</b>	9,071,032

**CASH FLOWS FROM INVESTING ACTIVITIES**

Cash dividends received	<b>781,263</b>	516,000
Interest received	<b>325,305</b>	192,137
Additions to property, plant and equipment	<b>(4,115,790)</b>	(6,320,521)
Additions to intangible assets – service concession rights	<b>(10,921)</b>	(16,861)
Additional investments	<b>(250,093)</b>	(426,422)
Decrease (increase) in other noncurrent assets	<b>368,698</b>	(117,936)
Net cash flows used in investing activities	<b>(2,901,538)</b>	(6,173,603)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Net availments (payments) of short-term loans	<b>344,900</b>	(204,000)
Net proceeds from (payments of) long-term debt	<b>(1,887,882)</b>	16,390,322
Payments of finance lease obligation	<b>(2,146,679)</b>	(2,139,488)
Changes in non-controlling interests	<b>(446,437)</b>	(423,432)
Interest paid	<b>(1,587,745)</b>	(515,233)
Net cash flows from (used in) financing activities	<b>(5,723,843)</b>	13,108,169

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** (1,336,785) 16,005,598**EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** (19,374) (63,868)**CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD** 47,094,741 51,098,269**CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** **₱45,738,582** **₱67,039,999**

## ABOITIZ POWER CORPORATION AND SUBSIDIARIES

### CONSOLIDATED FINANCIAL STATEMENTS SCHEDULES AND DISCLOSURES

(Amounts in Thousands, Except Earnings per Share and Exchange Rate Data and When Otherwise Indicated)

#### A. Components of Other Comprehensive Income

	Jan-Mar 2017	Jan-Mar 2016
Movement in cumulative translation adjustments	P15,723	(P117,898)
Movement in unrealized loss on AFS investments	512	-
Actuarial gains (losses) on defined benefit plans	33	(77)
Share in movement in cumulative translation adjustments of associates and joint ventures	-	39,579
<b>Other comprehensive income (loss) for the period – net of tax</b>	<b>P16,268</b>	<b>(P78,396)</b>

#### B. Tax Effects Relating to Each Component of Other Comprehensive Income

	Jan-Mar 2017		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Movement in cumulative translation adjustments	P15,723	P-	P15,723
Movement in unrealized loss on AFS investments	512	-	512
Actuarial gains on defined benefit plans	33	-	33
<b>Other comprehensive income for the period</b>	<b>P16,268</b>	<b>P-</b>	<b>P16,268</b>

	Jan-Mar 2016		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Share in movement in cumulative translation adjustments of associates and joint ventures	P39,579	P-	P39,579
Movement in cumulative translation adjustments	(117,898)	-	(117,898)
Actuarial losses on defined benefit plans	(77)	-	(77)
<b>Other comprehensive loss for the period</b>	<b>(P78,396)</b>	<b>P-</b>	<b>(P78,396)</b>

#### C. Investments and Advances

The Group's associates and joint ventures and the corresponding equity ownership are as follows:

	Nature of Business	% Ownership
		March 31, 2017
Manila-Oslo Renewable Enterprise, Inc. (MORE) <sup>1</sup>	Holding company	83.33
Maaraw Holdings San Carlos, Inc. (MHSCI) <sup>1</sup>	Holding company	60.00
GNPower Dinginin Ltd. Co. (GNPD)	Power generation	50.00
Hijos de F. Escaño, Inc.	Holding company	46.73
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	43.78
Pampanga Energy Ventures, Inc.	Holding company	42.84
La Filipina Elektrika, Inc.	Power generation	40.00
San Carlos Sun Power, Inc. (SACASUN) <sup>1</sup>	Power generation	35.00
STEAG State Power, Inc. (STEAG)	Power generation	34.00
AEV Aviation, Inc. (AAI)	Service	26.69
Cebu Energy Development Corporation (CEDC)	Power generation	26.40
Redondo Peninsula Energy, Inc. (RPEI)	Power generation	25.00
Southern Philippines Power Corporation (SPPC)	Power generation	20.00
Western Mindanao Power Corporation (WMPC)	Power generation	20.00

<sup>1</sup> Joint ventures.

	March 31, 2017	December 31, 2016
Acquisition cost:		
Balance at beginning of the year	₱27,528,339	₱15,892,748
Additions during the year	250,093	11,821,307
Step acquisition to subsidiary	-	(144,691)
Redemptions during the year	-	(41,025)
Balance at end of period	<b>27,778,432</b>	27,528,339
Accumulated equity in net earnings:		
Balance at beginning of the year	3,618,877	7,340,367
Share in net earnings	1,342,004	3,641,210
Step acquisition to subsidiary	-	(87,437)
Dividends received or receivable	(781,263)	(7,275,263)
Balance at end of period	<b>4,179,618</b>	3,618,877
Share in net unrealized valuation gains on AFS investment of an associate	114,920	114,920
Share in actuarial losses on defined benefit plans of associates and joint ventures	(1,878)	(1,878)
Share in cumulative translation adjustments of associates and joint ventures	(128,203)	(128,203)
	<b>31,942,889</b>	31,132,055
Less allowance for impairment losses	568,125	568,125
Investments at equity	<b>31,374,764</b>	30,563,930
Advances	<b>32,059</b>	32,059
	<b>₱31,406,823</b>	₱30,595,989

#### D. Joint Operations

Name of Joint Operation	Nature of Business	Percentage of Ownership
		March 31, 2017
Pagbilao Energy Corporation (PEC)	Power generation	50.00

\* PEC's principal place of business and country of incorporation is the Philippines;  
No commercial operations as of March 31, 2017.

The Group's share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis.

#### E. Trade and Other Payables

	March 31, 2017	December 31, 2016
Trade payables	₱7,453,393	₱7,591,617
Dividends payable	10,007,702	143,608
Others	8,839,934	9,662,993
	<b>₱26,301,029</b>	₱17,398,218

Trade payables are non-interest bearing and generally on 30-day terms.

Others include nontrade payables, output VAT, amounts due to contractors, accrued taxes and fees, withholding taxes and other accrued expenses and are generally payable within 12 months from the balance sheet date.

## F. Short-term Loans

	Interest Rate	March 31, 2017	December 31, 2016
Peso loans – financial institutions - unsecured	2.50% - 2.60%	<b>₱1,422,500</b>	₱1,596,100
Temporary advances	2.50%	<b>3,078,000</b>	2,559,500
		<b>₱4,500,500</b>	₱4,115,600

## G. Long-term Debts

	Interest Rate	March 31, 2017	December 31, 2016
<b>Company</b>			
Bonds due 2021	6.10%	<b>₱6,600,000</b>	₱6,600,000
Bonds due 2026	5.21%	<b>3,400,000</b>	3,400,000
<b>Subsidiaries:</b>			
<b>TPI</b>			
Financial institutions - unsecured	LIBOR + 1.10%	<b>31,274,760</b>	31,000,420
<b>TVI</b>			
Financial institutions - secured	6.02% - 6.23%	<b>27,570,000</b>	27,570,000
<b>GMCP</b>			
Financial institutions - secured	LIBOR + 2.5% - 7.65%	<b>25,808,831</b>	27,116,752
<b>TSI</b>			
Financial institutions - secured	4.50% - 5.14%	<b>23,970,380</b>	23,970,380
<b>APRI</b>			
Financial institutions - secured	4.53% - 6.00%	<b>11,249,760</b>	11,874,880
<b>Hedcor Bukidnon</b>			
Financial institutions - secured	5.28% - 6.00%	<b>5,684,476</b>	5,684,476
<b>Hedcor Sibulan</b>			
Fixed rate corporate notes	4.11% - 5.32%	<b>4,100,000</b>	4,100,000
<b>Aseagas</b>			
Financial institutions - secured	4.66% - 5.06%	<b>2,434,209</b>	2,434,209
<b>VECO</b>			
Financial institution - unsecured	3.50% - 4.81%	<b>1,379,000</b>	1,379,000
<b>LHC</b>			
Financial institutions - secured	2.00% - 2.75%	<b>1,386,924</b>	1,374,759
<b>DLP</b>			
Financial institution - unsecured	3.50% - 4.81%	<b>1,034,250</b>	1,034,250
<b>HI</b>			
Financial institution - secured	5.25%	<b>603,000</b>	630,000
<b>SEZ</b>			
Financial institution - unsecured	5.61% - 6.06%	<b>282,500</b>	282,500
<b>CLP</b>			
Financial institution - unsecured	3.50% - 4.81%	<b>206,850</b>	206,850
<b>Joint operation (see Note D)</b>			
Financial institutions - secured	4.70% - 6.68%	<b>12,834,910</b>	12,234,910
		<b>159,819,850</b>	160,893,386
Less deferred financing costs		<b>3,043,288</b>	3,171,722
		<b>156,776,562</b>	157,721,664
Less current portion - net of deferred financing costs		<b>7,588,246</b>	7,458,363
		<b>₱149,188,316</b>	₱150,263,301

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#### H. Debt Securities

The Company registered and issued ₱10 billion worth of peso denominated fixed rate retail bonds on September 10, 2014 under the following terms:

<b>MATURITY</b>	<b>INTEREST RATE</b>	<b>AMOUNT</b>
12-year bonds to mature on September 10, 2026	6.10%/p.a.	₱3,400,000
10-year bonds to mature on September 10, 2021	5.21%/p.a.	₱6,600,000

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#### I. Earnings Per Common Share

Earnings per common share amounts were computed as follows:

	<b>Jan-Mar 2017</b>	<b>Jan-Mar 2016</b>
a. Net income attributable to equity holders of the parent	<b>₱4,373,273</b>	₱5,016,232
b. Weighted average number of common shares issued and outstanding	<b>7,358,604,307</b>	7,358,604,307
Earnings per common share (a/b)	<b>₱0.59</b>	₱0.68

There are no dilutive potential common shares as of March 31, 2017 and 2016.

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#### J. Operating Segment Information

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available.

For purposes of management reporting, the Group's operating businesses are organized and managed separately according to services provided, with each segment representing a strategic business segment. The Group's identified operating segments, which are consistent with the segments reported to the Board of Directors (BOD), which is the Group's CODM, are as follows:

- "Power Generation" segment, which is engaged in the generation and supply of power to various customers under power supply contracts, ancillary service procurement agreements and for trading in WESM;
- "Power Distribution" segment, which is engaged in the distribution and sale of electricity to the end-users; and
- "Parent Company and Others", which includes the operations of the Company, retail electricity sales to various off takers that are considered to be eligible contestable customers and electricity related services of the Group such as installation of electrical equipment.

The Group has only one geographical segment as all of its assets are located in the Philippines.

The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the consolidated statement of income. Interest expense and financing charges, depreciation and amortization expense and income taxes are managed on a per segment basis.

The Group has inter-segment revenues in the form of management fees as well as inter-segment sales of electricity which are eliminated in consolidation. The transfers are accounted for at competitive market prices on an arm's-length transaction basis.

Segment assets do not include deferred income tax assets, pension asset and other noncurrent assets. Segment liabilities do not include deferred income tax liabilities, income tax payable and pension liability. Capital expenditures consist of additions of property, plant and equipment and intangible asset - service concession rights. Adjustments as shown below include items not presented as part of segment assets and liabilities.

Financial information on the operations of the various business segments are summarized as follows:

**March 31, 2017**

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
<b>REVENUE</b>					
External	₱13,162,064	₱10,298,446	₱3,464,665	₱ (133,585)	₱26,791,590
Inter-segment	4,165,694	–	656,824	(4,822,518)	–
<b>Total Revenue</b>	<b>₱17,327,758</b>	<b>₱10,298,446</b>	<b>₱4,121,489</b>	<b>(4,956,103)</b>	<b>₱26,791,590</b>
<b>Segment Results</b>					
Unallocated corporate income - net	₱5,834,749	₱1,254,360	₱ 166,456	₱–	₱7,255,565
	(572,167)	228,612	5,490	–	(338,065)
<b>INCOME FROM OPERATIONS</b>					
Interest expense	5,262,582	1,482,972	171,946	–	6,917,500
Interest income	(2,673,164)	(63,989)	(147,960)	–	(2,885,113)
Share in net earnings of associates and joint ventures	337,596	7,396	23,547	–	368,539
Provision for income tax	1,315,754	25,819	4,524,839	(4,524,408)	1,342,004
	(532,902)	(386,801)	(62,778)	–	(982,481)
<b>NET INCOME</b>	<b>₱3,709,866</b>	<b>₱1,065,397</b>	<b>₱4,509,594</b>	<b>(₱4,524,408)</b>	<b>₱4,760,449</b>
<b>OTHER INFORMATION</b>					
Investments	₱30,102,515	₱834,245	₱110,559,626	(₱110,121,622)	₱31,374,764
<b>Segment Assets</b>	<b>₱272,616,930</b>	<b>₱24,057,794</b>	<b>₱123,175,639</b>	<b>(₱61,803,465)</b>	<b>₱358,046,898</b>
<b>Segment Liabilities</b>	<b>₱213,480,689</b>	<b>₱18,622,163</b>	<b>₱23,196,127</b>	<b>(₱3,153,364)</b>	<b>₱252,145,615</b>
Depreciation and Amortization	₱1,550,155	₱213,717	₱5,360	₱39,116	₱1,808,348



March 31, 2016

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
<b>REVENUE</b>					
External	₱8,798,715	₱10,308,219	₱2,255,294	₱-	₱21,362,228
Inter-segment	3,383,895	-	717,944	(4,101,839)	-
<b>Total Revenue</b>	<b>₱12,182,610</b>	<b>₱10,308,219</b>	<b>₱2,973,238</b>	<b>(4,101,839)</b>	<b>₱21,362,228</b>
<b>Segment Results</b>					
Unallocated corporate income - net	₱5,130,986	₱1,158,099	₱171,018	₱-	₱6,460,103
	571,026	219,972	(14,823)	-	776,175
<b>INCOME FROM OPERATIONS</b>					
Interest expense	5,702,012	1,378,071	156,195	-	7,236,278
Interest income	(1,869,273)	(52,694)	(154,617)	-	(2,076,584)
Share in net earnings of associates and joint ventures	169,608	6,372	99,279	-	275,259
Provision for income tax	869,422	27,152	5,042,977	(5,042,231)	897,320
	(584,717)	(345,122)	(53,699)	-	(983,538)
<b>NET INCOME</b>	<b>₱4,287,052</b>	<b>₱1,013,779</b>	<b>₱5,090,135</b>	<b>(₱5,042,231)</b>	<b>₱5,348,735</b>
<b>OTHER INFORMATION</b>					
Investments	₱21,228,428	₱918,940	₱109,479,315	(₱109,159,576)	₱22,467,107
<b>Segment Assets</b>	<b>₱226,690,387</b>	<b>₱23,130,309</b>	<b>₱127,453,097</b>	<b>(₱111,549,110)</b>	<b>₱265,724,683</b>
<b>Segment Liabilities</b>	<b>₱130,147,939</b>	<b>₱15,496,820</b>	<b>₱36,713,494</b>	<b>(₱10,878,756)</b>	<b>₱171,479,497</b>
Depreciation and Amortization	₱1,194,674	₱184,247	₱5,138	₱ 26,279	₱1,410,338

## K. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents and long-term debts. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has various other financial instruments such as trade and other receivables, AFS investments, short-term loans, trade and other payables, finance lease obligation, long-term obligation on power distribution system and customers' deposits, which generally arise directly from its operations.

The Group also enters into derivative transactions, particularly foreign currency forwards, to economically hedge its foreign currency risk from foreign currency denominated liabilities and purchases.

### Risk Management Structure

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

#### *Financial risk committee*

The Financial Risk Committee has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

#### *Treasury service group*

The Treasury Service Group is responsible for the comprehensive monitoring, evaluating and analyzing of the Group's risks in line with the policies and limits.

The main risks arising from the Group's financial instruments are interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term debt; credit risk

involving possible exposure to counter-party default on its cash and cash equivalents, AFS investments and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings.

#### Liquidity risk

Liquidity risk is the risk of not meeting obligations as they become due because of the inability to liquidate assets or obtain adequate funding. The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations and pay any dividend declarations.

In managing its long-term financial requirements, the Group's policy is that not more than 25% of long-term borrowings should mature in any twelve-month period. 4.89% of the Group's debt will mature in less than one year as of March 31, 2017 (December 31, 2016: 4.81%). For its short-term funding, the Group's policy is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

The financial assets that will be principally used to settle the financial liabilities presented in the following table are from cash and cash equivalents and trade and other receivables. Cash and cash equivalents can be withdrawn anytime while trade and other receivables are expected to be collected/realized within one year.

The following tables summarize the maturity profile of the Group's financial liabilities as of March 31, 2017 based on contractual undiscounted principal payments:

	Total carrying value	Contractual undiscounted principal payments				
		Total	On demand	<1 year	1 to 5 years	> 5 years
Trade and other payables	₱13,480,144	₱13,480,144	₱ 7,932	₱13,472,212	₱-	₱-
Customers' deposits	7,133,583	7,133,583	-	-	32,922	7,100,661
Short-term loans	4,500,500	4,500,500	3,078,000	1,422,500	-	-
Finance lease obligation	51,807,228	80,294,880	-	8,098,200	38,429,640	33,767,040
Long-term obligation on power distribution system	244,454	440,000	-	40,000	200,000	200,000
Long-term debts	156,776,562	159,792,700	-	7,588,246	67,392,958	84,811,496
Derivative liabilities	302,638	302,638	-	131,109	171,529	-
	₱234,245,109	₱265,944,445	₱3,085,932	₱30,752,267	₱106,227,049	₱125,879,197

#### Market Risk

The risk of loss, immediate or over time, due to adverse fluctuations in the price or market value of instruments, products, and transactions in the Group's overall portfolio (whether on or off-balance sheet) is market risk. These are influenced by foreign and domestic interest rates, foreign exchange rates and gross domestic product growth.

#### *Interest rate risk*

The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of March 31 2017, 25% of the

Group's long-term debt had annual floating interest rates ranging from 2.00% to 2.75%, and 75% have annual fixed interest rates ranging from 4.28% to 7.65%. As of December 31, 2016, 25% of the Group's long-term debt had annual floating interest rates ranging from 1.88% to 3.00%, and 75% have annual fixed interest rates ranging from 4.28% to 6.68%.

The following tables set out the carrying amounts, by maturity, of the Group's financial instruments that are exposed to cash flow interest rate risk:

**As of March 31, 2017**

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	₱1,306,070	₱38,124,211	₱-	₱39,430,281

**As of December 31, 2016**

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	₱1,608,637	₱38,308,317	₱-	₱39,916,954

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest-bearing and are therefore not subject to interest rate risk. The Group's derivative assets and liabilities are subject to fair value interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before tax (through the impact on floating rate borrowings):

	Increase (decrease) in basis points	Effect on income before tax
<b>March 31, 2017</b>	<b>200</b>	<b>(₱788,606)</b>
	<b>(100)</b>	<b>394,303</b>
March 31, 2016	200	(₱30,420)
	(100)	15,210

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

The interest expense and other finance charges recognized according to source are as follows:

	Jan-Mar 2017	Jan-Mar 2016
Finance lease obligation	₱1,394,279	₱1,466,055
Short-term loans and long-term debt	1,482,743	578,624
Customers' deposits	885	227
Other long-term obligations	7,206	31,678
	<b>₱2,885,113</b>	<b>₱2,076,584</b>

*Foreign exchange risk*

The foreign exchange risk of the Group pertains significantly to its foreign currency denominated obligations. To manage its foreign exchange risk, stabilize cash flows and improve investment and cash flow planning, the Group enters into foreign currency forward contracts aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flows. Foreign currency denominated borrowings account for 40% of total consolidated borrowings as of March 31, 2017 and December 31, 2016.

Presented below are the Group's foreign currency denominated financial assets and liabilities as of March 31, 2017 and December 31, 2016, translated to Philippine Peso:

	March 31, 2017		December 31, 2016	
	US Dollar	Philippine Peso equivalent <sup>1</sup>	US Dollar	Philippine Peso equivalent <sup>2</sup>
Loans and receivables:				
Cash and cash equivalents	\$42,786	₱2,146,146	\$14,990	₱745,303
Trade and other receivables	457	22,917	266	13,231
Derivative assets	3,185	159,747	1,098	54,595
<b>Total financial assets</b>	<b>46,428</b>	<b>2,328,810</b>	16,354	813,129
Other financial liabilities:				
Trade and other payables	3,335	167,282	26,578	1,321,455
Long-term debt	623,500	31,274,760	623,500	31,000,420
Finance lease obligation	546,763	27,425,632	555,448	27,616,875
<b>Total financial liabilities</b>	<b>1,173,598</b>	<b>58,867,674</b>	1,205,526	59,938,750
<b>Total net financial liabilities</b>	<b>(\$1,127,170)</b>	<b>(₱56,538,864)</b>	(\$1,189,172)	(₱59,125,621)

<sup>1</sup>\$1 = ₱50.16

<sup>2</sup>\$1 = ₱49.72

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rates, with all other variables held constant, of the Group's income before tax as of March 31, 2017:

	Increase/ (decrease) in US Dollar	Effect on income before tax
<b>US Dollar denominated accounts</b>	<b>US Dollar strengthens by 5%</b>	<b>(₱2,826,943)</b>
<b>US Dollar denominated accounts</b>	<b>US Dollar weakens by 5%</b>	<b>2,826,943</b>

The increase in US Dollar rate represents the depreciation of the Philippine Peso while the decrease in US Dollar rate represents appreciation of the Philippine Peso.

There is no other impact on the Group's equity other than those already affecting the consolidated statements of comprehensive income.

Credit risk

For its cash investments (including restricted portion), AFS investments and receivables, the Group's credit risk pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these investments. With respect to cash investments and AFS investments, the risk is mitigated by the short-term and/or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions and entities

of high credit standing. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Group's policy to only enter into transactions with credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales are made to customers with appropriate credit history and it has internal mechanisms to monitor the granting of credit and management of credit exposures.

#### *Concentration Risk*

Credit risk concentration of the Group's receivables according to the customer category as of March 31, 2017 and December 31, 2016 is summarized in the following table:

	<b>March 31, 2017</b>	December 31, 2016
Power distribution:		
Industrial	<b>₱3,764,205</b>	₱3,589,973
Residential	<b>1,305,767</b>	1,324,289
Commercial	<b>505,997</b>	545,173
City street lighting	<b>104,699</b>	31,196
Power generation:		
Power supply contracts	<b>6,902,518</b>	6,945,891
Spot market	<b>1,388,015</b>	1,480,162
	<b>₱13,971,201</b>	₱13,916,684

#### Capital Management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio at 70% or below. The Group determines net debt as the sum of interest-bearing short-term and long-term loans (comprising long-term debt and finance lease obligation) less cash and short-term deposits (including restricted cash).

Gearing ratios of the Group as of March 31, 2017 and December 31, 2016 are as follows:

	<b>March 31, 2017</b>	December 31, 2016
Short-term loans	<b>₱4,500,500</b>	₱4,155,600
Long-term debt	<b>208,583,790</b>	210,061,868
Cash and cash equivalents	<b>(45,738,582)</b>	(47,094,741)
Restricted cash	<b>(2,619,527)</b>	(2,100,611)
Net debt (a)	<b>164,726,181</b>	165,022,116
Equity	<b>105,901,283</b>	111,629,432
Equity and net debt (b)	<b>₱270,627,464</b>	₱276,651,548
Gearing ratio (a/b)	<b>60.9%</b>	59.6%

No changes were made in the objectives, policies or processes during the period ended March 31, 2017 and December 31, 2016.

## L. Financial Instruments

### Fair Value of Financial Instruments

Fair value is defined as the amount at which the financial instrument could be sold in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. For a financial instrument with an active market, the quoted market price is used as its fair value. On the other hand, if transactions are no longer regularly occurring even if prices might be available and the only observed transactions are forced transactions or distressed sales, then the market is considered inactive. For a financial instrument with no active market, its fair value is determined using a valuation technique (e.g. discounted cash flow approach) that incorporates all factors that market participants would consider in setting a price.

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments whose fair values are different from their carrying amounts.

	March 31, 2017		December 31, 2016	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
<b>Financial Liabilities</b>				
Finance lease obligation	₱51,807,228	₱48,101,587	₱52,340,204	₱49,699,074
Long-term debt - fixed rate	117,346,281	116,074,471	117,804,710	117,710,942
Long-term obligation on power distribution system	244,454	357,297	237,248	414,135
	<b>₱169,397,963</b>	<b>₱164,533,355</b>	<b>₱170,382,162</b>	<b>₱167,824,151</b>

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

*Cash and cash equivalents, trade and other receivables, short-term loans and trade and other payables.* The carrying amounts of cash and cash equivalents, trade and other receivables, short-term loans and trade and other payables approximate fair value due to the relatively short-term maturity of these financial instruments.

*Fixed-rate borrowings.* The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans.

*Floating-rate borrowings.* Since repricing of the variable-rate interest bearing loan is done on a quarterly basis, the carrying value approximates the fair value.

*Finance lease obligation.* The fair value of the finance lease obligation was calculated by discounting future cash flows using applicable interest rates.

*Long-term obligation on PDS.* The fair value of the long-term obligations on power distribution system is calculated by discounting expected future cash flows at prevailing market rates.

*Customers' deposits.* The fair value of bill deposits approximates the carrying values as these deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines. The timing and related amounts of future cash flows relating to transformer and lines and poles deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

*AFS investments.* These are carried at cost less impairment because fair value cannot be determined reliably due to the unpredictable nature of cash flows and lack of suitable methods of arriving at reliable fair value.

*Derivative financial instruments.* The fair value of forward contracts is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The fair value of the embedded prepayment options is determined using Binomial Option Pricing Model which allows for the specification of points in time until option expiry date. This valuation incorporates inputs such as interest rates and volatility. The fair value of the interest rate swap and interest rate cap are determined by generally accepted valuation techniques with reference to observable market data such as interest rates.

The movements in fair value changes of all derivative instruments for the period ended March 31, 2017 and for the year ended December 31, 2016 are as follows:

	<b>March 31, 2017</b>	December 31, 2016
At beginning of year	<b>₱805,310</b>	₱563,366
Additions due to business combinations	-	523,752
Net changes in fair value of derivatives designated as accounting hedges	<b>157,882</b>	36,859
Net changes in fair value of derivatives not designated as accounting hedges	<b>(171,095)</b>	(127,039)
Fair value of settled instruments	<b>(89,050)</b>	(191,628)
At end of period	<b>₱703,047</b>	₱805,310

#### Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of March 31, 2017, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
Derivative asset	₱1,005,865	₱–	₱1,005,865	₱–
Derivative liability	302,638	–	302,638	–
Disclosed at fair value:				
Finance lease obligation	48,101,587	–	–	48,101,587
Long-term debt - fixed rate	116,074,471	–	–	116,074,471
Long-term obligation on PDS	357,297	–	–	357,297

During the period ended March 31, 2017, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

## M. Disclosures

### 1. Corporate Information

Aboitiz Power Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission on February 13, 1998. The Company is a publicly-listed holding company of the entities engaged in power generation and power distribution in the Aboitiz Group. As of March 31, 2017, Aboitiz Equity Ventures, Inc. (AEV, also incorporated in the Philippines) owns 76.88% of the Company. The ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

The registered office address of the Company is 32nd street, Bonifacio Global City, Taguig City, Metro Manila.

### 2. Group Information

The consolidated financial statements comprise the financial statements of the Company, subsidiaries controlled by the Company and joint operation that are subject to joint control (collectively referred to as “the Group”). The following are the subsidiaries as of March 31, 2017 and December 31, 2016:

	Nature of Business	Percentage Ownership			
		March 31, 2017		December 31, 2016	
		Direct	Indirect	Direct	Indirect
Aboitiz Renewables, Inc. (ARI) and Subsidiaries	Power generation	100.00	–	100.00	–
AP Renewables, Inc. (APRI)	Power generation	–	100.00	–	100.00
Hedcor, Inc. (HI)	Power generation	–	100.00	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power generation	–	100.00	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power generation	–	100.00	–	100.00
Luzon Hydro Corporation (LHC)	Power generation	–	100.00	–	100.00
AP Solar Tiwi, Inc.*	Power generation	–	100.00	–	100.00
Aseagas Corporation (Aseagas)*	Power generation	–	100.00	–	100.00
Bakun Power Line Corporation*	Power generation	–	100.00	–	100.00
Cleanergy, Inc.*	Power generation	–	100.00	–	100.00
Cordillera Hydro Corporation*	Power generation	–	100.00	–	100.00
Hedcor Benguet, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)*	Power generation	–	100.00	–	100.00
Hedcor Kabayan, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Ifugao, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Kalinga, Inc.*	Power generation	–	100.00	–	100.00



	Nature of Business	Percentage Ownership			
		March 31, 2017		December 31, 2016	
		Direct	Indirect	Direct	Indirect
Hedcor Itogon Inc.*	Power generation	–	100.00	–	100.00
Hedcor Manolo Fortich, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Mt. Province, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power generation	–	100.00	–	100.00
Hedcor Tamugan, Inc.*	Power generation	–	100.00	–	100.00
Kookaburra Equity Ventures, Inc.	Holding company	–	100.00	–	100.00
Mt. Apo Geopower, Inc.*	Power generation	–	100.00	–	100.00
Negron Cuadrado Geopower, Inc. (NCGI)*	Power generation	–	100.00	–	100.00
Tagoloan Hydro Corporation*	Power generation	–	100.00	–	100.00
Luzon Hydro Company Limited*	Power generation	–	100.00	–	100.00
Hydro Electric Development Corporation*	Power generation	–	99.97	–	99.97
Therma Power, Inc. (TPI) and Subsidiaries	Power generation	100.00	–	100.00	–
Therma Luzon, Inc. (TLI)	Power generation	–	100.00	–	100.00
Therma Marine, Inc. (Therma Marine)	Power generation	–	100.00	–	100.00
Therma Mobile, Inc. (Therma Mobile)	Power generation	–	100.00	–	100.00
Therma South, Inc. (TSI)	Power generation	–	100.00	–	100.00
Therma Power-Visayas, Inc.*	Power generation	–	100.00	–	100.00
Therma Central Visayas, Inc.*	Power generation	–	100.00	–	100.00
Therma Subic, Inc.*	Power generation	–	100.00	–	100.00
Therma Mariveles Holdings L.P.	Holding company	–	100.00	–	100.00
Therma Mariveles, LLC	Holding company	–	100.00	–	100.00
Therma Mariveles Consulting Services, LLC	Holding company	–	100.00	–	100.00
Therma Mariveles Holding Cooperatief U.A.	Holding company	–	100.00	–	100.00
Therma Mariveles Camaya B.V.	Holding company	–	100.00	–	100.00
Therma Mariveles Holdings, Inc.	Holding company	–	100.00	–	100.00
GNPower Mariveles Coal Plant Ltd. Co. (GMCP)	Power generation	–	82.82	–	82.82
Therma Dinginin L.P.	Holding company	–	100.00	–	100.00
Therma Dinginin, LLC	Holding company	–	100.00	–	100.00
Therma Dinginin Offshore Services Inc.	Holding company	–	100.00	–	100.00
Therma Dinginin Holding Cooperatief U.A.	Holding company	–	100.00	–	100.00
Therma Dinginin B.V.	Holding company	–	100.00	–	100.00
Therma Dinginin Holdings, Inc.	Holding company	–	100.00	–	100.00
AboitizPower International Pte. Ltd.	Holding company	100.00	–	100.00	–
Aboitiz Energy Solutions, Inc. (AESI)	Retail electricity supplier	100.00	–	100.00	–
Adventenergy, Inc. (AI)	Retail electricity supplier	100.00	–	100.00	–
Balamban Enerzone Corporation (BEZ)	Power distribution	100.00	–	100.00	–
Lima Enerzone Corporation (LEZ)	Power distribution	100.00	–	100.00	–
Mactan Enerzone Corporation (MEZ)	Power distribution	100.00	–	100.00	–
East Asia Utilities Corporation (EAUC)	Power generation	50.00	50.00	50.00	50.00
Cotabato Light and Power Company (CLP)	Power distribution	99.94	–	99.94	–
Cotabato Ice Plant, Inc.	Manufacturing	–	100.00	–	100.00
Davao Light & Power Company, Inc. (DLP)	Power distribution	99.93	–	99.93	–
Subic Enerzone Corporation (SEZ)	Power distribution	65.00	34.98	65.00	34.98
Cebu Private Power Corporation (CPPC)	Power generation	60.00	–	60.00	–
Prism Energy, Inc. (PEI)*	Retail electricity supplier	60.00	–	60.00	–
Visayan Electric Company (VECO)	Power distribution	55.26	–	55.26	–

\* No commercial operations as of March 31, 2017.

### 3. Basis of Financial Statement Preparation and Changes in Accounting Policies

#### Basis of Financial Statement Preparation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2016 annual audited consolidated financial statements, and should be read in conjunction with the Group's consolidated financial statements as of and for the year ended December 31, 2016.

The preparation of the financial statements in compliance with Philippine Financial Reporting Standards (PFRS) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying unaudited condensed consolidated financial

statements are based upon management's evaluation of relevant facts and circumstances as of the date of the unaudited condensed consolidated financial statements. Actual results could differ from such estimates.

The unaudited condensed consolidated financial statements of the Group are presented in Philippine peso, the Group's functional currency, and rounded to the nearest thousands except for earnings per share and exchange rates and when otherwise indicated.

On May 2, 2017, the Audit Committee of the Board of Directors approved and authorized the release of the accompanying unaudited condensed consolidated financial statements of the Group.

#### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the new and revised PFRS and Philippine Interpretations which the Group has adopted starting January 1, 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Except as otherwise indicated, adoption of these new and revised standards and interpretations did not have any significant impact on the Group's financial statements:

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

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

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

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods.

The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended December 31, 2017.

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

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

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

#### **4. Seasonality of Interim Operations**

Operations of hydropower plants are generally affected by climatic seasonality. Seasonality and location have a direct effect on the level of precipitation. In Luzon where rainy and summer seasons are more pronounced, higher rainfall is normally experienced in the months of June to September. As such, the hydropower plants located in Luzon operate at their maximum capacity during this period. In contrast, the hydropower plants in Mindanao experience a well-distributed rainfall throughout the year, with a slightly better precipitation during the months of December to April. This precipitation seasonality greatly affects subsidiary companies HI, HSI, Hedcor Tudaya, Hedcor Sabangan and LHC, which operate 'run-of-river' hydropower plants since these plants do not have any means to impound water.

Any unexpected change in the seasonal aspects will have no material effect on the Group's financial condition or results of operations.

#### **5. Property, Plant and Equipment**

During the three months ended March 31, 2017, the Group's additions to property, plant and equipment amounted to ₱4.12 billion, including acquisition of distribution assets amounting to ₱432.7 million, and costs relating to the construction of power plant facilities.

A significant portion of the Group's property, plant and equipment relates to various projects under "Construction in progress" as of March 31, 2017, as shown below:

<b>Project Company</b>	Estimated cost to complete (in millions)	% of completion
TVI	₱15,464	60%
PEC (see Note D)	8,273	63%
Hedcor Bukidnon	5,622	50%

For the period, construction costs for the various projects amounted to ₱3.67 billion, which includes capitalized borrowing costs amounting to ₱677.0 million.

## **6. Material Events and Changes**

### a) Dividend declaration

On March 7, 2017, the BOD approved the declaration of regular cash dividends of ₱1.36 a share (₱10.01 billion) to all stockholders of record as of March 21, 2017. The cash dividends are payable on April 10, 2017.

Except for the above developments and as disclosed in some other portions of this report, no other significant event occurred that would have a material impact on the registrant and its subsidiaries, and no other known trend, event or uncertainty came about that had or were reasonably expected to have a material favorable or unfavorable impact on revenues or income from continuing operations, since the end of the most recently completed fiscal year. There were also no significant elements of income or loss that did not arise from the continuing operations of the registrant and its subsidiaries.

Other than those disclosed above, no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons entities or other persons were created during the interim period. There were also no events that would trigger substantial direct or contingent financial obligations or cause any default or acceleration of an existing obligation.

Likewise, there were no other material changes made in such items as: accounting principles and practices, estimates inherent in the preparation of financial statements, status of long-term contracts, changes in the composition of the issuer, and reporting entity resulting from business combinations or dispositions.

Lastly, there were no changes in estimates of amounts reported in prior interim period and financial year that would have a material effect in the current interim period.

## **7. Material Adjustments**

There were no material, non-recurring adjustments made during period that would require appropriate disclosures. All other adjustments are of a normal recurring nature.

## **8. Contingencies**

The Group is a party to certain proceedings and legal cases with other parties in the normal course of business. The ultimate outcome of these proceedings and legal cases cannot be presently determined. Management, in consultation with its legal counsels, believes that it has substantial legal and factual bases for its positions and is currently of the opinion that the likely outcome of these proceedings and legal cases will not have a material adverse effect on the Group's financial position and operating results. It is possible, however, that the future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these proceedings and legal cases.

The Company obtained Standby Letters of Credit and is acting as surety for the benefit of certain associates and a subsidiary in connection with loans and credit accommodations.

**N. Schedule of Relevant Financial Ratios**

	<b>Formula</b>	<b>March 31, 2017</b>	December 31, 2016
<b>LIQUIDITY RATIOS</b>			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	<b>1.7</b>	2.2
Acid test ratio	$\frac{\text{Cash + Marketable securities} + \text{Accounts receivable} + \text{Other liquid assets}}{\text{Current liabilities}}$	<b>1.4</b>	1.9
<b>SOLVENCY RATIOS</b>			
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	<b>2.4</b>	2.2
Asset to equity ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	<b>3.4</b>	3.2
Net debt to equity ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total Equity}}$	<b>1.6</b>	1.5
Gearing ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total Equity} + (\text{Debt - Cash \& cash equivalents})}$	<b>60.9%</b>	59.6%
Interest coverage ratio	$\frac{\text{EBIT}}{\text{Interest expense}}$	<b>n.a</b>	4.8
<b>PROFITABILITY RATIOS</b>			
Operating margin	$\frac{\text{Operating profit}}{\text{Total revenues}}$	<b>n.a</b>	29.5%
Return on equity *	$\frac{\text{Net income after tax}}{\text{Total equity}}$	<b>n.a</b>	22.6%

*Ratio marked \* is deemed not applicable (n.a.) for the interim reporting period since this would not be comparable to the ratio reported in the previous period.*

**ABOITIZ POWER CORPORATION AND SUBSIDIARIES**
**1) AGING OF RECEIVABLES  
AS OF MARCH 31, 2017**

	30 Days	60 Days	90 Days	Over 90 Days	Total
<b>A/R - Trade:</b>					
Power Distribution Customers	2,459,350	365,798	78,847	777,084	3,681,079
Power Generation Customers	4,879,470	703,661	155,634	2,551,768	8,290,533
Management & Other Services Customers	1,995,604	-	-	3,985	1,999,589
<b>Sub-total - A/R - Trade</b>	<b>9,334,424</b>	<b>1,069,459</b>	<b>234,481</b>	<b>3,332,837</b>	<b>13,971,201</b>
<b>Less : Allowance for Doubtful Accounts</b>					<b>1,949,088</b>
<b>Net Trade Receivables</b>					<b>12,022,113</b>
<b>A/R - Non Trade</b>	<b>2,490,567</b>	<b>9,584</b>	<b>66,300</b>	<b>111,911</b>	<b>2,678,362</b>
<b>Grand Total</b>	<b>11,824,991</b>	<b>1,079,043</b>	<b>300,781</b>	<b>3,444,748</b>	<b>14,700,475</b>

**2) ACCOUNTS RECEIVABLE DESCRIPTION**

Type of Receivable	Nature / Description	Collection Period
Trade	uncollected billings to customers for sale of power, goods and services	30 - 60 days
Non-Trade	claims, operating cash advances and advances to suppliers & employees	30 - 120 days

**3) NORMAL OPERATING CYCLE**

Power Subsidiaries

- Distribution - 60 days
- Generation - 65 days