



May 15, 2019

SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City, 1307

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

via PSE EDGE

PHILIPPINE STOCK EXCHANGE, INC.

PSE Tower, 28th Street, cor. 5th Avenue
Bonifacio Global City, Taguig City

ATTENTION : **MS. JANET A. ENCARNACION**
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 : **ATTY. JOSEPH B. EVANGELISTA**
Head – Issuer Compliance and Disclosure Department

Gentlemen:

Please see enclosed SEC Form 17-Q (1st Quarterly Report 2019) of Aboitiz Power Corporation.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ POWER CORPORATION

By:

A handwritten signature in blue ink, appearing to read "Manuel Alberto R. Colayco", written over a horizontal line.

MANUEL ALBERTO R. COLAYCO
Corporate Secretary

COVER SHEET

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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

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(Company's Full Name)

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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)

MANUEL ALBERTO R. COLAYCO

Contact Person

02-886-2338

Company Telephone Number

1 2 3 1

Month Day Fiscal Year

1st Quarterly Report 2019

1 7 - Q

FORM TYPE

4th Monday of April

0 4 2 2

Month Day Annual Meeting

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Secondary License Type, if Applicable

S E C

Dept. Requiring this Doc

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Amended Articles Number/Section

[Empty box for stockholders]

Total No. of Stockholders

x

Domestic

[Empty box for foreign]

Foreign

To be accomplished by SEC Personnel concerned

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File Number

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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, 2019**
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

32nd 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, 2019)
Common Stock ₱1 Par Value	7,358,604,307
Amount of Debt Outstanding	₱220,413,200,000.00

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

Yes [] No []

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

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.** This represents the Group's share in the undistributed earnings or losses of its investees for each reporting period subsequent to acquisition of said investment, net of goodwill impairment cost, if any. It also indicates profitability of the investment and investees' contribution to the Group's net income.

Goodwill is the difference between the purchase price of an investment and the investor's share in the value of the net identifiable assets of the investee at the date of acquisition.

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 Consolidated 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.
6. **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 key performance indicators for the first three (3) months of 2019 and 2018 and as of December 31, 2018:

Key Performance Indicators	MARCH 2019	MARCH 2018	DECEMBER 2018
<i>Amounts in thousands of ₱s, except for financial ratios</i>			
SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	551,130	1,047,149	
EBITDA	10,404,355	11,910,429	
CASH FLOW GENERATED:			
Net cash flows from operating activities	6,341,341	5,153,589	
Net cash flows used in investing activities	(976,223)	(2,290,609)	
Net cash flows from (used in) financing activities	(1,553,471)	5,545,651	
Net Increase in Cash & Cash Equivalents	3,811,647	8,408,631	
Cash & Cash Equivalents, Beginning	46,343,041	35,699,631	
Cash & Cash Equivalents, End	50,109,442	44,329,526	
CURRENT RATIO	1.45		1.89
DEBT-TO-EQUITY RATIO	2.07		1.85

- Share in net earnings in associates and joint ventures for the first quarter of 2019 decreased by 47% compared to first quarter of 2018. The decrease was mainly due to lower income contributions from SN Aboitiz Power-Magat, Inc. (SN Aboitiz Power-Magat) and GNPowder Dinginin Ltd. Co. (GNPD). SN Aboitiz Power-Magat's lower income contribution was primarily driven by a reduction in volume sold due to reduced water levels during the first quarter of 2019 compared to the same period in 2018. The lower share in net earnings of GNPD was mainly due to the foreign exchange (forex) gain recorded in the first quarter of 2018 as against the forex loss reported in the first quarter of 2019.
- EBITDA for the first quarter of 2019 decreased by 13%, largely driven by an increase in the amount and cost of purchased power by the power generation group. The decrease was partially offset by higher EBITDA of the power distribution group due to higher energy sales.
- For the first quarter of 2019, cash and cash equivalents increased by ₱3.81 billion (bn), due to higher operating cash flows. This was partially offset by (i) cash flows used to invest into GNPD for its on-going power plant construction and for the Group's capital expenditures, and (ii) cash flows used to service debt.

- Current ratio as of March 31, 2019 was at 1.45x as compared to previous year's 1.89x. This is due to an increase in current liabilities, mainly from higher levels of current debt maturities and the accrual of dividends paid in April 2019.
- Debt-to-equity ratio as of March 31, 2019 was at 2.07x, higher than the 1.85x recorded at the end of 2018.

Results of Operations

Net income for the first quarter of 2019 of ₱3.63 bn, which was 9% lower than the ₱3.97 bn reported for the same period in 2018. This translated to earnings per share of ₱2.95 for the period. During the first quarter of 2019, the Company recognized non-recurring losses of ₱439.9 million (mn) (versus 1Q 2018's loss of ₱1.19 bn) mainly due to net forex losses from the revaluation of dollar-denominated liabilities and derivatives. Adjusting for these one-off losses, the Company's core net income for the first quarter of 2019 was ₱4.07 bn, 21% lower Year-on-Year (YoY).

Power Generation and Retail Electricity Supply (RES)

The power generation group and retail supply business recorded EBITDA of ₱8.56 bn in the first quarter of 2019 was 15% lower than the ₱10.06 bn recorded during the same period last year. This was primarily due to an increase in the amount and cost of purchased power. Spot market prices were exceptionally high during the first quarter of 2019, and the group purchased replacement power caused by outages and over-contracting in preparation for Therma Visayas, Inc.'s incoming capacity addition.

Capacity sold for the first quarter of 2019 decreased by 7% YoY, from 3,174 megawatts (MW) in 2018 to 2,947 MW in 2019.

Power Distribution

The power distribution business, meanwhile, recorded EBITDA of ₱1.89 bn which was 3% higher than the ₱1.84 bn recorded last year. The Company saw energy sales increase of 1,343 gigawatt-hours (GWh) in the first quarter of 2019, which was 3% higher than the 1,298 GWh recorded same period last year. This was driven by an increase in new customers across all segments.

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

Consolidated Statements of Income

Consolidated net income attributable to equity holders of the Parent (Net Income) decreased to ₱349 mn, or 9%. The various movements in line items are shown below to account for the decrease:

Net Income (January – March 2018)	₱3,974,728
Increase in operating revenues	229,384
Increase in operating expenses	(2,141,289)
Increase in interest income	240,893
Increase in interest expense	(347,109)
Decrease in share in net earnings of associates and joint ventures	(496,019)
Increase in other income	1,945,112
Lower provision for taxes	195,909
Decrease in income attributable to non-controlling interests	23,817
Total	(349,292)
Net Income (January – March 2019)	₱3,625,436

Operating Revenues

(1% increase from ₱28.87 bn to ₱29.10 bn)

The increase in operating revenues was mainly attributable to higher electricity sales from the Company's distribution utilities.

Operating Expenses

(10% increase from ₱20.70 bn to ₱22.85 bn)

Operating expenses increased by 10% in the first quarter of 2019 compared to same period last year. This was mainly driven by an increase in cost of purchased power and higher operations and maintenance costs.

The increase in the power generation group's cost of purchased power in the first quarter of 2019 was due to a combination of higher volume purchased from the spot market as well as higher spot market prices in the first quarter of 2019. The power generation group's operations and maintenance costs in the first quarter of 2019 was also higher YoY, due to higher repairs and maintenance costs for Therma South, Inc. (TSI) and GNPowr Mariveles Coal Plant Ltd. Co. (GMCP), as well as the full first quarter operations of Hedcor Bukidnon, Inc. (Hedcor Bukidnon) and Pagbilao Energy Corporation (PEC).

In addition, the distribution utilities cost of power purchased in the first quarter of 2019 was higher compared to same period last year, mainly attributable to an increase in volume purchased.

Interest Income

(127% increase from ₱189 mn to ₱430 mn)

The increase in interest income during the first quarter of 2019 compared to the same period last year was primarily due to from the Parent's higher cash investments and higher interest income from TSI, Hedcor Bukidnon, and PEC.

Interest Expense and other financing costs

(12% increase from ₱2.86 bn to ₱3.21 bn)

Interest expense increased in the first quarter of 2019 compared to the same period last year mainly due to interest and financing costs on the Parent's ₱10.20 bn retail bonds issued in October 2018, and the recognition of interest expense from the Hedcor Bukidnon and PEC project loans. These were partially offset by the lower interest expense of Therma Power, Inc. (TPI) as it fully paid its dollar-denominated loan in August 2018.

Share in Net Earnings of Associates and Joint Ventures

(47% decrease from ₱1.05 bn to ₱551 mn)

Share in net earnings in associates and joint ventures for the first quarter of 2019 decreased by 47% compared to first quarter of 2018. The decrease was mainly due to lower income contribution of SN Aboitiz Power-Magat and GNPD. SN Aboitiz Power-Magat's lower income contribution was primarily driven by lower volume sold due to lower water levels in the first quarter of 2019 compared to the same period in 2018. The lower share in net earnings of GNPD was mainly due to the forex gain recorded in the first quarter of 2018 as against the forex loss reported in the first quarter of 2019.

Other Income (Expenses) – net

(Increase from ₱930 mn other expense to ₱1.01 bn other income)

The change from an expense position in the first quarter of 2018 to net other income in the first quarter of 2019 was mainly due to lower unrealized forex loss YoY (₱1.49 bn in 2018 versus ₱121 mn in 2019). This movement was due to favorable movements of the Philippine Peso against the U.S. Dollar

in the first quarter of 2019 compared to same period last year, as well as lower dollar-denominated debt following the full payment of TPI's dollar denominated loan in August 2018.

Provision for Taxes

(20% decrease from ₱977 mn to ₱781 mn)

The decrease was mainly due to higher deferred tax benefits recognized during the first quarter of 2019 compared to same period last year.

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

Assets

Total assets (as of March 31, 2019 compared to December 31, 2018) increased by ₱2.49 bn, or 1%. The major movements of the accounts leading to the increase were as follows:

- a) Cash and cash equivalents increased by ₱3.77 bn, or 8% (from ₱46.34 bn to ₱50.11 bn). This was mainly due to higher operating cash flows. This was partially offset by cash flows used to invest into GNPD for its on-going power plant construction and the Group's capital expenditures, as well as cash flows used to service debt.
- b) Property held for sale of ₱675.8 mn as of December 31, 2018 (specifically transmission assets) were sold to the National Grid Corporation of the Philippines in February 2019.
- c) Other current assets decreased by ₱868.9 mn, or 7% (from ₱13.21 bn to ₱12.34 bn) mainly driven by the decrease in restricted cash of TSI. The maintenance of a cash reserve forms part of TSI's compliance with the covenants on its project debt. The decrease was partially offset by an increase in input VAT, prepaid insurance and prepaid real property taxes.
- d) Investments and advances increased by ₱271.7 mn, or 1% (from ₱34.33 bn to ₱34.61 bn) primarily from equity infusions into GNPD as it continues the construction of a supercritical coal-fired power plant in Bataan.
- e) Property, plant and equipment decreased slightly (from ₱207.11 bn to ₱206.84 bn) mainly due depreciation of existing assets. This was partially offset by the Group's capital expenditures for the first quarter of 2019.
- f) Financial Assets at Fair Value to Profit or Loss (FVTPL) increased by ₱7.3 mn, or 7%. This was mainly due to an upward valuation adjustment of Parent Company's financial assets at FVTPL.
- g) Derivative assets (current and non-current portions) went down by ₱220.1 mn during the first quarter of 2019, primarily due to fair value changes on GMCP's interest rate swaps.
- h) Deferred income tax assets increased by ₱144.8 mn, or 6% (from ₱2.23 bn to ₱2.38 bn). The increase was primarily driven by the deferred tax benefits recognized by Therma Mobile, Inc. on its net operating loss.

Liabilities

Compared to December 31, 2018, total liabilities as of March 31, 2019 increased by ₱10.99 bn, or 4%. The major movements of accounts leading to the increase were as follows:

- a) Short-term loans increased by ₱6.38 bn, or 55% (from ₱11.55 bn to ₱17.92 bn), mainly due to new loans of the Company, Visayan Electric Company, Inc. and Davao Light & Power Company, Inc. for working capital purposes.

- b) Trade and other payables increased by ₱6.08 bn, or 28% (from ₱21.80 bn to ₱27.88 bn), primarily due to the recognition of ₱10.82 bn in dividends payable after the Company's Board of Directors approved the declaration of cash dividends in March 2019. The increase was partially offset by lower trade payables.
- c) Income tax payable increased by ₱465.2 mn mainly from higher provision for taxes at the Company's distribution utilities.
- d) Long-term debt (current and non-current portions) decreased by ₱1.43 bn, or 1% (from ₱158.06 bn to ₱156.63 bn). The decrease was mainly due to principal payments made on existing loans of GMCP, AP Renewables Inc., PEC and Hedcor, Inc.
- e) Finance lease obligation (current and noncurrent portions) decreased by 2% (from ₱46.89 bn to ₱45.87 bn), as Therma Luzon, Inc. made timely payments on its obligation to Power Sector Assets and Liabilities Management Corporation (PSALM).
- f) Derivative liabilities (current and non-current portions) increased by ₱577.9 mn during the first quarter of 2019, due to fair value changes on the Group's foreign currency forward contracts and commodity swap contracts.
- g) Other noncurrent liabilities decreased by ₱254.7 mn, or 8% (from ₱3.18 bn to ₱2.93 bn) due to the periodic recoveries/refunds related to the PSALM deferred adjustment.

Equity

Equity attributable to equity shareholders of the Parent Company decreased by 6% (from ₱127.71 bn at the end of 2018 to ₱119.64 bn as of March 31, 2019), after the declaration of dividends in March 2019, net of comprehensive income recognized during the first quarter of 2019.

Material Changes in Liquidity and Cash Reserves of Registrant

The Group continues to realize significant amount of cash generated from operations, which brought in ₱6.34 bn in the first three months of 2019, a ₱1.19 bn or 23% increase compared to the same period last year. The increase in operating cash flows was due to lower working capital requirements and lower taxes paid during the first quarter.

Net cash flows used in investing activities decreased by ₱1.31 bn, or 57% to ₱976 mn in the first quarter of 2019 from ₱2.29 bn for the same period last year. The decrease in cash outflow was mainly due to lower capital expenditures by the Group and higher cash dividends received from associates and joint ventures. This was partially offset by an increase in additions to investments in the first quarter of 2019.

For the first quarter of 2019, the net cash outflows from financing activities amounted to ₱1.55 bn, mainly due to cash flows used for debt servicing. This is a marked contrast from the cash inflows from financing activities of ₱5.55 bn for the same period last year, which included the proceeds of GMCP's refinancing and PEC's drawdown on project debt.

As of March 31, 2019, the Group's cash and cash equivalents increased by 8%, from ₱46.34 bn as of December 31, 2018 to ₱50.11 bn.

Financial Ratios

Current assets increased by 3% and current liabilities increased by 34%. The current ratio as of March 31, 2019 was at 1.45x compared to previous year's 1.89x.

Consolidated debt to equity ratio as of March 31, 2019 was at 2.07x, higher than the 1.85x recorded at the end of 2018. The change is mainly due to the 4% increase in total liabilities versus the 7% decrease in equity during the first quarter of 2019.

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

Aboitiz Power Corporation (AboitizPower or the “Company”) recorded consolidated net income of ₱3.6 bn for the first quarter of 2019, 9% lower than the ₱4.0 bn recorded for the same period last year. Non-recurring losses amounting to ₱440 mn were recognized during the period, compared to the ₱1.2 bn in non-recurring losses recorded during the same period last year. Without these one-off losses, core net income for the first quarter of 2019 was ₱4.1 bn, 21% lower YoY, which was largely due to the higher volume and cost of purchased power. Spot market prices were exceptionally high during the first three months of 2019, and the Company purchased replacement power due to outages and overcontracting in preparation for TVI coming online. The Company recorded consolidated EBITDA of ₱10.4 bn for the period, 13% lower than the ₱11.9 bn for the first quarter of 2018.

Results of Operations

Generation and Retail Electricity Supply

AboitizPower’s generation and retail supply business recorded a consolidated EBITDA of ₱8.6 bn in the first quarter 2019, 15% lower than the ₱10.1 bn recorded during the same period last year. This was primarily driven by the higher volume and cost of purchased power. As previously mentioned, spot market prices were high during the first quarter of 2018, and the Company purchased replacement power due to outages and overcontracting in preparation for TVI’s incoming capacity addition.

Capacity sold for the first quarter decreased by 7% YoY, from 3,174 MW in 2018 to 2,947 MW in 2019.

Distribution

For the first quarter of 2019, AboitizPower’s distribution business recorded consolidated EBITDA of ₱1.9 bn, 3% higher than the ₱1.8 bn recorded during the corresponding period in 2018. The Company saw energy sales increase to 1,343 GWh, which was 3% higher than the 1,298 GWh recorded in the first quarter of 2018. This was driven by the increase in new customers across all segments.

Financial Condition

As of March 31, 2019, AboitizPower’s total consolidated assets stood at ₱391.3 bn, which was flat compared to the year-end 2018 level of ₱389.7 bn. Total Cash and cash equivalents as of the end of the first quarter of 2019 was ₱50.1 bn, while total consolidated interest-bearing liabilities was ₱220.4 bn. Equity attributable to equity holders of the parent was ₱119.6 bn. As of March 31, 2019, the Company’s current ratio was at 1.4x, versus year-end 2018’s 1.9x, while its net-debt-to-equity ratio was at 1.3x, versus year-end 2018’s 1.2x.

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 **Timothy Joseph P. Abay**

Signature and Title **Vice President for Finance**

Date **MAY 15 2019**

Authorized Officer of the Issuer **Manuel Alberto R. Colayco**

Signature and Title **Corporate Secretary**

Date **MAY 15 2019**

Aboitiz Power Corporation and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of March 31, 2019 (with Comparative Figures as of December 31, 2018) and
For the Three-Month Period Ended March 31, 2019 and 2018

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

(With Comparative Figures as of December 31, 2018)

(Amounts in Thousands)

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	₱50,109,442	₱46,343,041
Trade and other receivables	21,864,912	21,721,776
Derivative assets (Note 14)	55,281	71,583
Inventories	6,553,932	6,690,453
Property held for sale	–	675,819
Other current assets	12,337,024	13,205,935
Total Current Assets	90,920,591	88,708,607
Noncurrent Assets		
Investments and advances (Note 6)	34,605,782	34,334,126
Property, plant and equipment (Note 16)	206,843,834	207,110,412
Intangible assets	46,150,428	46,165,494
Derivative assets - net of current portion (Note 14)	17,439	221,245
Financial assets at fair value through profit or loss (FVTPL)	108,777	101,441
Net pension assets	126,977	126,977
Deferred income tax assets	2,378,488	2,233,695
Other noncurrent assets	10,325,142	10,660,179
Total Noncurrent Assets	300,556,867	300,953,569
TOTAL ASSETS	₱391,477,458	₱389,662,176
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans (Note 8)	17,922,300	11,546,560
Current portions of:		
Long-term debts (Note 9)	11,547,866	8,697,404
Finance lease obligation	4,240,834	4,131,059
Long-term obligation on power distribution system	40,000	40,000
Derivative liabilities (Note 14)	–	159,926
Trade and other payables	27,876,927	21,801,288
Income tax payable	903,947	438,783
Total Current Liabilities	62,531,874	46,815,020

(Forward)

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

(With Comparative Figures as of December 31, 2018)

(Amounts in Thousands)

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts (Note 9)	₱145,077,404	₱149,360,287
Finance lease obligation	41,624,796	42,763,296
Long-term obligation on power distribution system	180,091	173,496
Derivative liabilities - net of current portion (Note 14)	737,836	-
Customers' deposits	6,156,349	6,008,364
Asset retirement obligation	3,747,308	3,678,810
Net pension liabilities	244,857	244,857
Deferred income tax liabilities	851,364	858,290
Other noncurrent liabilities	2,928,380	3,183,089
Total Noncurrent Liabilities	201,548,385	206,270,489
Total Liabilities	264,080,259	253,085,509
Equity Attributable to Equity Holders of the Parent		
Paid-in capital	19,947,498	19,947,498
Share in net unrealized valuation gain on fair value through other comprehensive income (FVOCI) of an associate	101,727	101,727
Cumulative translation adjustments	15,553	525,916
Share in cumulative translation adjustments of associates and joint ventures	(50,123)	321,139
Actuarial losses on defined benefit plans	(587,267)	(587,267)
Share in actuarial gains on defined benefit plans of associates and joint ventures	29,729	29,729
Acquisition of non-controlling interests	(259,147)	(259,147)
Excess of cost over net assets of investments	(421,260)	(421,260)
Loss on dilution	(433,157)	(433,157)
Retained earnings		
Appropriated	33,660,000	34,060,000
Unappropriated (Note 15)	67,636,026	74,427,738
	119,639,579	127,712,916
Non-controlling Interests	7,757,620	8,863,751
Total Equity	127,397,199	136,576,667
TOTAL LIABILITIES AND EQUITY	₱391,477,458	₱389,662,176

See accompanying Notes to Consolidated Financial Statements.

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

(Amounts in Thousands, Except Earnings Per Share Amounts)

(Unaudited)

	For the three months ended	
	2019	2018
OPERATING REVENUES (Note 12)	₱29,097,709	₱28,868,315
OPERATING EXPENSES	22,845,141	20,703,852
FINANCIAL INCOME (EXPENSES)		
Interest income	430,218	189,325
Interest expense and other financing costs	(3,210,213)	(2,863,104)
	(2,779,995)	(2,673,779)
OTHER INCOME (EXPENSES)		
Share in net earnings of associates and joint ventures	551,130	1,047,149
Other income (expenses) - net	1,014,779	(930,333)
	1,565,909	116,816
INCOME BEFORE INCOME TAX	5,038,482	5,607,500
PROVISION FOR INCOME TAX	780,946	976,855
NET INCOME	₱4,257,536	₱4,630,645
ATTRIBUTABLE TO:		
Equity holders of the parent	₱3,625,436	₱3,974,728
Non-controlling interests	632,100	655,917
	₱4,257,536	₱4,630,645
Earnings Per Common Share (Note 11)		
Basic and diluted, income for the period attributable to ordinary equity holders of the parent	₱0.49	₱0.54

See accompanying Notes to Consolidated Financial Statements.

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

(Amounts in Thousands)

(Unaudited)

For the three months ended March 31

	2019	2018
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the parent	P3,625,436	P3,974,728
Non-controlling interests	632,100	655,917
	<u>4,257,536</u>	<u>4,630,645</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 5)		
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Movement in cumulative translation adjustments	(476,263)	755,397
Share in movement in cumulative translation adjustment of associates and joint ventures	(371,262)	446,755
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods	<u>(847,525)</u>	<u>1,202,152</u>
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>		
Actuarial losses on defined benefit plans, net of tax	-	(144)
Share in actuarial gains on defined benefit plans of associates and joint ventures, net of tax	-	294
Net other comprehensive gain not to be reclassified to profit or loss	<u>-</u>	<u>150</u>
Total other comprehensive income (loss) for the period, net of tax	<u>(847,525)</u>	<u>1,202,302</u>
TOTAL COMPREHENSIVE INCOME	<u>P3,410,011</u>	<u>P5,832,947</u>
ATTRIBUTABLE TO:		
Equity holders of the parent	P2,743,811	P5,020,722
Non-controlling interests	666,200	812,225
	<u>P3,410,011</u>	<u>P5,832,947</u>

ABOITIZ POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2019 AND MARCH 31, 2018
(Amounts in Thousands, Except Dividends Per Share Amounts)

(Unaudited)

	Attributable to Equity Holders of the Parent												Total
	Paid-in Capital (Note 20a)	Share in Net Unrealized Valuation Gain on FVOCI/AFS Investments of an Associate (Note 10)	Cumulative Translation Adjustments (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Actuarial Gains (Losses) on Defined Benefit Plans (Note 27)	Share in Actuarial Gains (Losses) on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Acquisition of Non-controlling Interests	Excess of cost over net assets (Note 9)	Loss on Dilution	Retained Earnings		Non- controlling Interests	
										Appropriated (Note 20b)	Unappropriated (Note 20b)		
Balances at January 1, 2019	₱19,947,498	₱101,727	₱525,916	₱321,139	(₱587,267)	₱29,729	(₱259,147)	(₱421,260)	(₱433,157)	₱34,060,000	₱74,427,738	₱8,863,751	₱136,576,667
Net income for the period	-	-	-	-	-	-	-	-	-	-	3,625,436	632,100	4,257,536
Other comprehensive income	-	-	(510,363)	(371,262)	-	-	-	-	-	-	-	34,100	(847,525)
Total comprehensive income (loss)	-	-	(510,363)	(371,262)	-	-	-	-	-	-	3,625,436	666,200	3,410,011
Cash dividends - ₱1.47 per share	-	-	-	-	-	-	-	-	-	-	(10,817,148)	-	(10,817,148)
Reversal of appropriation	-	-	-	-	-	-	-	-	-	(12,300,000)	12,300,000	-	-
Appropriations during the period	-	-	-	-	-	-	-	-	-	11,900,000	(11,900,000)	-	-
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,523,666)	(1,523,666)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(248,665)	(248,665)
Balances at March 31, 2019	₱19,947,498	₱101,727	₱15,553	(₱50,123)	(₱587,267)	₱29,729	(₱259,147)	(₱421,260)	(₱433,157)	₱33,660,000	₱67,636,026	₱7,757,620	₱127,397,199
Balances at January 1, 2018	₱19,947,498	₱124,121	₱113,637	(₱144,507)	(₱601,461)	₱4,963	(₱259,147)	(₱421,260)	(₱433,157)	₱34,060,000	₱62,948,595	₱8,578,327	₱123,917,609
Net income for the period	-	-	-	-	-	-	-	-	-	-	3,974,727	655,918	4,630,645
Other comprehensive income	-	-	599,090	446,755	(144)	294	-	-	-	-	-	156,307	1,202,302
Total comprehensive income (loss)	-	-	599,090	446,755	(144)	294	-	-	-	-	3,974,727	812,225	5,832,947
Cash dividends - ₱1.39 per share	-	-	-	-	-	-	-	-	-	-	(10,228,460)	-	(10,228,460)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,434,894)	(4,434,894)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	459,117	459,117
Balances at March 31, 2018	₱19,947,498	₱124,121	₱712,727	₱302,248	(₱601,605)	₱5,257	(₱259,147)	(₱421,260)	(₱433,157)	₱34,060,000	₱56,694,862	₱5,414,775	₱115,546,319

ABOITIZ POWER CORPORATION AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in Thousands)

(Unaudited)

For the three months ended March 31

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱5,038,482	₱5,607,500
Adjustments for:		
Interest expense and other financing costs (Note 13)	3,210,213	2,863,104
Depreciation and amortization	2,150,501	1,970,177
Net unrealized foreign exchange losses	8,315	1,491,300
Unrealized fair valuation loss (gain) on derivatives and financial assets at FVTPL	(2,135)	112,891
Loss on disposal of property, plant and equipment	273,029	104,573
Write-off of project costs and other assets	8,506	–
Interest income	(430,218)	(189,325)
Share in net earnings of associates and joint ventures	(551,130)	(1,047,149)
Operating income before working capital changes	9,705,563	10,913,071
Decrease (increase) in operating assets	1,166,467	(4,732,571)
Increase (decrease) in operating liabilities	(3,793,474)	277,909
Net cash generated from operations	7,078,556	6,458,409
Income and final taxes paid	(737,215)	(1,304,820)
Net cash flows from operating activities	6,341,341	5,153,589
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	814,705	137,892
Interest received	384,392	178,271
Proceeds from redemption of shares	5,340	80,216
Decrease in other noncurrent assets	301,160	382,437
Additions to:		
Property, plant and equipment	(1,559,068)	(2,812,702)
Intangible assets - service concession rights	(16,702)	(25,821)
Additional investments	(906,050)	(230,902)
Net cash flows used in investing activities	(976,223)	(2,290,609)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from (payments of) long-term debt	(1,488,565)	9,218,503
Net availments of short-term loans	6,375,740	1,255,000
Payments of finance lease obligation	(2,257,988)	(2,246,663)
Changes in non-controlling interests	(1,523,666)	(1,109,291)
Interest paid	(2,658,992)	(1,571,898)
Net cash flows from (used in) financing activities	(1,553,471)	5,545,651
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,811,647	8,408,631
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(45,246)	221,264
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	46,343,041	35,699,631
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱50,109,442	₱44,329,526

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED NOTES TO FINANCIAL STATEMENTS

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

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, 2019, Aboitiz Equity Ventures, Inc. (AEV, also incorporated in the Philippines) owns 76.98% 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 unaudited interim condensed 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, 2019 and December 31, 2018:

	Nature of Business	March 31, 2019		December 31, 2018	
		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
Aboitiz Power Distributed Energy, Inc.*	Power generation	–	100.00	–	100.00
Aboitiz Power Distributed Renewables, Inc.*	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
Retensol, Inc.*	Power generation	–	100.00	–	100.00
AP Renewable Energy Corporation*	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
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
Mt. Apo Geopower, Inc.*	Power generation	–	100.00	–	100.00
Negron Cuadrado Geopower, Inc.*	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	–
Mindanao Sustainable Solutions, Inc.*	Services	–	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. (TPVI)*	Power generation	–	100.00	–	100.00
Therma Central Visayas, Inc.*	Power generation	–	100.00	–	100.00

	Nature of Business	March 31, 2019		December 31, 2018	
		Direct	Indirect	Direct	Indirect
(Forward)					
Therma Subic, Inc.*	Power generation	-	100.00	-	100.00
Therma Mariveles Holdings, Inc.	Holding company	-	100.00	-	100.00
GNPower Mariveles Coal Plant Ltd. Co. (GMCP)	Power generation	-	66.07	-	66.07
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
Therma Visayas, Inc. (TVI)*	Power generation	-	80.00	-	80.00
Abovant Holdings, Inc.	Holding company	-	60.00	-	60.00
AboitizPower International Pte. Ltd. (API)	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	-
Malvar Enerzone Corporation*	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	-
Maaraw Holdings San Carlos, Inc. (MHSCI)	Holding company	-	100.00	-	100.00
San Carlos Sun Power, Inc. (Sacasan)	Power generation	-	100.00	-	100.00
AboitizPower International B.V.	Holding company	-	100.00	-	100.00
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, 2019.

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

Basis of Financial Statement Preparation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as of and for the year ended December 31, 2018, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

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

On April 30, 2019, the Audit Committee of the Board of Directors (BOD) approved and authorized the release of the accompanying unaudited interim 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 standards and Philippine Interpretations which were applied starting January 1, 2019. 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 the following new and amended standards and interpretations did not have any significant impact on the Group's consolidated financial statements:

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

The Group is adopting PFRS 16 on the required effective date using the modified retrospective method. The Group elects to apply the standard to contracts that were previously identified as leases applying PAS 17. The Group does not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17.

The Group is also opting to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

In 2018, the Group performed a preliminary impact assessment of PFRS 16 which continued with a more detailed analysis in 2019. The Group is currently quantifying the impact of this new standard. Based on the initial assessment, the standard will have an impact on the Group's consolidated balance sheets, statements of income, statements of comprehensive income and statements of cash flows.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019.

This amendment will have no impact on the consolidated financial statements.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. Since the Group's current practice is in line with these amendments, these amendments do not have any effect on its consolidated financial statements.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

Since the Group does not have such long-term interests in its associate and joint venture, the amendments do not have an impact on its consolidated financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately

- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of March 31, 2019 and December 31, 2018.

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Income Tax Consequences of Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019.

Since the Group's current practice is in line with these amendments, these amendments do not have any effect on its consolidated financial statements.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's unaudited interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosures of contingent liabilities. However, uncertainty about these assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments, key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are consistent with those applied in the most recent annual financial statements.

5. Tax Effects Relating to Each Component of Other Comprehensive Income

	January - March 2019		
	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Movement in cumulative translation adjustments	(P476,263)	P-	(P476,263)
Share in movement in cumulative translation adjustment of associates and joint ventures	(371,262)	-	(371,262)
Other comprehensive income for the period - net of tax	(P847,525)	P-	(P847,525)
	January - March 2018		
	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Movement in cumulative translation adjustments	P755,397	P-	P755,397
Share in movement in cumulative translation adjustment of associates and joint ventures	446,755	-	446,755
Share in actuarial gains on defined benefit plans of associates and joint ventures - net of tax	294	-	294
Actuarial losses on defined benefit plans	(144)	-	(144)
Other comprehensive income for the period - net of tax	P1,202,302	P-	P1,202,302

6. Investments and Advances

	March 31, 2019	December 31, 2018
Acquisition cost:		
Balance at beginning of the year	₱30,559,245	₱28,140,556
Additions during the period	906,050	2,498,905
Redemptions during the period	(5,340)	(80,216)
Balance at end of period	31,459,955	30,559,245
Accumulated equity in net earnings:		
Balance at beginning of the year	3,867,849	3,666,971
Share in net earnings	551,130	4,356,825
Dividends received or receivable	(808,922)	(4,155,947)
Balance at end of period	3,610,057	3,867,849
Share in net unrealized valuation gain on FVOCI investment of an associate	101,727	101,727
Share in actuarial gains on defined benefit plans of associates and joint ventures	29,729	29,729
Share in cumulative translation adjustments of associates and joint ventures	(50,123)	321,139
	81,333	452,595
	35,151,345	34,879,689
Less allowance for impairment losses	568,125	568,125
Investments at equity	34,583,220	34,311,564
Advances	22,562	22,562
	₱34,605,782	₱34,334,126

The Group's associates and joint ventures and the corresponding equity ownership as of March 31, 2019 are as follows:

	Nature of Business	Percentage of ownership
Manila-Oslo Renewable Enterprise, Inc. (MORE) ¹	Holding company	83.33
GNPower Dinginin Ltd. Co. (GNPD)*	Power generation	45.00
Hijos de F. Escaño, Inc. (Hijos)	Holding company	46.73
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding company	42.84
La Filipina Elektrika, Inc.*	Power generation	40.00
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

¹ Joint venture.

* No commercial operations as of March 31, 2019

The principal place of business and country of incorporation of the Group's associates and joint venture are in the Philippines.

The carrying values of investments, which are accounted for under the equity method follow:

	March 31, 2019	December 31, 2018
GNPD	P15,228,290	P14,789,971
MORE	10,051,815	10,235,695
STEAG	4,027,282	4,185,758
CEDC	3,372,544	3,192,609
RPEI	528,117	528,383
PEVI	475,712	472,095
SFELAPCO	388,309	385,272
Hijos	176,037	176,037
WMPC	106,457	106,524
SPPC	77,938	81,856
Others	150,719	157,364
	P34,583,220	P34,311,564

7. Joint Operations

Name of Joint Operation	Nature of Business	Percentage of Ownership
		March 31, 2019
Pagbilao Energy Corporation (PEC)	Power generation	50.00

** PEC's principal place of business and country of incorporation is the Philippines;*

The financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

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

8. Short-term Loans

		March 31 2019	December 31 2018
Peso loans - financial institutions - unsecured	Interest Rate 4.30% - 6.50% in 2019	P17,292,300	P10,915,600
Temporary advances		630,000	630,960
		P17,922,300	P11,546,560

The bank loans are unsecured short-term notes payable obtained from local banks. These loans are covered by the respective borrower's existing credit lines with the banks and are not subject to any significant covenants and warranties.

9. Long-term Debts

	2019 Annual Interest Rate	March 31, 2019	December 31, 2018
Company (see Note 10):			
Bonds due 2024	7.51%	₱7,700,000	₱7,700,000
Bonds due 2021	5.21%	6,600,000	6,600,000
Bonds due 2026	6.10%	3,400,000	3,400,000
Bonds due 2027	5.34%	3,000,000	3,000,000
Bonds due 2025	8.51%	2,500,000	2,500,000
Subsidiaries:			
GMCP	LIBOR + 1.7% -		
Financial institutions - unsecured	4.00%	40,622,250	41,375,202
TVI			
Financial institutions - secured	5.50% - 7.44%	31,520,000	31,520,000
TSI			
Financial institutions - secured	5.00% - 5.64%	21,349,704	21,349,704
APRI			
Financial institutions - secured	4.48% - 5.20%	8,749,280	9,374,400
Hedcor Bukidnon			
Financial institutions - secured	4.75% - 6.78%	9,708,334	9,327,700
Hedcor Sibulan			
Fixed rate corporate notes - unsecured	4.05% - 5.42%	3,900,400	3,900,400
HI			
Financial institution - secured	5.25% - 7.41%	423,000	450,000
Financial institution - secured	7.87%	1,390,000	1,390,000
VECO			
Financial institution - unsecured	4.49% - 4.81%	975,000	975,000
LHC			
Financial institutions - secured	2.00% - 2.75%	874,126	875,458
DLP			
Financial institution - unsecured	4.49% - 4.81%	731,250	731,250
AI			
AEV - unsecured		300,000	300,000
SEZ			
Financial institution - unsecured	5.00%	169,500	169,500
CLP			
Financial institution - unsecured	4.49% - 4.81%	146,250	146,250
Joint operation (see Note 7)			
Financial institutions - secured	5.50% - 8.31%	13,996,099	14,473,052
		158,055,193	159,557,916
Less deferred financing costs		1,429,923	1,500,225
		156,625,270	158,057,691
Less current portion - net of deferred financing costs		11,547,866	8,697,404
		₱145,077,404	₱149,360,287

Loan covenants

The loan agreements on long-term debt of the Group provide for certain restriction with respect to, among others, mergers or consolidations or other material changes in their ownership, corporate set-up or management, investment and guaranties, incurrence of additional debt, disposition of mortgage of assets, payment of dividends, and maintenance of financial ratios at certain levels.

These restrictions and requirements were complied with by the Group as of March 31, 2019 and December 31, 2018.

10. Debt Securities

The Company registered and issued ₱10 billion worth of peso denominated fixed rate retail bonds on September 10, 2014.

On July 3, 2017, the Company issued the first tranche on the ₱30 billion bonds registered in June 2017.

In October 2018, the Company issued and registered a total of ₱10.20 billion bonds.

Terms of the bonds are as follows:

Maturity	Interest Rate (p.a.)	Amount
12-year bonds to mature on September 10, 2026	6.10%	₱3,400,000
10-year bonds to mature on September 10, 2021	5.21%	₱6,600,000
10-year bonds to mature on July 3, 2027	5.3367%	₱3,000,000
5.25-year bonds to mature on January 25, 2024	7.51%	₱7,700,000
7-year bonds to mature on October 25, 2025	8.51%	₱2,500,000

11. Earnings Per Common Share

Earnings per common share amounts were computed as follows:

	For the three months ended March 31	
	2019	2018
a. Net income to common stockholders	₱3,625,436	₱3,974,728
b. Average number of outstanding shares	7,358,604,307	7,358,604,307
Earnings per share (a/b)	₱0.49	₱0.54

There are no dilutive potential common shares as of March 31, 2019 and 2018.

12. 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 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 power generation segment's revenue from contracts with customers is mainly from power supply contracts. Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Power Generation	Power Distribution	Parent and Others	Total
Revenue from power supply contracts	₱11,197,685	-	-	₱11,197,685
Revenue from distribution services	-	10,758,027	-	10,758,027
Revenue from retail electricity sales	-	-	5,301,548	5,301,548
Revenue from non-power supply contracts	1,805,592	-	-	1,805,592
Revenue from technical and management services	-	-	34,857	34,857
	₱13,003,277	₱10,758,027	₱5,336,405	₱29,097,709

The revenue from contracts with customers is consistent with the revenue with external customers presented in Segment information.

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 interim condensed consolidated statements of income. Interest expense and other financing costs, 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, 2019

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱13,003,277	₱10,758,027	₱5,336,405	₱-	₱29,097,709
Inter-segment	7,206,250	379,698	693,120	(8,279,068)	-
Total Revenue	₱20,209,527	₱11,137,725	₱6,029,525	₱(8,279,068)	₱29,097,709
Segment Results	₱4,714,927	₱1,370,584	₱167,057	₱-	₱6,252,568
Unallocated corporate income - net	1,022,070	219,661	(226,952)	-	1,014,779
INCOME FROM OPERATIONS	₱5,736,997	₱1,590,245	(₱59,895)	₱-	₱7,267,347
Interest expense	(2,642,528)	(124,395)	(443,290)	-	(3,210,213)
Interest income	279,852	9,833	140,533	-	430,218
Share in net earnings of associates and joint ventures	515,953	35,006	4,249,316	(4,249,145)	551,130
Provision for income tax	(286,107)	(394,512)	(100,327)	-	(780,946)
NET INCOME	₱3,604,167	₱1,116,177	₱3,786,337	₱(4,249,145)	₱4,257,536
OTHER INFORMATION					
Investments	₱33,391,438	₱864,021	₱131,144,424	(₱130,816,663)	₱34,583,220
Segment Assets	₱273,070,983	₱28,713,916	₱177,353,679	(₱87,661,120)	₱391,477,458
Segment Liabilities	₱181,516,254	₱25,339,114	₱69,094,161	(₱11,869,270)	₱264,080,259
Depreciation and Amortization	₱1,865,530	₱239,705	₱6,150	₱39,116	₱2,150,501

March 31, 2018

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱12,961,564	₱10,463,400	₱5,443,351	₱-	₱28,868,315
Inter-segment	6,733,110	273,974	1,123,990	(8,131,074)	-
Total Revenue	₱36,067,687	₱21,807,679	₱9,199,616	(₱10,427,304)	₱56,647,678
Segment Results	₱6,004,049	₱1,404,864	₱755,550	₱-	₱8,164,463
Unallocated corporate income (expense) - net	(1,224,311)	146,029	147,949	-	(930,333)
INCOME FROM OPERATIONS	₱4,779,738	₱1,550,893	₱903,499	-	₱7,234,130
Interest expense	(2,401,910)	(72,673)	(388,521)	-	(2,863,104)
Interest income	63,097	12,131	114,097	-	189,325
Share in net earnings of associates and joint ventures	981,627	31,950	4,037,767	(4,004,195)	1,047,149
Provision for income tax	(311,977)	(415,173)	(249,705)	-	(976,855)
NET INCOME	₱3,110,575	₱1,107,128	₱4,417,137	(₱4,004,195)	₱4,630,645
OTHER INFORMATION					
Investments	₱30,556,105	₱847,131	₱121,307,422	(₱120,915,779)	₱31,794,879
Segment Assets	₱261,898,811	₱27,234,385	₱164,931,038	(₱78,515,520)	₱375,548,714
Segment Liabilities	₱186,784,400	₱20,548,447	₱59,842,074	(₱7,232,400)	₱259,942,521
Depreciation and Amortization	₱1,693,246	₱231,443	₱6,372	₱39,116	₱1,970,177

13. 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, investments in equity securities, 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, credit risk, liquidity risk, commodity price risk and foreign exchange risk.

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. 7.57% of the Group's debt will mature in less than one year as of March 31, 2019 (December 31, 2018: 6.08%). 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, 2019 based on contractual undiscounted principal payments:

	Total carrying value	Contractual undiscounted principal payments				
		Total	On demand	<1 year	1 to 5 years	> 5 years
Short-term loans	₱17,922,300	₱17,922,300	₱–	₱17,922,300	₱–	₱–
Trade and other payables	16,111,590	16,111,590	1,265,738	11,917,472	2,928,380	–
Long-term debts	156,625,270	158,055,192	–	11,663,873	77,943,186	68,448,133
Customers' deposits	6,156,349	6,156,349	–	24,546	82,853	6,048,950
Finance lease obligation	45,865,630	64,119,000	–	9,045,000	41,718,233	13,355,767
Long-term obligation on power distribution system	220,091	400,000	–	40,000	200,000	160,000
Derivative liabilities	737,836	737,836	–	–	737,836	–
	₱243,639,066	₱263,502,267	₱1,265,738	₱50,613,191	₱123,610,488	₱88,012,850

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, 2019, 10% of the Group's long-term debt had annual floating interest rates ranging from 2.94% to 4.50%, and 90% have annual fixed interest rates ranging from 4.11% to 9.00%. As of December 31, 2018, 10% of the Group's long-term debt had annual floating interest rates ranging from 2.94% to 4.31%, and 90% have annual fixed interest rates ranging from 4.11% to 9.00%.

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, 2019

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	₱2,519,553	₱11,742,330	₱1,719,799	₱15,981,682

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
March 31, 2019	200	(₱319,634)
	(100)	159,817
March 31, 2018	200	(₱601,793)
	(100)	300,896

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

The interest expense and other financing costs recognized according to source are as follows:

	for the three-month period ended March 31	
	2019	2018
Short-term loans and long-term debt	P1,922,563	P1,452,290
Finance lease obligation	1,206,938	1,365,540
Customers' deposits	7,847	753
Other long-term obligations	72,865	44,521
	P3,210,213	P2,863,104

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 30% and 31% of total consolidated borrowings as of March 31, 2019 and December 31, 2018.

Presented below are the Group's foreign currency denominated financial assets and liabilities as of March 31, 2019 and December 31, 2018, translated to Philippine Peso:

	March 31, 2019		December 31, 2018	
	US Dollar	Philippine Peso equivalent ¹	US Dollar	Philippine Peso equivalent ²
Financial assets:				
Cash and cash equivalents	\$259,542	P13,625,955	\$227,911	P11,983,534
Trade and other receivables	26,588	1,395,849	26,591	1,398,184
Advances to associates	-	-	592	31,127
Total financial assets	286,130	15,021,804	255,094	13,412,845
Financial liabilities:				
Short-term loans	12,000	630,000	12,000	630,960
Trade and other payables	8,029	421,490	2,934	154,294
Finance lease obligation	468,913	24,617,933	479,512	25,212,741
Total financial liabilities	488,942	25,669,423	494,446	25,997,995
Total net financial liabilities	(\$202,812)	(P10,647,619)	(\$239,352)	(P12,585,150)

¹\$1 = 52.50

²\$1 = 52.58

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, 2019:

	Increase/ (decrease) in US Dollar	Effect on income before tax
US Dollar denominated accounts	US Dollar strengthens by 5%	(P532,381)
US Dollar denominated accounts	US Dollar weakens by 5%	532,381

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 interim consolidated statements of comprehensive income.

Credit risk

For its cash investments (including restricted portion), financial assets at FVTPL 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 financial assets at FVTPL, 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, 2019 and December 31, 2018 is summarized in the following table:

	March 2019	December 2018
Power distribution:		
Industrial	P4,684,469	P4,973,567
Residential	1,910,108	1,676,936
Commercial	860,815	778,623
City street lighting	41,347	30,006
Power generation:		
Power supply contracts	2,979,495	4,567,682
Spot market	6,799,545	2,533,211
	P17,275,779	P14,560,025

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, 2019 and December 31, 2018 are as follows:

	March 31, 2019	December 31, 2018
Short-term loans	₱17,922,300	₱11,546,560
Long-term debt	202,490,900	204,952,046
Cash and cash equivalents	(50,109,442)	(46,343,041)
Restricted cash	(3,837,949)	(5,289,145)
Net debt (a)	166,465,809	164,866,420
Equity	127,397,199	136,576,667
Equity and net debt (b)	₱293,863,008	₱301,443,087
Gearing ratio (a/b)	56.65%	54.69%

No changes were made in the objectives, policies or processes during the periods ended March 31, 2019 and December 31, 2018.

14. 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, 2019		December 31, 2018	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Asset				
PSALM deferred adjustment	₱3,971,241	₱3,634,440	₱4,225,900	₱3,889,099
Financial Liabilities				
Finance lease obligation	₱45,865,630	₱36,229,377	₱46,894,355	₱40,495,647
Long-term debt - fixed rate	140,643,588	137,034,079	141,802,994	138,103,091
PSALM deferred adjustment	3,971,241	3,634,440	4,225,950	3,889,099
Long-term obligation on power distribution system	220,091	298,273	213,496	276,801
	₱190,700,550	₱177,196,169	₱193,136,795	₱182,764,638

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.

Financial assets at FVTPL. These equity securities are carried at 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 Group enters into non-deliverable short-term forward contracts with counterparty banks to manage its foreign currency risks associated with foreign currency-denominated liabilities and purchases.

The Group also entered into an interest rate swap agreement to fully hedge its floating rate exposure on its foreign currency-denominated loan and par forward contracts to hedge the floating rate exposure on foreign-currency denominated payments.

The Group also entered into commodity swap contracts to hedge the price volatility of its forecasted coal purchases.

The movements in fair value changes of all derivative instruments for the six-month period ended March 31, 2019 and for the year ended December 31, 2018 are as follows:

	March 31, 2019	December 31, 2018
At beginning of year	P132,902	P294,364
Net changes in fair value of derivatives designated as cash flow hedges	(798,138)	(125,642)
Net changes in fair value of derivatives not designated as accounting hedges	(5,201)	(72,252)
Fair value of settled instruments	5,321	36,432
At end of period	(P665,116)	P132,902

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, 2019, 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	P72,720	P –	P72,720	P –
Derivative liability	737,836	–	737,836	–
Disclosed at fair value:				
Finance lease obligation	36,229,377	–	–	36,229,377
Long-term debt - fixed rate	137,034,079	–	–	137,034,079
Long-term obligation on PDS	298,273	–	–	298,273

During the six-months period ended March 31, 2019, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

15. Retained Earnings

- a. On March 7, 2019, the BOD approved the declaration of regular cash dividends of P1.47 a share (P10.82 billion) to all stockholders of record as of March 21, 2019. These dividends were paid on April 5, 2019.
- b. The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements.

16. Disclosures

1. 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.

2. Property, Plant and Equipment

During the three-month period ended March 31, 2019, the Group's additions to property, plant and equipment amounted to ₱1.56 billion, which includes capitalized borrowing costs amounting to ₱504.3 million.

A significant portion of the Group's property, plant and equipment relates to projects under "Construction in progress" as of March 31, 2019, as shown below:

<u>Project Company</u>	<u>Estimated cost to complete (in millions)</u>	<u>% of completion</u>
TVI	₱6,681	83%

3. Dividends to Non-controlling Interests

The Group's material partly-owned subsidiaries, namely GMCP and VECO, paid cash dividends amounting to ₱1.52 billion and ₱4.43 billion to non-controlling interests during the three-month periods ended March 31, 2019 and 2018, respectively.

4. Material Events and Changes

a) Investment in AA Thermal, Inc.

On May 2, 2019, the Company completed its acquisition of a 49% voting stake and a 60% economic stake in AA Thermal, Inc., AC Energy's thermal platform in the Philippines.

This follows the execution of a share purchase agreement for the transaction last year, and the completion of all conditions precedent. The Philippine Competition Commission approved the transaction last February 28, 2019. The transaction is valued at USD 572.9 million, after adjustments.

AA Thermal has interests in GMCP, the owner and operator of an operating 2x316 MW coal plant in Mariveles, Bataan, and in GNPD, the developer and owner of a 2x668 MW supercritical coal plant project in Dinginin, Bataan, which is currently under construction.

The completion of the transaction increases the Company's economic interests in GMCP, and GNPD to 78.3%, and 70%, respectively.

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 unaudited interim condensed 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.

5. 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.

6. 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.

SCHEDULE A - USE OF PROCEEDS

(Amounts are in thousands)

1) Ten Billion Fixed Rate Bonds issued in 2014

As of December 31, 2016, the proceeds from the 2014 bonds were fully utilized for the following projects:

Name of Project	Projected Usage (Per Prospectus)	Actual Usage
400 MW (net) Pulverised Coal-Fired Expansion Unit 3 in Pagbilao, Quezon	₱4,100,000	₱3,917,722
68 MW Manolo Fortich Hydropower Plant	3,600,000	2,253,450
300 MW Cebu Coal	500,000	527,859
300 MW Davao Coal	500,000	1,698,469
14 MW Sabangan Hydropower Plant	1,300,000	1,602,500
TOTAL	₱10,000,000	₱10,000,000

2) Series "A" of the Thirty Billion Shelf Registration issued in 2017

As of September 30, 2018 the proceeds from the 2017 bonds were fully utilized for the following projects:

Name of Project	Projected Usage (Per Prospectus)	Actual Usage
Equity infusions into GNPD in 2017	₱2,206,373	₱1,255,745
Equity infusions into GNPD in 2018	764,395	1,711,317
Bond issuance costs	29,232	32,938
TOTAL	₱3,000,000	₱3,000,000

3) Series "B" and "C" of the Thirty Billion Shelf Registration issued in 2018

As of December 31, 2018 the proceeds from the 2018 bonds were utilized for the following:

Name of Project	Projected Usage (Per Prospectus)	Actual Usage
Refinancing of the Medium-Term Loan of Therma Power, Inc.	₱8,700,000	₱8,700,000
Bond issuance costs	118,868	121,924
General corporate purposes	1,381,132	–
TOTAL	₱10,200,000	₱8,821,924

SCHEDULE B – RELEVANT FINANCIAL RATIOS

	Formula	March 31, 2019	December 31, 2018
LIQUIDITY RATIOS			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.45	1.89
Acid test ratio	$\frac{\text{Cash + Marketable securities} + \text{Accounts receivable} + \text{Other liquid assets}}{\text{Current liabilities}}$	1.15	1.46
SOLVENCY RATIOS			
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	2.07	1.85
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	3.07	2.85
Net debt to equity ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity}}$	1.31	1.21
Gearing ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity} + (\text{Debt - Cash \& cash equivalents})}$	56.65%	54.69%
Interest coverage ratio	$\frac{\text{EBIT}}{\text{Interest expense}}$	n.a	3.60
PROFITABILITY RATIOS			
Operating margin	$\frac{\text{Operating profit}}{\text{Total revenues}}$	n.a	29%
Return on equity	$\frac{\text{Net income after tax}}{\text{Total equity}}$	n.a	21%

*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, 2019

	30 Days	60 Days	90 Days	Over 90 Days	Total
Trade receivables					
Power Distribution Customers	3,177,581	597,248	85,141	1,058,787	4,918,757
Power Generation Customers	6,884,360	192,129	143,716	2,558,835	9,779,040
Management & Other Services Customers	2,573,997	-	-	3,985	2,577,982
	12,635,938	789,377	228,857	3,621,607	17,275,779
Less : Allowance for estimated credit losses					1,756,700
Net trade receivables					15,519,079
Non-trade receivables	6,324,432	-	-	21,401	6,345,833
Grand Total	18,960,370	789,377	228,857	3,643,008	21,864,912

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