14 NOV 2018

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 : **MS. PAULA BEATRICE A. BUENO**
OIC – Issuer Compliance and Disclosure Department

Gentlemen:

Please see enclosed SEC Form 17-Q (3rd Quarterly Report 2018) of Aboitiz Power Corporation.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ POWER CORPORATION
By:

MANUEL ALBERTO R. COLAYCO
Corporate Secretary

COVER SHEET

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S.E.C. Registration Number

ABOITIZ POWER CORPORATION

(Company's Full Name)

32ND STREET, BONIFACIO GLOBAL CITY, TAGUIG CITY, METRO MANILA PHILIPPINES

(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

3rd Quarterly Report 2018

1	7	-	Q	

FORM TYPE

3rd Monday of May

0	5		2	1

Month *Day*

Annual Meeting

Secondary License Type, if Applicable

S	E	C

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

x

Domestic

Foreign

- -

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

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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 **September 30, 2018**

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 September 30, 2018)
Common Stock ₱1 Par Value	**7,358,604,307**
Amount of Debt Outstanding	**₱209,834,710,000.00**

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

    Yes [**x**] No [ ]

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

    Philippine Stock Exchange **Common**

12. Indicate by check mark whether the registrant:

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

Yes [**x**] No [ ]

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

Yes [**x**] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to the financial statements and schedules attached herewith.

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

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

Key Performance Indicators

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

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

   Manner of Computation:
   Investee's Net Income (Loss) x Investor's % ownership - Goodwill Impairment Cost

2. **Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA**). The Company computes EBITDA as earnings before extraordinary items, net finance expense, income tax provision, depreciation, and amortization. It provides management and investors with a tool for determining the ability of the Group to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Group's ability to service its debts.

3. **Cash Flow Generated.** Using the Statement of Cash Flows, management determines the sources and usage of funds for the period and analyzes how the Group manages its profit and uses its internal and external sources of capital. This aids management in identifying the impact on cash flow when the Group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.

4. **Current Ratio**. Current ratio is a measurement of liquidity, calculated by dividing total current assets by total current liabilities. It is an indicator of the Group's short-term debt paying ability. The higher the ratio, the more liquid the Group.

5. **Debt–to–Equity Ratio.** Debt-to-Equity ratio gives an indication of how leveraged the Group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total debt by stockholders' equity.

The table below shows the comparative figures of the top five key performance indicators for the first nine (9) months of 2018 and 2017 and as of December 31, 2017:

	SEP 2018	SEP 2017	DEC 2017
SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	**3,596,877**	**3,781,762**	
EBITDA	**39,111,386**	**35,389,020**	
CASH FLOW GENERATED:			
Net cash flows from operating activities	**24,293,839**	**26,683,820**	
Net cash flows used in investing activities	**(4,966,433)**	**(13,053,731)**	
Net cash flows used in financing activities	**(25,574,469)**	**(12,131,971)**	
Net increase (decrease) in cash & cash equivalents	**(6,247,063)**	**1,498,118**	
Cash & cash equivalents, beginning	**35,699,631**	**47,094,740**	
Cash & cash equivalents, end	**29,630,612**	**48,609,665**	
CURRENT RATIO	**1.56**		**1.38**
DEBT-TO-EQUITY RATIO	**1.85**		**1.92**

Slightly lower hydrology from SN Aboitiz Power-Magat, Inc. (SN Aboitiz Power-Magat) and SN Aboitiz Power-Benguet, Inc. (SN Aboitiz Power-Benguet) led to lower volume during the first nine months of 2018. This resulted in a 5% decline in the Company's share in net earnings of associates and joint ventures during the period in review.

Consolidated EBITDA grew by 11% year-on-year (YoY) as new EBITDA contributions were recognized from the newly operating 400-MW coal-fired power plant of Pagbilao Energy Corporation (PEC) as well as from Hedcor Bukidnon, Inc. (Hedcor Bukidnon).

Cash and Cash Equivalents as of September 30, 2018 is lower by 39% versus September 30, 2017 as cash outflows relating to various financing activities were made.

The 14% increase in current assets as of September 30, 2018 was primarily due to higher Trade and other receivables as well as other current assets. This increase led to the movement in current ratio from 1.38x at the end of 2017 to 1.56 at the end of the third quarter of 2018.

The increase in the Company's total equity led to the movement of debt-to-equity ratio from 1.92 as of December 31, 2017 to 1.85 as of September 30, 2018.

Results of Operations

AboitizPower's net income attributable to equity holders of the parent ending September 2018 was ₱16.67 billion (bn), 6% higher than the ₱15.75 bn recorded during the same period last year. During the period, the Company recognized non-recurring losses of ₱1.71 bn, versus last year's losses of ₱1.10 bn, resulting from net foreign exchange losses. Without these one-off losses, the Company's core net income for the period in review was 5% higher YoY at ₱18.40 bn, versus last year's core net income of ₱17.48 bn.

Results of Operations

Generation and Retail Electricity Supply

AboitizPower's generation and retail supply business recorded a consolidated EBITDA of ₱33.00 bn during the first nine months of 2018, which is 11% higher than the ₱29.80 bn during the same period in 2017. The increase was primarily due to fresh contributions from Hedcor Bukidnon during the period, as well as from Units 1 and 2 of PEC which started commercial operations in the first and second quarters of 2018, respectively.

After taking into account interest, depreciation and taxes, core net income for the first nine months of 2018 was ₱16.51 bn, 4% higher than during the same period in 2017. Due to foreign exchange losses, non-recurring losses for the period totaled ₱1.71 bn, versus last year's non-recurring loss of ₱1.74 bn. This brought the generation and retail electricity supply business' net income contribution to ₱15.35 bn on the first nine months of 2018, which was 4% higher YoY.

Capacity sold during the period under review was flat YoY at 3,158 megawatts (MW), compared to 3,162 MW during the same period last year.

Distribution

During the third quarter of 2018, the Company's distribution business recorded consolidated EBITDA of ₱6.21 bn, 11% higher than the ₱5.60 bn recorded during the same period in 2017. AboitizPower saw energy sales increase to 4,136 gigawatt-hours (GWh) for the period in review, which was 5% higher than the 3,924 GWh recorded for the corresponding period in 2017. This was the result of increased consumption levels across all customers segments.

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

Consolidated Statements of Income

The various movements in the revenue and expense line items leading to the Consolidated Net Income Attributable to Equity Holders of the Parent of ₱16.67 bn are shown below:

Consolidated Net Income Attributable to Equity Holders of the Parent (January – September 2017)	₱15,745,837
Increase in operating revenues	11,696,815
Increase in operating expenses	-8,999,039
Decrease in interest income	-140,731
Decrease in interest expense	422,188
Decrease in share in net earnings of associates and joint ventures	-184,885
Increase in other expenses	-968,616
Lower provision for taxes	533,725
Increase in income attributable to non-controlling interests	-1,433,168

Total	926,289
Consolidated Net Income Attributable to Equity Holders of the Parent (January – September 2018)	₱16,672,126

Operating Revenues
(13% increase from ₱88.41 bn to ₱100.10 bn)

Operating revenues increased by ₱11.70 bn primarily due to higher revenues at the retail electricity supply companies, which resulted from a combination of higher indices and higher contracting levels during the first nine months of 2018 versus the same period in 2017. In addition, revenues increased as new capacities were sold during the period from PEC and Hedcor Bukidnon.

Operating revenues also increased for the distribution utilities, mainly at the group's two large distribution utilities, Davao Light & Power Co., Inc. (Davao Light) and Visayan Electric Company (VECO), as higher electricity sales were observed across all customer segments.

Operating Expenses
(14% increase from ₱63.35 bn to ₱72.35 bn)

The 14% increase in operating expenses during the period was mainly due to higher operating expenses at the Group's thermal plants, particularly at Therma Luzon Inc. (TLI) and Therma South, Inc. (TSI), the take up of expenses at newly operating 400-MW Pagbilao Unit 3 and higher costs of fuel at AP Renewables Inc. (APRI).

Higher costs of purchased power likewise contributed to a corresponding increase in operating expenses of the Group's large distribution utilities.

Interest Income
(20% decrease from ₱698 mn to ₱557 mn)

Interest income declined by 20% as a result of lower average cash balances held during the period under review versus the same period last year.

Interest Expense and Other Financing Costs
(5% decrease from ₱8.90 bn to ₱8.50 bn)

The 5% decrease in interest expense was mainly due to the refinancing of GNPower Mariveles Coal Plant Ltd. Co. (GMCP) loans at lower rates.

Share in Net Earnings of Associates and Joint Ventures
(5% decrease from ₱3.78 bn to ₱3.60 bn)

Lower hydrology during 2018 compared to the same period last year reduced the Company's share in net earnings from the two large hydroelectric power plants, SN AboitizPower-Magat and SN AboitizPower-Benguet.

Other Income (Expenses) - net
(347% increase in other expenses from ₱279 mn to ₱1.25 bn)

The increase in Other Expenses by ₱969 mn resulted from the mark to market losses on dollar denominated obligations in the Group. The largest change came from the restatement of TLI's dollar denominated debt on its monthly obligations to the Power Sector Assets and Liabilities Management Corporation, which was accounted for as a finance lease obligation.

Provision for Income Tax
(17% decrease from ₱3.11 bn to ₱2.58 bn)

Lower taxable income recognized during the period at the Group's taxable subsidiaries led to lower provisions for income tax.

Net Income Attributable to Non-Controlling Interests
(95% increase from ₱1.50 bn to ₱2.93 bn)

Higher income contributions from GMCP due to the plants' higher availability during the period in review contributed led to the increase in Net Income Attributable to Non-Controlling Interests.

Consolidated Statements of Comprehensive Income

Consolidated comprehensive income attributable to equity holders of the Parent increased by 19%, mainly driven by the movements in cumulative translation adjustments as well as the take up of the consolidated net income during the period.

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

Assets

Total assets increased by 4% from ₱361.48 bn as of December 31, 2017 to ₱375.74 bn as of September 30, 2018. The material change in the following accounts that led to the increase are discussed below:

a) Cash and Cash Equivalents as of September 30, 2018 decreased by 17 % versus year end 2017 as the group made payments on interest and timely payments on various debt obligations.

b) Trade and other receivables increased by 35% or by ₱6.13 bn (from ₱17.36 bn in 2017 to ₱23.49 bn as of September 30, 2018) due to higher trade receivable balances at TLI, GMCP, APRI and Retail Electricity Supply (RES) companies in the Group. Adding to the increase are new Trade and other receivables at newly operating PEC.

c) Inventories increased by 26% (from ₱5.64 bn at end 2017 to ₱7.13 bn in September 2018) as the group took up the inventory at newly acquired Therma Power Visayas Inc. (TPVI) as well as higher coal inventories at TLI. Higher inventories were also noted at the large distribution utilities.

d) Other current assets increased due to higher balances in a restricted cash account at TSI as part of its debt requirement. Value Added Tax (VAT) input previously classified as other non-current assets are now classified as other current assets since assets are expected to be used within the next twelve (12) months. This led to the increase in other current assets by 82%.

e) As a result of fair value changes during the period in review, the derivative assets net of derivative liabilities (both current and non-current) increased by 426%.

f) Investments in and advances to associates grew by 10% during the period as the company starts to fund the construction of a coal-fired power plant under GNPower Dinginin Ltd. Co (GNPD).

g) Deferred tax assets increased by 36% as the deferred tax benefits arising from unrealized foreign exchange losses were recorded during the current period.

h) Other non-current assets decreased by 41%, as a result of the re-classification of VAT input previously from other non-current assets to the other current asset account.

Liabilities

Consolidated liabilities increased by 3% from ₽237.50 bn as of December 31, 2017 to ₽243.71 bn as of September 30, 2018.

a) Short term loans increased by ₽8.38 bn, primarily due to a short-term loan by the holding companies as well as higher short-term debt incurred by the distribution utilities to meet working capital requirements

b) Recognition of Trade and other payables at newly operating coal plant of PEC, as well as higher balances for this account at TLI, and the RES companies led to the 13% increase in this account.

c) Income tax payable increased by 21% mainly from higher provision for taxes at the Company's RES companies and distribution utilities, as well as the recognition of pre-operating taxable obligations at PEC.

d) The Asset Retirement Obligation account of the group increased by 5% as higher future obligations were recognized by APRI for the period.

e) Accretion of interest on Subic Enerzone Corporation's Long-term obligation on power distribution system increased this account by 11%.

f) Net pension liabilities decreased by 10% due to lower provisions were taken up during the period.

g) Other non-current liabilities decreased by 100%, as obligations to suppliers were settled during the period.

Equity

Equity attributable to equity shareholders of the Parent remained steady as of the close of the first nine months of the year (from ₽115.40 bn at year-end 2017 to ₽124.70 bn as of September 30, 2018) after the declaration of dividends and after recognizing the net of income during the period.

Material Changes in Liquidity and Cash Reserves of Registrant

Cash flows from operating activities continue to be a robust source of cash flows for the Group bringing in ₽24.29 bn in the first three quarters of the year. Strong earnings continue to provide significant EBITDA leading to consistent Cash inflows from operating activities year on year.

The bulk of the Group's net cash used in investing activities, totaling ₽4.97 bn in the first nine months of 2018, continued to be spent on capital expenditures as the construction for various power plants remain ongoing As these projects reach the tail end of their construction activities, the cash outflows for these activities decline compared to previous periods.

After the payment of dividends to its shareholders, and timely payments made by various subsidiaries to serve outstanding obligations, the cash flows used in financing activities for the period ending September, 2018 stood at ₽25.57 bn.

As of September 30, 2018, the Group's cash and cash equivalents decreased by 17% compared to year-end 2017, from ₽35.70 bn to ₽ 29.63 bn.

Financial Ratios

Current assets increased by ₱9.77 bn driven mainly by the ₱6.13 bn increase in Trade and other receivables and the increase in Other current assets of ₱7.43bn. This was offset by the decrease in cash of ₱6.07 bn. Current liabilities meanwhile was flat. These factors led to the change in the Company's current ratio from 1.38x at the end of 2017 to a current ratio of 1.56x at the end of the third quarter of 2018.

Consolidated debt to equity ratio was at 1.85x as of September 30, 2018 (versus year end 2017's 1.92x). The change is mainly due to the minimal 3% increase in consolidated debt versus the 6% increase in total equity.

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

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

I. Power Generation Business

Despite increased competition in the power generation market, AboitizPower believes that it has built the foundation to sustain growth over the long term. In line with its growth target of reaching 4,000 MW in net attributable capacity by 2020, AboitizPower expects to expand its portfolio of generation assets by implementing the projects described below:

A. Greenfield and Brownfield Developments

AboitizPower, together with its Subsidiaries and Associates, is in various stages of construction or completion of the following Greenfield and Brownfield projects:

1. **340-MW CFB Coal-Fired Project in Toledo City, Cebu.** This project is undertaken by Therma Visayas, Inc. (TVI), a partnership between AboitizPower and the Vivant group. The 2x170-MW coal-fired power plant is in the testing and commissioning phase, but is experiencing technical issues with turbines that will delay commercial operation date (COD) of the first unit to June 2019 and the second unit to April of 2019.

2. **68.8-MW Manolo Fortich Hydropower Plant in Manolo Fortich, Bukidnon.** The project is undertaken by Hedcor Bukidnon. The COD of Plant 1 (43.4-MW) was achieved in early July, and Plant 2 (25.4-MW) is expected to reach COD in November 2018 once the final electrical and mechanical equipment commissioning is completed. The plant is expected to operate under the Feed-in-Tariff (FIT) program.

3. **19-MW La Trinidad Hydropower Plant in La Trinidad, Benguet.** This project is undertaken by Hedcor. It is currently under construction with targeted COD sometime in the second half of 2019. The plant is expected to operate under the FIT program.

4. **2x668-MW Dinginin Supercritical Coal-Fired Power Plant in Mariveles, Bataan.** This project is undertaken by GNPD, a partnership composed of Therma Power, Inc. (TPI), AC Energy Holdings, Inc. (a wholly-owned subsidiary of Ayala Corporation), and Power Partners Ltd. Co. Both Unit 1 and Unit 2, each of 668-MW, are currently under construction, with commercial operations currently expected to commence in 2019 and 2020, respectively.

B. Alimit Hydropower Complex

SN Aboitiz Power-Ifugao, Inc. (SN AboitizPower-Ifugao), is in the process of developing the Alimit Hydro Power Complex in Ifugao, which consists of the 120-MW Alimit hydropower plant, the 250-MW Alimit pumped storage facility, and the 20-MW Olilicon hydropower. The affected municipalities are Aguinaldo, Lagawe, Lamut, and Mayoyao. The project is currently still in the feasibility study phase, together with the permitting process. Due to market constraints, the technical studies of the pumped storage facility have been temporarily suspended. An important component of the feasibility review is the Free Prior and Informed Consent from the indigenous peoples. In line with this, SN AboitizPower-Ifugao will continue working with the government, indigenous peoples' representatives, and industry partners.

C. Naga Power Plant

On April 30, 2014, Power Sector Assets and Liabilities Management (PSALM) issued a Notice of Award to AboitizPower subsidiary, Therma Power Visayas, Inc. (TPVI), for submitting the highest bid amounting to ₱1.08 bn. TPVI finally received the Certificate of Effectivity (COE) from PSALM last May 24, 2018. Thereafter, on July 16, 2018, TPVI took possession of the power plant complex.

Since TPVI took physical possession of the power plant complex, it has conducted hazard and operability studies to ensure that the power plant will be safe and environmentally and regulatory compliant.

The TPVI board has approved CAPEX amounting to ₱898 mn to rehabilitate the 43.8MW diesel power plant. TPVI is targeting to achieve commercial operations for at least 1 of the 6 Units before the end of 2018.

The Company believes that the Naga Power Plant Complex (NPPC) is a good asset to add to its portfolio. The NPPC is strategically located in the Cebu franchise area, and, once operating, is expected to provide needed ancillary services which the diesel power plant is certified for.

D. RP Energy PSA

The 660-MW circulating fluidized bed coal-fired power plant located in Redondo Peninsula, Subic, Zambales, is a project undertaken by Redondo Peninsula Energy, Inc. (RP Energy), a joint venture among Meralco PowerGen Corporation (MPGC), TPI, and Taiwan Cogeneration International Corporation.

On April 20, 2016, RP Energy entered into a Power Service Agreement (PSA) with Manila Electric Company (Meralco) for a contracted capacity of 225 MW within a 20-year term. This PSA was filed for approval with the Energy Regulatory Commission (ERC) on April 29, 2016. Public hearings were subsequently held and were concluded on January 6, 2017. RP Energy and Meralco have agreed to extend the longstop date of the PSA for a period of twelve (12) months or from April 29, 2018 to April 29, 2019. If the ERC does not approve the PSA by April 29, 2019, RP Energy would then have the option to terminate the PSA. To date, RP Energy is still awaiting the ERC's approval of its PSA.

E. GN Power Step Up Acquisition

On September 26, 2018, AboitizPower acquired 49% voting stake and 60% economic stake in AA Thermal, Inc. for USD 579.2 million (mn). The transaction is still pending approval from the Philippine Competition Commission and the completion of other closing conditions.

F. Expansion of Existing Net Attributable Capacity

AboitizPower is focused on addressing the needs of its markets, including reliable supply, reasonable cost, and minimal impact on the environment and communities. The Company recognizes that there is no single technology that can address the country's energy requirements. Thus, AboitizPower believes that a mix of power generation technologies is necessary to address the country's needs. The Company will continue to pursue both renewable projects and thermal technologies, where and when it makes sense.

II. Power Distribution Business

AboitizPower expects that its existing distribution utilities will continue to realize modest growth. It continuously seeks efficiency and improvements in its distribution utilities' operations in order to maintain healthy margins.

A. Performance-Based Rate-Setting

Performance-Based Rate-setting Regulation (PBR) replaced the Return on Rate Base (RORB) mechanism that had historically determined the distribution charges paid by customers. Under the PBR, distribution utilities can collect rates from customers over a four-year regulatory period.

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

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

(i) Cotabato Light: April 1, 2017 to March 31, 2021
(ii) Davao Light and VECO: July 1, 2018 to June 30, 2022
(iii) SEZ and SFELAPCO: October 1, 2019 to September 30, 2023

The reset process for the Fourth Regulatory Period has not started for all private distribution utilities as the above-mentioned ERC rules have not been published, which is a condition for their effectivity. Due to the rules change on PBR, all Distribution Utilities of AboitizPower have not undergone the Third Regulatory Period.

B. System Loss Caps

In February 2018, the ERC issued Resolution No. 20, Series of 2017 (ERC Resolution No. 20-2017) entitled "A Resolution Adopting the ERC Rules for Setting the Distribution System Loss Cap and Establishing Performance Incentive Scheme for Distribution Efficiency". This set of rules provide for the new Distribution System Loss (DSL) cap that can be recovered and charged by distribution utilities to its customers, and has started during the May 2018 billing period. Private distribution utilities are allowed to pass on up to 6.50% in feeder losses for 2018, which shall be reduced gradually on an annual basis until a cap level of 5.50% by the

year 2021. The aforementioned caps are exclusive of sub-transmission and substation losses which can be fully recovered.

The rules allow distribution utilities to use an alternative method in determining an individualized DSL cap that it shall apply. The individualized cap has two components: one for technical loss (determined using load flow simulations on the DU's reference distribution system) and another for non-technical loss (which represents the level of non-technical loss that minimizes the costs to consumers). In determining the reasonable level of the individualized DSL cap, costs and benefits must be analyzed from the viewpoint of the customer.

On June 4, 2018, CLPC filed with ERC its individualized system loss cap application with technical loss cap at 7.48% and non-technical loss cap at 1.77%. The initial public hearing was conducted at ERC's Mindanao Field Office on August 2, 2018.

The CLPC application is still under ERC evaluation.

III. Solar Rooftop

Aboitiz Power Distributed Renewables Inc. (APX) is looking for opportunities from existing relationships and collaboration with other business units within the Group.

Since February 2018, the 100 kW installation atop the roof of the Aboitiz Corporate Office at Banilad, Cebu has delivered over 81,000 kilowatt-hours of power, representing significant savings for the Cebu Praedia Development Corporation (owner of the facility). It is expected that applying performance data analytics will allow APX to provide a robust view of the impact of Distributed Rooftop Solar to customers' energy service experience.

Recently, an agreement for the construction of a 1.5 MW rooftop solar solution for *The Outlets at Lipa* in Lima Technology Center was signed with AboitizLand. Construction is ongoing and commissioning is expected to take place by December 2018. APX expects this project to supply revenue for the next twenty (20) years, starting in January 2019.

At least eight (8) more customers in various locations across Luzon and Visayas have agreed to terms with APX for the installation of rooftop solar. These are in the process of obtaining regulatory permits and contracting and are expected to be announced once these processes are completed.

IV. Market and Industry Developments

A. Policy on Competitive Selection Process in Securing Power Supply Agreements

In 2015, the DOE issued Department Circular No. DC2015-06-0008, entitled "Mandating all Distribution Utilities to Undergo Competitive Selection Process (CSP) in securing Power Supply Agreements (PSA)."

On February 9, 2018, the DOE issued Department Circular No. DC2018-02-0003, essentially modifying the existing policy on CSP of power supply contracting, applicable to both electric cooperatives and private distribution utilities. Distribution utilities are now mandated to create either an independent five-man third party bids and awards committee (TPBAC) that will manage their CSP supply procurements or have a third party auctioneer (TPA). The TPBAC and the TPA shall be accountable for its decision in the conduct of the CSP.

If a TPBAC is established, it shall be comprised of five (5) members, three (3) of whom shall be officers and/or employees of the distribution utility and two (2) members shall be captive customers that are not directly or indirectly connected/affiliated with the distribution utility.

If the relevant distribution utility opts to have a TPA to undertake CSP in its procurement of power supply, the TPA shall be composed of a team of private individuals or a private corporation duly recognized in the Philippines with expertise on competitive bidding and with sufficient knowledge of the electric power industry. The TPA should not be connected/affiliated either directly or indirectly with the relevant distribution utility. The accreditation of potential TPAs is handled by the ERC.

All Distribution Units are now required to undergo CSP.

B. Competitive Renewable Energy Zones

On September 29, 2018, the DOE issued Department Circular No. DC2018-09-0027, or the "Establishment and Development of Competitive Renewable Energy Zones in the Country." The new policy intends to identify competitive renewable energy zones (CREZ), which will serve as a guide in directing the country's power transmission development to reach areas with potential indigenous and renewable energy resources. The identification of renewable energy zones is intended to assist in addressing challenges in developing renewable energy sources, including transmission constraints as well as regulatory barriers that hinder the entry of more investments into the sector.

The Philippine CREZ is intended to enhance the planning process and strengthen implementation of various development plans for energy, distribution, transmission and renewable energy. In the circular, the DoE indicated that ideal candidate areas for CREZ are "geographic areas characterized by high-quality, low-cost RE potential in addition to high levels of private-sector developer interest."

The circular addresses the transmission and demand side challenges of renewable energy developers, thereby cutting down the activities needed to develop renewable energy projects.

C. Renewable Portfolio Standards

On December 30, 2017, the DOE issued Department Circular No. DC2017-12-0015, or the "Renewable Portfolio Standards (RPS) On-Grid Rules". The new policy mandates distribution utilities, renewable energy suppliers, generation companies supplying directly connected customers, and other mandated energy sector participants (each, a "Mandated Participant") to source or produce a certain percentage share of their energy mix from eligible renewable energy (RE) facilities. Under the new policy, eligible RE facilities include the following technologies: biomass, waste-to-energy technology, wind, solar, hydro, ocean, geothermal,and such other RE technologies that may be later identified by the DOE.

The new policy requires identified energy sector participants to comply with minimum annual RPS requirement in order to meet an "aspirational target" of 35% renewable energy supply in the generation mix by the year 2030. The RPS guidelines will implement a Minimum Annual Increment RE Percentage to be sold to mandated participants, initially set at 1% of the net electricity sales of the mandated participant for the previous year. Furthermore, this Minimum Annual Increment RE Percentage will be used to determine the current year's requirement for RE Certificates (RECs) of the Mandated Participant. RE sourcing shall be enforced on the third year from the issuance of the DOE Circular in the year 2020, with the period 2018-2019 considered as the transition phases to project developments.

The RPS On-Grid Rules, which shall be implemented nationwide, also envisions the creation of an RE market where mandated participants comply with the Minimum Annual RPS Requirement through the allocation, generation, purchase or acquisition, or generation from net-metering arrangements, of RE Certificates. The RE Certificates will represent 1 MWh of generation produced from an eligible RE facility. Furthermore, all Mandated Participants must undertake a CSP in sourcing RE generation supply for its customers.

D. Retail Competition and Open Access

DOE Circular No. 2015-06-0010 and ERC Resolutions 5, 10, and 11, Series of 2016, are all subject of a Petition for Declaratory Relief filed by Meralco with the Regional Trial Court of Pasig (the "Pasig RTC") in June 2016 (the "Petition"). On July 13, 2016, the Pasig RTC has issued a writ of preliminary injunction enjoining the DOE and ERC from implementing the aforementioned Circular and Resolutions, insofar as relating to the prohibition on distribution utilities from engaging in the supply business, and the imposition of restrictions, contract term limits, mandatory contestability, and market caps.

On September 21, 2016, the DOE filed a Petition for Certiorari and Prohibition to the Supreme Court praying, among others, for the nullification of all Orders and Decisions issued by the Pasig RTC. The Supreme Court issued a Resolution on October 10, 2016 granting a Temporary Restraining Order enjoining the Pasig RTC from enforcing its decisions, orders, and resolutions related to the Petition until its final resolution.

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

On February 21, 2017, the Supreme Court issued a TRO in relation to the petition to stop the implementation of the new regulations imposing mandatory contestability filed by Philippine Chamber of Commerce and Industry, San Beda College Alabang Inc., Ateneo de Manila University, and Riverbanks Development Corporation before the Supreme Court in December 2016. The TRO enjoined the ERC and the DOE from implementing ERC Resolutions No. 5, 10, 11, and 28, Series of 2016, and DOE Circular No. 2015-06-0010.

E. Mindanao Wholesale Electricity Spot Market

On May 4, 2017, the DOE issued DC 2017-05-0009 entitled "Declaring the Launch of WESM in Mindanao and Providing Transition Guidelines". This DOE Circular took effect on June 7, 2017 with the following pertinent provisions:

(a) Establishment of Mindanao WESM Transition Committee, which will be one of the committees under the Philippine Electricity Market Corporation (PEMC) Board;
(b) Launch of WESM in Mindanao on June 26, 2017, with the commencement of full commercial operations dependent on various conditions precedent, including installation of metering facilities, approval of the Price Determination Methodology by the ERC, and trial operations of the WESM, among others;
(c) Conduct of the Trial Operation Program for the WESM; and
(d) Implementation of an Interim Protocol to govern the dispatch and scheduling of power generation plants, while the WESM is still not operational.

To date, there is no significant movement as the ERC has yet to approve the new WESM price determination methodology.

F. Reserve Market

On December 2, 2013, the DOE issued Department Circular No. DC2013-12-0027 entitled: "Declaring the Commercial Launch for the Trading of Ancillary Service in Luzon and Visayas under the Philippine Wholesale Electricity Spot Market". No date has been set for the launch of the Reserve Market.

Pending the ERC's approval of the Price Determination Methodology of the Reserve Market, the DOE and PEMC implemented the Central Dispatch and Scheduling of Energy and Reserves in the WESM starting January 2016. The protocol follows that of the Reserve Market, with participants being only those contracted with NGCP, and that no settlement amount will come from the WESM.

G. Feed-in-Tariff Scheme

In February 2018, the DOE issued a two-year extension on the FIT incentive scheme for Biomass and Run-of-River Hydro Power developments. This lengthened the duration of the subsidy rate for the aforementioned RE technologies. The DOE, however, maintained the cessation of FIT incentives for new solar and wind technologies. The decision of the DOE was officially communicated to the ERC as well as to RE developers. A department circular is due to be issued related to said extension.

H. Green Energy Option

On July 18, 2018, the DOE issued Department Circular No. DC2018-07-0019, "Promulgating the Rules and Guidelines Governing the Establishment of the Green Energy Option Program (GEOP) Pursuant to the Renewable Energy Act of 2008". The circular was issued pursuant to Section 9, Chapter III of the Renewable Energy Law, which authorizes the establishment of a Green Energy Option Program (GEOP).

The GEOP is a RE policy mechanism which provides end-users the option to choose RE resources. The GEOP rules establish the general guidelines and procedures governing transactions between consumers, RE suppliers and network service providers, on choosing and using RE resources at the least cost and sustainable manner.

The GEOP provides consumers the option to source their power supply from Renewable Energy increasing demand and opening up the potential for further RE developments in the country.

AboitizPower is preparing to serve this new consumer segment.

I. Implementing Rules and Regulations of the Energy Investment Coordinating Council

On May 04, 2018, the DOE issued Department Circular No. DC2018-04-0013, setting the Implementing Rules and Regulations of Executive Order 30 which was signed by President Rodrigo Duterte in June 2017. EO 30 created the Energy Investment Coordinating Council (EICC) in order to streamline the regulatory process affecting energy projects considered as projects of national significance.

Under the IRR, the processing of permits and licenses for projects deemed as "Energy Projects of National Significance" (EPNS) shall be within a maximum period of 30 days. The 30 day period will start from the complete submission of all documentary requirements to the pertinent government agency involved in the permitting process.

The EICC has yet to issue any certification declaring power projects as “Energy Projects of National Significance”. The certification will be beneficial to “greenfield projects” as this will lead to a streamline and faster approval process of government permits required for said projects.

J. DOE Policy for Direct Connection

On September 14, 2018, the DOE issued Department Circular No. DC2018-08-0025, “Prescribing the Rules Governing the Review and Evaluation of Direct Connection Applications of Industrial, Commercial and Other Electricity End-Users.” The policy lays down procedures on how the DOE will exercise its function to review and evaluate applications for direct connection of Industrial, commercial and other end-users to the grid.

K. Revised Rules on Financial Benefits to Power Plant Host Communities

On July 26, 2018, the DOE issued Department Circular No. DC2018-08-0021, amending rules governing financial benefits to power plant house communities, legally known as Energy Regulation No. 1-94 (ER 1-94). Under the ER 1-94 Program, communities hosting power generation facilities or energy resources are entitled to one centavo per kilowatt-hour (₱0.01/kWh) of the total electricity sales of Generation Companies or Energy Resource Developers.

One of the major amendments to the aforementioned rule is the direct remittance of financial benefits to host communities for their immediate utilization. Streamlining the release of funding will eliminate the bureaucratic process which hampers socio-economic development of the communities hosting the power plants. The aforementioned financial benefits were remitted to the DOE before they are released to host communities.

V. Capital Expenditures for 2018

AboitizPower has alloted ₱62 bn for capital expenditures in 2018, 82% of which is for new thermal projects, 3% for new renewable projects, and 15% for exploratory and operating activities.

PART II--OTHER INFORMATION

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

SIGNATURES

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

Issuer	**ABOITIZ POWER CORPORATION**
Principal Accounting Officer	**Cristina B. Beloria**
Signature and Title	**Vice President – Controller**
Date	1 4 NOV 2018
Authorized Officer of the Issuer	**Manuel Alberto R. Colayco**
Signature and Title	**Corporate Secretary**
Date	1 4 NOV 2018

Aboitiz Power Corporation and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of September 30, 2018 (with Comparative Figures as of December 31, 2017) and
For the Nine-Month Periods Ended September 30, 2018 and 2017

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

(With Comparative Figures as of December 31, 2017)
(Amounts in Thousands)

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	**₱29,630,612**	₱35,699,631
Trade and other receivables	**23,486,273**	17,359,828
Derivative assets	**1,019,968**	228,644
Inventories	**7,130,108**	5,643,607
Other current assets	**16,459,977**	9,029,886
Total Current Assets	**77,726,938**	67,961,596
Noncurrent Assets		
Investments and advances (Note 6)	**34,492,684**	31,248,595
Property, plant and equipment (Note 16)	**208,476,446**	204,025,303
Intangible assets	**46,413,097**	46,344,658
Derivative assets - net of current portion	**531,060**	113,297
Available-for-sale (AFS) investments	**–**	102,999
Financial assets at FVTPL	**101,078**	–
Net pension assets	**56,400**	56,400
Deferred income tax assets	**1,912,859**	1,406,796
Other noncurrent assets	**6,027,378**	10,217,355
Total Noncurrent Assets	**298,011,002**	293,515,403
TOTAL ASSETS	**₱375,737,940**	₱361,476,999
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans (Note 8)	**₱13,097,840**	₱4,717,300
Current portions of:		
Long-term debts (Note 9)	**9,567,312**	20,692,751
Finance lease obligation	**4,082,570**	3,316,165
Long-term obligation on power distribution system	**40,000**	40,000
Derivative liabilities	**171**	47,577
Trade and other payables	**22,386,726**	19,852,383
Income tax payable	**781,112**	646,115
Total Current Liabilities	**49,955,731**	49,312,291

(Forward)

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

(With Comparative Figures as of December 31, 2017)
(Amounts in Thousands)

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts (Note 9)	**₱138,605,069**	₱131,360,749
Finance lease obligation	**44,481,919**	45,909,089
Long-term obligation on power distribution system	**206,640**	186,071
Derivative liabilities - net of current portion	**3,480**	–
Customers' deposits	**6,146,028**	6,094,690
Asset retirement obligation	**3,111,389**	2,959,060
Net pension liabilities	**326,077**	361,228
Deferred income tax liabilities	**878,055**	912,601
Other noncurrent liabilities	**–**	402,756
Total Noncurrent Liabilities	**193,758,657**	188,186,244
Total Liabilities	**243,714,388**	237,498,535
Equity Attributable to Equity Holders of the Parent		
Paid-in capital	**19,947,498**	19,947,498
Net unrealized loss on AFS investments	**–**	(625)
of an associate	**124,121**	124,121
Cumulative translation adjustments	**2,441,653**	113,637
and joint ventures	**439,753**	(144,507)
Actuarial losses on defined benefit plans	**(601,607)**	(601,461)
associates and joint ventures	**5,257**	4,963
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	**34,060,000**	34,060,000
Unappropriated (Note 15)	**69,392,261**	63,006,308
	124,695,372	115,396,370
Non-controlling Interests	**7,328,180**	8,582,094
Total Equity	**132,023,552**	123,978,464
TOTAL LIABILITIES AND EQUITY	**₱375,737,940**	₱361,476,999

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Jan - Sep 2018	Jan - Sep 2017	**Jul - Sep 2018**	Jul - Sep 2017
OPERATING REVENUES	**₱100,104,963**	₱88,408,148	**₱35,073,187**	₱31,760,470
OPERATING EXPENSES	**72,349,858**	63,350,819	**24,135,583**	21,831,280
FINANCIAL INCOME (EXPENSES)				
Interest income	**557,289**	698,020	**214,578**	274,046
Interest expense and other financing costs	**(8,477,013)**	(8,899,201)	**(3,126,254)**	(3,710,972)
	(7,919,724)	(8,201,181)	**(2,911,676)**	(3,436,926)
OTHER INCOME (EXPENSES)				
Share in net earnings of associates and joint ventures	**3,596,877**	3,781,762	**1,673,568**	1,369,287
Other income (expenses) - net	**(1,247,527)**	(278,911)	**(95,679)**	(12,297)
	2,349,350	3,502,851	**1,577,889**	1,356,990
INCOME BEFORE INCOME TAX	**22,184,731**	20,358,999	**9,603,817**	7,849,254
PROVISION FOR INCOME TAX	**2,578,656**	3,112,381	**851,893**	1,370,142
NET INCOME	**₱19,606,075**	₱17,246,618	**₱8,751,924**	₱6,479,112
ATTRIBUTABLE TO:				
Equity holders of the parent	**₱16,672,126**	₱15,745,837	**₱7,554,093**	₱6,025,275
Non-controlling interests	**2,933,949**	1,500,781	**1,197,831**	453,837
	₱19,606,075	₱17,246,618	**₱8,751,924**	₱6,479,112
Earnings Per Common Share (Note 11)				
Basic and diluted, income for the period attributable to ordinary equity holders of the parent	**₱2.27**	₱2.14	**₱1.03**	₱0.82

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Jan - Sep 2018	Jan - Sep 2017	**Jul - Sep 2018**	Jul - Sep 2017
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	**₱16,672,126**	₱15,745,837	**₱7,554,093**	₱6,025,275
Non-controlling interests	**2,933,949**	1,500,781	**1,197,831**	453,837
	19,606,075	17,246,618	**8,751,924**	6,479,112
OTHER COMPREHENSIVE INCOME (LOSS) (Note 5)				
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:				
Movement in unrealized gain on AFS investments	**–**	3,269	**1,406**	–
Movement in cumulative translation adjustments	**3,243,971**	734,295	**605,938**	398,310
Share in movement in cumulative translation adjustment of associates and joint ventures	**584,260**	–	**829,289**	–
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**3,828,231**	737,564	**1,436,633**	398,310
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:				
Actuarial losses on defined benefit plans, net of tax	**(145)**	(300)	**–**	–
Share in actuarial gains on defined benefit plans of associates and joint ventures, net of tax	**294**	–	**–**	–
Net other comprehensive gain (loss) not to be reclassified to profit or loss in subsequent periods	**149**	(300)	**–**	–
Total other comprehensive income for the period, net of tax	**3,828,380**	737,264	**1,436,633**	398,310
TOTAL COMPREHENSIVE INCOME	**₱23,434,455**	₱17,983,882	**₱10,188,557**	₱6,877,422
ATTRIBUTABLE TO:				
Equity holders of the parent	**₱19,584,550**	₱16,483,101	**₱8,074,771**	₱6,423,585
Non-controlling interests	**3,849,905**	1,500,781	**2,113,786**	453,837
	₱23,434,455	₱17,983,882	**₱10,188,557**	₱6,877,422

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

(Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to Equity Holders of the Parent													
											Retained Earnings			
	Paid-in Capital	Net Unrealized Loss on AFS Investments (Notes 5)	Share in Net Unrealized Valuation Gains on Investments of an Associate	Cumulative Translation Adjustments (Note 5)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 5)	Actuarial Losses on Defined Benefit Plans (Note 5)	Share in Actuarial Gains on Defined Benefit Plans of Associates and Joint Ventures (Note 5)	Acquisition of Non-controlling Interests	Excess of cost over Net Assets of Investments	Loss on Dilution	Appropriated	Unappropriated	Non-controlling Interests	Total
Balances at January 1, 2018, as previously reported	**19,947,498**	**(₱625)**	**₱124,121**	**₱113,637**	**(₱144,507)**	**(₱601,461)**	**₱4,963**	**(₱259,147)**	**(₱421,260)**	**(₱433,157)**	**₱34,060,000**	**₱63,006,308**	**₱8,582,094**	**₱123,978,464**
Effect of adoption - PFRS 9 (Note 3)	**–**	**625**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(57,713)**	**(3,767)**	**(60,855)**
Balances at January 1, 2018, as restated	**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	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**16,672,126**	**2,933,949**	**19,606,075**
Other comprehensive income	**–**	**–**	**–**	**2,328,016**	**584,260**	**(146)**	**294**	**–**	**–**	**–**	**–**	**–**	**915,956**	**3,828,380**
Total comprehensive income (loss)	**–**	**–**	**–**	**2,328,016**	**584,260**	**(146)**	**294**	**–**	**–**	**–**	**–**	**16,672,126**	**3,849,905**	**23,434,455**
Cash dividends - ₱1.39 a share (Note 15)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10,228,460)**	**–**	**(10,228,460)**
Cash dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,636,097)**	**(5,636,097)**
Change in non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**536,045**	**536,045**
Balances at September 30, 2018	**₱19,947,498**	**₱–**	**₱124,121**	**₱2,441,653**	**₱439,753**	**(₱601,607)**	**₱5,257**	**(₱259,147)**	**(₱421,260)**	**(₱433,157)**	**₱34,060,000**	**₱69,392,261**	**₱7,328,180**	**₱132,023,552**
Balances at January 1, 2017	₱19,947,498	(₱3,311)	₱114,920	(₱78,232)	(₱128,203)	(₱607,913)	(₱1,878)	(₱259,147)	(₱526,883)	₱–	₱34,060,000	₱52,597,568	₱7,094,801	₱112,209,220
Net income for the period	–	–	–	–	–	–	–	–	–	–	–	15,745,837	1,500,781	17,246,618
Other comprehensive income	–	3,269	–	734,295	–	(300)	–	–	–	–	–	–	–	737,264
Total comprehensive income (loss)	–	3,269	–	734,295	–	(300)	–	–	–	–	–	15,745,837	1,500,781	17,983,882
Cash dividends - ₱1.36 a share	–	–	–	–	–	–	–	–	–	–	–	(10,007,702)	–	(10,007,702)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(1,173,363)	(1,173,363)
Change in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	1,068,911	1,068,911
Balances at September 30, 2017	₱19,947,498	(₱42)	₱114,920	₱656,063	(₱128,203)	(₱608,213)	(₱1,878)	(₱259,147)	(₱526,883)	₱–	₱34,060,000	₱58,335,703	₱7,224,972	₱118,814,791

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Jan - Sep 2018	Jan - Sep 2017	**Jul - Sep 2018**	Jul - Sep 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**₱22,184,731**	₱20,358,999	**₱9,603,817**	₱7,849,254
Adjustments for:				
Interest expense and other financing costs	**8,477,013**	8,899,201	**3,126,254**	3,710,972
Depreciation and amortization	**6,339,775**	5,680,409	**2,210,719**	1,996,206
Net unrealized foreign exchange losses	**1,856,605**	1,260,791	**89,364**	393,248
Unrealized fair valuation loss on derivatives and financial assets at FVTPL	**195,912**	13,979	**8,120**	(65,960)
Loss (gain) on disposal of property, plant and equipment	**108,093**	(1,449)	**71,646**	(816)
Write-off of project costs and other assets	**–**	1,175	**–**	181
Interest income	**(557,289)**	(698,020)	**(214,578)**	(274,046)
Share in net earnings of associates and joint ventures	**(3,596,877)**	(3,781,762)	**(1,673,568)**	(1,369,287)
Operating income before working capital changes	**35,023,440**	31,733,323	**13,237,251**	12,239,752
Decrease (increase) in:				
Trade and other receivables	**(6,321,766)**	(3,195,609)	**(5,100,363)**	(4,003,489)
Inventories	**(1,486,501)**	(632,502)	**(1,947,050)**	(367,036)
Other current assets	**(2,413,985)**	(167,882)	**7,871,991**	830,152
Increase (decrease) in:				
Trade and other payables	**3,011,625**	173,817	**2,821,006**	1,019,006
Customers' deposits	**51,338**	544,084	**(4,374,121)**	279,878
Net cash generated from operations	**27,864,151**	28,455,231	**12,508,714**	9,998,263
Income and final taxes paid	**(3,570,312)**	(1,771,411)	**(1,147,330)**	(222,142)
Net cash flows from operating activities	**24,293,839**	26,683,820	**11,361,384**	9,776,121
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash dividends received	**2,814,775**	3,286,846	**113,000**	1,235,701
Interest received	**559,766**	857,751	**211,904**	255,710
Proceeds from redemption of shares	**80,216**	8,809	**–**	–
Decrease (increase) in other noncurrent assets	**1,258,835**	(4,474,416)	**(1,516,762)**	(2,763,946)
Additions to:				
Property, plant and equipment	**(7,761,123)**	(12,422,379)	**(2,619,447)**	(4,603,252)
Intangible assets - service concession rights	**(67,162)**	(60,250)	**(9,486)**	(39,014)
Additional investments	**(1,851,740)**	(250,092)	**(884,754)**	–
Net cash flows used in investing activities	**(4,966,433)**	(13,053,731)	**(4,706,885)**	(5,914,801)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from (payments of) long-term debt	**(6,947,862)**	7,943,497	**(10,084,964)**	10,074,932
Net availments of short-term loans	**8,380,540**	751,200	**2,373,040**	(343,000)
Cash dividends paid	**(10,228,460)**	(10,007,702)	**–**	–
Payments of finance lease obligation	**(6,793,088)**	(5,705,813)	**(2,284,425)**	(2,791,776)
Changes in non-controlling interests	**(4,918,497)**	(855,083)	**(624,801)**	(427,726)
Interest paid	**(5,067,102)**	(4,258,070)	**(2,790,815)**	(1,603,113)
Net cash flows from (used in) financing activities	**(25,574,469)**	(12,131,971)	**(13,411,965)**	4,909,317
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(6,247,063)**	1,498,118	**(6,757,466)**	8,770,637
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**178,044**	16,807	**(88,117)**	7,431
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**35,699,631**	47,094,740	**36,476,195**	39,831,597
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱29,630,612**	₱48,609,665	**₱29,630,612**	₱48,609,665

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 September 30, 2018, Aboitiz Equity Ventures, Inc. (AEV, also incorporated in the Philippines) owns 76.88% of the Company. The ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

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

2. Group Information

The 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 September 30, 2018 and December 31, 2017:

	Nature of Business	**September 30, 2018**		December 31, 2017	
		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
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

(Forward)

	Nature of Business	September 30, 2018		December 31, 2017	
		Direct	**Indirect**	Direct	Indirect
Therma Subic, Inc.*	Power generation	**–**	**100.00**	–	100.00
Therma Mariveles Holding Cooperatief U.A.	Holding company	**–**	**100.00**	–	100.00
Therma Mariveles Camaya B.V.	Holding company	**–**	**100.00**	–	100.00
Therma Mariveles Holdings, Inc.	Holding company	**–**	**100.00**	–	100.00
GNPower Mariveles Coal Plant Ltd. Co. (GMCP)	Power generation	**–**	**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. (Sacasun)	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 September 30, 2018.*

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, 2017, 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 October 22, 2018, 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, 2018. 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 9*, Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39*, Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required, but comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Group has adopted this new standard without restating comparative information.

  As of January 1, 2018, the Group has reviewed and assessed all of its existing financial instruments. The table below illustrates the classification and measurement of financial instruments under PFRS 9 and PAS 39 at the date of initial application.

  The measurement category and the carrying amount of financial instruments in accordance with PAS 39 and PFRS 9 as of January 1, 2018 are compared as follows:

Financial Assets	**Original Measurement Category Under PAS 39**	**Original Carrying Amount under PAS 39**	**New Measurement Category Under PFRS 9**	**New Carrying Amount under PFRS 9**
Cash on hand and in banks	Loans and receivables	₱10,219,777	Financial assets at amortized cost	₱10,219,777
Cash equivalents	Loans and receivables	25,479,854	Financial assets at amortized cost	25,479,854
Investment in equity securities not held for trading	AFS investments	102,999	Financial assets at FVTPL	102,999
Trade and other receivables				
Trade receivables	Loans and receivables	14,604,984	Debt instruments at amortized cost	14,518,048
Interest receivable	Loans and receivables	29,534	Debt instruments at amortized cost	29,534
Other receivables	Loans and receivables	2,725,310	Debt instruments at amortized cost	2,725,310
Derivative assets	Financial assets at FVPL	341,941	Financial assets at FVTPL	341,941
Restricted cash	Loans and receivables	2,642,327	Financial assets at amortized cost	2,642,327

  The accounting policies adopted by the Group in its evaluation of the classification and measurement categories under PFRS 9 are discussed below.

  (a) Classification and measurement

  PFRS 9 requires that the Group classifies debt instruments based on the contractual cash flow characteristics of the assets and the business model for managing those assets. These factors determine whether the financial assets are measured at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

  The Group's debt financial assets consist of cash in banks, cash equivalents, and trade and other receivables. The Group assessed that the contractual cash flows of its debt financial assets are solely payments of principal and interest (SPPI) and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Group concluded these debt financial assets to be measured at amortized cost.

For other financial assets, investments in quoted equity securities and in unquoted equity shares previously carried at cost under PAS 39 and classified as AFS investments are measured at FVTPL under PFRS 9.

There were no changes to the classification and measurement of financial liabilities, other than the changes in fair value of financial liabilities designated at fair value through profit or loss that are attributable to changes in the instruments' credit risk, which are now presented in other comprehensive income. As of September 30, 2018 and December 31, 2017, the Group does not hold financial liabilities designated at fair value through profit or loss.

(b) Impairment

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking Estimated Credit Loss (ECL) approach. PFRS 9 requires the Group to record ECL for trade and other receivables and for other debt financial assets not classified as at FVTPL, together with contract assets, loan commitments and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The Group has applied the simplified approach and recorded lifetime ECL on all trade receivables and contract assets. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payment are more than 90 to 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The Group has determined that financial assets that are more than 90 to 120 days past due are considered in default because based on historical experience, counterparties are typically unable to settle their financial obligations to the Group by this period despite expending reasonable efforts to enforce collection. For trade receivables, it is also normally within the more than 90 to 120 days past due range that permanent disconnection is imposed on customers.

For other debt financial assets measured at amortized cost, the general approach will be applied, measuring either a 12-month or lifetime expected losses, depending on the extent of the deterioration of their credit quality from origination. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The ECL calculation using general approach is composed of three major components - probability of default (PD), loss given default (LGD), and exposure at default (EAD). The 12-month ECL is computed for Stage 1 accounts, while the lifetime ECL is calculated for Stage 2 and Stage 3 accounts. Accounts with objective evidence of impairment are classified under Stage 3 and shall follow the Group's impairment methodology. On the other hand, Stage 1 and Stage 2 accounts shall use future values derived from the term structures of the PD and

LGD. These future values also take into consideration prospective business environment conditions through the inclusion of macroeconomic forecasts.

Altogether, the resulting value is called the baseline ECL. To compute for the probability-weighted ECL, calibration factors and scenario weights are embedded into the baseline model. Finally, risk management policies complement the application of probability-weighted ECL models. Together, ECL models and their corresponding policies, shall enhance the assessment and monitoring of accounts.

(c) Hedge accounting

The Group has determined that all existing hedge relationships that are currently designated in effective hedging relationships under PAS 39 will continue to qualify for hedge accounting under PFRS 9. On transition, the Group has not retrospectively applied PFRS 9 to the hedges where the Group excluded the forward points from the hedge designation under PAS 39.

As PFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of PFRS 9 does not have a significant impact on the Group's financial statements.

The Group has applied its existing governance framework to ensure that appropriate controls and validations are in place over key processes and judgments in implementing PFRS 9. The Group continues to refine its internal controls and processes which are relevant in the proper implementation of PFRS 9.

The effects of adoption on the unaudited interim condensed consolidated financial statements are as follows:

	As at January 1, 2018
Increase (decrease) in consolidated balance sheets:	
Trade and other receivables	(₱86,936)
Available-for-sale (AFS) investments	(102,999)
Financial assets at FVTPL	102,999
Deferred income tax assets	22,508
Total Assets	(₱64,428)
Deferred income tax liabilities	(₱3,573)
Net unrealized losses on AFS investments	625
Retained earnings	(57,713)
Non-controlling interests	(3,767)
Total Liabilities and Equity	(₱64,428)

- PFRS 15*, Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11 *Construction Contracts*, PAS 18 *Revenue*, and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. PFRS 15 establishes a new five-step model that will apply to

revenue arising from contracts with customers. The new standard establishes a five-step model to account for revenue arising from contracts with customers. The five-step model is as follows:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with the customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted PFRS 15 using the modified retrospective method, effective January 1, 2018. The Group elected to apply the method to only those that were not completed at the date of initial recognition.

Sale of power and electricity

Contract with customers for the Group generally includes power distribution and retail supply, power generation and ancillary services.

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

Under the current standards, revenue from power generation is recognized in the period actual capacity is generated. Under PFRS 15, the Group has concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power. In this case, the fixed capacity payments for the entire contract period is determined at contract inception and is recognized over time. Specifically, on contracts where capacity payments are fixed but escalates throughout the contract period without any reference to market indices, the fixed escalation is recognized on a straight-line basis over the contract period.

Power distribution and retail supply also qualify as a series of distinct goods or services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation. The Group has concluded that revenue should be recognized over time and will continue to recognize revenue based on amounts billed.

Some contracts with customers provide unspecified quantity of energy, provisional ERC rates, and volume and prompt payment discounts. Under PFRS 15, such provisions give rise to variable consideration. The variable consideration is estimated at contract inception and

constrained until the associated uncertainty is subsequently resolved. The application of constraint on variable consideration resulted in the same revenue recognition under PAS 18.

The adoption of PFRS 15 has no impact to the consolidated balance sheets, statements of income, statements of comprehensive income and statements of cash flows.

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met.

These amendments are not applicable to the Group since it has no share-based payment arrangements.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate

or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

These amendments are not applicable to the Group since none of the entities within the Group is a venture capital organization or an investment entity, nor does the Group have investment entity associates or joint ventures.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

  Since the Group's current practice is in line with the clarifications issued, these amendments do not have an impact on its consolidated financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  Since the Group's current practice is in line with the clarifications issued, this interpretation does not have any effect on its unaudited interim condensed 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, except for those that relate to the adoption of PFRS 9 and PFRS 15. Selected critical judgments and estimates applied in the preparation of the unaudited interim condensed consolidated financial statements as discussed below:

Judgments

In the process of applying the Group's accounting policies, management has made judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the Group's financial statements.

Contractual cash flows assessment

For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of Solely Payments of Principal and Interest (SPPI).

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Evaluation of business model in managing financial instruments

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Identifying performance obligations
The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Group assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if i) each distinct good or services in the series are transferred over time and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

Power distribution and retail supply also qualify as a series of distinct goods or services which is accounted for as one performance obligation since the delivery of energy every month are distinct services which are recognized over time and have the same measure of progress.

Revenue recognition
The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Group concluded that revenue from power generation, power distribution, ancillary services and retail supply are to be recognized over time, since customers simultaneously receives and consumes the benefits as the Group supplies power.

Identifying methods for measuring progress of revenue recognized over time
The Group determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For power generation and ancillary services, the Group determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Group recognizes revenue based on:

For power generation and ancillary services:

a. For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
b. For fixed capacity payments, the Group allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.

For power distribution and retail supply, the Group uses the actual kilowatt hours consumed, which are also billed on a monthly basis.

Determining method to estimate variable consideration and assessing the constraint
The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will subject to constraint. Factors such as i) highly susceptibility to factors outside the Group's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

Some contracts with customers provide unspecified quantity of energy, provisional ERC rates, and volume and prompt payment discounts that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are to be fully constrained based on its historical experience (i.e., volume and prompt payment discounts), the range of possible outcomes (i.e., unspecified quantity of energy), and the unpredictability of other factors outside the Group's influence (i.e., provisional ERC rates).

Allocation of variable consideration
Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation, power distribution, ancillary services and retail supply revenue streams which are considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Group allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Group.

<u>Estimates and assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Group based its assumptions and estimates on parameters available when the unaudited interim condensed consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment losses on financial assets
The measurement of impairment losses under both PFRS 9 and PAS 39 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows, including collectability, collateral values and other credit enhancements, when determining impairment losses. Increases or decreases to the allowance balance are recorded as general and administrative expenses in the interim consolidated statements of income.

Under PFRS 9, additional judgments are also made in assessing a significant increase in credit risk in the case of financial assets measured using the general approach. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's impairment calculations are outputs of statistical models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the impairment models that are considered accounting judgments and estimates include:

- The Group's criteria for defining default and for assessing if there has been a significant increase in credit risk;
- The segmentation of financial assets when impairment is assessed on a collective basis;
- The choice of inputs and the various formulas used in the impairment calculation
- Determination of relationships between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the impairment models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary (see Note 3).

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

	January - September 2018		
	Before Tax Amount	**Tax (Expense) Benefit**	**Net of Tax Amount**
Movement in cumulative translation adjustments	**₱3,243,971**	**₱–**	**₱3,243,971**
Share in movement in cumulative translation adjustment of associates and joint ventures	**584,260**	**–**	**584,260**
Share in actuarial gains on defined benefit plans of associates and joint ventures	**294**	**–**	**294**
Actuarial losses on defined benefit plans	**(145)**	**–**	**(145)**
Other comprehensive income for the period - net of tax	**₱3,828,380**	**₱–**	**₱3,828,380**

	January - September 2017		
	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Movement in cumulative translation adjustments	₱734,295	₱–	₱734,295
Actuarial losses on defined benefit plans	(300)	–	(300)
Movement in unrealized gain on AFS investments	3,269	–	3,269
Other comprehensive income for the period - net of tax	₱737,264	₱–	₱737,264

6. Investments and Advances

	September 30, 2018	December 31, 2017
Acquisition cost:		
Balance at beginning of the year	**₱28,140,556**	₱27,528,339
Additions during the year	**1,851,740**	1,499,035
Step acquisition to subsidiary	**–**	(878,009)
Redemptions during the year	**(80,216)**	(8,809)
Balance at end of year	**29,912,080**	28,140,556
Accumulated equity in net earnings:		
Balance at beginning of the year	**3,666,971**	3,618,877
Share in net earnings	**3,596,877**	4,697,864
Step acquisition to subsidiary	**–**	528,697
Dividends received or receivable	**(2,708,866)**	(5,178,467)
Balance at end of year	**4,554,982**	3,666,971
Share in net unrealized valuation gains on investments of an associate	**124,121**	124,121
Share in actuarial gains on defined benefit plans of associates and joint ventures	**5,257**	4,963
Share in cumulative translation adjustments of associates and joint ventures	**439,753**	(144,507)
	569,131	(15,423)
	35,036,193	31,792,104
Less allowance for impairment losses	**568,125**	568,125
Investments at equity	**34,468,068**	31,223,979
Advances	**24,616**	24,616
	₱34,492,684	₱31,248,595

The Group's associates and joint ventures and the corresponding equity ownership as of September 30, 2018 and December 31, 2017 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	50.00
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 September 30, 2018*

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:

	September 30, 2018	December 31, 2017
GNPD	**₱14,575,111**	₱12,251,529
MORE	**9,988,997**	9,926,376
STEAG	**4,152,582**	3,787,507
CEDC	**3,657,044**	3,019,192
RPEI	**685,071**	714,191
PEVI	**485,711**	523,356
SFELAPCO	**397,145**	365,809
Hijos	**176,644**	201,337
WMPC	**108,181**	112,420
SPPC	**85,832**	86,537
Others	**155,750**	235,725
	₱34,468,068	₱31,223,979

7. Joint Operations

Name of Joint Operation	Nature of Business	Percentage of Ownership September 30, 2018
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

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

	2018 Annual Interest Rate	**September 30, 2018**	December 31, 2017
Company (see Note 10):			
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
Subsidiaries:			
GMCP	LIBOR + 1.7% -		
Financial institutions - secured	4.00%	**43,318,638**	30,706,949
TVI			
Financial institutions - secured	5.50% - 7.44%	**29,890,000**	29,890,000
TSI			
Financial institutions - secured	5.00% - 5.64%	**22,004,873**	22,660,043
APRI			
Financial institutions - secured	4.48% - 5.20%	**9,374,400**	10,624,640
Hedcor Bukidnon			
Financial institutions - secured	4.75% - 6.78%	**9,327,700**	9,327,700
TPI			
Financial institutions - unsecured	LIBOR + 1.10%	**-**	15,153,755
Hedcor Sibulan			
Fixed rate corporate notes - unsecured	4.05% - 5.42%	**4,000,200**	4,097,000
VECO			
Financial institution - unsecured	4.49% - 4.81%	**1,176,000**	1,176,000
LHC			
Financial institutions - secured	2.00% - 2.75%	**1,077,699**	1,105,950
DLP			
Financial institution - unsecured	4.49% - 4.81%	**882,000**	882,000
HI			
Financial institution - secured	5.25%	**450,000**	540,000
AI			
AEV - unsecured		**300,000**	300,000
SEZ			
Financial institution - unsecured	5.00%	**169,500**	226,000
CLP			
Financial institution - unsecured	4.49% - 4.81%	**176,400**	176,400
Joint operation (see Note 7)			
Financial institutions - secured	5.50% - 8.31%	**14,473,051**	14,066,500
		149,620,461	153,932,937
Less deferred financing costs		**1,448,080**	1,879,437
		148,172,381	152,053,500
Less current portion - net of deferred financing costs		**9,567,312**	20,692,751
		₱138,605,069	₱131,360,749

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 September 30, 2018 and December 31, 2017.

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.

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

11. Earnings Per Common Share

Earnings per common share amounts were computed as follows:

		For the nine months ended September 30	
		2018	2017
a.	Net income attributable to equity holders of the parent	**₱16,672,126**	₱15,745,837
b.	Weighted average number of common shares issued and outstanding	**7,358,604,307**	7,358,604,307
	Basic/diluted earnings per common share (a/b)	**₱2.27**	₱2.14

There are no dilutive potential common shares as of September 30, 2018 and 2017.

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	₱42,301,834	–	–	₱42,301,834
Revenue from distribution services	–	34,190,713	–	34,190,713
Revenue from retail electricity sales	–	–	18,263,733	18,263,733
Revenue from non-power supply contracts	5,088,757	–	–	5,088,757
Revenue from technical and management services	–	–	259,926	259,926
	₱47,390,591	₱34,190,713	₱18,523,659	₱100,104,963

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:

September 30, 2018

	Power Generation	**Power Distribution**	**Parent Company/ Others**	**Eliminations and Adjustments**	**Consolidated**
REVENUE					
External	**₱47,390,591**	**₱34,190,713**	**₱18,523,659**	**₱–**	**₱100,104,963**
Inter-segment	**16,694,875**	**1,074,561**	**2,126,928**	**(19,896,364)**	**–**
Total Revenue	**₱64,085,466**	**₱35,265,274**	**₱20,650,587**	**(₱19,896,364)**	**₱100,104,963**
Segment Results	**₱20,942,066**	**₱4,765,833**	**₱2,047,206**	**₱–**	**₱27,755,105**
Unallocated corporate income (expense) - net	**(1,930,939)**	**516,130**	**167,282**	**–**	**(1,247,527)**
INCOME FROM OPERATIONS	**₱19,011,127**	**₱5,281,963**	**₱2,214,488**	**–**	**₱26,507,578**
Interest expense	**(7,119,760)**	**(248,343)**	**(1,108,910)**	**-**	**(8,477,013)**
Interest income	**356,823**	**35,344**	**165,122**	**-**	**557,289**
Share in net earnings of associates and joint ventures	**3,428,759**	**133,279**	**17,176,865**	**(17,142,026)**	**3,596,877**
Provision for income tax	**(500,975)**	**(1,400,669)**	**(677,012)**	**-**	**(2,578,656)**
NET INCOME	**₱15,175,974**	**₱3,801,574**	**₱17,770,553**	**(₱17,142,026)**	**₱19,606,075**
OTHER INFORMATION					
Investments	**₱33,251,580**	**₱882,857**	**₱129,392,477**	**(₱129,058,846)**	**₱34,468,068**
Segment Assets	**₱279,913,132**	**₱27,785,011**	**₱157,337,912**	**(₱89,298,115)**	**₱375,737,940**
Segment Liabilities	**₱185,885,718**	**₱21,028,841**	**₱47,313,374**	**(₱10,513,545)**	**₱243,714,388**
Depreciation and Amortization	**₱5,481,812**	**₱722,093**	**₱18,525**	**₱117,345**	**₱6,339,775**

September 30, 2017

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱43,175,767	₱32,377,551	₱12,854,830	₱–	₱88,408,148
Inter-segment	14,411,127	606,735	2,054,239	(17,072,101)	–
Total Revenue	₱57,586,894	₱32,984,286	₱14,909,069	(₱17,072,101)	₱88,408,148
Segment Results	₱20,373,774	₱4,152,179	₱531,376	₱–	₱25,057,329
Unallocated corporate income (expense) - net	(804,744)	502,853	22,980	–	(278,911)
INCOME FROM OPERATIONS	₱19,569,030	₱4,655,032	₱554,356	–	₱24,778,418
Interest expense	(7,442,035)	(212,414)	(1,244,752)	–	(8,899,201)
Interest income	301,725	24,547	371,748	–	698,020
Share in net earnings of associates and joint ventures	3,611,745	168,236	16,204,193	(16,202,411)	3,781,762
Provision for income tax	(1,648,813)	(1,217,441)	(246,127)	-	(3,112,381)
NET INCOME	₱14,391,652	₱3,417,960	₱15,639,418	(₱16,202,411)	₱17,246,618
OTHER INFORMATION					
Investments	₱30,049,040	₱819,079	₱111,772,120	(₱111,342,109)	₱31,298,130
Segment Assets	₱256,567,389	₱25,649,791	₱145,042,592	(₱56,446,068)	₱370,813,704
Segment Liabilities	₱172,333,599	₱19,015,435	₱61,468,845	(₱818,965)	₱251,998,914
Depreciation and Amortization	₱4,888,885	₱656,982	₱17,197	₱117,345	₱5,680,409

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, financial assets at FVTPL, 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.

In 2017, financial assets at FVTPL were previously classified as AFS investments.

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

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

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

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

The main risks arising from the Group's financial instruments are interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term debt; credit risk involving possible exposure to counter-party default on its cash and cash equivalents, financial assets at FVTPL and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings.

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

In managing its long-term financial requirements, the Group's policy is that not more than 25% of long-term borrowings should mature in any twelve-month period. 6.73% of the Group's debt will mature in less than one year as of September 30, 2018 (December 31, 2017: 11.58%). 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 September 30, 2018 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	₱13,097,840	₱13,097,840	₱–	₱13,097,840	₱–	₱–
Trade and other payables	18,375,968	18,375,968	1,178,269	17,197,699	–	–
Long-term debts	148,172,381	149,620,461	–	9,665,551	61,127,306	78,827,604
Customers' deposits	6,146,028	6,146,028	–	–	104,880	6,041,148
Finance lease obligation	48,564,489	71,495,370	–	4,560,300	51,227,370	15,707,700
Long-term obligation on power distribution system	246,640	400,000	–	40,000	200,000	160,000
Derivative liabilities	3,651	3,651	–	171	3,480	–
	₱234,606,997	₱259,139,318	₱1,178,269	₱44,561,561	₱112,663,036	₱100,736,452

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 September 30, 2018, 11% of the Group's long-term debt had annual floating interest rates ranging from 2.00% to 2.94%, and 89% have annual fixed interest rates ranging from 4.00% to 8.31%. As of December 31, 2017, 21% of the Group's long-term debt had annual floating interest rates ranging from 1.88% to 3.00%, and 79% have annual fixed interest rates ranging from 4.00% to 7.38%.

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 September 30, 2018

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	₱2,589,490	₱10,795,737	₱3,272,112	₱16,657,339

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
September 30, 2018	**200**	**(₱333,147)**
	(100)	**166,573**
September 30, 2017	200	(₱827,380)
	(100)	413,690

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 nine-month period ended September 30	
	2018	2017
Short-term loans and long-term debt	**₱4,988,592**	₱5,485,776
Finance lease obligation	**3,466,630**	3,389,119
Customers' deposits	**1,222**	2,689
Other long-term obligations	**20,569**	21,617
	₱8,477,013	₱8,899,201

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 34% and 35% of total consolidated borrowings as of September 30, 2018 and December 31, 2017, respectively.

Presented below are the Group's foreign currency denominated financial assets and liabilities as of September 30, 2018 and December 31, 2017, translated to Philippine Peso:

	September 30, 2018		December 31, 2017	
	US Dollar	**Philippine Peso equivalent[1]**	US Dollar	Philippine Peso equivalent[2]
Cash and cash equivalents	**$39,040**	**₱2,108,941**	$106,561	₱5,320,591
Trade and other receivables	**681**	**36,776**	34,880	1,741,562
Derivative assets	**13,732**	**741,826**	–	–
Total financial assets	**53,453**	**2,887,543**	141,441	7,062,153
Short-term loans	**27,000**	**1,458,540**	–	–
Trade and other payables	**13,554**	**732,215**	41,457	2,069,939
Long-term debt	-	-	303,500	15,153,755
Finance lease obligation	**489,850**	**26,461,697**	519,370	25,932,144
Total financial liabilities	**530,404**	**28,652,452**	864,327	43,155,838
Total net financial liabilities	**($476,951)**	**(₱25,764,909)**	($722,886)	(₱36,093,685)

[1]$1 = 54.02

[2]$1 = 49.93

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 September 30, 2018:

	Increase/ (decrease) in US Dollar	Effect on income before tax
US Dollar denominated accounts	US Dollar strengthens by 5%	(₱1,325,337)
US Dollar denominated accounts	US Dollar weakens by 5%	1,325,337

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 September 30, 2018 and December 31, 2017 is summarized in the following table:

	September 30, 2018	December 31, 2017
Power distribution:		
Industrial	**₱4,927,767**	₱4,573,703
Residential	**1,800,918**	1,083,524
Commercial	**773,645**	1,198,568
City street lighting	**27,992**	31,680
Power generation:		
Power supply contracts	**8,972,077**	7,815,795
Spot market	**1,536,196**	1,676,552
	₱18,038,595	₱16,379,822

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 September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018	December 31, 2017
Short-term loans	**₱13,097,840**	₱4,717,300
Long-term debt	**196,736,870**	201,278,754
Cash and cash equivalents	**(29,630,612)**	(35,699,631)
Restricted cash	**(5,695,250)**	(2,642,327)
Net debt (a)	**174,508,848**	167,654,096
Equity	**132,023,552**	123,978,464
Equity and net debt (b)	**₱306,532,400**	₱291,632,560
Gearing ratio (a/b)	**56.93%**	57.49%

No changes were made in the objectives, policies or processes during the periods ended September 30, 2018 and December 31, 2017.

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.

	September 30, 2018		December 31, 2017	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Liabilities				
Finance lease obligation	**₱48,564,489**	**₱43,154,599**	₱49,225,254	₱43,462,850
Long-term debt - fixed rate	**131,515,043**	**130,169,611**	120,846,633	115,027,567
Long-term obligation on power distribution system	**246,640**	**294,650**	226,071	326,655
	₱180,326,172	**₱173,618,860**	₱170,297,958	₱158,817,072

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

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

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

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

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

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

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

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

Financial assets at FVTPL. Effective January 1, 2018, these pertain to quoted and unquoted equity securities which are previously classified as AFS Investments.

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 movements in fair value changes of all derivative instruments for the nine-month period ended September 30, 2018 and for the year ended December 31, 2017 are as follows:

	September 30, 2018	December 31, 2017
At beginning of year	**₱294,364**	(₱69,016)
Net changes in fair value of derivatives designated as accounting hedges	**1,373,460**	105,483
Net changes in fair value of derivatives not designated as accounting hedges	**(193,991)**	5,339
Derecognition of recognized cumulative translation adjustments	**–**	240,960
Fair value of settled instruments	**73,544**	11,598
At end of period	**₱1,547,377**	₱294,364

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 September 30, 2018, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
Derivative asset	₱1,551,028	₱–	₱1,551,028	₱–
Derivative liability	3,651	–	3,651	–
Disclosed at fair value:				
Finance lease obligation	43,154,599	–	–	43,154,599
Long-term debt - fixed rate	130,169,611	–	–	130,169,611
Long-term obligation on PDS	294,650	–	–	294,650

During the nine-month period ended September 30, 2018, 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 8, 2018, the BOD approved the declaration of regular cash dividends of ₱1.39 a share (₱10.23 billion) to all stockholders of record as of March 22, 2018. These dividends were paid on April 12, 2018.

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

a. 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.

b. Property, Plant and Equipment

During the nine-month period ended September 30, 2018, the Group's additions to property, plant and equipment amounted to ₱7.83 billion, including acquisition of distribution assets and costs relating to the construction of power plant facilities.

A significant portion of the Group's property, plant and equipment relates to various projects under "Construction in progress" as of September 30, 2018, as shown below:

Project Company	Estimated cost to complete (in millions)	% of completion
TVI	₱7,886	80%
Hedcor Bukidnon	1,406	88%
PEC (see Note 7)	–	100%

For the nine-month period ended September 30, 2018, construction costs for the various projects amounted to ₱4.13 billion, which includes capitalized borrowing costs amounting to ₱1.95 billion.

c. Dividends to Non-controlling Interests

The Group's material partly-owned subsidiaries, namely GMCP and VECO, paid cash dividends amounting to ₱5.16 billion and ₱829.2 million to non-controlling interests during the nine-month periods ended September 30, 2018 and 2017, respectively.

d. Material Events and Changes

a) ₱10 billion bond issuance

On June 19, 2017, the Company obtained the approval of the SEC in relation to its application for the issuance of fixed-rate retail bonds in the aggregate amount of up to ₱30 billion, under the shelf registration program.

On October 25, 2018, the second tranche was issued, equivalent to ₱10 billion with an oversubscription option. The Series "B" Fixed Rate Bonds with an interest rate of 7.5095% per annum maturing in 2024, and the Series “C” Fixed Rate Bonds with an interest rate of 8.5091% per annum to maturing in 2028.

b) Acquisition of AA Thermal, Inc. (AA Thermal)

On September 26, 2018, the Company entered into a share purchase agreement with Arlington Mariveles Netherlands Holding BV, an affiliate of AC Energy, Inc. (AC Energy), and a shareholders’ agreement with AC Energy, a wholly-owned subsidiary of Ayala Corporation, for the proposed acquisition of a 49% voting stake and 60% economic stake in AA Thermal, AC Energy’s thermal platform in the Philippines.

AA Thermal’s assets initially consist of AC Energy’s limited partnership 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.

Closing of the transaction is subject to the satisfaction of certain conditions precedent, including the approval by the Philippine Competition Commission. The transaction will increase the Company’s beneficial ownership in GMCP and GNPD. The transaction was valued at USD 579.2 million.

c) TPVI’s acquisition of Naga Power Plant Complex (“Naga Plant”)

On July 16, 2018, the Naga Plant was physically turned over and accepted by TPVI. The Naga Plant is composed of diesel and coal power plants with a combined capacity of 153.1 MW.

In May 2018, TPVI received the Certificate of Effectivity (COE) from the Power Sector Assets and Liabilities Management Corp. (PSALM) initiating the purchase of the facility.

The COE implements the September 28, 2015 decision of the Supreme Court, which upheld the April 30, 2014 award of the facility to TPVI.

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.

e. 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.

f. 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) First Tranche of Three Billion 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

SCHEDULE B – RELEVANT FINANCIAL RATIOS

	Formula	September 30, 2018	December 31, 2017
LIQUIDITY RATIOS			
Current ratio	Current assets / Current liabilities	**1.56**	1.38
Acid test ratio	(Cash + Marketable securities + Accounts receivable + Other liquid assets) / Current liabilities	**1.08**	1.08
SOLVENCY RATIOS			
Debt to equity ratio	Total liabilites / Total equity	**1.85**	1.92
Asset to equity ratio	Total Assets / Total Equity	**2.85**	2.92
Net debt to equity ratio	Debt - Cash & cash equivalents / Total Equity	**1.32**	1.35
Gearing ratio	Debt - Cash & cash equivalents / Total Equity + (Debt - Cash & cash equivalents)	**56.93%**	57.49%
Interest coverage ratio *	EBIT / Interest expense	**n.a**	3.60
PROFITABILITY RATIOS			
Operating margin *	Operating profit / Total revenues	**n.a**	29%
Return on equity *	Net income after tax / 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 September 30, 2018

	30 Days	60 Days	90 Days	Over 90 Days	Total
Trade receivables					
Power Distribution Customers	3,163,313	762,453	112,579	685,953	4,724,298
Power Generation Customers	7,245,671	452,895	314,254	2,495,453	10,508,273
Management & Other Services Customers	2,802,039	-	-	3,985	2,806,024
	13,211,023	1,215,348	426,833	3,185,391	18,038,595
Less : Allowance for estimated credit losses					1,865,454
Net trade receivables					16,173,141
Non-trade receivables	7,303,246	-	-	9,886	7,313,132
Grand Total	20,514,269	1,215,348	426,833	3,195,277	23,486,273

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