



November 14, 2019

SECURITIES AND EXCHANGE COMMISSION

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

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

via PSE EDGE

PHILIPPINE STOCK EXCHANGE, INC.
PSE Tower, 28th Street, cor. 5th Avenue
Bonifacio Global City, Taguig City

ATTENTION : **MS. JANET A. ENCARNACION**
Head, Disclosure Department

via electronic mail

PHILIPPINE DEALING & EXCHANGE CORP.
Market Regulatory Services Group
29th Floor BDO Equitable Tower
8751 Paseo de Roxas, Makati City 1226

ATTENTION : **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head – Issuer Compliance and Disclosure Department

Gentlemen:

Please see enclosed SEC Form 17-Q (3rd Quarterly Report 2019) of Aboitiz Power Corporation.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ POWER CORPORATION

By:

A handwritten signature in black ink, appearing to read "Manuel Alberto R. Colayco", with a long horizontal flourish extending to the right.

MANUEL ALBERTO R. COLAYCO^{JVB}
Corporate Secretary

COVER SHEET

C 1 9 9 8 0 0 1 3 4

S.E.C. Registration Number

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

(Company's Full Name)

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

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

P H I L I P P I N E S

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

MANUEL ALBERTO R. COLAYCO

Contact Person

(02) 8-886-2338

Company Telephone Number

1 2 3 1

Month Day
Fiscal Year

1st Quarterly Report 2019

1 7 - Q

FORM TYPE

4th Monday of April

0 4 2 2

Month Day
Annual Meeting

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.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

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, 2019
2. Commission identification number C199800134 3.BIR Tax Identification No. 200-652-460-000

4. Exact name of issuer as specified in its charter

ABOITIZ POWER CORPORATION

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

Philippines

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code

32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines 1634

8. Issuer's telephone number, including area code

(02) 8 886-2800

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, 2019)
<u>Common Stock P1 Par Value</u>	<u>7,358,604,307</u>
<u>Amount of Debt Outstanding</u>	<u>P 232,070,550,000</u>

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

Yes [x] No []

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

Philippine Stock Exchange

Common

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to the financial statements and schedules attached herewith.

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

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Key Performance Indicators

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

1. **Share in Net Earnings of Associates and Joint Ventures.** This represents the Group's share in the undistributed earnings or losses of its associates and joint ventures for each reporting period subsequent to acquisition of said investment, net of goodwill impairment cost, if any. It also indicates profitability of the investment and the contribution of an associate or a joint venture to the Group's consolidated net income.

Manner of Computation:

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

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

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

The table below shows the comparative figures of the key performance indicators for the nine (9) months of 2019 and 2018 and as of December 31, 2018:

Key Performance Indicators	SEPTEMBER 2019	SEPTEMBER 2018	DECEMBER 2018
<i>Amounts in thousands of ₱s, except for financial ratios</i>			
SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	2,812,358	3,596,877	
EBITDA	34,707,403	39,111,386	
CASH FLOW GENERATED:			
Net cash flows from operating activities	31,520,767	24,293,839	
Net cash flows used in investing activities	(29,553,677)	(4,966,433)	
Net cash flows from (used in) financing activities	(17,358,201)	(25,574,469)	
Net Increase (Decrease) in Cash & Cash equivalents	(15,391,111)	(6,247,063)	
Cash & Cash Equivalents, Beginning	46,343,041	35,699,631	
Cash & Cash Equivalents, End	31,478,303	29,630,612	
CURRENT RATIO	1.23		1.89
DEBT-TO-EQUITY RATIO	2.13		1.85

- Share in net earnings in associates and joint ventures for the first nine months of 2019 decreased by 22% compared to same period last year. The decrease was mainly due to lower income contributions from SN Aboitiz Power-Magat, Inc. (SN Aboitiz Power-Magat) and GNP Power Dinginin Ltd. Co. (GNPD). SN Aboitiz Power-Magat's lower income contribution was primarily driven by a reduction in volume sold due to reduced water levels in 2019. The lower share in net earnings of GNPD was mainly due to the foreign exchange (forex) gain recorded in 2018 as against the forex loss reported in 2019.
- EBITDA for the first nine months of 2019 decreased by 11%, mainly due to an increase in the cost of purchased power, lower spot market revenues and lower plant availability of the power generation group.
- For the nine months ended September 30, 2019, cash and cash equivalents decreased by ₱14.86 billion (bn), due to (i) cash flows used for the AA Thermal, Inc. (AA Thermal) acquisition, (ii) cash flows used to invest into GNPD for its on-going power plant construction and (iii) cash flows used for the Group's capital expenditures.
- Current ratio as of September 30, 2019 was at 1.23x as compared to previous year's 1.89x. This is due to an increase in current liabilities, mainly from new short term loan availments.
- Debt-to-equity ratio as of September 30, 2019 was at 2.13x, higher than the 1.85x recorded at the end of 2018.

Results of Operations

Net income for the first nine months of 2019 of ₱13.45 bn, was 19% lower than the ₱16.67 bn reported for the same period in 2018. This translated to earnings per share of ₱1.83 for the period. During the first nine months of 2019, the Company recognized non-recurring losses of ₱220 million (mn) (versus 9-month 2018's non-recurring losses of ₱1.71 bn). These were mainly net forex gains and losses from the revaluation of dollar-denominated liabilities and derivatives. Without these one-off losses, the Company's core net income for the first nine months of 2019 was ₱13.68 bn, 26% lower Year-on-Year (YoY).

Power Generation and Retail Electricity Supply (RES)

The power generation group and retail supply business recorded EBITDA of ₱28.73 bn in the first nine months of 2019, 11% lower than the ₱32.96 bn recorded during the same period last year. This was primarily driven by the higher volume and cost of purchased power, lower spot market revenues, and lower plant availability. Spot market prices were high in the first half of 2019 and during that period, the Group purchased replacement power due to outages and contracting ahead in preparation for Therma Visayas, Inc.'s (TVI) incoming capacity. Plant availability was also lower versus the same period last year due to outages from the Group's coal facilities.

Capacity sold for the first nine months of 2019 decreased by 1% YoY, from 3,169 megawatts (MW) in 2018 to 3,123 MW in 2019 primarily due to lower availability.

Power Distribution

The power distribution group recorded EBITDA of ₱6.00 bn for the first nine months of 2019, 3% lower than the ₱6.22 bn recorded during the same period last year. This was mainly due to lost margins from the decommissioning of the Bajada power plant. The Company saw energy sales increase to 4,341 gigawatt-hours (GWh), which was 5% higher than the 4,136 GWh recorded in the first nine months of 2018. This was primarily driven by the increase in new customers across all segments.

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

Consolidated Statements of Income

Consolidated net income attributable to equity holders of the Parent decreased by ₱3.22 bn, or 19%. The various movements in line items are shown below to account for the decrease:

Net Income Attributable to Equity Holders of the Parent (January - September 2018)	₱16,672,125
Decrease in operating revenues	(5,423,929)
Increase in operating expenses	(97,938)
Increase in interest income	503,162
Increase in interest expense	(1,770,968)
Decrease in share in net earnings of associates and joint ventures	(784,519)
Increase in other income	3,551,319
Lower provision for taxes	70,052
Decrease in income attributable to non-controlling interests	735,653
Total	(3,217,168)
Net Income Attributable to Equity Holders of the Parent (January – September 2019)	₱13,454,957

Operating Revenues

(5% decrease from ₱100.10 bn to ₱94.68 bn)

The decrease in operating revenues was driven by (i) lower plant availability, (ii) expiration of contracts with customers of Therma Marine, Inc. (TMI) and Therma Mobile, Inc. (TMO), and (iii) lower average selling price on the power generation group and retail supply business power supply contracts. This was partly offset by higher electricity sales from the Company's distribution utilities.

The lower plant availability due to outages, during the first nine months of the year resulted to a reduction in the volume (capacity and energy) sold to customers. Likewise, this limited the Group's capacity available to sell to the spot market.

Operating Expenses

(Increase from ₱72.35 bn to ₱72.45 bn)

The slight increase in operating expenses for the first nine months of 2019 was mainly due to an increase in cost of generated power, and higher depreciation and amortization costs, offset by a decrease in cost of purchased power.

The increase in cost of generated power (up 4% or ₱1.08 bn), and depreciation and amortization cost was mainly due to the start of operations of TVI and full first nine months operations of Hedcor Bukidnon, Inc. (Hedcor Bukidnon) and Pagbilao Energy Corporation (PEC).

The decrease in cost of purchased power (down 7% or ₱2.15 bn) was mainly due to a decrease in the cost of purchased power of the distribution utilities which more than offset the increase in the generation group's cost of purchased power. The distribution group's cost was lower as it sourced more of its energy requirements from the power generation group during the first nine months of 2019. The increase in the power generation group's cost of purchased power was due to high spot market prices on its purchased replacement power in the first half of 2019.

Interest Income

(90% increase from ₱557 mn to ₱1.06 bn)

The increase in interest income during the first nine months of 2019 compared to the same period last year was primarily due to the Company's higher cash investments and higher interest income from Therma South, Inc. (TSI), TVI, Hedcor Bukidnon and AP Renewables, Inc. (APRI).

Interest Expense and other financing costs

(21% increase from ₱8.48 bn to ₱10.25 bn)

Interest expense increased in the first nine months of 2019 compared to the same period last year due to the interest and financing costs on AP's ₱10.20 bn retail bonds issued in October 2018 and the \$300 mn loan used to finance the acquisition of AA Thermal, and the recognition of interest expense from the Hedcor Bukidnon, PEC and TVI project loans. These were partially offset by the lower interest expense of Therma Power, Inc. (TPI) as it fully paid its dollar-denominated loan in August 2018.

Share in Net Earnings of Associates and Joint Ventures

(22% decrease from ₱3.60 bn to ₱2.81 bn)

Share in net earnings in associates and joint ventures for the first nine months of 2019 decreased by 22% compared to same period last year. The decrease was mainly due to lower income contributions from SN Aboitiz Power-Magat and GNPD. SN Aboitiz Power-Magat's lower income contribution was primarily driven by a reduction in volume sold due to reduced water levels in 2019. The lower share in net earnings of GNPD was mainly due to the foreign exchange (forex) gain recorded in 2018 as against the forex loss reported in 2019.

Other Income (Expenses) – net

(Increase from ₱1.25 bn other expense to ₱2.30 bn other income)

The change from an expense position in the first nine months of 2018 to net other income in the first nine months of 2019 was mainly due to lower net forex loss YoY (₱2.54 bn loss in 2018 versus ₱132 mn gain in 2019). This movement was due to favorable movements of the Philippine Peso against the U.S. Dollar in the first nine months of 2019 compared to same period last year, as well as lower dollar-denominated debt following the full payment of TPI's dollar denominated loan in August 2018.

Provision for Taxes

(3% decrease from ₱2.58 bn to ₱2.51 bn)

The decrease was due to lower taxable income during the first nine months of 2019 compared to same period last year.

Income attributable to non-controlling interests

(Decrease from ₱2.93 bn to ₱2.20 bn)

The decrease was due to lower operating results of GMCP and lower non-controlling ownership in GMCP after the acquisition of non-controlling interests in May 2019.

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

Assets

Total assets (as of September 30, 2019 compared to December 31, 2018) increased by ₱15.12 bn, or 4%. The major movements of the accounts leading to the increase were as follows:

- a. Cash and cash equivalents decreased by ₱14.86 bn, or 32% (from ₱46.34 bn to ₱31.48 bn). This was due to cash outflows used for the following: (i) AA Thermal acquisition, (ii) invest into GNPD for its on-going power plant construction, (iii) fund the Group's capital expenditures, and also used to service debt. This was partially offset by operating cash flows and proceeds from short term loans and long-term debts.
- b. Inventories increased by ₱977 mn, or 15% (from ₱6.69 bn to ₱7.67 bn) primarily due to an increase in the distribution utilities inventory of spare parts and supplies for operations and maintenance. This was supplemented by an increase in coal inventories.
- c. Property held for sale of ₱676 mn as of December 31, 2018 (specifically transmission assets) was sold to the NGCP in February 2019.
- d. Other current assets decreased by ₱2.00 bn, or 15% (from ₱13.21 bn to ₱11.20 bn) mainly driven by the decrease in restricted cash of TSI. The maintenance of a cash reserve forms part of TSI's compliance with the covenants on its project debt.
- e. Investments and advances increased by ₱27.68 bn, or 81% (from ₱34.33 bn to ₱62.01 bn) primarily due to the AA Thermal acquisition.
- f. Property, plant and equipment increased (from ₱207.11 bn to ₱210.56 bn) due to the recognition of right-of-use assets on the Group's leases resulting from the adoption of PFRS 16 *Leases*.
- g. Derivative assets (current and non-current portions) went down by ₱248 mn during the first nine months of 2019, primarily due to fair value changes on GMCP's interest rate swaps.
- h. Financial Assets at Fair Value to Profit or Loss (FVTPL) decreased by ₱85 mn, or 84%. This was mainly due to the sale of Parent Company's financial assets at FVTPL.

- i. Deferred income tax assets increased by ₱614 mn, or 16% (from ₱2.23 bn to ₱2.85 bn) mainly due to the deferred tax benefits recognized by TMO on its net operating loss and Therma Luzon, Inc. (TLI) on its unrealized forex losses.
- j. Other noncurrent assets increased by ₱1.12 bn, or 11% (from ₱10.66 bn to ₱11.78 bn). The increase was due to restricted cash of a subsidiary that arose from its receipt of proceeds from a damage claim against its contractors, which claim is now under dispute. This was partly offset by decrease in input VAT and reversal of prepaid rent against lease liabilities upon adoption of PFRS 16 *Leases*.

Liabilities

Compared to December 31, 2018, total liabilities as of September 30, 2019 increased by ₱22.30 bn, or 9%. The major movements of accounts leading to the increase were as follows:

- a. Short-term loans increased by ₱7.64 bn, or 66% (from ₱11.55 bn to ₱19.19 bn), mainly due to new loans of the Company to fund working capital requirements.
- b. Derivative liabilities (current and non-current portions) increased by ₱2.03 bn during the first nine months of 2019, due to fair value changes on the Group's foreign currency forward contracts and commodity swap contracts.
- c. Income tax payable increased by ₱836 mn, or 191%, mainly due to expiry of income tax holiday of certain subsidiaries and higher current income tax provision at the Company's distribution utilities.
- d. Long-term debt (current and non-current portions) increased by ₱9.15 bn (from ₱158.06 bn to ₱167.21 bn) primarily due to the \$300 mn loan availment of the Parent. This was partly offset by principal payments made on existing loans of GMCP, APRI, TSI, PEC, LHC and Hedcor, Inc.
- e. Lease liabilities (current and noncurrent portions) decreased by ₱1.22 bn (from ₱46.89 bn to ₱45.67 bn), as TLI made timely payments on its obligation to Power Sector Assets and Liabilities Management Corporation (PSALM).
- f. Long-term obligation on power distribution system (current and noncurrent portions) increased by ₱19 mn (from ₱213 mn to ₱232 mn) mainly on accretion of interest.
- g. Customers' deposits increased by ₱318 mn, or 5% (from ₱6.01 bn to ₱6.33 bn) primarily driven by growth in customer base of the distribution utilities.
- h. Asset retirement obligation increased by ₱206 mn, or 6% (from ₱3.68 bn to ₱3.88 bn) mainly on accretion of interest.
- i. Other noncurrent liabilities increased by ₱3.95 bn, or 124% (from ₱3.18 bn to ₱7.13 bn) mainly due to receipt of proceeds from a damage claim against contractors, which claim is now under dispute.

Equity

Equity attributable to equity shareholders of the Parent Company decreased by 5% (from ₱127.71 bn at the end of 2018 to ₱121.83 bn as of September 30, 2019), after the declaration of dividends in March 2019, net of comprehensive income recognized during the first nine months of 2019.

- a. Cumulative translation adjustments decreased by ₱1.80 bn, due to (i) downward effect of changes in the fair value of foreign currency forward and commodity swap contracts designated as cash flow hedges and (ii) translation effect of GMCP and LHC for period.

- b. Share in cumulative translation adjustments of associates and joint ventures decreased by ₱422 mn, mainly due to translation effect of GNPD for the period.
- c. Acquisition of non-controlling interests for the period pertains to the difference between the purchase price and fair value of net assets acquired in the acquisition of additional partnership interest in GMCP.

Material Changes in Liquidity and Cash Reserves of Registrant

The Group continues to realize significant amount of cash flows from operations, which brought in ₱31.52 bn in the first nine months of 2019, a ₱7.23 bn or 30% increase compared to the same period last year. The increase in operating cash flows was due to lower working capital requirements and lower taxes paid during the first nine months.

Net cash flows used in investing activities increased to ₱29.55 bn in the first nine months of 2019 from ₱4.97 bn for the same period last year. The increase in cash outflow was mainly due to funding for the AA Thermal acquisition.

Despite the cash used to fund the acquisition of additional partnership interest in GMCP, the net cash outflows from financing activities amounting to ₱17.36 bn is still lower than same period last year. This is due to higher debt availed during the first nine months of 2019 as compared to same period last year.

As of September 30, 2019, the Group's cash and cash equivalents decreased by 32%, from ₱46.34 bn as of December 31, 2018 to ₱31.48 bn.

Financial Ratios

Current assets decreased by 20% and current liabilities increased by 24%. The current ratio as of September 30, 2019 was at 1.23x compared to previous year's 1.89x.

Consolidated debt to equity ratio as of September 30, 2019 was at 2.13x, higher than the 1.85x recorded at the end of 2018. The change is mainly due to the 9% increase in total liabilities versus the 5% decrease in equity during the first nine months of 2019.

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

AboitizPower is focused on addressing the needs of its markets, namely: (1) reliable supply, at a (2) reasonable cost, and with (3) minimal impact on the environment and communities. The Company believes that there is no single technology that completely addresses the country's energy requirements. To address the deficiency, a mix of power generation technologies is necessary. Thus, AboitizPower continues to pursue both renewable projects and thermal technologies where and when it makes sense.

Despite increased competition in the power generation market, the Company is confident that it has built the foundation to sustain long term growth, as seen in its pipeline of new projects (see Item 1 Section ii on Generation of Electricity on page 45 of the Company's Definitive Information Statement (2018 SEC Form 20-IS) where target commercial operation dates for each project are discussed per business unit). The Company is well on track to reach the target of 4,000 MW net attributable capacity by 2020, which translates to 23 terawatt hours (TWh).

AboitizPower recently announced its goal of delivering at least 30 TWh by 2025, and 40 TWh by 2029. This is expected to come from a portfolio of renewables and selective baseload builds. In terms of renewable energy, the Company aims to maximize opportunities coming from the implementation of the Renewable Portfolio Standards (RPS) by the Department of Energy (DOE). RPS is a market-based policy that mandates power distribution utilities, electric cooperatives, and retail electricity suppliers to source an agreed portion of their energy supply from renewable energy facilities, with an aspirational goal of a 35% increase in renewable energy utilization by 2030. The Company will continue to pursue its international aspirations with focus on

renewable projects in Vietnam, Indonesia, and Myanmar. With all of these combined, we expect the Company to be at a 50:50 Cleanenergy and Thermal energy mix at the end of the next decade.

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

The Company 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.

AboitizPower has allotted over P50 bn for capital expenditures in 2019, about 80% of which is for thermal projects, and the remaining balance allocated mainly for exploratory and operating activities.

Other known trends, events, uncertainties which may have a material impact on the Registrant have been discussed extensively in sections of the Company's 2018 SEC Form 20-IS (e.g., for an extensive discussion on regulatory issues, see Part 1 Section xi on Effects of Existing or Probable Government Regulations on the Business on page 80 of the Company's 2018 SEC Form 20-IS).

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.

Aboitiz Power Corporation and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of September 30, 2019 (with Comparative Figures as of December 31, 2018) and
For the Nine-Month Periods Ended September 30, 2019 and 2018

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

(With Comparative Figures as of December 31, 2018)

(Amounts in Thousands)

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱31,478,303	₱46,343,041
Trade and other receivables (Note 7)	20,778,970	21,721,776
Derivative assets (Note 22)	–	71,583
Inventories	7,667,466	6,690,453
Property held for sale	–	675,819
Other current assets (Note 8)	11,204,668	13,205,935
Total Current Assets	71,129,407	88,708,607
Noncurrent Assets		
Investments and advances (Note 9)	62,013,770	34,334,126
Property, plant and equipment (Notes 16 and 24)	210,558,261	207,110,412
Intangible assets (Note 11)	46,267,361	46,165,494
Derivative assets - net of current portion (Note 22)	45,217	221,245
Financial assets at fair value through profit or loss (FVTPL)	16,404	101,441
Net pension assets	126,977	126,977
Deferred income tax assets	2,847,645	2,233,695
Other noncurrent assets	11,780,103	10,660,179
Total Noncurrent Assets	333,655,738	300,953,569
TOTAL ASSETS	₱404,785,145	₱389,662,176
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans (Note 13)	19,189,343	11,546,560
Current portions of:		
Long-term debts (Note 14)	9,508,642	8,697,404
Lease liabilities (Note 16)	4,887,319	4,131,059
Long-term obligation on power distribution system	40,000	40,000
Derivative liabilities (Note 22)	1,844,171	159,926
Trade and other payables (Note 12)	21,201,818	21,801,288
Income tax payable	1,274,719	438,783
Total Current Liabilities	57,946,012	46,815,020

(Forward)

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

(With Comparative Figures as of December 31, 2018)

(Amounts in Thousands)

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts (Note 14)	₱157,697,911	₱149,360,287
Lease liabilities (Note 16)	40,787,335	42,763,296
Long-term obligation on power distribution system	192,887	173,496
Derivative liabilities - net of current portion (Note 22)	342,135	-
Customers' deposits	6,326,651	6,008,364
Asset retirement obligation	3,884,908	3,678,810
Net pension liabilities	244,857	244,857
Deferred income tax liabilities	831,569	858,290
Other noncurrent liabilities	7,132,050	3,183,089
Total Noncurrent Liabilities	217,440,303	206,270,489
Total Liabilities	275,386,315	253,085,509
Equity Attributable to Equity Holders of the Parent		
Paid-in capital	19,947,498	19,947,498
Share in net unrealized valuation gain on fair value through other comprehensive income (FVOCI) of an associate	101,727	101,727
Cumulative translation adjustments	(1,274,014)	525,916
Share in cumulative translation adjustments of associates and joint ventures	(100,904)	321,139
Actuarial losses on defined benefit plans	(587,267)	(587,267)
Share in actuarial gains on defined benefit plans of associates and joint ventures	29,713	29,729
Acquisition of non-controlling interests	(6,321,325)	(259,147)
Excess of cost over net assets of investments	(421,260)	(421,260)
Loss on dilution	(433,157)	(433,157)
Retained earnings (Note 23)		
Appropriated	33,660,000	34,060,000
Unappropriated	77,227,658	74,427,738
	121,828,669	127,712,916
Non-controlling Interests	7,570,161	8,863,751
Total Equity	129,398,830	136,576,667
TOTAL LIABILITIES AND EQUITY	₱404,785,145	₱389,662,176

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ POWER CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings Per Share Amounts)

	Jan - Sep 2019	Jan - Sep 2018	Jul - Sep 2019	Jul - Sep 2018
OPERATING REVENUES (Note 20)	₱94,681,034	₱100,104,963	₱30,722,270	₱35,073,187
OPERATING EXPENSES (Note 17)	72,447,796	72,349,858	22,480,282	24,135,583
FINANCIAL INCOME (EXPENSES)				
Interest income	1,060,451	557,289	295,776	214,578
Interest expense and other financing costs	(10,247,981)	(8,477,013)	(3,684,712)	(3,126,254)
	(9,187,530)	(7,919,724)	(3,388,936)	(2,911,676)
OTHER INCOME (EXPENSES)				
Share in net earnings of associates and joint ventures	2,812,358	3,596,877	1,767,429	1,673,568
Other income (expenses) - net (Note 18)	2,303,792	(1,247,527)	241,554	(95,678)
	5,116,150	2,349,350	2,008,983	1,577,890
INCOME BEFORE INCOME TAX	18,161,858	22,184,731	6,862,035	9,603,818
PROVISION FOR INCOME TAX	2,508,604	2,578,656	1,335,516	851,893
NET INCOME	₱15,653,254	₱19,606,075	₱5,526,519	₱8,751,925
ATTRIBUTABLE TO:				
Equity holders of the parent	₱13,454,957	₱16,672,125	₱4,806,586	₱7,554,094
Non-controlling interests	2,198,297	2,933,950	719,933	1,197,831
	₱15,653,254	₱19,606,075	₱5,526,519	₱8,751,925
Earnings Per Common Share (Note 19)				
Basic and diluted, income for the period attributable to ordinary equity holders of the parent	₱1.83	₱2.27	₱0.65	₱1.03

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ POWER CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Jan - Sep 2019	Jan - Sep 2018	Jul - Sep 2019	Jul - Sep 2018
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	₱13,454,957	₱16,672,125	₱4,806,586	₱7,554,094
Non-controlling interests	2,198,297	2,933,950	719,933	1,197,831
	15,653,254	19,606,075	5,526,519	8,751,925
OTHER COMPREHENSIVE INCOME (LOSS) (Note 5)				
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>				
Movement in cumulative translation adjustments	(2,270,151)	3,243,971	(1,175,871)	605,939
Share in movement in cumulative translation adjustment of associates and joint ventures	(422,044)	584,259	(273,633)	829,288
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods	(2,692,195)	3,828,230	(1,449,504)	1,435,227
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>				
Actuarial losses on defined benefit plans, net of tax	-	(144)	-	-
Share in actuarial gains on defined benefit plans of associates and joint ventures, net of tax	(16)	294	-	-
Net other comprehensive gain not to be reclassified to profit or loss in subsequent periods	(16)	150	-	-
Total other comprehensive income (loss) for the period, net of tax	(2,692,211)	3,828,380	(1,449,504)	1,435,227
TOTAL COMPREHENSIVE INCOME	₱12,961,043	₱23,434,455	₱4,077,015	₱10,187,152
ATTRIBUTABLE TO:				
Equity holders of the parent	₱11,232,966	₱19,584,550	₱3,827,304	₱8,073,364
Non-controlling interests	1,728,077	3,849,905	249,711	2,113,788
	₱12,961,043	₱23,434,455	₱4,077,015	₱10,187,152

ABOITIZ POWER CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2019 AND SEPTEMBER 30, 2018
(Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to Equity Holders of the Parent												Total
	Paid-in Capital	Share in Net Unrealized Valuation Gain on FVOCI Investments of an Associate (Note 9)	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 9)	Actuarial Gains (Losses) on Defined Benefit Plans	Share in Actuarial Gains (Losses) on Defined Benefit Plans of Associates and Joint Ventures (Note 9)	Acquisition of Non-controlling Interests (Note 24)	Excess of cost over net assets of investment	Loss on Dilution	Retained Earnings (Note 23)		Non-controlling Interests	
										Appropriated	Unappropriated		
Balances at January 1, 2019, as previously reported	₱19,947,498	₱101,727	₱525,916	₱321,139	(₱587,267)	₱29,729	(₱259,147)	(₱421,260)	(₱433,157)	₱34,060,000	₱74,427,738	₱8,863,751	₱136,576,667
Effect of adoption – PFRS 16 (Note 3)	-	-	-	-	-	-	-	-	-	-	(237,889)	(40,070)	(277,959)
Balances at January 1, 2019 as restated	19,947,498	101,727	525,916	321,139	(587,267)	29,729	(259,147)	(421,260)	(433,157)	34,060,000	74,189,849	8,823,681	136,298,708
Net income for the period	-	-	-	-	-	-	-	-	-	-	13,454,957	2,198,297	15,653,254
Other comprehensive income	-	-	(1,799,930)	(422,043)	-	(16)	-	-	-	-	-	(470,222)	(2,692,211)
Total comprehensive income (loss)	-	-	(1,799,930)	(422,043)	-	(16)	-	-	-	-	13,454,957	1,728,075	12,961,043
Cash dividends - ₱1.47 per share	-	-	-	-	-	-	-	-	-	-	(10,817,148)	-	(10,817,148)
Reversal of appropriation	-	-	-	-	-	-	-	-	-	(12,300,000)	12,300,000	-	-
Appropriations during the period	-	-	-	-	-	-	-	-	-	11,900,000	(11,900,000)	-	-
Acquisition of non-controlling interest	-	-	-	-	-	-	(6,062,178)	-	-	-	-	(710,830)	(6,773,008)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,395,870)	(2,395,870)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	125,105	125,105
Balances at September 30, 2019	₱19,947,498	₱101,727	(₱1,274,014)	(₱100,904)	(₱587,267)	₱29,713	(₱6,321,325)	(₱421,260)	(₱433,157)	₱33,660,000	₱77,227,658	₱7,570,161	₱129,398,830
Balances at January 1, 2018	₱19,947,498	₱123,496	₱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	-	625	-	-	-	-	-	-	-	-	(57,713)	(3,767)	(60,855)
Balances at January 1, 2018	19,947,498	124,121	113,637	(144,507)	(601,461)	4,963	(259,147)	(421,260)	(433,157)	34,060,000	62,948,595	8,578,327	123,917,609
Net income for the period	-	-	-	-	-	-	-	-	-	-	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 per share	-	-	-	-	-	-	-	-	-	-	(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

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Jan - Sep 2019	Jan - Sep 2018	Jul - Sep 2019	Jul - Sep 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	₱18,161,858	₱22,184,731	₱6,862,035	₱9,603,818
Adjustments for:				
Interest expense and other financing costs	10,247,981	8,477,013	3,684,712	3,126,254
Depreciation and amortization	7,216,561	6,339,775	2,599,650	2,210,719
Net unrealized foreign exchange losses	(953,960)	1,856,605	324,660	89,364
Unrealized fair valuation loss (gain) on derivatives and financial assets at FVTPL (Note 22)	19,838	195,912	22,229	8,120
Loss (gain) on disposal of property, plant and equipment	267,261	108,093	(2,205)	71,646
Write-off of project costs and other assets	9,812	–	1,306	–
Gain on redemption of shares	–	15,477	–	15,477
Interest income	(1,060,451)	(557,289)	(295,776)	(214,578)
Share in net earnings of associates and joint ventures	(2,812,358)	(3,596,877)	(1,767,429)	(1,673,568)
Operating income before working capital changes	31,096,542	35,023,440	11,429,182	13,237,252
Decrease (increase) in:				
Trade and other receivables	222,321	(6,321,766)	3,743,307	(323,495)
Inventories	(977,013)	(1,486,501)	(1,127,371)	(1,099,832)
Other current assets	2,901,337	(2,413,985)	892,177	2,247,905
Increase (decrease) in:				
Trade and other payables	41,025	3,011,625	(1,038,192)	(1,583,476)
Customers' deposits	318,287	51,338	82,830	30,361
Net cash generated from operations	33,602,499	27,864,151	13,981,933	12,508,715
Income and final taxes paid	(2,081,731)	(3,570,312)	(624,855)	(1,147,330)
Net cash flows from operating activities	31,520,768	24,293,839	13,357,078	11,361,385
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash dividends received (Note 9)	1,857,905	2,814,775	40,180	113,000
Interest received	1,115,153	559,766	302,545	211,904
Proceeds from redemption of shares	5,340	80,216	–	–
Decrease in other noncurrent assets	910,203	1,258,835	415,182	(1,518,102)
Disposal of assets at FVTPL	81,208	–	–	–
Additions to:				
Property, plant and equipment	(6,983,315)	(7,761,123)	(3,482,160)	(2,619,447)
Intangible assets - service concession rights	(40,212)	(67,162)	(20,389)	(9,486)
Additional investments (Note 9)	(26,499,960)	(1,851,740)	(1,272,796)	(884,755)
Net cash flows from (used in) investing activities	(29,553,678)	(4,966,433)	(4,017,438)	(4,706,886)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from (payments of) long-term debt (Note 14)	9,773,840	(6,947,862)	(3,110,453)	(10,084,964)
Net availments of short-term loans (Note 13)	7,642,783	8,380,540	(518,061)	2,373,040
Cash dividends paid (Note 23)	(10,817,148)	(10,228,460)	–	–
Payments of lease liabilities (Note 16)	(7,027,989)	(6,793,088)	(2,350,369)	(2,284,425)
Acquisition of non-controlling interest (Note 24)	(6,773,008)	–	–	–
Changes in non-controlling interests	(2,395,870)	(4,918,497)	(329,317)	(624,801)
Interest paid	(7,760,809)	(5,067,102)	(3,457,405)	(2,790,815)
Net cash flows used in financing activities	(17,358,201)	(25,574,469)	(9,765,605)	(13,411,965)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(15,391,111)	(6,247,063)	(425,965)	(6,757,466)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	526,373	178,044	126,512	(88,117)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	46,343,041	35,699,631	31,777,756	36,476,195
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 6)	₱31,478,303	₱29,630,612	₱31,478,303	₱29,630,612

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, 2019, Aboitiz Equity Ventures, Inc. (AEV, also incorporated in the Philippines) owns 76.98% of the Company. The ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

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

2. Group Information

The unaudited interim condensed consolidated financial statements comprise the financial statements of the Company, subsidiaries controlled by the Company and joint operation that are subject to joint control (collectively referred to as “the Group”).

The following are the subsidiaries as of September 30, 2019 and December 31, 2018:

	Nature of Business	September 30, 2019		December 31, 2018	
		Direct	Indirect	Direct	Indirect
Aboitiz Renewables, Inc. (ARI) and Subsidiaries	Power generation	100.00	–	100.00	–
AP Renewables, Inc. (APRI)	Power generation	–	100.00	–	100.00
Aboitiz Power Distributed Energy, Inc.	Power generation	–	100.00	–	100.00
Aboitiz Power Distributed Renewables, Inc.	Power generation	–	100.00	–	100.00
Hedcor, Inc. (HI)	Power generation	–	100.00	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power generation	–	100.00	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power generation	–	100.00	–	100.00
Luzon Hydro Corporation (LHC)	Power generation	–	100.00	–	100.00
AP Solar Tiwi, Inc.*	Power generation	–	100.00	–	100.00
Retensol, Inc.*	Power generation	–	100.00	–	100.00
AP Renewable Energy Corporation*	Power generation	–	100.00	–	100.00
Aseagas Corporation (Aseagas)*	Power generation	–	100.00	–	100.00
Bakun Power Line Corporation*	Power generation	–	100.00	–	100.00
Cleanergy, Inc.*	Power generation	–	100.00	–	100.00
Cordillera Hydro Corporation*	Power generation	–	100.00	–	100.00
Hedcor Benguet, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	Power generation	–	100.00	–	100.00
Hedcor Kabayan, Inc. *	Power generation	–	100.00	–	100.00
PV Sinag Power, Inc. (former Hedcor Ifugao, Inc.)*	Power generation	–	100.00	–	100.00
Amihan Power, Inc. (former Hedcor Kalinga, Inc.)*	Power generation	–	100.00	–	100.00
Aboitiz Solar Power, Inc. (former 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

(Forward)

	Nature of Business	September 30, 2019		December 31, 2018	
		Direct	Indirect	Direct	Indirect
Therma Power-Visayas, Inc. (TPVI)*	Power generation	–	100.00	–	100.00
Therma Central Visayas, Inc.*	Power generation	–	100.00	–	100.00
Therma Subic, Inc.*	Power generation	–	100.00	–	100.00
Therma Mariveles Holdings, Inc.	Holding company	–	100.00	–	100.00
GNPower Mariveles Coal Plant Ltd. Co. (GMCP)	Power generation	–	78.33	–	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. (Abovant)	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, 2019.

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

Basis of Financial Statement Preparation

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

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

On October 29, 2019, the Audit Committee of the Board of Directors (BOD) approved and authorized the release of the accompanying unaudited interim condensed consolidated financial statements of the Group.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the new and revised standards and Philippine Interpretations which were applied starting January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

- PFRS 16, *Leases*

PFRS 16 was issued in January 2016 and it replaces PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application without restating comparative information.

The Group has elected to apply PFRS 16 transition relief to contracts that were previously identified as leases applying PAS 17 and IFRIC 4. The Group will therefore not apply PFRS 16 to contracts that were not previously identified as containing a lease applying PAS 17 and IFRIC 4.

The Group has elected to use the exemption proposed by the standard on the lease contracts for which the lease terms end within 12 months from the date of initial application.

Lease payments on short term leases are recognized as expense on a straight-line basis over the lease term.

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

	As at January 1, 2019
Increase (decrease) in consolidated balance sheets:	
Property, plant and equipment	₱3,170,656
Investments in and advances in associates and joint ventures	(18,692)
Other noncurrent assets	(1,133,292)
Total Assets	<u>₱2,018,672</u>
Lease liabilities	₱49,190,986
Finance lease obligation	(46,894,355)
Retained earnings	(237,889)
Non-controlling interests	(40,070)
Total Liabilities and Equity	<u>₱2,018,672</u>

Nature of the effect of adoption of PFRS 16

Prior to adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under "Other current assets" or "Other noncurrent assets" and "Trade and other payables", respectively.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under PAS 17). The requirements of PFRS 16 was applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group has elected to apply the following practical expedients provided by the standard:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application,
- Use hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Operating lease commitments as at December 31, 2018	₱7,651,372
Incremental borrowing rate as at January 1, 2019	7.04% to 9.75%
<u>Discounted operating lease commitments at January 1, 2019</u>	<u>₱2,310,811</u>
Less: Commitments relating to short-term leases	(14,180)
<u>Add: Commitments to leases previously classified as finance leases</u>	<u>46,894,355</u>
<u>Lease liabilities as at January 1, 2019</u>	<u>₱49,190,986</u>

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

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

This amendment does not have an impact on the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The interpretation specifically addresses the following:

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

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its assessment, that it is probable that its uncertain tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the interim condensed consolidated financial statements of the Group.

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

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

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

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

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

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

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

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

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

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

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

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Judgment

Nonconsolidation of AA Thermal, Inc. (AA Thermal) and GNPowder Dinginin Ltd. Co. (GNPD)

The Group has 60% and 72.50% interest in AA Thermal and GNPD respectively.

The Group does not consolidate AA Thermal and GNPD since it does not have the ability to direct the relevant activities which most significantly affect their returns. This is a result of the partnerships' agreements which, among others, stipulate their management and operation.

Estimate

Valuation of lease liabilities and right-of-use assets

The application of PFRS 16 requires the Group to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets. These include: determining contracts in scope of PFRS 16, determining the lease term and determining the interest rate used for discounting of future cash flows.

The lease term determined by the Group comprises non-cancellable period of lease contracts, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. For lease contracts with indefinite term the Group estimates the length of the contract to be equal to the economic useful life of non-current assets located in the leased property and physically connected with it or determines the length of the contract to be equal to the average or typical market lease term of particular type of lease. The same economic useful life is applied to determine the depreciation rate of right-of-use assets.

The present value of the lease payment is determined using the discount rate representing the rate of interest applicable for currency of the lease contract and for similar tenor, corrected by the credit spread applicable to each entity, observed in the period when the lease contract commences or is modified.

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

	January - September 2019		
	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Movement in cumulative translation adjustments	(₱2,270,151)	₱-	(₱2,270,151)
Share in movement in cumulative translation adjustment of associates and joint ventures	(422,044)	-	(422,044)
Share in actuarial gains on defined benefit plans of associates and joint ventures	(16)	-	(16)
Other comprehensive income for the period - net of tax	(₱2,692,211)	₱-	(₱2,692,211)

	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	584,259	-	584,259
Share in actuarial gains on defined benefit plans of associates and joint ventures - net of tax	294	-	294
Actuarial losses on defined benefit plans	(144)	-	(144)
Other comprehensive income for the period - net of tax	₱3,828,380	₱-	₱3,828,380

6. Cash and Cash Equivalents

	September 30, 2019	December 31, 2018
Cash on hand and in banks	₱12,769,514	₱11,426,051
Short-term deposits	18,708,789	34,916,990
	₱31,478,303	₱46,343,041

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposits rates.

7. Trade and Other Receivables

	September 30, 2019	December 31, 2018
Trade receivables - net of allowance for expected credit losses	₱13,060,730	₱12,810,034
Others		
Dividends receivable	–	665,783
Advances to contractors	124,311	148,300
Accrued revenue	3,738,513	3,476,120
Non-trade receivable	2,176,725	2,872,224
Interest receivable	37,290	91,992
PSALM deferred adjustment	1,042,861	1,042,861
Others	598,540	614,462
	₱20,778,970	₱21,721,776

Trade and other receivables are non-interest bearing and are generally on 10 - 30 days' term.

Advances to contractors refer to non-interest bearing advance payments made for project mobilization which are offset against progress billings to be made by the contractors.

Accrued revenue relates to accrual of power sales of the Power Generation segment.

Non-trade receivable relates mostly to advances to partners in GMCP which are subject to offset against any cash dividends declared by GMCP and due to the partners.

8. Other Current Assets

	September 30,	December 31,
Restricted cash	₱2,793,850	₱5,289,145
Input VAT	3,040,854	2,673,822
Prepaid tax	2,225,638	2,171,352
Advances to National Grid Corporation of the Philippines	1,727,028	1,725,176
Prepaid expenses	1,207,086	722,066
Prepaid rent	–	93,894
Others	210,212	530,480
	₱11,204,668	₱13,205,935

Restricted cash represents proceeds from sale of power under the control of trustees of TSI's lenders as per loan agreement. The asset will be used to pay the current portion of loans payable and interest payments in the following period.

Advances to NGCP pertain to the cost of construction and installation of substation and transmission facilities which are subject for reimbursement after completion of the project.

Prepaid expenses mainly include prepayments for insurance.

9. Investments and Advances

	September 30, 2019	December 31, 2018
Acquisition cost:		
Balance at beginning of the year	₱30,559,245	₱28,140,556
Additions during the period (Note 24)	26,499,960	2,498,905
Redemptions during the period	(5,340)	(80,216)
Balance at end of period	57,053,865	30,559,245
Accumulated equity in net earnings:		
Balance at beginning of the year	3,867,849	3,666,971
Share in net earnings	2,812,358	4,356,825
Share in prior period's adjustment	(13,153)	–
Dividends received or receivable	(1,192,122)	(4,155,947)
Balance at end of period	5,474,932	3,867,849
Share in net unrealized valuation gain on FVOCI investment of an associate	101,727	101,727
Share in actuarial gains on defined benefit plans of associates and joint ventures	29,713	29,729
Share in cumulative translation adjustments of associates and joint ventures	(100,904)	321,139
	30,536	452,595
	62,559,333	34,879,689
Less allowance for impairment losses	568,125	568,125
Investments at equity	61,991,208	34,311,564
Advances	22,562	22,562
	₱62,013,770	₱34,334,126

The Group's associates and joint ventures and the corresponding equity ownership as of September 30, 2019 are as follows:

	Nature of Business	Percentage of ownership
Manila-Oslo Renewable Enterprise, Inc. (MORE) ¹	Holding company	83.33
GNPower Dinginin Ltd. Co. (GNPD)* (Note 23)	Power generation	72.50
Hijos de F. Escaño, Inc. (Hijos)	Holding company	46.73
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	43.78
AA Thermal, Inc. (AA THERMAL) (Note 23)	Holding company	60.00
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, 2019

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

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

	September 30, 2019	December 31, 2018
AA THERMAL (Note 24)	₱23,533,434	₱-
GNPD	17,155,888	14,789,971
MORE	11,298,972	10,235,695
STEAG	4,180,618	4,185,758
CEDC	3,875,123	3,192,609
RPEI	527,140	528,383
PEVI	500,760	472,095
SFELAPCO	399,510	385,272
Hijos	176,037	176,037
WMPC	127,529	106,524
SPPC	65,361	81,856
Others	150,836	157,364
	₱61,991,208	₱34,311,564

10. Joint Operations

Name of Joint Operation	Nature of Business	Percentage of Ownership
		September 30, 2019
Pagbilao Energy Corporation (PEC)	Power generation	50.00

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

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

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

11. Intangible Assets

September 30, 2019

	Goodwill	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
Cost:							
Balances at beginning of year	₱40,224,411	₱5,478,607	₱3,078,431	₱388,468	₱60,068	₱307,338	₱49,537,323
Additions during the year	–	40,212	–	410,710	–	74,521	525,443
Impairment	–	–	–	(18,466)	–	–	(18,466)
Exchange differences	–	(30,469)	–	–	–	–	(30,469)
Balances at end of year	40,224,411	5,488,350	3,078,431	780,712	60,068	381,859	50,013,831
Accumulated amortization:							
Balances at beginning of year	–	2,688,997	429,699	–	51,486	201,647	3,371,829
Amortization	–	285,397	57,721	–	8,582	22,941	374,641
Balances at end of year	–	2,974,394	487,420	–	60,068	224,588	3,746,470
Net book values	₱40,224,411	₱2,513,956	₱2,591,011	₱780,712	₱–	₱157,271	₱46,267,361

12. Trade and Other Payables

	September 30, 2019	December 31, 2018
Trade payables	₱9,684,228	₱8,999,633
Output VAT	3,008,850	2,768,254
Amounts due to contractors and other third parties	1,053,432	1,735,685
PSALM deferred adjustment	1,042,861	1,042,861
Accrued expenses:		
Interest	1,357,108	2,101,531
Materials and supplies cost	560,647	82,098
Taxes and fees	780,888	1,196,611
Energy fees and fuel purchase	720,026	413,141
Claims conversion costs	112,458	239,377
Insurance	54,087	17,764
Dividends payable	79,833	59,834
Unearned revenues	37,334	38,765
Customers' deposit	6,633	6,633
Nontrade	2,701,627	2,725,289
Others	1,806	373,812
	₱21,201,818	₱21,801,288

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

Accrued taxes and fees represent accrual of real property tax, transfer tax and other fees.

Amounts due to contractors and other third parties include liabilities arising from the power plant construction.

Nontrade payables include amounts due to PSALM pertaining to Generation Rate Adjustment Mechanism (GRAM), Incremental Currency Exchange Rate Adjustment (ICERA), and Universal Charges.

Others include withholding taxes and other accrued expenses and are generally payable within 12 months from the balance sheet date.

13. Short-term Loans

		September 30 2019	December 31 2018
Peso loans - financial institutions - unsecured	Interest Rate 4.40% - 6.00% in 2019	₱19,087,400	₱10,915,600
Temporary advances		627,143	630,960
		₱19,189,343	₱11,546,560

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

14. Long-term Debts

	2019 Interest Rate	September 30, 2019	December 31, 2018
Company (see Note 15):			
Bonds due 2024	7.51%	₱7,700,000	₱7,700,000
Bonds due 2021	5.21%	6,600,000	6,600,000
Bonds due 2026	6.10%	3,400,000	3,400,000
Bonds due 2027	5.34%	3,000,000	3,000,000
Bonds due 2025	8.51%	2,500,000	2,500,000
Financial institutions - unsecured	LIBOR + 1.20%	15,549,000	–
Subsidiaries:			
GMCP			
Financial institutions - unsecured	LIBOR + 1.7% - 4.00%	38,288,723	41,375,202
TVI			
Financial institutions - secured	5.56% to 9.00%	31,520,000	31,520,000
TSI			
Financial institutions - secured	5.05%-5.70%	20,694,534	21,349,704
APRI			
Financial institutions - secured	4.48% - 5.20%	8,124,160	9,374,400
Hedcor Bukidnon			
Financial institutions - secured	4.75% - 7.36%	9,416,666	9,327,700
Hedcor Sibulan			
Fixed rate corporate notes - unsecured	4.05% - 5.42%	3,900,400	3,900,400
HI			
Financial institution - secured	5.25% - 7.41%	423,000	450,000
Financial institution - secured	7.87%	1,327,000	1,390,000
VECO			
Financial institution - unsecured	4.59% - 4.81%	975,000	975,000
LHC			
Financial institutions - secured	2.00% - 2.94%	748,944	875,458
DLP			
Financial institution - unsecured	4.59% to 4.81%	731,250	731,250
AI			
AEV - unsecured	6.25%	300,000	300,000
SEZ			
Financial institution - unsecured	5.00%	113,000	169,500
CLP			
Financial institution - unsecured	4.59% to 4.81%	146,250	146,250
Joint operation (see Note 10)			
Financial institutions - secured	5.50% - 8.31%	13,380,097	14,473,052
		168,838,024	159,557,916
Less deferred financing costs		1,631,471	1,500,225
		167,206,553	158,057,691
Less current portion - net of deferred financing costs		9,508,642	8,697,404
		₱157,697,911	₱149,360,287

Loan covenants

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

These restrictions and requirements were complied with by the Group as of September 30, 2019 and December 31, 2018.

15. Debt Securities

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

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

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

Terms of the bonds are as follows:

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

16. Leases

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets					Lease
	Land	Building	Power plant	Equipment	Total	
As at January 1, 2019	₱2,804,819	₱249,400	₱34,669,713	₱116,437	₱37,840,369	₱49,190,986
Amortization expense	(60,818)	(19,185)	(820,884)	(9,475)	(910,362)	–
Interest expense	–	–	–	–	–	3,136,202
Payments	–	–	–	–	–	(7,027,989)
Others	–	–	–	–	–	375,455
September 30, 2019	₱2,744,001	₱230,215	₱33,848,829	₱106,962	₱36,930,007	₱45,674,654

Set out below, are the amounts recognized in the consolidated statements of income:

	For the nine months ended September
Amortization expense of right-of-use assets	₱ 910,362
Interest expense on lease liabilities	3,136,202
Rent expense - short-term leases	39,697
	₱ 4,086,261

17. Operating Expenses

	For the periods ended September 30	
	2019	2018
Cost of purchased power	₱27,190,731	₱29,336,956
Cost of generated power	26,838,769	25,760,035
Depreciation and amortization	7,216,561	6,339,775
General and administrative	6,140,857	5,876,295
Operations and maintenance	5,060,878	5,036,797
	₱72,447,796	₱72,349,858

18. Other Income (Expenses)

	For the periods ended September 30	
	2019	2018
Net foreign exchange gain (loss)	₱131,783	(₱2,541,633)
Surcharges	399,984	377,811
Non-utility operating income	118,862	71,100
Rental income	45,949	20,060
Write off of project costs and other assets	(18,466)	–
Losses on disposal of property, plant and equipment	(267,474)	(108,573)
Others - net	1,893,154	933,708
	₱2,303,792	(₱1,247,527)

Included in “Net foreign exchange gain (loss)” are the net gains and losses relating to currency forward transactions.

“Others” include income arising from the proceeds from claims of liquidating damages from contractor and other non-recurring items like sale of scrap and sludge oil, and reversal of provisions.

19. Earnings Per Common Share

Earnings per common share amounts were computed as follows:

	For the periods ended September 30	
	2019	2018
a. Net income attributable to equity holders of the parent	₱13,454,957	₱16,672,125
b. Average number of outstanding shares	7,358,604,307	7,358,604,307
Earnings per share (a/b)	₱1.83	₱2.27

There are no dilutive potential common shares as of September 30, 2019 and 2018.

20. 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:

January - September 2019

	Power Generation	Power Distribution	Parent and Others	Total
Revenue from power supply contracts	₱37,875,627	–	–	₱37,875,627
Revenue from distribution services	–	34,992,680	–	34,992,680
Revenue from retail electricity sales	–	–	17,961,057	17,961,057
Revenue from non-power supply contracts	3,686,681	–	–	3,686,681
Revenue from technical and management services	–	–	164,989	164,989
	₱41,562,308	₱34,992,680	₱18,126,046	₱94,681,034

January - September 2018

	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, 2019

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱41,562,308	₱34,992,680	₱18,126,046	₱-	₱94,681,034
Inter-segment	22,120,253	977,885	2,369,972	(25,468,110)	-
Total Revenue	₱63,682,561	₱35,970,565	₱20,496,018	(₱25,468,110)	₱94,681,034
Segment Results	₱17,313,609	₱4,283,285	₱636,344	₱-	₱22,233,238
Unallocated corporate income - net	1,782,805	739,357	(218,370)	-	2,303,792
INCOME FROM OPERATIONS	19,096,414	5,022,642	417,974	-	24,537,030
Interest expense	(7,996,060)	(388,347)	(1,863,574)	-	(10,247,981)
Interest income	774,786	31,139	254,526	-	1,060,451
Share in net earnings of associates and joint ventures	2,663,152	148,917	15,426,110	(15,425,821)	2,812,358
Provision for income tax	(1,034,615)	(1,261,956)	(212,033)	-	(2,508,604)
NET INCOME	₱13,503,677	₱3,552,395	₱14,023,003	(₱15,425,821)	₱15,653,254
OTHER INFORMATION					
Investments	₱60,763,058	₱900,270	₱161,743,862	(₱161,415,982)	₱61,991,208
Segment Assets	₱300,991,970	₱31,564,401	₱188,223,439	(₱115,994,665)	₱404,785,145
Segment Liabilities	₱188,083,182	₱25,453,487	₱73,367,939	(₱11,518,293)	₱275,386,315
Depreciation and Amortization	₱6,320,643	₱750,880	₱27,693	₱117,345	₱7,216,561

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					
Segment Results	₱20,942,066	₱4,765,833	₱2,047,206	₱-	₱27,755,105
Unallocated corporate income - net	(1,930,939)	516,130	167,282	-	(1,247,527)
INCOME FROM OPERATIONS					
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	₱279,913,133	₱27,785,011	₱157,337,912	(₱89,298,115)	₱375,737,941
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

21. Financial Risk Management Objectives and Policies

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

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

Risk Management Structure

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

Financial risk committee

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

Treasury service group

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

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk, commodity price risk and foreign exchange risk.

Liquidity risk

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

In managing its long-term financial requirements, the Group's policy is that not more than 25% of long-term borrowings should mature in any twelve-month period. 6.57% of the Group's debt will mature in less than one year as of September 30, 2019 (December 31, 2018: 6.08%). For its short-term funding, the Group's policy is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

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

The following table summarizes the maturity profile of the Group's financial liabilities as of September 30, 2019 based on contractual undiscounted principal payments:

	Total carrying value	Contractual undiscounted principal payments				
		Total	On demand	<1 year	1 to 5 years	> 5 years
Short-term loans	₱19,189,343	₱19,189,343	₱-	₱19,189,343	₱-	₱-
Trade and other payables	24,506,796	24,506,796	1,375,947	15,997,231	7,133,618	-
Long-term debts	167,206,553	168,838,024	-	9,593,013	60,898,189	98,346,822
Customers' deposits	6,326,651	6,326,651	-	25,199	128,340	6,173,112
Lease liabilities	45,674,654	57,406,630	-	9,409,804	41,933,852	6,062,974
Long-term obligation on power distribution system	232,887	400,000	-	40,000	200,000	160,000
Derivative liabilities	2,186,306	2,186,306	-	1,844,171	342,135	-
	₱265,323,190	₱278,853,750	₱1,375,947	₱56,098,761	₱110,636,134	₱110,742,908

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, 2019, 18% of the Group's long-term debt had annual floating interest rates ranging from 2.94% to 4.50%, and 82% have annual fixed interest rates ranging from 4.11% to 9.00%. As of December 31, 2018, 10% of the Group's long-term debt had annual floating interest rates ranging from 2.94% to 4.31%, and 90% have annual fixed interest rates ranging from 4.11% to 9.00%.

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

As of September 30, 2019

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	₱1,943,793	₱8,757,706	₱19,546,927	₱30,248,426

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, 2019	200	(₱604,969)
	(100)	302,484
September 30, 2018	200	(₱443,991)
	(100)	221,956

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 periods ended September 30	
	2019	2018
Short-term loans and long-term debt	₱6,871,346	₱4,988,592
Lease liabilities	3,136,202	3,466,630
Customers' deposits	293	1,222
Other long-term obligations	240,140	20,569
	₱10,247,981	₱8,477,013

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 33% and 31% of total consolidated borrowings as of September 30, 2019 and December 31, 2018.

Presented below are the Group's foreign currency denominated financial assets and liabilities as of September 30, 2019 and December 31, 2018, translated to Philippine Peso:

	September 30, 2019		December 31, 2018	
	US Dollar	Philippine Peso equivalent ¹	US Dollar	Philippine Peso equivalent ²
Financial assets:				
Cash and cash equivalents	\$113,872	₱5,901,986	\$227,911	₱11,983,534
Trade and other receivables	29	1,503	26,591	1,398,184
Advances to associates	–	–	592	31,127
Total financial assets	113,901	5,903,489	255,094	13,412,845
Financial liabilities:				
Short-term loans	12,000	621,960	12,000	630,960
Trade and other payables	10,557	547,157	2,934	154,294
Long-term debt	300,000	15,549,000	–	–
Lease liabilities	446,904	23,163,034	479,512	25,212,741
Total financial liabilities	769,461	39,881,151	494,446	25,997,995
Total net financial liabilities	(\$655,560)	(₱33,977,662)	(\$239,352)	(₱12,585,150)

^{1S1} = 52.50

^{2S1} = 51.83

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, 2019:

	Increase/ (decrease) in US Dollar	Effect on income before tax
US Dollar denominated accounts	US Dollar strengthens by 5%	(₱1,698,883)
US Dollar denominated accounts	US Dollar weakens by 5%	1,698,883

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 is summarized in the following table:

	September 30, 2019	December 31, 2018
Power distribution:		
Industrial	₱5,393,800	₱4,973,567
Residential	2,172,691	1,676,936
Commercial	1,045,525	778,623
City street lighting	40,633	30,006
Power generation:		
Power supply contracts	1,552,811	4,567,682
Spot market	4,920,753	2,533,211
	₱15,126,213	₱14,560,025

Capital Management

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

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

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

Gearing ratios of the Group as of September 30, 2019 and December 31, 2018 are as follows:

	September 30, 2019	December 31, 2018
Short-term loans	₱19,189,343	₱11,546,560
Long-term debt	212,881,207	204,952,046
Cash and cash equivalents	(31,478,303)	(46,343,041)
Restricted cash	(7,524,966)	(5,289,145)
Net debt (a)	193,067,281	164,866,420
Equity	129,398,830	136,576,667
Equity and net debt (b)	322,466,111	301,443,087
Gearing ratio (a/b)	59.87%	54.69%

No changes were made in the objectives, policies or processes during the periods ended September 30, 2019 and December 31, 2018.

22. 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, 2019		December 31, 2018	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Asset				
PSALM deferred adjustment	₱3,443,795	₱3,106,994	₱4,225,950	₱3,889,099
Financial Liabilities				
Lease liabilities	₱45,674,654	₱38,261,970	₱46,894,355	₱40,495,647
Long-term debt - fixed rate	136,958,127	133,266,697	141,802,994	138,103,091
PSALM deferred adjustment	3,443,795	3,106,994	4,225,950	3,889,099
Long-term obligation on power distribution system	232,887	314,352	213,496	276,801
	₱186,309,463	₱174,950,013	₱193,136,795	₱182,764,638

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

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

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

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

Lease liabilities. The fair value of the lease liabilities was calculated by discounting future cash flows using applicable interest rates.

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

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

Financial assets at FVTPL. These equity securities are carried at fair value.

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

The Group enters into non-deliverable short-term forward contracts with counterparty banks to manage its foreign currency risks associated with foreign currency-denominated liabilities and purchases.

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

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

The movements in fair value changes of all derivative instruments for the nine-month period ended September 30, 2019 and for the year ended December 31, 2018 are as follows:

	2019	2018
At beginning of year	₱132,902	₱294,364
Net changes in fair value of derivatives designated as cash flow hedges	(2,304,924)	(125,642)
Net changes in fair value of derivatives not designated as accounting hedges	(23,667)	(72,252)
Fair value of settled instruments	54,600	36,432
At end of period	(₱2,141,089)	₱132,902

Fair Value Hierarchy

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of September 30, 2019, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
Derivative asset	₱45,217	₱ -	₱45,217	₱ -
Derivative liability	2,186,306	-	2,186,306	-
Disclosed at fair value:				
Lease liabilities	38,261,970	-	-	38,261,970
Long-term debt - fixed rate	133,266,697	-	-	133,266,697
Long-term obligation on PDS	314,352	-	-	314,352

During the nine-month period ended September 30, 2019, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

23. Retained Earnings

- a. On March 7, 2019, the BOD approved the declaration of regular cash dividends of ₱1.47 a share (₱10.82 billion) to all stockholders of record as of March 21, 2019. These dividends were paid on April 5, 2019.
- b. On March 7, 2019, the BOD approved the appropriation of ₱11.90 billion retained earnings for the equity infusions into GNPD to fund the construction of GNPD units 1 & 2, which is expected to have full commercial operations by end of 2020. The BOD also approved the reversal of ₱12.30 billion retained earnings appropriation that was set up in 2014 for the equity requirements of the 300 MW Davao Coal and 14 MW Sabangan Hydro projects.
- c. 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.

24. Disclosures

1. Seasonality of Interim Operations

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

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

2. Pagbilao IPP Administration Agreement

Therma Luzon, Inc. and PSALM executed the IPP Administration Agreement wherein PSALM appointed TLI to manage the 700MW contracted capacity of NPC in the coal-fired power plant in Pagbilao, Quezon.

Under the IPP Administration Agreement, TLI has the right to receive, manage and control the capacity of the power plant for its own account and at its own cost and risk; and the right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration.

The IPP Administration Agreement includes the following obligations TLI would have to perform until the transfer date of the power plant (or the earlier termination of the IPP Administration Agreement):

- a. Supply and deliver all fuel for the power plant in accordance with the specifications of the original Energy Conservation Agreement (ECA); and
- b. Pay to PSALM the monthly payments (based on the bid) and energy fees (equivalent to the amount paid by NPC to the IPP).

In view of the nature of the IPP Administration Agreement, the arrangement has been considered as a finance lease. Accordingly, TLI recognized the related liability equivalent to the present value of the minimum monthly payments using TLI's incremental borrowing rates of 10% and 12% for dollar and peso payments, respectively.

The present value of the future minimum monthly dollar and peso payments under the IPP Administration Agreement as of September 30, 2019:

Present value of minimum monthly payments to PSALM	₱43,494,600
Less: Current portion	(4,462,215)
<u>Noncurrent portion of lease liability</u>	<u>₱39,032,385</u>

3. Property, Plant and Equipment

During the nine-month period ended September 30, 2019, the Group's additions to property, plant and equipment amounted to ₱7.02 billion, which includes capitalized borrowing costs amounting to ₱889.8 million.

A significant portion of the Group's property, plant and equipment relates to projects under "Construction in progress" as of September 30, 2019, as shown below:

Project Company	Estimated cost to complete (in millions)	% of completion
TVI	₱4,736	88%

4. Dividends to Non-controlling Interests

The Group's material partly-owned subsidiaries, namely GMCP and VECO, paid cash dividends amounting to ₱2.01 billion and ₱5.16 billion to non-controlling interests during the nine-month periods ended September 30, 2019 and 2018, respectively.

5. Material Events and Changes

a) ₱7.25 billion bond issuance

The Company issued the third tranche of its ₱30 billion debt securities program, equivalent to ₱7.25 billion and ₱5.00 billion in October and November 2019 respectively (the "Series "D" Bonds"). The Series "D" Fixed Rate Bonds has an interest rate of 5.2757% per annum maturing in 2026. The bonds have been rated PRS Aaa by PhilRatings.

b) Investment in AA Thermal, Inc.

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

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

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

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

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

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

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

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

6. 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.

7. Contingencies

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

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

SCHEDULE A - USE OF PROCEEDS

(Amounts are in thousands)

1) Ten Billion Fixed Rate Bonds issued in 2014

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

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

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

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

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

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

As of September 30, 2019 the proceeds from the 2018 bonds were fully utilized for the following:

Name of Project	Projected Usage (Per Prospectus)	Actual Usage
Refinancing of the Medium-Term Loan of Therma Power, Inc.	₱8,700,000	₱8,700,000
Bond issuance costs	118,868	121,924
General corporate purposes	1,381,132	1,378,076
TOTAL	₱10,200,000	₱10,200,000

SCHEDULE B – RELEVANT FINANCIAL RATIOS

	Formula	September 30, 2019	December 31, 2018
LIQUIDITY RATIOS			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.23	1.89
Acid test ratio	$\frac{\text{Cash + Marketable securities} + \text{Accounts receivable} + \text{Other liquid assets}}{\text{Current liabilities}}$	0.90	1.46
SOLVENCY RATIOS			
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	2.13	1.85
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	3.13	2.85
Net debt to equity ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity}}$	1.49	1.21
Gearing ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity} + (\text{Debt - Cash \& cash equivalents})}$	59.87%	54.69%
Interest coverage ratio	$\frac{\text{EBIT}}{\text{Interest expense}}$	n.a	3.60
PROFITABILITY RATIOS			
Operating margin	$\frac{\text{Operating profit}}{\text{Total revenues}}$	n.a	29%
Return on equity	$\frac{\text{Net income after tax}}{\text{Total equity}}$	n.a	21%

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

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

1.) AGING OF RECEIVABLES

As of September 30, 2019

	30 Days	60 Days	90 Days	Over 90 Days	Total
Trade receivables					
Power Distribution Customers	3,409,976	757,010	99,851	1,232,313	5,499,150
Power Generation Customers	4,115,591	215,680	180,130	1,962,163	6,473,564
Management & Other Services Customers	3,149,514	-	-	3,985	3,153,499
	10,675,081	972,690	279,981	3,198,461	15,126,213
Less : Allowance for estimated credit losses					2,065,482
Net trade receivables					13,060,731
Non-trade receivables	7,718,239	-	-	-	7,718,239
Grand Total	18,393,320	972,690	279,981	3,198,461	20,778,970

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