



November 14, 2023

via electronic mail

SECURITIES AND EXCHANGE COMMISSION

SEC Headquarters, 7907 Makati Avenue,
Salcedo Village, Bel-Air, Makati City

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. ALEXANDRA D. TOM WONG**
Officer-in-Charge, 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 Disclosures Department

Gentlemen:

Please see enclosed SEC Form 17-Q (3rd Quarterly Report 2023) of Aboitiz Power Corporation.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ POWER CORPORATION

By:

A handwritten signature in blue ink, appearing to read "Ma. Clarisse S. Osteria".

MA. CLARISSA S. OSTERIA

Assistant 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

3rd Quarterly Report 2023

1 7 - Q

FORM TYPE

4th Monday of April

0 4 2 4

Month Day
Annual Meeting

Secondary License Type, if Applicable

S E C

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

x

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2023**
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, 2023)

Common Stock ₱1 Par Value 7,226,394,528

Amount of Debt Outstanding ₱242,951,921,000.00

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

Yes [] No []

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

Philippine Stock Exchange

Common

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to the financial statements and schedules attached herewith.

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

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of Aboitiz Power Corporation's (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.

Top Five Key Performance Indicators

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

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

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

Manner of Computation:

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

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

Nine-Month Period Ended September 30, 2023 versus Nine-Month Period Ended September 30, 2022

The table below shows the comparative figures of the key performance indicators for the nine-month period ended September 30, 2023 and September 30, 2022 and as of December 31, 2022:

| Key Performance Indicators | September 30, 2023 | September 30, 2022 | December 31, 2022 |
|--|---------------------|---------------------|-------------------|
| (INTERIM) | | | |
| <i>Amounts in thousands of ₱s, except for financial ratios</i> | | | |
| SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES | 15,834,851 | 8,932,099 | 15,134,970 |
| EBITDA | 52,632,940 | 42,894,183 | 57,596,836 |
| CASH FLOW GENERATED: | | | |
| Net cash flows from operating activities | 37,715,653 | 18,528,650 | 34,213,337 |
| Net cash flows used in investing activities | (10,092,353) | (3,826,086) | (11,442,216) |
| Net cash flows used in financing activities | (38,388,251) | (33,630,464) | (14,475,876) |
| Net (Decrease)/Increase in Cash & Cash Equivalents | (10,764,951) | (18,927,899) | 8,295,246 |
| Cash & Cash Equivalents, Beginning | 64,763,642 | 57,130,243 | 57,130,243 |
| Cash & Cash Equivalents, End | 54,428,139 | 38,222,802 | 64,763,642 |
| CURRENT RATIO | 1.50 | | 1.78 |
| DEBT-TO-EQUITY RATIO | 1.54 | | 1.65 |

- Share in net earnings in associates and joint ventures for the first nine months of 2023 increased by 77% compared to 2022. The increase was mainly due to the fresh contributions from GNPowr Dinginin Ltd. Co. (GNPD).
- EBITDA for the first nine months of 2023 increased by 23%. This was primarily due to fresh contributions from GNPD Units 1 and 2 and higher availability across the Company's generation portfolio.
- Cash and cash equivalents decreased by ₱10.34 billion (bn). This is mainly due to the payment of dividends in the first quarter of 2023, partly offset by the availment of new loans for the Company's renewable projects.
- Current Ratio as of September 30, 2023 was at 1.50x as compared to 1.78x as of December 31, 2022. The decrease was primarily due to the payment of dividends in the first quarter of 2023 decreasing the cash and cash equivalents, coupled with lower trade and other receivables, inventories, and derivative assets due to lower indices.
- Debt-to-Equity Ratio as of September 30, 2023 was at 1.54x, lower than the 1.65x recorded as of December 31, 2022.

Results of Operations

Net income for the first nine months of 2023 was ₱26.74 bn, which was 37% higher than the ₱19.52 bn reported in the first nine months of 2022. This translated to earnings per share of ₱3.66 for the period. The Company also recognized non-recurring gains of ₱85.0 million (mn), primarily due to derivative gains from commodity hedging, compared to the

₱1.2 bn non-recurring gains recorded during the same period in 2022. Without these one-off gains, the Company's core net income for the first nine months of 2023 was ₱26.7 bn, a 45% increase year-on-year (YoY). This was primarily due to fresh contributions from GNPD and higher availability across the Company's portfolio.

Power Generation and Retail Electricity Supply (RES)

AboitizPower's generation and retail supply business recorded EBITDA of ₱46.7 bn in the first nine months of 2023, 20% higher than the ₱39.0 bn recorded in the same period in 2022. This was primarily due to the fresh contributions from GNPD and higher availability across the Company's portfolio. Capacity sold in the first nine months of 2023 increased by 19% to 4,705 megawatts (MW), compared to 3,940 MW in the same period in 2022. Energy sold increased by 21% to 26,493 gigawatt-hours (GWh) for the first nine months of 2023, compared to 21,892 GWh in the same period in 2022.

Power Distribution

During the first nine months of 2023, AboitizPower's distribution business recorded EBITDA of ₱7.2 bn, 51% higher than the ₱4.8 bn recorded in the same period in 2022. Energy sales from both Residential and Commercial and Industrial customers increased by 7% and 6%, respectively, to a total of 4,569 GWh in the first nine months of 2023, compared to 4,294 GWh in the same period in 2022 due to recoveries in demand in the areas affected by Typhoon Odette and resurgence of energy sold back to pre-pandemic level.

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

Consolidated Statements of Income

Net income attributable to equity holders of the Parent increased by ₱7.22 bn, or 37% YoY. The various movements in line items are shown below to account for the increase:

(Amounts in thousands of ₱s)

| | |
|--|---------------------------|
| Net Income Attributable to Equity Holders of the Parent (January - September 2022) | <u>₱19,516,377</u> |
| Increase in operating revenues | 18,746,581 |
| Increase in operating expenses | (20,074,580) |
| Increase in interest income | 998,547 |
| Increase in interest expense | (535,809) |
| Increase in share in net earnings of associates and joint ventures | 6,902,752 |
| Decrease in other income | 4,629,923 |
| Increase in provision for taxes | (2,062,079) |
| Increase in income attributable to non-controlling interests | <u>(1,383,697)</u> |
| Total | <u>7,221,638</u> |
| Net Income Attributable to Equity Holders of the Parent (January - September 2023) | <u>₱26,738,015</u> |

Operating Revenues

(14% increase from ₱135.89 bn to ₱154.64 bn)

The increase in operating revenues was primarily due to higher availability across the Company's generation portfolio.

Operating Expenses

(18% increase from ₱109.82 bn to ₱129.90 bn)

The increase in operating expenses was mainly due to the higher cost of purchased power and of generated power. This is consistent with the higher operating revenues discussed above.

Interest Income

(286% increase from ₱349.00 mn to ₱1.35 bn)

The increase in interest income during the first nine months of 2023 as compared to 2022 was primarily due to higher interest rates on money market placements.

Interest Expense and other financing costs

(5% increase from ₱9.82 bn to ₱10.36 bn)

Interest expense increased due to higher level of long-term debt as of September 30, 2023, compared to September 30, 2022.

Share in Net Earnings of Associates and Joint Ventures

(77% increase from ₱8.93 bn to ₱15.83 bn)

Share in net earnings in associates and joint ventures for the first nine months of 2023 increased by 77% compared to 2022. The increase was mainly due to the fresh contributions from GNPD.

Other Income (Expenses) – net

(reversal from expenses of ₱2.03 bn to income of ₱2.60 bn)

The reversal from expenses to income during first nine months 2023 as compared to first nine months 2022 was mainly due to lower foreign exchange losses and the recognition of the business interruptions (BI) claims for the GNPower Mariveles Energy Center Ltd. Co. (GMEC) plant outages.

Provision for Taxes

(76% increase from ₱2.73 bn to ₱4.79 bn)

The increase in provision for taxes during 2023 was due to higher taxable income during the first nine months of 2023.

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

Assets

Total assets as of September 30, 2023 compared to December 31, 2022 increased by ₱5.21 bn, or 1%. The major movements of the accounts leading to the increase were as follows:

- i. Cash and cash equivalents decreased by ₱10.34 bn, or 16% (from ₱64.76 bn to ₱54.43 bn). This is mainly due to the payment of cash dividends during the first quarter of 2023, partly offset by the availment of new loans to support renewable power projects.
- ii. Trade and other receivables decreased by ₱4.53 bn, or 13% (from ₱35.34 bn to ₱30.82 bn), primarily due to lower revenues because of lower indices.
- iii. Inventories decreased by ₱2.76 bn or 17% (from ₱16.12 bn to ₱13.36 bn). This was mainly driven by the decrease in fuel inventory during the first nine months of 2023 due to lower indices.

- iv. Other current assets decreased by ₱3.49 bn, or 25% (from ₱14.08 bn to ₱10.59 bn). This was mainly driven by the utilization of prepaid taxes during the first nine months of 2023 and decrease in the debt service reserve accounts of Therma South, Inc. and Therma Visayas, Inc.
- v. Investments and advances increased by ₱11.57 bn, or 15% (from ₱77.93 bn to ₱89.50 bn). This was mainly driven by the take up of share in earnings from associates during the first nine months of 2023 which was higher than the receipt of dividends.
- vi. Property, plant and equipment slightly increased by ₱4.86 bn, or 2% (from ₱206.86 bn to ₱211.72 bn). This was primarily due to the planned capital expenditures for renewable power projects and adjustments in the decommissioning provisions on power plant assets of AP Renewables, Inc. (APRI), partly offset by the depreciation of existing assets.
- vii. Intangible assets slightly increased by ₱871.00 mn, or 2% (from ₱49.77 bn to ₱50.64 bn). This was primarily due to the forex revaluation of GMEC's goodwill and the amortization of existing assets.
- viii. Net pension assets increased by ₱13.00 mn, or 16% (from ₱83.00 mn to ₱97.00 mn). This was mainly due to actuarial gains, and the first time consolidation of STEAG State Power, Inc. (STEAG).
- ix. Deferred income tax assets increased by ₱89.00 mn, or 8% (from ₱1.14 bn to ₱1.23 bn). This was mainly due to Therma Luzon, Inc's (TLI) leases.
- x. Other noncurrent assets increased by ₱11.42 bn, or 136% (from ₱8.39 bn to ₱19.81 bn). This was primarily due to the first time consolidation of STEAG, the bulk of which pertains to a service concession agreement.

Liabilities

Compared to December 31, 2022, total liabilities as of September 30, 2023 slightly decreased by ₱6.74 bn, or 2%. The major movements of accounts leading to the decrease were as follows:

- i. Short-term loans increased by ₱1.54 bn, or 7% (from ₱21.40 bn to ₱22.94 bn). This was mainly due to the loan availment by the Group during the first nine months of 2023, which were used for working capital purposes.
- ii. Trade and other payables decreased by ₱4.50 bn, or 14% (from ₱32.95 bn to ₱28.45 bn). This was primarily due to the decrease in trade and fuel purchases brought about by lower indices.
- iii. Income tax payable increased by ₱288.00 mn, or 58% (from ₱493.00 mn to ₱780.00 mn). This was mainly due to higher quarter-to-quarter taxable income, with respect to 3rd quarter of 2023 vs 4th quarter of 2022.
- iv. Customers' deposits increased by ₱336.00 mn, or 4% (from ₱8.14 bn to ₱8.48 bn). This was mainly due to the receipt of bill deposits from new customers of the Retail Energy Supply.
- v. Decommissioning liability increased by ₱1.79 bn, or 32% (from ₱5.65 bn to ₱7.45 bn). This was mainly due to adjustments in the decommissioning provisions on APRI's power plant assets.
- vi. Long-term debt (current and noncurrent) decreased by ₱563.00 mn (from ₱199.45 bn to ₱198.89 bn). This was mainly due to regular debt servicing across the Group, partly offset by the new loans to support renewable power projects.
- vii. Lease liabilities (current and noncurrent) decreased by ₱6.42 bn (from ₱27.54 bn to ₱21.12 bn), as during the first nine months of 2023, as TLI made scheduled payments of its obligations to the Power Sector Assets and Liabilities Management Corporation.
- viii. Long-term obligation on power distribution system (current and noncurrent) increased by ₱13.00 mn, or 9% (from ₱145.00 mn to ₱158.00 mn) due to interest accretion.

- ix. Net derivative asset and liability changed by ₱2.55 bn (from ₱2.46 bn asset to ₱85.00 mn liability) during the first nine months of 2023 due to net hedging losses.
- x. Deferred income tax liabilities increased by ₱729.00 mn, or 30% (from ₱2.40 bn to ₱3.13 bn). This was mainly due to the first time consolidation of STEAG.

Equity

Equity attributable to equity shareholders of the Parent increased by 5% (from ₱169.08 bn as of December 31, 2022 to ₱176.73 bn as of September 30, 2023) mainly due to the earnings during the first nine months of 2023, partly offset by the dividends declared in the first quarter of 2023. Share in other comprehensive income of associates and joint ventures decreased by ₱459.20 mn due to the STEAG step acquisition on June 2, 2023. Cumulative translation adjustments increased by ₱2.09 bn due to the upward net adjustment in the net assets translation effect of GMEC and Luzon Hydro Corporation during the period. Cash flow hedge reserve decreased by ₱2.88 bn due to the downward net adjustment in the fair value of the Group's foreign currency forward and commodity swap contracts.

Material Changes in Liquidity and Cash Reserves of Registrant

As of September 30, 2023, the Group's cash and cash equivalents decreased by 16% to ₱54.43 bn from ₱64.76 bn as of December 31, 2022.

Lower working capital requirements due to lower indices resulted in higher cash generated from operations during the first nine months of 2023 by ₱19.19 bn, which was a 104% increase compared to the first nine months of 2022.

Net cash flows used in investing activities increased from ₱3.83 bn during the first nine months of 2022 to ₱10.09 bn during the first nine months of 2023, mainly due to the higher scheduled capital expenditures for renewable power projects.

The net cash flows used in financing activities increased from ₱33.63 bn during the first nine months of 2022 to ₱38.39 bn during the first nine months of 2023, mainly due to higher payments of cash dividends and the Company's purchase of its own common shares.

Financial Ratios

As of September 30, 2023, current assets decreased by 18%; meanwhile, current liabilities decreased by 2%. The current ratio as of September 30, 2023 was at 1.50x compared to 1.78x as of December 31, 2022.

Consolidated debt-to-equity ratio as of September 30, 2023 was at 1.54x, lower than the 1.65x recorded at the end of 2022. This was due to a 2% decrease in total liabilities, compared to a higher 7% increase in equity during the first nine months of 2023.

PART II--OTHER INFORMATION

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

SIGNATURES

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

| | |
|----------------------------------|--|
| Issuer | ABOITIZ POWER CORPORATION _____ |
| Principal Accounting Officer |  Myla M. Espineda _____ |
| Signature and Title | VP for Accounting and Financial Systems _____ |
| Date | November 14, 2023 _____ |
| Authorized Officer of the Issuer |  Manuel Alberto R. Colayco _____ |
| Signature and Title | SVP/Chief Legal and Compliance Officer/ Corporate Secretary _____ |
| Date | November 14, 2023 _____ |

Aboitiz Power Corporation and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements

As of September 30, 2023 (with Comparative Figures as of December 31, 2022)

and For the Nine-Month Periods Ended September 30, 2023 and 2022

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET (With Comparative Figures as of December 31, 2022 and January 1, 2022)

(Amounts in Thousands)

| | September 30, 2023 | December 31, 2022 | January 1, 2022 |
|--|---------------------|---------------------------|---------------------------|
| | (Unaudited) | (As Restated - Note 3) | (As Restated - Note 3) |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents (Note 5) | ₱54,428,139 | ₱64,763,642 | ₱57,130,243 |
| Trade and other receivables (Note 6) | 30,815,686 | 35,342,951 | 26,820,071 |
| Derivative assets (Note 20) | 407,542 | 2,666,226 | 1,383,903 |
| Inventories | 13,362,776 | 16,123,700 | 9,574,613 |
| Other current assets (Note 7) | 10,587,575 | 14,079,868 | 9,511,109 |
| Total Current Assets | 109,601,718 | 132,976,387 | 104,419,939 |
| Noncurrent Assets | | | |
| Investments and advances (Note 8) | 89,502,534 | 77,928,459 | 64,952,728 |
| Property, plant and equipment | 211,718,054 | 206,857,588 | 203,239,825 |
| Intangible assets (Note 10) | 50,642,413 | 49,771,385 | 46,015,495 |
| Derivative assets - net of current portion (Note 20) | — | 245,801 | 75,718 |
| Net pension assets | 96,707 | 83,438 | 87,146 |
| Deferred income tax assets | 1,228,370 | 1,139,203 | 1,203,436 |
| Other noncurrent assets | 19,808,997 | 8,387,477 | 7,183,001 |
| Total Noncurrent Assets | 372,997,075 | 344,413,351 | 322,757,349 |
| TOTAL ASSETS | ₱482,598,793 | ₱477,389,738 | ₱427,177,288 |

LIABILITIES AND EQUITY

Current Liabilities

| | | | |
|---|-------------------|-------------------|-------------------|
| Short-term loans (Note 12) | ₱22,937,813 | ₱21,402,715 | ₱18,625,546 |
| Current portions of: | | | |
| Long-term debts (Note 13) | 10,471,420 | 10,279,212 | 18,419,227 |
| Lease liabilities (Note 21) | 10,065,944 | 9,288,292 | 8,106,781 |
| Long-term obligation on power distribution system | 40,000 | 40,000 | 40,000 |
| Derivative liabilities (Note 20) | 493,026 | 116,672 | 219,030 |
| Trade and other payables (Note 11) | 28,445,937 | 32,948,328 | 22,744,322 |
| Income tax payable | 780,458 | 492,656 | 264,647 |
| Total Current Liabilities | 73,234,598 | 74,567,875 | 68,419,553 |

(Forward)

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET (With Comparative Figures as of December 31, 2022 and January 1, 2022)

(Amounts in Thousands)

| | September 30, 2023 | December 31, 2022 | January 1, 2022 |
|--|---------------------|---------------------------|---------------------------|
| | (Unaudited) | (As Restated - Note 3) | (As Restated - Note 3) |
| Noncurrent Liabilities | | | |
| Noncurrent portions of: | | | |
| Long-term debts (Note 13) | ₱188,417,752 | ₱189,172,706 | ₱163,618,747 |
| Lease liabilities (Note 21) | 11,058,992 | 18,253,664 | 25,667,098 |
| Long-term obligation on power distribution system | 118,395 | 105,390 | 125,532 |
| Derivative liabilities - net of current portion (Note 20) | — | 330,592 | 174,664 |
| Customers' deposits | 8,479,831 | 8,144,054 | 7,200,341 |
| Decommissioning liability | 7,448,137 | 5,654,234 | 5,686,224 |
| Deferred income tax liabilities | 3,133,514 | 2,404,675 | 847,231 |
| Net pension liabilities | 599,491 | 599,491 | 302,812 |
| Other noncurrent liabilities | — | — | 54,505 |
| Total Noncurrent Liabilities | 219,256,112 | 224,664,806 | 203,677,154 |
| Total Liabilities | 292,490,710 | 299,232,681 | 272,096,707 |
| Equity Attributable to Equity Holders of the Parent | | | |
| Paid-in capital | 19,947,498 | 19,947,498 | 19,947,498 |
| Share in other comprehensive income of associates and joint ventures (Note 8) | 760,973 | 1,220,171 | 185,183 |
| Cumulative translation adjustments | 7,550,604 | 5,462,557 | 1,917,151 |
| Cash flow hedge reserve | (234,106) | 2,646,733 | 917,353 |
| Actuarial losses on defined benefit plans | (1,032,696) | (1,095,697) | (1,072,629) |
| Equity reserve | (7,175,742) | (7,175,742) | (7,175,742) |
| Treasury stock - at cost | (4,145,637) | — | — |
| Retained earnings (Note 22) | | | |
| Appropriated | 20,060,000 | 20,060,000 | 20,060,000 |
| Unappropriated | 140,996,870 | 128,019,445 | 112,671,542 |
| | 176,727,764 | 169,084,965 | 147,450,356 |
| Non-controlling Interests | 13,380,319 | 9,072,092 | 7,630,225 |
| Total Equity | 190,108,083 | 178,157,057 | 155,080,581 |
| TOTAL LIABILITIES AND EQUITY | ₱482,598,793 | ₱477,389,738 | ₱427,177,288 |

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME (Amounts in Thousands, Except Earnings Per Share Amounts)

| | Jan - Sep 2023 | Jan - Sep 2022 (As Restated - Note 3) | Jul - Sep 2023 | Jul - Sep 2022 (As Restated - Note 2) |
|--|---------------------|--|--------------------|--|
| OPERATING REVENUES (Note 18) | ₱154,639,135 | ₱135,892,554 | ₱48,374,681 | ₱53,169,737 |
| OPERATING EXPENSES (Note 15) | 129,896,098 | 109,821,518 | 40,429,878 | 42,695,995 |
| OPERATING PROFIT | 24,743,037 | 26,071,036 | 7,944,803 | 10,473,742 |
| FINANCIAL EXPENSES - net | | | | |
| Interest income | 1,347,287 | 348,740 | 396,920 | 143,683 |
| Interest expense and other financing costs (Note 19) | (10,357,599) | (9,821,790) | (3,056,483) | (2,726,921) |
| | (9,010,312) | (9,473,050) | (2,659,563) | (2,583,238) |
| OTHER INCOME (EXPENSES) | | | | |
| Share in net earnings of associates and joint ventures (Note 8) | 15,834,851 | 8,932,099 | 5,287,697 | 4,564,946 |
| Other income (expense) - net (Note 16) | 2,601,622 | (2,028,301) | 668,314 | (1,217,187) |
| | 18,436,473 | 6,903,798 | 5,956,011 | 3,347,759 |
| INCOME BEFORE INCOME TAX | 34,169,198 | 23,501,784 | 11,241,251 | 11,238,263 |
| PROVISION FOR INCOME TAX | 4,791,919 | 2,729,840 | 1,566,420 | 1,140,511 |
| NET INCOME | ₱29,377,279 | ₱20,771,944 | ₱9,674,831 | ₱10,097,752 |
| ATTRIBUTABLE TO: | | | | |
| Equity holders of the parent | ₱26,738,015 | ₱19,516,377 | ₱8,922,364 | ₱9,525,978 |
| Non-controlling interests | 2,639,264 | 1,255,567 | 752,467 | 571,774 |
| | ₱29,377,279 | ₱20,771,944 | ₱9,674,831 | ₱10,097,752 |
| EARNINGS PER COMMON SHARE (Note 17) | | | | |
| Basic and diluted, income for the period attributable to ordinary equity holders of the parent | ₱3.66 | ₱2.65 | ₱1.24 | ₱0.96 |

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Amounts in Thousands)

| | Jan - Sep 2023 | Jan - Sep 2022 (As Restated - Note 3) | Jul - Sep 2023 | Jul - Sep 2022 (As Restated - Note 3) |
|---|--------------------|--|--------------------|--|
| NET INCOME ATTRIBUTABLE TO: | | | | |
| Equity holders of the parent | ₱26,738,015 | ₱19,516,377 | ₱8,922,364 | ₱9,525,978 |
| Non-controlling interests | 2,639,264 | 1,255,567 | 752,467 | 571,774 |
| | 29,377,279 | 20,771,944 | 9,674,831 | 10,097,752 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| <i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent</i> | | | | |
| Movement in cumulative translation | 2,244,770 | 7,731,123 | 2,144,926 | 3,590,647 |
| Movement in cash flow hedges | (2,845,646) | 5,916,374 | (96,952) | (2,275,150) |
| Share in movement in cumulative translation adjustment of associates | (424,393) | 1,815,236 | (1) | 919,189 |
| | (1,025,269) | 15,462,733 | 2,047,973 | 2,234,686 |
| <i>Other comprehensive income (loss) that will not be reclassified to profit or loss in</i> | | | | |
| Actuarial loss on defined benefit plans, net | 63,001 | — | — | — |
| Share in actuarial gains (loss) on defined benefit plans of associates and joint | (34,805) | 8,115 | (9,445) | — |
| | 28,196 | 8,115 | (9,445) | — |
| Total other comprehensive income (loss) for the period, net of tax | (997,073) | 15,470,848 | 2,038,528 | 2,234,686 |
| TOTAL COMPREHENSIVE INCOME | ₱28,380,206 | ₱36,242,792 | ₱11,713,359 | ₱12,332,438 |
| ATTRIBUTABLE TO: | | | | |
| Equity holders of the parent | ₱25,549,026 | ₱34,800,420 | ₱10,774,691 | ₱11,674,343 |
| Non-controlling interests | 2,831,180 | 1,442,372 | 938,668 | 658,095 |
| | ₱28,380,206 | ₱36,242,792 | ₱11,713,359 | ₱12,332,438 |

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABOITIZ POWER CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

(Amounts in Thousands, Except Dividends Per Share Amounts)

| | Attributable to Equity Holders of the Parent | | | | | | | | | | |
|--|--|--|------------------------------------|-------------------------|---|---------------------|--------------------------|-----------------------------|---------------------|---------------------------|---------------------|
| | Paid-in Capital | Share in Other Comprehensive Income (Loss) of Associates and Joint Ventures (Note 8) | Cumulative Translation Adjustments | Cash Flow Hedge Reserve | Actuarial Gains (Losses) on Defined Benefit Plans | Equity Reserve | Treasury Stock (Note 23) | Retained Earnings (Note 22) | | Non-controlling Interests | Total |
| | | | | | | | | Appropriated | Unappropriated | | |
| Balances at January 1, 2023 | ₱19,947,498 | ₱1,220,171 | ₱5,462,557 | ₱2,646,733 | (₱1,095,697) | (₱7,175,742) | ₱— | ₱20,060,000 | ₱130,037,425 | ₱9,071,823 | ₱180,174,768 |
| Effect of PAS 12 (Note 3) | — | — | — | — | — | — | — | — | (2,017,980) | 269 | (2,017,711) |
| Balances at January 1, 2023, as restated | 19,947,498 | 1,220,171 | 5,462,557 | 2,646,733 | (1,095,697) | (7,175,742) | — | 20,060,000 | 128,019,445 | 9,072,092 | 178,157,057 |
| Net income for the period | — | — | — | — | — | — | — | — | 26,738,015 | 2,639,264 | 29,377,279 |
| Other comprehensive income (loss) | — | (459,198) | 2,088,047 | (2,880,839) | 63,001 | — | — | — | — | 191,916 | (997,073) |
| Total comprehensive income (loss) | — | (459,198) | 2,088,047 | (2,880,839) | 63,001 | — | — | — | 26,738,015 | 2,831,180 | 28,380,206 |
| Cash dividends - P1.87 per share (Note 22) | — | — | — | — | — | — | — | — | (13,760,590) | — | (13,760,590) |
| Purchase of treasury stock (Note 23) | — | — | — | — | — | — | (4,145,637) | — | — | — | (4,145,637) |
| Cash dividends paid to non-controlling interests | — | — | — | — | — | — | — | — | — | (1,399,246) | (1,399,246) |
| Change in non-controlling interests | — | — | — | — | — | — | — | — | — | 2,876,293 | 2,876,293 |
| Balances at September 30, 2023 | ₱19,947,498 | ₱760,973 | ₱7,550,604 | (₱234,106) | (₱1,032,696) | (₱7,175,742) | (₱4,145,637) | ₱20,060,000 | ₱140,996,870 | ₱13,380,319 | ₱190,108,083 |
| Balances at January 1, 2022 | ₱19,947,498 | ₱185,183 | ₱1,917,151 | ₱917,353 | (₱1,072,629) | (₱7,175,742) | ₱— | ₱20,060,000 | ₱113,172,268 | ₱7,629,621 | ₱155,580,703 |
| Effect of PAS 12 (Note 3) | — | — | — | — | — | — | — | — | (500,727) | 605 | (500,122) |
| Balances at January 1, 2022, as restated | 19,947,498 | 185,183 | 1,917,151 | 917,353 | (1,072,629) | (7,175,742) | — | 20,060,000 | 112,671,541 | 7,630,226 | 155,080,581 |
| Net income for the period, as restated | — | — | — | — | — | — | — | — | 19,516,377 | 1,255,567 | 20,771,944 |
| Other comprehensive income | — | 1,823,351 | 7,731,123 | 5,729,569 | — | — | — | — | — | 186,805 | 15,470,848 |
| Total comprehensive income, as restated | — | 1,823,351 | 7,731,123 | 5,729,569 | — | — | — | — | 19,516,377 | 1,442,372 | 36,242,792 |
| Cash dividends - P1.45 per share (Note 22) | — | — | — | — | — | — | — | — | (10,669,976) | — | (10,669,976) |
| Cash dividends paid to non-controlling interests | — | — | — | — | — | — | — | — | — | (1,380,664) | (1,380,664) |
| Change in non-controlling interests | — | — | — | — | — | — | — | — | — | 40,949 | 40,949 |
| Balances at September 30, 2022 | ₱19,947,498 | ₱2,008,534 | ₱9,648,274 | ₱6,646,922 | (₱1,072,629) | (₱7,175,742) | ₱— | ₱20,060,000 | ₱121,517,942 | ₱7,732,883 | ₱179,313,682 |

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (Amounts in Thousands)

| | Jan - Sep 2023 | Jan - Sep 2022 | Jul - Sep 2023 | Jul - Sep 2022 |
|--|---------------------|---------------------|--------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Income before income tax | ₱34,169,198 | ₱23,501,784 | ₱11,241,251 | ₱11,238,263 |
| Adjustments for: | | | | |
| Interest expense and other financing costs (Note 19) | 10,357,599 | 9,821,790 | 3,056,483 | 2,726,921 |
| Depreciation and amortization (Note 15) | 9,577,756 | 8,832,987 | 3,406,969 | 3,049,038 |
| Net unrealized foreign exchange losses (gains) | (355,297) | 1,943,858 | 35,790 | 759,932 |
| Loss (gain) on disposal of property, plant and equipment | (85,208) | (1,395) | (47,675) | 1,993 |
| Share in net earnings of associates and joint ventures (Note 8) | (15,834,851) | (8,932,099) | (5,287,697) | (4,564,946) |
| Interest income | (1,347,287) | (348,740) | (396,920) | (143,683) |
| Unrealized fair valuation gain on derivatives and financial assets at FVTPL (Note 20) | (259,519) | (37,237) | (44,019) | (6,433) |
| Write-off of project costs and other assets | 79,556 | — | 32,359 | — |
| Operating income before working capital changes | 36,301,947 | 34,780,948 | 11,996,541 | 13,061,085 |
| Decrease (increase) in: | | | | |
| Trade and other receivables | 255,598 | (10,595,557) | 1,282,820 | (2,258,823) |
| Inventories | 2,760,924 | (8,018,494) | 2,191,759 | (1,690,453) |
| Other current assets | 10,356,871 | (1,526,849) | 2,007,800 | (2,110,941) |
| Increase (decrease) in: | | | | |
| Trade and other payables | (6,412,660) | 5,548,933 | (733,898) | (1,372,644) |
| Customers' deposits | 335,777 | 848,277 | (74,232) | 529,892 |
| Net cash generated from operations | 43,598,457 | 21,037,258 | 16,670,790 | 6,158,116 |
| Income and final taxes paid | (5,882,804) | (2,508,608) | (1,395,428) | (738,047) |
| Net cash flows from operating activities | 37,715,653 | 18,528,650 | 15,275,362 | 5,420,069 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Cash dividends received (Note 8) | 1,168,643 | 1,611,880 | 322,219 | 614,278 |
| Interest received | 1,397,670 | 334,567 | 555,331 | 128,892 |
| Proceeds from redemption of shares (Note 8) | 6,940 | 1,148 | — | 1,148 |
| Decrease (increase) in other noncurrent assets | 167,739 | 1,659,311 | 792,425 | (164,466) |
| Acquisitions through business combinations, net of cash acquired | (570,098) | — | — | — |
| Additions to: | | | | |
| Property, plant and equipment | (11,542,682) | (7,403,132) | (3,391,969) | (3,555,198) |
| Intangible assets | (720,565) | (29,859) | (487,245) | 105,361 |
| Net cash flows used in investing activities | (10,092,353) | (3,826,085) | (2,209,239) | (2,869,985) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Net payments of long-term debt | (3,636,316) | (7,543,327) | (4,477,352) | (10,128,646) |
| Net availments of short-term loans (Note 12) | 1,535,098 | 2,503,812 | 1,013,937 | 1,900,057 |
| Purchase of treasury stock (Note 23) | (4,145,637) | — | (4,145,637) | — |
| Cash dividends paid (Note 22) | (13,760,113) | (10,669,606) | — | — |
| Payments of lease liabilities, including interest accretion (Note 21) | (8,329,417) | (7,995,851) | (2,826,833) | (2,380,730) |
| Payment of dividends to non-controlling interests | (1,399,246) | (1,380,664) | — | (105,600) |
| Interest paid | (8,652,620) | (8,544,828) | (2,761,760) | (3,258,894) |
| Net cash flows used in financing activities | (38,388,251) | (33,630,464) | (13,197,645) | (13,973,813) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (10,764,951) | (18,927,899) | (131,522) | (11,423,729) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS | 429,448 | 20,458 | 266,216 | 61,334 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 64,763,642 | 57,130,243 | 54,293,445 | 49,585,197 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5) | ₱54,428,139 | ₱38,222,802 | ₱54,428,139 | ₱38,222,802 |

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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. On December 16, 2021, JERA Asia Private Limited completed the acquisition of the Company's share from Aboitiz Equity Ventures, Inc. (AEV) and Aboitiz & Company, Inc. (ACO) totaling to 27.29%. As of September 30, 2023, Aboitiz Equity Ventures, Inc. (AEV, also incorporated in the Philippines) owns 52.94% 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 a joint operation that is subject to joint control (collectively referred to as "the Group").

The following are the subsidiaries as of September 30, 2023 and December 31, 2022:

| | Nature of Business | September 30, 2023 | | December 31, 2022 | |
|---|--------------------|--------------------|----------|-------------------|----------|
| | | 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. (HTI) | Power generation | – | 100.00 | – | 100.00 |
| Luzon Hydro Corporation (LHC) | Power generation | – | 100.00 | – | 100.00 |
| Sinag Solar Power Corporation (formerly 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. (formerly Hedcor Ifugao, Inc.)* | Power generation | – | 100.00 | – | 100.00 |
| Amihan Power, Inc. (formerly Hedcor Kalinga, Inc.)* | Power generation | – | 100.00 | – | 100.00 |

| | | | | | |
|---|------------------|---------------|---------------|--------|--------|
| Aboitiz Solar Power, Inc. (formerly Hedcor Itogon Inc.)* | Power generation | – | 100.00 | – | 100.00 |
| Hedcor Manolo Fortich, Inc.* | Power generation | – | 100.00 | – | 100.00 |
| Amihan Frontier Energy, Inc. (formerly 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 |
| RE Resources, Inc. (formerly Mt. Apo Geopower, Inc.)* | Power generation | – | 100.00 | – | 100.00 |
| Visayas Cleanergy, Inc. (formerly Negron Cuadrado Geopower, Inc. (NCGI))* | Power generation | – | 100.00 | – | 100.00 |
| Tagoloan Hydro Corporation* | Power generation | – | 100.00 | – | 100.00 |
| Luzon Hydro Company Limited* | Power generation | – | 100.00 | – | 100.00 |
| Electricidad, Inc. (formerly La Filipina Electrica, Inc.)* | Power generation | – | 100.00 | – | 100.00 |
| Wind Renewable Energy Corporation* | Power generation | – | 100.00 | – | 100.00 |
| Maaraw Renewable Energy Corporation* | Power generation | – | 100.00 | – | 100.00 |
| Maaraw Holdings San Carlos, Inc. (MHSCI, see Note 9) | Holding company | – | 100.00 | – | 100.00 |
| San Carlos Sun Power, Inc. (Sacasun, see Note 9) | Power generation | – | 100.00 | – | 100.00 |
| Luzon Alternative Energy Sources, Inc.* | Power generation | – | 100.00 | – | 100.00 |
| Luzon Cleanergy Generation, Inc.* | Power generation | – | 100.00 | – | 100.00 |
| Luzon Cleanergy, Inc.* | Power generation | – | 100.00 | – | 100.00 |
| Maaraw Holdings Bais, Inc.* | Power generation | – | 100.00 | – | 100.00 |
| Mindanao Cleanergy, Inc.* | Power generation | – | 100.00 | – | 100.00 |
| North Luzon Green and Sustainable Energy, Inc.* | Power generation | – | 100.00 | – | 100.00 |
| North Luzon Green Power, Inc.* | Power generation | – | 100.00 | – | 100.00 |
| North Luzon Natural Energy, Inc.* | Power generation | – | 100.00 | – | 100.00 |
| Northern Sun Power, Inc.* | Power generation | – | 100.00 | – | 100.00 |
| Northern Sun Radiance, Inc.* | Power generation | – | 100.00 | – | 100.00 |
| South Cleanergy, Inc.* | Power generation | – | 100.00 | – | 100.00 |
| South Luzon Energy Solutions, Inc.* | Power generation | – | 100.00 | – | 100.00 |
| South Luzon Power Development, Inc.* | Power generation | – | 100.00 | – | 100.00 |
| South Luzon Sustainable Energy, Inc.* | Power generation | – | 100.00 | – | 100.00 |
| Cleanergy 2, Inc.* | Power generation | – | 100.00 | – | – |
| Hydro Electric Development Corporation* | Power generation | – | 99.97 | – | 99.97 |
| Cornerstone Energy Development, Inc.* | Power generation | – | 60.00 | – | – |
| Therma Power, Inc. (TPI) and Subsidiaries | Power generation | 100.00 | – | 100.00 | – |
| Mindanao Sustainable Solutions, Inc.* | Services | – | 100.00 | – | 100.00 |
| Therma Luzon, Inc. (TLI) | Power generation | – | 100.00 | – | 100.00 |
| Therma Marine, Inc. (Therma Marine) | Power generation | – | 100.00 | – | 100.00 |
| Therma Mobile, Inc. (Therma Mobile) | Power generation | – | 100.00 | – | 100.00 |
| Therma South, Inc. (TSI) | Power generation | – | 100.00 | – | 100.00 |
| Therma Power-Visayas, Inc. (TPVI) | Power generation | – | 100.00 | – | 100.00 |
| Therma Central Visayas, Inc.* | Power generation | – | 100.00 | – | 100.00 |
| Therma Subic, Inc.* | Power generation | – | 100.00 | – | 100.00 |
| Therma Mariveles Holdings, Inc. | Holding company | – | 100.00 | – | 100.00 |
| Therma Cebu Energy, Inc.* | Power generation | – | 100.00 | – | – |
| Therma NatGas Power Inc.* | Power generation | – | 100.00 | – | – |
| Therma Pagbilao Power Inc.* | Power generation | – | 100.00 | – | – |
| Therma Quezon Energy Inc.* | Power generation | – | 100.00 | – | – |
| GNPower Mariveles Energy Center Ltd. Co. (formerly GNPower Mariveles Coal Plant) (GMEC) | Power generation | – | 78.33 | – | 78.33 |

| | | | | | |
|---|-----------------------------|---------------|---------------|--------|--------|
| Therma Dinginin Holdings, Inc. | Holding company | – | 100.00 | – | 100.00 |
| Therma Visayas, Inc. (TVI) | Power generation | – | 80.00 | – | 80.00 |
| Abovant Holdings, Inc. | Holding company | – | 60.00 | – | 60.00 |
| AboitizPower International Pte. Ltd. (API) | Holding company | 100.00 | – | 100.00 | – |
| Cleanergy Asia Power Holdings Pte Ltd. | Holding company | – | 100.00 | – | 100.00 |
| AP Lariang Pte Ltd. | Holding company | – | 100.00 | – | 100.00 |
| Aboitiz Energy Solutions, Inc. (AESI) | Retail electricity supplier | 100.00 | – | 100.00 | – |
| Adventenergy, Inc. (AI) | Retail electricity supplier | 100.00 | – | 100.00 | – |
| Balamban Enerzone Corporation (BEZ) | Power distribution | 100.00 | – | 100.00 | – |
| Lima Enerzone Corporation (LEZ) | Power distribution | 100.00 | – | 100.00 | – |
| Mactan Enerzone Corporation (MEZ) | Power distribution | 100.00 | – | 100.00 | – |
| Malvar Enerzone Corporation (MVEZ) | 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 | – |
| STEAG State Power, Inc. (STEAG) | Power generation | 69.40 | – | – | – |
| 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 | – |
| Cell Power Energy Corporation (formerly Olongapo Energy Corporation)* | Power generation | 100.00 | – | 100.00 | – |

* No commercial operations as of September 30, 2023

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

Basis of Financial Statement Preparation

The unaudited interim condensed consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments and financial assets at FVTPL which are measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Philippine peso, which is the Company's functional currency, and all values are rounded to the nearest thousands, except for earnings per share and exchange rates and as otherwise indicated.

Statement of Compliance

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. 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, 2022, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

On October 24, 2023, the Audit Committee of the Board of Directors (BOD) of the Company approved and authorized the release of the 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 amendments to existing standards which were applied starting January 1, 2023. Except for the impact of the amendment to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, there were no other significant changes affecting the interim condensed consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

The Group applied the requirements of this amendment and recognized deferred income tax assets and liabilities amounting to ₱7.74 billion and ₱8.24 billion, respectively, as of January 1, 2022 and to ₱6.00 billion and ₱8.02 billion, respectively, as of December 31, 2022. Impact to retained earnings was a decrease amounting to ₱500.7 million and ₱2.02 billion as of January 1, 2022 and December 31, 2022, respectively. Impact to the unaudited interim consolidated statement of income for the nine-month period ended September 30, 2022 was an increase in the provision for income tax amounting to ₱326.1 million .

The adoption did not have any significant impact on the nine-month period ended September 30, 2022 unaudited interim consolidated statement of cash flows.

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. The Group also included, as one of its main considerations, the continuing impact of COVID-19 pandemic in making significant judgments and assumptions.

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

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 audited consolidated financial statements.

5. Cash and Cash Equivalents

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---------------------------|-----------------------------------|--------------------------------|
| Cash on hand and in banks | ₱24,382,493 | ₱26,275,516 |
| Short-term deposits | 30,045,646 | 38,488,126 |
| | ₱54,428,139 | ₱64,763,642 |

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

6. Trade and Other Receivables

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---|-----------------------------------|--------------------------------|
| Trade receivables - net of allowance for expected credit losses | ₱23,411,413 | ₱27,019,951 |
| Others: | | |
| Non-trade receivable | 6,674,151 | 7,067,580 |
| Advances to contractors | 657,606 | 285,501 |
| Interest receivable | 72,516 | 122,899 |
| Dividends receivable | — | 792,515 |
| PSALM deferred adjustment | — | 54,505 |
| | ₱30,815,686 | ₱35,342,951 |

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

Advances to contractors refer to noninterest-bearing advance payments made for acquisition of inventories and services which are offset against progress billings to be made by the suppliers.

Non-trade receivable relates mostly to claims from insurance against the property damage, TLI's accrual of income from coal commodity hedge and advances to partners in GMEC.

7. Other Current Assets

| | September 30, 2023 | December 31, 2022 |
|--|---------------------------|-------------------|
| | (Unaudited) | (Audited) |
| Restricted cash | ₱3,735,988 | ₱6,023,425 |
| Input VAT | 1,748,695 | 2,774,959 |
| Prepaid tax | 2,642,150 | 3,929,664 |
| Prepaid expenses | 1,530,252 | 665,903 |
| Advances to National Grid Corporation of the Philippines (NGCP) | 551,506 | 551,506 |
| Others | 378,984 | 134,411 |
| | ₱10,587,575 | ₱14,079,868 |

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

Advances to NGCP pertain to TVI's cost of construction and installation of substation and transmission facilities which are subject for reimbursement.

Prepaid expenses mainly includes prepayments for insurance.

8. Investments and Advances

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---|-----------------------------------|--------------------------------|
| Acquisition cost: | | |
| Balance at beginning of period | ₱61,404,940 | ₱61,410,545 |
| Step acquisition to subsidiary | (4,400,611) | — |
| Redemptions during the period | (6,940) | (5,605) |
| Balance at end of period | 56,997,389 | 61,404,940 |
| Accumulated equity in net earnings: | | |
| Balance at beginning of period | 15,862,661 | 3,914,203 |
| Share in net earnings | 15,834,851 | 15,134,970 |
| Step acquisition to subsidiary | 982,102 | — |
| Dividends | (376,128) | (3,186,512) |
| Balance at end of period | 32,303,486 | 15,862,661 |
| Share in net unrealized valuation gain on FVOCI investment of an associate | 98,602 | 98,602 |
| Share in actuarial gains on defined benefit plans of associates and joint ventures | 30,835 | 65,640 |
| Share in cumulative translation adjustments of associates and joint ventures | 631,536 | 1,055,930 |
| | 760,973 | 1,220,172 |
| | 90,061,848 | 78,487,773 |
| Less allowance for impairment losses | 568,125 | 568,125 |
| Investments at equity | 89,493,723 | 77,919,648 |
| Advances | 8,811 | 8,811 |
| | ₱89,502,534 | ₱77,928,459 |

The Group's associates and joint ventures and the corresponding equity ownership as of September 30, 2023 and December 31, 2022 are as follows:

| | Nature of Business | Percentage of ownership | |
|--|-----------------------------|--|---------------------------------------|
| | | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
| Manila-Oslo Renewable Enterprise, Inc. (MORE) ¹ | Holding company | 83.33 | 83.33 |
| GNPower Dinginin Ltd. Co. (GNPD) ^{1,3} | Power generation | 70.00 | 70.00 |
| AA Thermal, Inc. (ATI) ^{1, 2} | Holding company | 60.00 | 60.00 |
| Hijos de F. Escaño, Inc. (Hijos) | Holding company | 46.73 | 46.73 |
| Mazzaraty Energy Corporation (MEC) | Retail electricity supplier | 44.87 | 44.87 |
| Sinag Naraw Power, Inc.* | Power generation | 44.00 | 44.00 |
| San Fernando Electric Light & Power Co., Inc. (SFELAPCO) | Power distribution | 43.78 | 43.78 |
| Pampanga Energy Ventures, Inc. (PEVI) | Holding company | 42.84 | 42.84 |
| STEAG State Power, Inc. (STEAG) | Power generation | — | 34.00 |
| AEV Aviation, Inc. (AAI) | Service | 26.69 | 26.69 |
| Cebu Energy Development Corporation (CEDC) | Power generation | 26.40 | 26.40 |
| Redondo Peninsula Energy, Inc. (RPEI)* | Power generation | 25.00 | 25.00 |
| Southern Philippines Power Corporation (SPPC) | Power generation | 20.00 | 20.00 |
| Western Mindanao Power Corporation (WMPC) | Power generation | 20.00 | 20.00 |

¹ Joint venture.

² Economic interest

³ Includes 30% indirect ownership through AA Thermal.

* No commercial operations as of September 30, 2023

The principal place of business and country of incorporation of the Group's associates and joint venture are in the Philippines. Associates and joint ventures are the same as those presented as of December 31, 2022 audited financial statements.

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

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|-------------------|-----------------------------------|--------------------------------|
| ATI ¹ | ₱36,821,317 | ₱30,986,871 |
| GNPD ² | 36,702,543 | 29,109,463 |
| MORE | 10,265,087 | 9,292,756 |
| CEDC | 3,752,611 | 3,075,932 |
| PEVI | 684,335 | 624,304 |
| SFELAPCO | 538,098 | 485,966 |
| Hijos | 301,742 | 283,009 |
| WMPC | 151,464 | 174,927 |
| RPEI | 90,531 | 93,418 |
| SPPC | 35,826 | 42,341 |
| STEAG | — | 3,592,972 |
| Others | 150,169 | 157,689 |
| | ₱89,493,723 | ₱77,919,648 |

¹ Includes indirect ownership from GNPD.

² Direct ownership only.

On September 15, 2022, STEAG GmbH entered into a Share Purchase Agreement with AP for the purchase by AP of an additional 35.4% stake in SPI. On June 2, 2023, AP was able to meet all conditions relevant to the sale, accordingly, as of that date, AP owns 69.4% of STEAG State Power Inc. As of October 24, 2023, the Group is still in the process of compiling all of the necessary information needed in finalizing its initial purchase price allocation, as such, certain disclosures are not yet available.

9. Joint Operation

| Name of Joint Operation | Nature of Business | Percentage of Ownership | |
|-----------------------------------|--------------------|-------------------------|-------------------|
| | | September 30, 2023 | December 31, 2022 |
| Pagbilao Energy Corporation (PEC) | Power generation | 50% | 50% |

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

On May 15, 2014, the Group entered into a shareholders' agreement with TPEC Holdings Corporation (TPEC) for the development, construction and operation of the 400 MW Pagbilao Unit III in Pagbilao, Quezon through PEC. TPI and TPEC both agreed to provide their respective capital contributions and subscribe to common shares such that each stockholder owns 50% of the issued and outstanding shares of stock of PEC.

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.

10. Intangible Assets

September 30, 2023

| | Goodwill | Franchise | Service concession rights | Project development costs | Customer contracts | Software and licenses | Total |
|---------------------------------|-------------|------------|---------------------------|---------------------------|--------------------|-----------------------|-------------|
| Cost: | | | | | | | |
| Balances at beginning of period | ₱44,920,394 | ₱3,078,433 | ₱5,661,564 | ₱806,790 | ₱60,068 | ₱605,000 | ₱55,132,249 |
| Additions | — | — | 48,829 | 430,618 | — | 241,118 | 720,565 |
| Impairment | — | — | — | (79,556) | — | — | (79,556) |
| Exchange differences | 647,721 | — | 11,599 | — | — | — | 659,320 |
| Balances at end of period | 45,568,115 | 3,078,433 | 5,721,992 | 1,157,852 | 60,068 | 846,118 | 56,432,578 |
| Accumulated amortization: | | | | | | | |
| Balances at beginning of period | — | 737,543 | 4,160,737 | — | 60,068 | 402,516 | 5,360,864 |
| Amortization | — | 57,721 | 289,827 | — | — | 81,753 | 429,301 |
| Balances at end of period | — | 795,264 | 4,450,564 | — | 60,068 | 484,269 | 5,790,165 |
| Net book values | ₱45,568,115 | ₱2,283,169 | ₱1,271,428 | ₱1,157,852 | ₱— | ₱361,849 | ₱50,642,413 |

11. Trade and Other Payables

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---|-----------------------------------|--------------------------------|
| Trade payables | ₱13,774,250 | ₱21,205,575 |
| Output VAT | 4,620,205 | 3,261,895 |
| Amounts due to contractors and other third parties | 1,619,604 | 1,102,755 |
| PSALM deferred adjustment | — | 54,505 |
| Accrued expenses: | | |
| Interest | 2,697,180 | 2,261,797 |
| Materials and supplies cost | 17,040 | 17,040 |
| Taxes and fees | 1,366,319 | 1,574,393 |
| Claims conversion costs | 151,812 | 58,859 |
| Insurance | 27,291 | 59,119 |
| Dividends payable (see Note 22) | 175,736 | 268,433 |
| Unearned revenues | 204,257 | 179,059 |
| Customers' deposit | 40,423 | 39,052 |
| Nontrade | 3,003,420 | 2,170,066 |
| Others | 748,400 | 695,780 |
| | ₱28,445,937 | ₱32,948,328 |

Trade payables are noninterest-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 construction projects.

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

12. Short-term Loans

| | | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--------------------------|-----------------------|-----------------------------------|--------------------------------|
| Peso loans - financial | 4.92% - 6.38% in 2023 | | |
| institutions - unsecured | 4.50% - 7.00% in 2022 | ₱17,348,000 | ₱16,637,000 |
| Dollar loans - financial | 6.70% - 7.00% in 2023 | | |
| institutions - unsecured | 4.50% - 7.00% in 2022 | 5,589,813 | 4,765,715 |
| | | ₱22,937,813 | ₱21,402,715 |

The Peso and Dollar loans are unsecured short-term notes payable obtained from financial institutions for working capital purposes. 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.

13. Long-term Debts

| | 2023 Interest Rate (Unaudited) | 2022 Interest Rate (Audited) | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|-----------------------------------|---------------------------------|-----------------------------------|--------------------------------|
| Company: | | | | |
| Bonds (see Note 14) | 3.82% - 8.51% | 3.82% - 8.51% | ₱43,300,000 | ₱43,300,000 |
| Financial institutions - unsecured | 4.00% - 4.33% | 4.00% - 4.33% | 10,850,000 | 10,850,000 |
| Subsidiaries: | | | | |
| GMEC | | | | |
| Financial institutions - unsecured | LIBOR + 1.7% - 4.85% | LIBOR + 1.7% - 4.85% | 30,377,459 | 32,630,156 |
| TMI | | | | |
| Financial institutions - secured | 4.54% - 7.68% | 4.54% - 7.68% | 2,437,500 | 2,600,000 |
| HSAB | | | | |
| Financial institutions - secured | 4.92% | 4.92% | 1,049,204 | 1,103,234 |
| TVI | | | | |
| Financial institutions - secured | 5.56% - 9.00% | 5.56% - 9.00% | 22,439,132 | 24,479,052 |
| AESI | | | | |
| Financial institutions - unsecured | 4.87% | 4.87% | 582,000 | 588,000 |
| TSI | | | | |
| Financial institutions - secured | 4.27% | 4.27% | 16,884,883 | 18,117,893 |
| APRI | | | | |
| Financial institutions - secured | 4.91% - 6.67% | 4.91% - 6.67% | 10,728,000 | 11,152,000 |
| Hedcor Bukidnon | | | | |
| Financial institutions - secured | 4.29% - 5.59% | 4.29% - 5.59% | 7,498,401 | 8,114,434 |
| TPVI | | | | |
| Financial institutions - secured | 3.32% - 5.06% | 3.32% - 5.06% | 1,499,250 | 1,500,000 |
| Hedcor Sibulan | | | | |
| Fixed rate corporate notes - unsecured | 5.14% - 5.42% | 5.03% - 5.42% | 3,004,398 | 3,004,398 |
| HI | | | | |
| Financial institution - secured | 7.09% | 7.41% - 7.87% | 1,240,000 | 1,370,000 |
| PVSinag | | | | |
| Financial institution - secured | 7.06% - 8.02% | 8.02% | 8,850,000 | 3,600,000 |
| ARI | | | | |
| Financial institution - unsecured | 6.91% | 6.91% | 12,000,000 | 12,000,000 |
| VECO | | | | |
| Financial institution - unsecured | 4.92% | 4.73% - 4.92% | 191,000 | 190,881 |
| HTI | | | | |
| Financial institution - secured | 4.92% | 4.92% | 664,267 | 693,511 |
| DLP | | | | |
| Financial institution - unsecured | 4.92% | 4.73% - 4.92% | 143,250 | 143,250 |
| AI | | | | |
| AEV - unsecured | 3.50% | 3.50% | 300,000 | 300,000 |
| TLI | | | | |
| Financial institution - unsecured | 7.39% | 7.39% | 15,000,000 | 15,000,000 |
| CLP | | | | |
| Financial institution - unsecured | 4.92% | 4.92% | 28,650 | 28,650 |
| STEAG | | | | |
| Financial institution - secured | LIBOR + 1.50% - 5.00% | —% | 2,456,486 | — |
| Joint operation (see Note 9) | | | | |
| Financial institutions - secured | 5.77% - 6.27% | 5.77% - 6.27% | 8,698,782 | 9,951,718 |
| | | | 200,222,662 | 200,717,177 |
| Less deferred financing costs | | | 1,333,490 | 1,265,259 |
| | | | 198,889,172 | 199,451,918 |
| Less current portion - net of deferred | | | 10,471,420 | 10,279,212 |
| | | | ₱188,417,752 | ₱189,172,706 |

In March 2023, PV Sinag availed a new loan for a total of ₱5.25 billion.

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 based on each loan covenant required as of calculation date.

14. Debt Securities

As of September 30, 2023, the Company registered and issued peso-denominated fixed-rate retail bonds totaling ₱43.3 billion under the following terms:

| <u>Maturity</u> | <u>Interest Rate (p.a.)</u> | <u>Amount</u> |
|---|-----------------------------|--------------------|
| 10-year bonds to mature on October 25, 2028 | 8.51% | ₱2,500,000 |
| 10-year bonds to mature on July 3, 2027 | 5.34% | 3,000,000 |
| 7-year bonds to mature on March 17, 2029 | 5.74% | 7,000,000 |
| 7-year bonds to mature on December 2, 2028 | 5.03% | 7,200,000 |
| 7-year bonds to mature on October 14, 2026 | 5.28% | 7,250,000 |
| 5-year bonds to mature on March 17, 2027 | 5.31% | 3,000,000 |
| 5-year bonds to mature on March 16, 2026 | 3.82% | 8,000,000 |
| 5-year bonds to mature on July 6, 2025 | 3.94% | 550,000 |
| 4-year bonds to mature on December 2, 2025 | 4.00% | 4,800,000 |
| | | ₱43,300,000 |

15. Operating Expenses

| | <u>For the periods ended September 30</u> | |
|-------------------------------|---|--------------|
| | <u>2023</u> | <u>2022</u> |
| Cost of generated power | ₱50,507,812 | ₱42,061,270 |
| Cost of purchased power | 51,845,052 | 45,110,182 |
| Depreciation and amortization | 9,577,756 | 8,832,987 |
| Operations and maintenance | 9,428,209 | 8,183,580 |
| General and administrative | 8,537,269 | 5,633,499 |
| | ₱129,896,098 | ₱109,821,518 |

16. Other Income (Expenses)

| | For the periods ended September 30 | |
|--|------------------------------------|---------------------|
| | 2023 | 2022 |
| Surcharges | ₱487,258 | ₱449,763 |
| Rental income | 208,742 | 160,760 |
| Gains on disposal of property, plant and equipment | 85,208 | 1,395 |
| Non-utility operating income | 77,758 | 106,476 |
| Write off of project costs and other assets | (79,556) | — |
| Net foreign exchange losses | (140,461) | (1,124,777) |
| Others - net | 1,962,673 | (1,621,918) |
| | ₱2,601,622 | (₱2,028,301) |

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

“Others” include derivative gains, insurance claims, tax credits, contract for difference charges and other non-recurring items like sale of scrap and sludge oil.

17. Earnings Per Common Share

Basic and diluted earnings per common share amounts were computed as follows:

| | For the periods ended September 30 | |
|--|------------------------------------|------------------------|
| | 2023 | 2022 |
| | | (As Restated - Note 3) |
| a. Net income attributable to equity holders of the parent | ₱26,738,015 | ₱19,516,377 |
| b. Weighted average number of outstanding shares | 7,314,534,381 | 7,358,604,307 |
| Basic and diluted earnings per share (a/b) | ₱3.66 | ₱2.65 |

There are no dilutive potential common shares for the nine-month periods ended September 30, 2023 and 2022.

18. 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 2023

| | Power Generation | Power Distribution | Parent and Others | Total |
|--|--------------------|--------------------|--------------------|---------------------|
| Revenue from power supply contracts | ₱53,838,177 | ₱— | ₱— | ₱53,838,177 |
| Revenue from distribution services | — | 40,884,061 | — | 40,884,061 |
| Revenue from retail electricity sales | — | — | 34,669,971 | 34,669,971 |
| Revenue from non-power supply contracts | 25,060,836 | — | — | 25,060,836 |
| Revenue from technical and management services | — | — | 186,090 | 186,090 |
| | ₱78,899,013 | ₱40,884,061 | ₱34,856,061 | ₱154,639,135 |

January - September 2022

| | Power Generation | Power Distribution | Parent and Others | Total |
|--|--------------------|--------------------|--------------------|---------------------|
| Revenue from power supply contracts | ₱50,944,774 | ₱— | ₱— | ₱50,944,774 |
| Revenue from distribution services | — | 39,520,551 | — | 39,520,551 |
| Revenue from retail electricity sales | — | — | 23,788,263 | 23,788,263 |
| Revenue from non-power supply contracts | 21,584,952 | — | — | 21,584,952 |
| Revenue from technical and management services | — | — | 54,014 | 54,014 |
| | ₱72,529,726 | ₱39,520,551 | ₱23,842,277 | ₱135,892,554 |

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 unaudited 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.

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:

January - September 2023

| | Power Generation | Power Distribution | Parent Company/ Others | Eliminations and Adjustments | Consolidated |
|--|---------------------|-----------------------|------------------------------|------------------------------------|---------------------|
| REVENUE | | | | | |
| External | ₱78,899,013 | ₱40,884,061 | ₱34,856,061 | ₱— | ₱154,639,135 |
| Inter-segment | 23,795,262 | 1,103,714 | 1,678,097 | (26,577,073) | — |
| Total Revenue | ₱102,694,275 | ₱41,987,775 | ₱36,534,158 | (₱26,577,073) | ₱154,639,135 |
| Segment Results | ₱20,612,865 | ₱5,002,269 | (₱872,097) | ₱— | ₱24,743,037 |
| Unallocated corporate income (loss) - net | 1,645,715 | 902,527 | 53,380 | — | 2,601,622 |
| INCOME FROM OPERATIONS | 22,258,580 | 5,904,796 | (818,717) | — | 27,344,659 |
| Interest expense | (6,995,874) | (695,131) | (2,666,594) | — | (10,357,599) |
| Interest income | 732,350 | 3,963 | 610,974 | — | 1,347,287 |
| Share in net earnings of associates and joint ventures | 15,608,409 | 207,469 | 29,517,980 | (29,499,007) | 15,834,851 |
| Provision for income tax | (2,940,001) | (1,333,744) | (518,174) | — | (4,791,919) |
| NET INCOME | ₱28,663,464 | ₱4,087,353 | ₱26,125,469 | (₱29,499,007) | ₱29,377,279 |
| Depreciation and Amortization | ₱8,411,095 | ₱993,442 | ₱64,455 | ₱108,764 | ₱9,577,756 |
| OTHER INFORMATION | | | | | |
| Investments | ₱87,819,380 | ₱1,252,355 | ₱229,573,631 | (₱229,151,641) | ₱89,493,725 |
| Segment Assets | ₱341,285,757 | ₱42,514,878 | ₱265,201,664 | (₱166,403,506) | ₱482,598,793 |
| Segment Liabilities | ₱182,301,217 | ₱33,716,144 | ₱79,908,895 | (₱3,435,546) | ₱292,490,710 |

January - September 2022 (As restated; see Note 2)

| | Power Generation | Power Distribution | Parent Company/ Others | Eliminations Adjustments and | Consolidated |
|--|---------------------|-----------------------|------------------------------|------------------------------------|---------------------|
| REVENUE | | | | | |
| External | ₱72,529,726 | ₱39,520,551 | ₱23,842,277 | ₱— | ₱135,892,554 |
| Inter-segment | 26,290,624 | 1,264,811 | 1,162,092 | (28,717,527) | — |
| Total Revenue | ₱98,820,350 | ₱40,785,362 | ₱25,004,369 | (₱28,717,527) | ₱135,892,554 |
| Segment Results | ₱23,467,292 | ₱2,635,847 | (₱32,104) | ₱1 | ₱26,071,036 |
| Unallocated corporate income (loss) - net | (3,377,388) | 879,495 | 469,592 | — | (2,028,301) |
| INCOME FROM OPERATIONS | 20,089,904 | 3,515,342 | 437,488 | 1 | 24,042,735 |
| Interest expense | (6,703,522) | (464,525) | (2,653,743) | — | (9,821,790) |
| Interest income | 84,052 | 5,394 | 259,294 | — | 348,740 |
| Share in net earnings of associates and joint ventures | 8,600,749 | 259,567 | 22,459,982 | (22,388,200) | 8,932,098 |
| Provision for income tax | (1,759,201) | (681,050) | (294,590) | — | (2,734,841) |
| NET INCOME | ₱20,311,982 | ₱2,634,728 | ₱20,208,431 | (₱22,388,199) | ₱20,766,942 |
| Depreciation and Amortization | ₱7,748,346 | ₱933,599 | ₱42,278 | ₱108,764 | ₱8,832,987 |
| OTHER INFORMATION (December 31, 2022) | | | | | |
| Investments | ₱76,368,680 | ₱1,141,014 | ₱218,893,577 | (₱218,483,623) | ₱77,919,648 |
| Segment Assets | ₱318,880,974 | ₱41,442,127 | ₱289,932,100 | (₱172,865,463) | ₱477,389,738 |
| Segment Liabilities | ₱193,988,563 | ₱32,329,326 | ₱84,514,382 | (₱11,599,590) | ₱299,232,681 |

19. 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 and interest rate swap agreement to hedge its floating rate exposure on its foreign currency-denominated loan.

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.

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.

Liquidity risk

Liquidity risk is the risk that an entity in the Group will be unable to meet its obligations as they become due. The Group manages liquidity risk by effectively managing its working capital, capital expenditure and cash flows, making use of a centralized treasury function to manage pooled business unit cash investments and borrowing requirements.

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. 8.99% of the Group's debt will mature in less than one year as of September 30, 2023 (December 31, 2022: 8.32%). 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, 2023 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 | ₱22,937,813 | ₱22,937,813 | ₱— | ₱22,937,813 | ₱— | ₱— |
| Trade and other payables | 22,457,931 | 22,407,933 | 250,760 | 22,157,173 | — | — |
| Long-term debts | 198,889,172 | 200,222,662 | — | 10,558,059 | 99,520,780 | 90,143,823 |
| Customers' | 8,479,831 | 8,479,831 | — | — | 480,169 | 7,999,662 |
| Lease liabilities | 21,124,936 | 28,750,894 | — | 11,299,270 | 12,078,366 | 5,373,258 |
| Long-term obligation on PDS | 158,395 | 200,000 | — | 40,000 | 160,000 | — |
| Derivative liabilities | 493,026 | 493,026 | — | 493,026 | — | — |
| | ₱274,541,104 | ₱283,492,159 | ₱250,760 | ₱67,485,341 | ₱112,239,315 | ₱103,516,743 |

Commodity swap contracts

TLI has entered into commodity swap contracts to hedge the price volatility of forecasted coal purchases. The commodity swaps do not result in physical delivery of coal, but are designated as cash flow hedges to offset the effect of price changes in coal. TLI hedges approximately 30% of its expected coal purchases considered to be highly probable. There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward and commodity swap contracts match the terms of the expected highly probable forecasted transactions.

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, 2023, 7% of the Group's long-term debt had annual floating interest rates ranging from 1.97% to 7.68%, and 93% have annual fixed interest rates ranging from 4.27% to 9.00%. As of December 31, 2022, 8% of the Group's long-term debt had annual floating interest rates ranging from 1.97% to 7.68%, and 92% have annual fixed interest rates ranging from 4.27% 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, 2023

| | <1 year | 1-5 years | >5 years | Total |
|--------------------------------|------------|------------|------------|-------------|
| Floating rate - long-term debt | ₱1,157,489 | ₱5,893,215 | ₱6,020,806 | ₱13,071,510 |

As of September 30, 2022

| | <1 year | 1-5 years | >5 years | Total |
|--------------------------------|------------|------------|------------|-------------|
| Floating rate - long-term debt | ₱1,134,473 | ₱6,008,610 | ₱9,893,941 | ₱17,037,024 |

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

| | For the periods ended September 30 | |
|-------------------------------------|------------------------------------|------------|
| | 2023 | 2022 |
| Short-term loans and long-term debt | ₱9,011,113 | ₱7,895,311 |
| Lease liabilities (see Note 21) | 1,018,305 | 1,686,715 |
| Customers' deposits | 1,133 | 1,140 |
| Other long-term obligations | 327,048 | 238,624 |
| | ₱10,357,599 | ₱9,821,790 |

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 2023 | 100 | (₱130,715) |
| | (50) | 65,358 |
| September 2022 | 100 | (₱170,370) |
| | (50) | 85,185 |

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

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 19.08% and 20.48% of total consolidated borrowings as of September 30, 2023 and December 31, 2022, respectively.

Presented below are the Group's foreign currency denominated financial assets and liabilities as of September 30, 2023 and December 31, 2022, translated to Philippine Peso:

| | September 30, 2023 (Unaudited) | | December 31, 2022 (Audited) | |
|---|-----------------------------------|--|--------------------------------|--|
| | US Dollar | Philippine Peso equivalent ¹ | US Dollar | Philippine Peso equivalent ² |
| Financial assets: | | | | |
| Cash and cash equivalents | \$150,713 | ₱8,526,588 | \$217,588 | ₱12,131,619 |
| Trade and other receivables | 2,787 | 157,675 | 2,467 | 137,548 |
| Advances to associates | 94 | 5,318 | 3 | 167 |
| Total financial assets | 153,594 | 8,689,581 | 220,058 | 12,269,334 |
| Financial liabilities: | | | | |
| Trade and other payables | 21,640 | 1,224,283 | 30,076 | 1,676,887 |
| Lease liabilities | 175,502 | 9,929,026 | 241,244 | 13,450,559 |
| Total financial liabilities | 197,142 | 11,153,309 | 271,320 | 15,127,446 |
| Total net financial assets (liabilities) | (\$43,548) | (₱2,463,728) | (\$51,262) | (₱2,858,112) |

¹\$1 = 56.58

²\$1 = 55.76

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 for the periods ended September 30:

| | Increase (decrease) in US Dollar | Effect on income before tax |
|--------------------------------|-------------------------------------|--------------------------------|
| 2023 | | |
| US Dollar denominated accounts | US Dollar weakens by 5% | (₱123,186) |
| US Dollar denominated accounts | US Dollar strengthens by 5% | 123,186 |
| 2022 | | |
| US Dollar denominated accounts | US Dollar strengthens by 5% | (₱583,641) |
| US Dollar denominated accounts | US Dollar weakens by 5% | 583,641 |

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 unaudited interim consolidated statements of 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, 2023 | December 31, 2022 |
|----------------------------|---------------------------|--------------------|
| | (Unaudited) | (Audited) |
| Power distribution: | | |
| Industrial | ₱8,772,975 | ₱10,089,301 |
| Residential | 2,436,297 | 3,394,574 |
| Commercial | 1,329,191 | 1,059,520 |
| City street lighting | — | 27,372 |
| Power generation: | | |
| Power supply contracts | 11,761,764 | 13,033,268 |
| Non-power supply contracts | 2,695,433 | 2,745,316 |
| | ₱26,995,660 | ₱30,349,351 |

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, 2023 and December 31, 2022 are as follows:

| | September 30, 2023 | December 31, 2022 |
|---------------------------|---------------------------|-------------------|
| | (Unaudited) | (Audited) |
| Short-term loans | ₱22,937,813 | ₱21,402,715 |
| Long-term debt | 198,889,172 | 199,451,918 |
| Lease liabilities | 21,124,936 | 27,541,956 |
| Cash and cash equivalents | (54,428,139) | (64,763,642) |
| Restricted cash | (3,735,988) | (6,023,425) |
| Net debt (a) | 184,787,794 | 177,609,522 |
| Equity | 190,108,083 | 178,157,057 |
| Equity and net debt (b) | 374,895,877 | 355,766,579 |
| Gearing ratio (a/b) | 49.29% | 49.92% |

No changes were made in the objectives, policies or processes during the period ended September 30, 2023.

20. 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, 2023 (Unaudited) | | December 31, 2022 (Audited) | |
|--|-----------------------------------|---------------------|--------------------------------|---------------------|
| | Carrying Amounts | Fair Values | Carrying Amounts | Fair Values |
| Financial Asset | | | | |
| PSALM deferred adjustment | ₱— | ₱— | ₱54,503 | ₱54,244 |
| Financial Liabilities | | | | |
| Lease liabilities | ₱21,124,936 | ₱20,008,191 | ₱27,541,956 | ₱25,619,783 |
| Long-term debt - fixed rate | 198,889,172 | 186,596,145 | 183,049,706 | 170,193,814 |
| PSALM deferred adjustment | — | — | 54,503 | 54,244 |
| Long-term obligation on power distribution system | 158,395 | 143,225 | 145,390 | 143,225 |
| | ₱220,172,503 | ₱206,747,561 | ₱210,791,555 | ₱196,011,066 |

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 and PSALM deferred adjustment. The fair value of the long-term obligation 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, 2023 and for the year ended December 31, 2022 are as follows:

| | 2023 | 2022 |
|--|--------------------|------------|
| | (Unaudited) | (Audited) |
| At beginning of period | ₱2,464,763 | ₱1,065,927 |
| Net changes in fair value of derivatives designated as cash flow hedges | (2,880,839) | 1,729,380 |
| Net changes in fair value of derivatives not designated as accounting hedges | 259,519 | 57,109 |
| Fair value of settled instruments | 71,073 | (387,653) |
| At end of period | (₱85,484) | ₱2,464,763 |

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, 2023, 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 assets | ₱407.542 | ₱— | ₱407.542 | ₱— |
| Derivative liabilities | 493.026 | — | 493.026 | — |
| Disclosed at fair value: | | | | |
| Lease liabilities | 20.008.191 | — | — | 20.008.191 |
| Long-term debt - fixed rate | 186.596.145 | — | — | 186.596.145 |
| Long-term obligation on PDS | 143.225 | — | — | 143.225 |

During the nine-month period ended September 30, 2023, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

21. Leases

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the nine-month period ended September 30, 2023:

| | Land | Building | Power Plant | Equipment and Others | Total | Lease liabilities |
|----------------------|-------------------|-----------------|--------------------|----------------------|--------------------|--------------------|
| At beginning of the | ₱3,186,563 | ₱26,401 | ₱30,296,184 | ₱143,779 | ₱33,652,927 | ₱27,541,956 |
| Additions | — | 116,947 | — | — | 116,947 | 87,598 |
| Amortization expense | (104,247) | (20,682) | (831,654) | (21,408) | (977,991) | — |
| Interest expense | — | — | — | — | — | 1,018,305 |
| Payments | — | — | — | — | — | (8,329,417) |
| Others | — | — | — | 80,560 | 80,560 | 806,494 |
| At end of the period | ₱3,082,316 | ₱122,666 | ₱29,464,530 | ₱202,931 | ₱32,872,443 | ₱21,124,936 |

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

| | For periods ended September 30 | |
|---|--------------------------------|-------------------|
| | 2023 | 2022 |
| Amortization expense of right-of-use assets | ₱977,991 | ₱968,866 |
| Interest expense on lease liabilities | 1,018,305 | 1,686,715 |
| Rent expense - short-term leases | 61,780 | 67,319 |
| | ₱2,058,076 | ₱2,722,900 |

22. Retained Earnings

- a. On March 3, 2023, the BOD approved the declaration of regular cash dividends of ₱1.87 per share (₱13.76 billion) to all stockholders of record as of March 17, 2023. These dividends were paid on March 30, 2023.
- b. The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements amounting to ₱107.53 billion and ₱103.97 billion as at September 30, 2023 and December 31, 2022, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements.

23. 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

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

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).

TLI has the following rights, among others, under the IPP Administration Agreement:

- a. The right to receive, manage and control the Capacity of the power plant for its own account and at its own cost and risk;
- b. The right to trade, sell or otherwise deal with the Capacity (whether pursuant to the spot market, bilateral contracts with third parties or otherwise) and contract for or offer related ancillary services, in all cases for its own account and its own risk and cost. Such rights shall carry the rights to receive revenues arising from such activities without obligation to account therefore to PSALM or any third party;
- c. The right to receive the transfer of the power plant at the end of the IPP Administration Agreement (which is technically the end of the ECA) for no consideration; and
- d. The right to receive an assignment of NPC's interest to existing short-term bilateral Power Supply Contract from the effective date of the IPP Administration Agreement the last of which were scheduled to end in November 2011.

3. Property, Plant and Equipment

During the nine-month period ended September 30, 2023, the Group's additions to property, plant and equipment amounted to ₱11.54 billion mainly coming from Construction-in-Progress subcategory of property, plant and equipment.

4. Dividends to Non-controlling Interests

The Group's material partly-owned subsidiary, VECO, paid cash dividends amounting to ₱1.21 billion and ₱1.06 billion to non-controlling interests during the nine-month periods ended September 30, 2023 and 2022, respectively.

5. 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.

6. Treasury Shares

The Company purchased a total of 132,209,779 shares of its own common shares for ₱4.15 billion as of September 30, 2023. The acquisition is pursuant to the authority approved by the Company's Board of Directors on August 29, 2023.

SCHEDULE A - USE OF PROCEEDS1) Series "B" and "C" of the Thirty Billion Shelf Registration issued in 2021

As of September 30, 2023, the proceeds from the 2021 bonds were utilized for the following:

| Name of Project | Projected Usage (Per Prospectus) | Actual Usage |
|--|-------------------------------------|--------------|
| Partially fund the equity contributions for the construction of the 74 MW Solar power plant in | 1,000,000 | 1,000,000 |
| Refinancing of the 2020 Series E Bonds Maturing in 2022 | 9,000,000 | 9,000,000 |
| Fund future renewable projects | 1,839,849 | 1,849,805 |
| Bond issuance costs | 160,151 | 150,195 |
| TOTAL | 12,000,000 | 12,000,000 |

| | Per Final Prospectus | Actual |
|----------------|----------------------|------------|
| Gross proceeds | 12,000,000 | 12,000,000 |
| Net proceeds | 11,839,849 | 11,849,805 |

| | |
|---|---|
| Balance of the proceeds as of September 30, 2023: | — |
|---|---|

2) Series "D" and "E" of the Thirty Billion Shelf Registration issued in 2022

As of September 30, 2023, the proceeds from the 2021 bonds were utilized for the following:

| Name of Project | Projected Usage (Per Prospectus) | Actual Usage |
|---|-------------------------------------|--------------|
| Early redemption of the 2018 Series B Bonds | 7,700,000 | 7,700,000 |
| Fund future renewable projects | 2,165,427 | 2,170,125 |
| Bond issuance costs | 134,573 | 129,875 |
| TOTAL | 10,000,000 | 10,000,000 |

| | Per Final Prospectus | Actual |
|----------------|----------------------|------------|
| Gross proceeds | 10,000,000 | 10,000,000 |
| Net proceeds | 9,865,427 | 9,870,125 |

| | |
|---|---|
| Balance of the proceeds as of September 30, 2023: | — |
|---|---|

SCHEDULE B – RELEVANT FINANCIAL RATIOS

| | Formula | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|-----------------------------|--|-----------------------------------|--------------------------------|
| LIQUIDITY RATIOS | | | |
| Current ratio | $\frac{\text{Current assets}}{\text{Current liabilities}}$ | 1.50 | 1.78 |
| Acid test ratio | $\frac{\text{Cash + Marketable securities} + \text{Accounts receivable} + \text{Other liquid assets}}{\text{Current liabilities}}$ | 1.17 | 1.38 |
| SOLVENCY RATIOS | | | |
| Debt to equity ratio | $\frac{\text{Total liabilities}}{\text{Total equity}}$ | 1.54 | 1.68 |
| Asset to equity ratio | $\frac{\text{Total assets}}{\text{Total equity}}$ | 2.54 | 2.68 |
| Net debt to equity ratio | $\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity}}$ | 0.97 | 0.99 |
| Gearing ratio | $\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity} + (\text{Debt - Cash \& cash equivalents})}$ | 49.29% | 49.92% |
| Interest coverage ratio | $\frac{\text{EBIT}}{\text{Interest expense}}$ | n.a | 3.57 |
| PROFITABILITY RATIOS | | | |
| Operating margin | $\frac{\text{Operating profit}}{\text{Total revenues}}$ | n.a | 15.36% |
| Return on equity | $\frac{\text{Net income after tax}}{\text{Total equity}}$ | n.a | 20.08% |

*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, 2023

| | 30 Days | 60 Days | 90 Days | Over 90 Days | Total |
|---|-------------------|------------------|------------------|------------------|-------------------|
| Trade receivables: | | | | | |
| Power Distribution Customers | 4,091,564 | 1,156,715 | 178,417 | 1,387,707 | 6,814,403 |
| Power Generation Customers | 6,386,672 | 1,796,871 | 727,857 | 5,545,797 | 14,457,197 |
| Management & Other Services Customers | 3,804,447 | 1,218,953 | 410,218 | 290,445 | 5,724,063 |
| | 14,282,683 | 4,172,539 | 1,316,492 | 7,223,949 | 26,995,663 |
| Less : Allowance for impairment losses | | | | 3,584,250 | 3,584,250 |
| Net trade Receivables | 14,282,683 | 4,172,539 | 1,316,492 | 3,639,699 | 23,411,413 |
| Non-trade receivables | 7,402,696 | | | 1,577 | 7,404,273 |
| Grand Total | 21,685,379 | 4,172,539 | 1,316,492 | 3,641,276 | 30,815,686 |

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