



REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY, METRO MANILA) S.S.

UNDERTAKING TO PUBLISH

I, **MAILENE M. DE LA TORRE**, Filipino, of legal age, and with office address at NAC Tower, 32nd Street, Bonifacio Global City, 1634 Taguig City, after having been duly sworn in accordance with law, hereby certify that:

1. I am the Assistant Corporate Secretary of **Aboitiz Power Corporation** (the "**Corporation**"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, 1634 Taguig City.
2. In compliance with the requirements under the Securities Regulation Code Rule 12.1 with the registration statement filed by the Corporation with the Securities and Exchange Commission ("**SEC**") relative to the issuance and registration of fixed-rate retail bonds to be registered under the shelf registration program of the SEC in the aggregate principal amount of Thirty Billion Pesos (₱30,000,000,000.00) and to be offered in one or several tranches (the "**Shelf Registration**"), with the first tranche of the bonds to be offered up to an aggregate principal amount of up to Four Billion Pesos (₱4,000,000,000.00) with an oversubscription option of up to Four Billion Pesos (₱4,000,000,000.00) (the "**First Tranche Bonds**"), the Corporation undertakes to publish the notice of the filing of the registration statement once per week for two (2) consecutive weeks in two (2) newspapers of general circulation in the Philippines following the required format for the publication attached hereto as **Annex "A"** and stating that:
 - a. A registration statement for the sale of the Bonds has been filed with the SEC;
 - b. The registration statement and the papers attached thereto are open for inspection at the SEC during business hours by interested parties; and
 - c. Copies thereof can be obtained from the SEC at a reasonable charge.
3. I am executing this certification in compliance with the requirements of the SEC in relation to the Shelf Registration and public offering of the First Tranche Bonds.

(Space below intentionally left blank. Signature page follows.)

IN WITNESS WHEREOF, I have hereunto set my hand this 16 December 2020 in Taguig City, Metro Manila.



MAILENE M. DE LA TORRE
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO before me this 16 December 2020 at Taguig City, Metro Manila affiant exhibited to me her passport with the following details:



Doc. No. 261;
Page No. 54;
Book No. VIII;
Series of 2020.



Atty. Stella Marie G. Saccalan
Notary Public for Taguig City
Notarial Commission No. 99
Until December 2020
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208020 January 7, 2019 Taguig City
IBP Lifetime OR No. 061321
Roll No. 63289
MCLE Compliance No. VI 0011090

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
METRO MANILA

MARKET AND SECURITIES DEPARTMENT

IN THE MATTER OF THE :
:
Aboitiz Power Corporation : **REGISTRATION OF FIXED RATE BONDS**
(Registrant) : under Shelf Registration
X-----X

NOTICE

Notice is hereby given that on [18 December 2020], a sworn registration statement (the "**Registration Statement**") was filed with the Securities and Exchange Commission (the "**Commission**") for and on behalf of **ABOITIZ POWER CORPORATION** (the "**Corporation**") for the registration of fixed-rate retail bonds with an aggregate principal amount of up to Thirty Billion Pesos (₱30,000,000,000.00) to be offered in one or several tranches (the "**Bonds**"). For the first tranche, the offer of the Bonds shall be up to an aggregate principal amount of up to Four Billion Pesos (₱4,000,000,000.00) with an oversubscription option of up to [●] (P[●]).

According to the papers presented, the following persons are the directors and officers of the Corporation:

Name	Position
Erramon I. Aboitiz	Chairman
Mikel A. Aboitiz	Vice Chairman
Enrique M. Aboitiz	Director
Emmanuel V. Rubio	Director/President and Chief Executive Officer
Jaime Jose Y. Aboitiz	Director/Executive Vice President – Chief Operating Officer
Danel C. Aboitiz	Director
Romeo L. Bernardo	Lead Independent Director
Carlos C. Ejercito	Independent Director
Eric Ramon O. Recto	Independent Director
Liza Luv T. Montelibano	Senior Vice President – Chief Financial Officer and Corporation Information Officer
Joseph Trillana T. Gonzales	First Vice President – General Counsel and Compliance Officer*
Maria Veronica C. So	Group Treasurer
Manuel Alberto R. Colayco	Corporate Secretary
Mailene M. de la Torre	Assistant Corporate Secretary
Sammy Dave A. Santos	Assistant Corporate Secretary
Marnie F. Mañalac	Data Privacy Officer and Vice President for Risk and Organizational Performance Management
Saturnino F. Nicanor, Jr.	Internal Audit Head

*Until December 31, 2020. Ms. Maria Consolacion C. Mercado will replace Mr. Gonzales as the Corporation's Compliance Officer effective January 1, 2021.

The Registration Statement and other papers/documents attached thereto are open to inspection by interested parties during the business hours, and copies thereof, photostatic or otherwise, shall be furnished to every party at such reasonable fees as the Commission may prescribe.

VICENTE GRACIANO P. FELIZMENIO, JR.
Director

This **ISSUE MANAGEMENT AND UNDERWRITING AGREEMENT** (“**Agreement**”) is entered into on [●] (the “**Signing Date**”), by and among:

ABOITIZ POWER CORPORATION, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal offices at the 32nd Street, Bonifacio Global City, 1634 Taguig City, Metro Manila (hereinafter referred to as the “**Issuer**”);

BDO CAPITAL & INVESTMENT CORPORATION, a corporation duly organized and validly existing under the laws of the Republic of the Philippines, with principal offices at the 20th Floor, South Tower, BDO Corporate Center, Makati City (hereinafter referred to as “**BDO Capital**”);

BPI CAPITAL CORPORATION, a corporation duly organized and validly existing under the laws of the Republic of the Philippines, with principal offices at the 11th Floor Ayala North Exchange Building, Ayala Avenue corner Salcedo street, Makati City (hereinafter referred to as “**BPI Capital**”);

CHINA BANK CAPITAL CORPORATION, a corporation duly organized and validly existing under the laws of the Republic of the Philippines, with principal offices at the 28th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City (hereinafter referred to as “**China Bank Capital**”);

– and –

FIRST METRO INVESTMENT CORPORATION, a corporation duly organized and validly existing under the laws of the Republic of the Philippines, with principal offices at the 45th Floor, GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa Street, Makati City (hereinafter referred to as “**First Metro**”);

(BDO Capital, BPI Capital, China Bank Capital, and First Metro shall each be referred to as a “**Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner**” and shall be collectively referred to as the “**Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners**”)

RECITALS:

WHEREAS, the Issuer is authorized by the Philippine Securities and Exchange Commission (“**SEC**”) to issue for offering, distribution and sale to the general public Fixed Rate Peso-Denominated Bonds of up to the aggregate principal amount of PHILIPPINE PESOS: THIRTY BILLION (PhP30,000,000,000.00) to be issued in one or several tranches within three years from the date of effectivity of its shelf registration (the “**Bonds**”). The first tranche shall comprise of [●] per annum fixed rate bonds due [2026] (“**First Tranche Bonds**”), for a total of PHILIPPINE PESOS: FOUR BILLION (PhP4,000,000,000.00) with an oversubscription option of up to PHILIPPINE PESOS: FOUR BILLION (PhP4,000,000,000.00) (the “**Oversubscription Option**”; the bonds under the Oversubscription Option, the “**Oversubscription Bonds**”; the First Tranche Bonds and the Oversubscription Bonds, the “**First Tranche Bonds**”; and this first tranche, the “**Offer**”);

WHEREAS, in case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period (as defined below), the remaining Bonds under shelf registration will be automatically increased by such number of Oversubscription Bonds that will not be taken up or exercised;

WHEREAS, the terms and conditions of the First Tranche Bonds are more fully described in Annex “B” hereof and in the Prospectus to be issued and circulated for the Offer which is made an integral part hereof by reference;

WHEREAS, the Issuer expects to obtain a Permit to Offer Securities for Sale from the SEC in respect of the public distribution and sale of the First Tranche Bonds prior to the start of the Offer Period;

WHEREAS, the First Tranche Bonds are being underwritten on a firm commitment underwriting basis by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, on the basis of the representations and warranties of the Issuer and under the terms and conditions hereinafter set forth;

WHEREAS, the Issuer has appointed, and hereby confirms the appointment of BDO Capital, BPI Capital, China Bank Capital, and First Metro as Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners for the Offer and they have consented to said appointment and agreed to underwrite the First Tranche Bonds under the terms and conditions hereinafter set forth on a firm basis;

NOW, THEREFORE, for and in consideration of the foregoing premises, and the mutual terms and conditions hereinafter set forth, the Parties hereby agree as follows:

Section 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

When used in this Agreement and the Recitals, unless the context provides otherwise, capitalized terms used herein shall have the same meanings as set forth below and under the Terms and Conditions (as such term is defined below):

“Agreement” shall mean this Issue Management and Underwriting Agreement, and its annexes and attachments, as may be modified, supplemented, or amended from time to time;

“Allocation Day” shall mean the Banking Day after the end of the Offer Period during which the First Tranche Bonds shall be allocated to Applicants in accordance with the Allocation Plan;

“Allocation Plan” shall mean the procedure for application, acceptance, or rejection of the Applications to Purchase, whether in whole or in part, as agreed among the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and the Issuer;

“Allocation Report” shall mean the report to be prepared by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and sent to the Issuer and the Registrar no later than 9:00 a.m., three (3) Banking Days before the Issue Date, allocating the First Tranche Bonds, for issuance to their respective clients;

“Anti-Money Laundering Laws of the Philippines” or **“AMLA”** shall mean Republic Act No. 9160, as amended by Republic Act No. 9194 and Republic Act No. 10167, and BSP Circular Nos. 251, 253, 279, 527, 564, 608, 612 and 706, and all other amendatory and implementing law, regulation, jurisprudence, notice or order of any Philippine governmental body relating thereto;

“Applicable Law” shall mean: (i) any statute, decree, constitution, regulation, rule, order or any directive of any Government Authority; (ii) any treaty, pact, compact or other agreement to which any Government Authority is a signatory or party; (iii) any judicial or administrative interpretation or application of any law described in clause (i) or (ii) above; and (iv) any amendment or revision of any law described in clause (i), (ii) or (iii) above;

“Applicant” shall mean any person who submits a duly accomplished Application to Purchase, together with all requirements set forth therein;

“Application” or **“Application to Purchase”** shall mean the form actually accomplished and submitted by the Applicant for the First Tranche Bonds, together with all other requirements set forth substantially in the form attached as **Annex “A”** hereof;

“Banking Day” shall mean any day other than Saturday, Sunday and public holidays on which commercial banks and the Philippine Clearing House Corporation are generally open for the transaction of business in Taguig City, Makati City and the City of Manila; *provided*, that all other days unless otherwise specified herein shall mean calendar days which shall be construed as successive periods of twenty-four (24) hours each;

“BIR” shall mean the Bureau of Internal Revenue of the Philippines;

“Bondholders” shall mean the holders of the First Tranche Bonds who, at any relevant time, appear in the Register of Bondholders as the registered owner of the First Tranche Bonds, with each holder being a “Bondholder”;

“BSP” shall mean the Bangko Sentral ng Pilipinas;

“Eligible Bondholders” shall mean institutional and retail investors determined by the Issuer and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners to be eligible holders of the First Tranche Bonds;

“Event of Default” shall have the meaning given to it under the Trust Agreement;

“Final Sales Report” shall have the meaning given to that term in Section 3.2e;

“First Tranche Bonds” shall mean the First Tranche Bonds with an aggregate amount of PHILIPPINE PESOS: FOUR BILLION (PhP4,000,000,000.00) with an Oversubscription Option of up to PHILIPPINE PESOS: FOUR BILLION (PhP4,000,000,000.00)), which the Issuer shall offer for distribution and sale during the Offer Period and issue on Issue Date;

“Government Approval” shall mean any authorization, consent, concession, grant, approval, right, franchise, privilege, registration, filing, certificate, license, permit or exemption from, by or with any Government Authority, whether given or withheld by express action or deemed given or withheld by failure to act within any specified time period;

“Government Authority” shall mean the government of the Republic of the Philippines, or any political subdivision or agency thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the said government, and any national agency or body vested with jurisdiction or authority over any Person;

“Indebtedness” shall mean, with respect to the Issuer: (i) all indebtedness or other obligations of the Issuer for borrowed money or for the deferred purchase price of property or services and similar arrangements; (ii) all indebtedness or other obligations of any other Person, the payment or collection of which is guaranteed by the Issuer (except by reason of endorsement for collection in the ordinary course of business) or in respect of which the Issuer is liable, contingently or otherwise, including without limitation, any agreement to purchase, to provide funds for payment, to supply funds to or otherwise invest in such Person; and (iii) capitalized lease obligations of the Issuer;

“Issue Date” shall be on [●], or the immediately succeeding Banking Day, if such Issue Date is not a Banking Day, or such other date as may be determined by the Issuer and the and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners for the issuance of the First Tranche Bonds. In the event that the original Issue Date is moved to the succeeding Banking Day, the interest accruing for the first Interest Period shall accrue from (and including) such adjusted Issue Date, without adjustment to the Interest Payment Date;

“Issuer” shall mean Aboitiz Power Corporation;

“Lien” shall mean, with respect to any Person, any lien, pledge, mortgage, charge, hypothecation, encumbrance, or other security or preferential arrangement on or with respect to any asset or revenue of such Person;

“Majority Bondholders” shall mean, at any time, the Bondholders of the First Tranche Bonds, or a series thereof, who hold, represent or account for at least fifty percent (50%) plus one peso (PhP1.00) of the aggregate outstanding principal amount thereof;

“Master Certificate of Indebtedness” shall mean the certifications representing such amounts corresponding to the First Tranche Bonds sold in the Offer issued to and registered in the name of the Trustee, on behalf of the Bondholders, substantially in the form set forth in **Annex “C”** of the Trust Agreement;

“Material Adverse Effect” shall mean, in relation to the Issuer, and in the reasonable opinion of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners after discussions with the Issuer, a material adverse effect on: (i) the ability of the Issuer to perform or comply with any of its obligations, or to exercise any of its rights, under this Agreement, the Trust Agreement, or the First Tranche Bonds; or (ii) the validity or enforceability of this Agreement, the Trust Agreement, or the First Tranche Bonds; or (iii) the financial condition and business operations of the Issuer taken as a whole;

“Offer” shall mean the First Tranche Bonds or the offering, issuance, distribution and sale of the First Tranche Bonds;

“Offer Period” shall mean the period when the First Tranche Bonds are offered for sale by the Issuer to the public, through the Selling Agents, commencing on [●] and ending [●] or such earlier or later day as may be determined by the Issuer and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners;

“Omnibus Rules” shall mean the Omnibus Rules and Regulations for Investment Houses and Universal Banks Registered as Joint Lead Underwriters of Securities dated 23 July 2002;

“Oversubscription Option” shall mean the oversubscription option exercisable by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, with the consent of the Issuer, of up to PHILIPPINE PESOS: FOUR BILLION PESOS (PhP4,000,000,000.00);

“Oversubscription Bonds” shall mean the bonds issued under the Oversubscription Option of the First Tranche Bonds;

“Paying Agent” shall mean the Philippine Depository & Trust Corp. acting as paying agent in accordance with the Registry and Paying Agency Agreement;

“PDEX” shall mean the Philippine Dealing & Exchange Corp.;

“Permit to Sell Securities” shall mean the permit to be issued by the SEC authorizing the Issuer to sell, distribute and issue the First Tranche Bonds to the public;

“Permitted Liens” shall mean each of the liens permitted to be incurred by the Issuer as enumerated under Section 5.2a of the Trust Agreement;

“Person” shall mean any individual, firm, corporation, partnership, association, joint venture, tribunal, limited liability company, trust, government or political subdivision or agency or instrumentality thereof, or any other entity or organization;

“PFRS” shall mean Philippine Financial Reporting Standards;

“Philippine Peso” or **“PhP”** shall mean the legal currency of the Republic of the Philippines;

“Prospectus” shall mean the selling material including any amendment or supplement thereto duly filed by the Issuer with, and duly approved by, the SEC for the purpose of the offering, distribution, and sale of the First Tranche Bonds;

“Purchase Price” shall have the meaning given to that term in Section 4.1(f);

“Receiving Account” shall have the meaning given to that term in Section 4.3(a);

“Register of Bondholders” shall mean the electronic records of the Registrar bearing the official information on the names and addresses of the Bondholders and the amount of the First Tranche Bonds they respectively hold, including all transfers and assignments or any liens or encumbrance thereon and the names of subsequent transferee Bondholders;

“Registrar” shall mean Philippine Depository & Trust Corp., a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at the 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City, whose principal obligation is to maintain the Register of Bondholders and record the initial issuance and subsequent transfers of the First Tranche Bonds, pursuant to the Registry and Paying Agency Agreement;

“Registration Statement” shall mean the registration statement dated [●] filed by the Issuer with the SEC in accordance with the Securities Regulation Code relating to the registration and issuance of the First Tranche Bonds, as the same may be amended or supplemented;

“Registry and Paying Agency Agreement” shall mean the agreement dated [●] by and between the Issuer and Philippine Depository & Trust Corp., as the Paying Agent and Registrar for the Offer;

“Registry Confirmation” shall mean the written advice sent by the Registrar to the Bondholders, confirming the registration in the name of such Bondholder in the registry being maintained by the Registrar (the **“Registry”**) of the specified amount of the First Tranche Bonds issued to or purchased by a Bondholder, in the Registry;

“RTGS” shall mean Real Time Gross Settlement system;

“SEC” shall mean the Securities and Exchange Commission of the Philippines;

“SEC Rules” shall have the meaning given to that term in Section 8.1a;

“Selling Agents” shall mean institutions who are authorized under Applicable Law to act as such and whose role is to help facilitate the sale and distribution of the First Tranche Bonds. The Selling Agents for this offering are the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners and [●].

“First Tranche Bonds” shall mean the fixed rate bonds having a term ending five (5) years from the Issue Date, or on [●], with a fixed interest rate of [●]% per annum;

“SRC” shall mean Republic Act No. 8799, otherwise known as “The Securities Regulation Code of the Philippines,” as amended from time to time, and including the rules and regulations issued thereunder;

“Terms and Conditions” shall mean the terms and conditions pursuant to which the Issuer issues, and the Eligible Bondholders subscribe for, the First Tranche Bonds, which constitute an integral part of the relevant Master Certificate of Indebtedness, attached as **Annex “B”** hereof;

“Transaction Documents” shall mean this Agreement, the Registry and Paying Agency Agreement, the Trust Agreement, and any amendments thereto;

“Trust Agreement” shall mean the agreement dated [●] between the Issuer and the Trustee for the Bondholders;

“Trustee” shall mean [●] or any successor Trustee acting as trustee in accordance with the Trust Agreement;

“Underwritten Bonds” shall mean the First Tranche Bonds to be offered for subscription and which the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunner commit to underwrite on a firm basis pursuant to their Underwriting Commitment; and

“Underwriting Commitment” shall have the meaning given to that term in Section 3.2.

1.2 Interpretation

In this Agreement, unless the context otherwise requires:

- a. words importing the singular number shall include the plural and vice versa, and words importing the masculine shall include the feminine and neuter gender and vice versa;
- b. any reference to Sections or Annexes is a reference to the sections or annexes of this Agreement;
- c. any reference to any document, instrument or agreement shall (i) include all annexes, exhibits, schedules and other attachments thereto, (ii) include all documents, instruments or agreements issued or executed in replacement thereof, and (iii) mean such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified and supplemented from time to time in accordance with the terms thereof and in effect at any given time;
- d. the headings to the Sections and paragraphs hereof are inserted for ease of reference only and shall not affect the interpretation thereof or of this Agreement;
- e. any reference to "writing" or cognate expressions includes a reference to facsimile transmission or comparable means of communication;
- f. any reference to a person or entity includes such person or entity's permitted successors and assigns;
- g. accounting terms have the meanings assigned to them by Philippine Accounting Standards and PFRS, as applied by the accounting entity to which they refer;
- h. the words "include," "includes" and "including" are not limiting and shall be deemed to be followed by the words "without limitation," whether or not so followed;
- i. the words "hereof," "herein" and "hereunder" and words of similar import when used in any document shall mean such document as a whole and not to any particular provision of such document;
- j. any reference to "days" shall mean calendar days, unless the term "Banking Days" is used;
- k. a "company" shall be construed so as to include any company, corporation or any association or partnership (whether or not having separate legal personality) of any two or more Persons;
- l. "Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners," "Registrar," "Paying Agent" and "Bondholders" shall be construed so as to include their respective successors, transferees and assigns in accordance with their respective interests to the extent permitted under the terms hereof and, in the case of the "Issuer," its respective successors, transferees and assigns, to the extent permitted under the terms hereof;

- m. a “month” is the period commencing on a specified day in a calendar month and ending on the numerically corresponding day in the relevant subsequent calendar month (or if there is no day so corresponding in the calendar month in which such period ends, such period shall end on the last day of such calendar month);
- n. the “winding-up”, “dissolution” or “administration” of a company shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or any jurisdiction in which such company carries on business.
- o. Save where the contrary is indicated, any reference in this Agreement to:
 - (i) this Agreement, the Bonds, the First Tranche Bonds, or any other agreement or document shall be construed as a reference to this Agreement or, as the case may be, the Bonds, the First Tranche Bonds, other agreement or document as the same may have been, or may from time to time be (subject to any restrictions herein), amended, varied, novated, supplemented, replaced or substituted;
 - (ii) a statute shall be construed as a reference to such statute as the same may have been, or may from time to time be, amended or re-enacted; and
- p. In case of any conflict between this Agreement, the Trust Agreement and Prospectus, the provisions of the Trust Agreement shall prevail.

Section 2 RESPONSIBILITIES OF THE JOINT ISSUE MANAGERS, JOINT LEAD UNDERWRITERS AND JOINT BOOKRUNNERS

2.1 Appointment of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners

- a. The Issuer hereby appoints BDO Capital, BPI Capital, China Bank Capital, and First Metro as Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners in connection with the issuance, placement, distribution, and sale of the First Tranche Bonds to the Eligible Bondholders.
- b. The appointment of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall subsist until the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall have fulfilled all its obligations under this Agreement, unless this Agreement is otherwise earlier terminated in accordance with the provisions hereof.

2.2 Arrangement

- a. Subject to the terms and conditions hereof, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners agree to arrange the issuance, placement, distribution and sale of the First Tranche Bonds within the Philippines to Eligible Bondholders during the Offer Period.
- b. Nothing in this Agreement shall be deemed to create a partnership or joint venture between the Issuer, on one hand, and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, on the other hand, or among the Joint Issue

Managers, Joint Lead Underwriters and Joint Bookrunners.

2.3 Underwriting Commitment

- a. Subject to the conditions provided in this Agreement and the Terms and Conditions, each Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner shall offer, distribute, and sell the First Tranche Bonds within the Philippines during the Offer Period and each Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner agrees to underwrite the Underwritten Bonds **jointly, not solidary**, on a firm basis, in the following respective amounts; and if the Oversubscription Option is exercised, including the amount so exercised (the “**Underwriting Commitment**”).

Underwriter	Underwriting Commitment
BDO Capital & Investment Corporation	PhP 1,000,000,000.00
BPI Capital Corporation	PhP 1,000,000,000.00
China Bank Capital Corporation	PhP 1,000,000,000.00
First Metro Investment Corporation	PhP 1,000,000,000.00
Total	PhP 4,000,000,000.00

- b. During the Offer Period and with the consent of the Issuer, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners may exercise the Oversubscription Option by submitting an irrevocable written notice to the Issuer, indicating the amount of Oversubscription Bonds applied for, which shall not be less than PHILIPPINE PESOS: FIFTY MILLION (PhP50,000,000.00), in accordance with the allocation agreed upon among the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners. The amount of the Oversubscription Bonds indicated in the irrevocable written notice to the Issuer forms part of the Underwriting Commitment of the relevant Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner. In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the remaining Bonds under shelf registration will be automatically increased by such number of Oversubscription Bonds that will not be taken up or exercised.
- c. In the event that any of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners fails to comply with its Underwriting Commitment because of its own fault for any reason whatsoever (provided that such failure is not caused by force majeure and/or such failure is attributable to the fault of the Issuer) the Issuer may appoint such other Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner/s under terms and conditions as the Issuer may deem reasonable under the circumstances.

2.4 Scope of Obligations of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners

As Joint Issue Managers

- a. Each of the Joint Issue Managers shall have such rights and obligations as set forth in this Agreement as well as such other rights as may be further granted to it by the Issuer in writing. No implied covenants or obligations shall be read into this Agreement against each of the Joint Issue Managers save where such covenants or obligations are imposed or implied by Applicable Law.

- b. Each of the Joint Issue Managers shall not be liable except for the performance of its duties and obligations as specifically set forth in this Agreement and no Joint Issue Manager or any of its officers, directors, agents, or employees shall be held liable for any action taken or omitted to be taken by, or be held responsible for the obligations of, the other Joint Issue Managers in connection with this Agreement, except for its own gross negligence or willful default.
- c. Nothing herein shall be construed as requiring the Joint Issue Managers to give or provide any legal, accounting, tax, or other specialist or technical advice or services, including but not limited to insurance, legal, taxation, accounting, regulatory or financial or strategic advice, other than as otherwise expressly set out in this Agreement, or give advice on any aspect relating to regulatory requirements in the Philippines or elsewhere.
- d. Without diminishing its obligations under this Agreement, each of the Joint Issue Managers may execute any of its duties hereunder by or through, or in conjunction with, one or more of its affiliates or through agents or attorneys-in-fact. Without diminishing its obligations under this Agreement, the Joint Issue Managers and Joint Lead Underwriters may consult with legal counsel and other professional experts and consultants selected by it.
- e. The Joint Issue Managers may have certain material interests in the Offer other than the fees to be paid by the Issuer herein in respect of the work undertaken as arrangers of the Offer. Provided that the obligations of the Joint Issue Managers herein shall not be diminished, the Issuer accepts that the Joint Issue Managers may, without reference to the Issuer, and without taking into account the Joint Issue Managers' involvement with the Issuer as Issue Managers or in any other capacity in connection with the Offer, have a financial interest in the Offer, and/or make a market in the shares or other securities of the Issuer, or those of other companies with an interest in the Offer, and/or advise clients in relation to the buying, selling and/or holding of such shares or securities, and/or buy, sell or hold such shares or securities on behalf of clients for investment purposes and/or have existing lending exposure to the Issuer or other companies with an interest in the Offer. Although the Joint Issue Managers in the course of such other relationships may acquire information about the Offer or other matters concerning the Issuer, they shall have no obligation to disclose such information, or the fact that a Joint Issue Manager is in possession of such information, to the Issuer or to use such information for the benefit of the Issuer. It is hereby understood and agreed that the Issuer's acceptance as above provided does not in any way imply acceptance of knowledge, responsibility or liability for any such transactions.
- f. None of the provisions contained in this Agreement shall require the Joint Issue Managers to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under this Agreement if, in the determination of the Joint Issue Managers, there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to them under the terms of this Agreement, unless such cost, expense or liability is for the account of the Joint Issue Managers under this Agreement.

As JOINT LEAD UNDERWRITERS AND JOINT BOOKRUNNERS

- g. For the avoidance of doubt, the obligations and liabilities of each Joint Lead Underwriter and Joint Bookrunner to the Issuer arising from the offer, distribution, and sale of the First Tranche Bonds is strictly limited to its respective Underwriting Commitment.
- h. Nothing in this Agreement shall be deemed to create a partnership or joint venture between the Issuer and the Joint Lead Underwriters and Joint Bookrunners or among the Joint Lead Underwriters and Joint Bookrunners.
- i. Each of the Joint Lead Underwriters and Joint Bookrunners shall not be liable except for the performance of its duties and obligations as specifically set forth in this Agreement and no Joint Lead Underwriter and Joint Bookrunner or any of its officers, directors, agents, or employees shall be held liable for any action taken or omitted to be taken by, or be held responsible for the obligations of, the other Joint Lead Underwriters and Joint Bookrunners in connection with this Agreement, except for its own gross negligence or willful default.
- j. Nothing herein shall be construed as requiring the Joint Lead Underwriters and Joint Bookrunners to give or provide any legal, accounting, tax, or other specialist or technical advice or services including but not limited to insurance, legal, taxation, accounting, regulatory or financial or strategic advice, other than as otherwise expressly set out in this Agreement, or give advice on any aspects relating to regulatory requirements in the Philippines or elsewhere.
- k. Without diminishing its obligations under this Agreement, each of the Joint Lead Underwriters and Joint Bookrunners may execute any of its duties hereunder by or through, or in conjunction with, one or more of their affiliates or through agents or attorneys-in-fact. Without diminishing its obligations under this Agreement, the Joint Issue Managers and Joint Lead Underwriters may consult with legal counsel and other professional experts and consultants selected by it.
- l. The Joint Lead Underwriters and Joint Bookrunners may have certain material interests in the Offer other than the fees to be paid by the Issuer herein in respect of the work undertaken as Joint Lead Underwriters and Joint Bookrunners to the Offer. Provided that the obligations of the Joint Lead Underwriters and Joint Bookrunners herein shall not be diminished, the Issuer accepts that the Joint Lead Underwriters and Joint Bookrunners may, without reference to the Issuer, and without taking into account the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners' involvement with the Issuer as Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners or in any other capacity in connection with the Offer, have a financial interest in the Offer, and/or make a market in the shares or other securities of the Issuer, or those of other companies with an interest in the Offer, and/or advise clients in relation to the buying, selling and/or holding of such shares or securities, and/or buy, sell or hold such shares or securities on behalf of clients for investment purposes and/or have existing lending exposure to the Issuer or other companies with an interest in the Offer. Although the Joint Lead Underwriters and Joint Bookrunners in the course of such other relationships may acquire information about the Offer or other matters concerning the Issuer, it shall have no obligation to disclose such information, or the fact that the Joint Lead Underwriters and Joint Bookrunners are

in possession of such information, to the Issuer or to use such information for the benefit of the Issuer. It is hereby understood and agreed that the Issuer's acceptance as above provided does not in any way imply acceptance of knowledge, responsibility or liability for any such transactions, without prejudice to Section 9.1.

- m. None of the provisions contained in this Agreement shall require the Joint Lead Underwriters and Joint Bookrunners to expend or risk their own funds or otherwise incur personal financial liability in the performance of any of their duties or in the exercise of any of their rights or powers under this Agreement (other than their respective Underwriting Commitment or unless such cost, expense or liability is for the account of the Joint Lead Underwriters and Joint Bookrunners under this Agreement) if, in the determination of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to them under the terms of this Agreement.
- n. In consultation with the Issuer, the Joint Lead Underwriters and Joint Bookrunners may organize such syndicate of participating or sub-underwriters, soliciting dealers and/or selling agents as they may deem necessary or convenient, and as they may select under such terms and conditions not inconsistent with this Agreement as may be agreed upon between and among them and such members.
- o. For the duration of the Offer Period, the First Tranche Bonds may be acquired only through any of the Joint Lead Underwriters and Joint Bookrunners and such syndicate of participating or sub-underwriters, soliciting dealers, and/or selling agents selected by the Joint Lead Underwriters and Joint Bookrunners in accordance with this Agreement.

2.5 Fulfillment of Underwriting Commitment

- a. Each Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner shall remain solely responsible to the Issuer in respect of its obligations under this Agreement.
- b. Relying on the representations and warranties contained in Section 7.1 hereof and subject to satisfaction of the conditions set out in Section 5.1, each Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner shall be deemed as of 5:00 p.m. on the last day of the Offer Period, to have irrevocably subscribed for and agreed to purchase on the terms set forth herein and in the Application to Purchase, the unsold portion of the Underwritten Bonds but only to the extent of their respective Underwriting Commitment as set out in Section 2.3 and after taking into account the First Tranche Bonds taken up by the investors in general, all duly completed Applications to Purchase and payments received by the end of the Offer Period. The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall pay or shall cause their respective clients to pay at the Purchase Price (it being understood that any portion of such Underwritten Bonds not taken up and paid for by their respective clients shall be taken up and paid for by relevant Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner/s to the extent of their relevant Underwriting Commitment).

2.6 Submission of Documents to the Registrar

- a. Before the commencement of the Offer Period, the Issuer shall deliver to the Registrar the documents referred to in Section 2.4.2 of the Registry and Paying Agency Agreement.
- b. In the event that there are deficiencies in the foregoing documents as specified in a written notice issued by the Registrar, the Issuer, or the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, shall correct or remedy such deficiencies in accordance with the Registry and Paying Agency Agreement.

Section 3 APPLICATION AND PAYMENT FOR THE FIRST TRANCHE BONDS

3.1 Application to Purchase and Payment Terms

- a. Subject to Applicable Law and the Terms and Conditions, there shall be no limitation on the number of First Tranche Bonds that Applicants may apply for.
- b. All applications to purchase the First Tranche Bonds shall be evidenced by a duly completed and signed Application to Purchase, and should be submitted to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, together with the documentary requirements set forth in Sections 3.1(c) to 3.1(e) below not later than 5:00 p.m. on the last day of the Offer Period.
- c. The Application to Purchase of corporate, partnership, institutional or trust account Applicants must be accompanied by the following:
 - (i) an original notarized certificate by the corporate secretary (or an equivalent officer of the Applicant) setting forth resolutions of the board of directors, partners or equivalent body (x) authorizing the purchase of the First Tranche Bonds indicated in the Application to Purchase and (y) designating the signatory/ies, with their specimen signature/s, for the said purposes;
 - (ii) copies of its Articles of Incorporation and latest amendments thereof, together with the Certificate of Incorporation issued by the SEC or other organizational documents issued by an equivalent government institution, stamped and signed as certified true copies by the SEC or the equivalent government institution, or by the corporate secretary, or by an equivalent officer(s) of the Applicant who is/are authorized signatory/ies;
 - (iii) two (2) duly accomplished signature cards containing the specimen signatures of the authorized signatories of the Applicant, validated by its corporate secretary or by an equivalent officer(s) who is/are authorized signatory/ies, whose authority/ies and specimen signatures have been submitted to the Registrar;
 - (iv) identification document(s) of the authorized signatories of the Applicant, as specified in Section 3.1(d) below;
 - (v) Valid tax identification number ("TIN") issued by the BIR; and

- (vi) such other documents as may be reasonably required by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and the Registrar in the implementation of its internal policies regarding “know your customer” and anti-money laundering and requirements related to the Foreign Account Tax Compliance Act (“**FATCA**”).
- d. The Application to Purchase of an individual Applicant must be accompanied by the following:
- (i) identification document (“**ID**”) of the Applicant which shall consist of any one of the following valid identification documents bearing a recent photo, and which is not expired: TIN ID, Passport, Driver’s License, Professional Regulation Commission ID, National Bureau of Investigation Clearance, Police Clearance, Postal ID, Voter’s ID, Barangay Certification, Government Service Insurance System e-Card, Social Security System Card, Senior Citizen Card, Overseas Workers Welfare Administration ID, OFW ID, Seaman’s Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and government-owned and controlled corporation ID, *e.g.*, Armed Forces of the Philippines, Home Development Mutual Fund, Certification from the National Council for the Welfare of Disabled Persons, Department of Social Welfare and Development Certification, Integrated Bar of the Philippines ID, Maritime Industry Authority, Philippine Health Insurance Corporation company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or the Insurance Commission, or school ID duly signed by the principal or head of the school (for students who are beneficiaries of remittances/fund transfers who are not yet of voting age);
 - (ii) two (2) duly accomplished signature cards containing the specimen signature of the Applicant;
 - (iii) Valid TIN issued by the BIR; and
 - (iv) such other documents as may be reasonably required by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners or the Registrar in implementation of its internal policies regarding “know your customer” and anti-money laundering and requirements related to the FATCA.
- e. An Applicant who is claiming exemption from any applicable tax, or entitlement to preferential tax rates shall, in addition to the requirements set forth in Section 3.1(c) and Section 3.1(d) above, be required to submit the following requirements to the Joint Lead Managers, Joint Lead Underwriters and Joint Bookrunners (together with the Application to Purchase), subject to acceptance by the Issuer as being sufficient in form and substance:
- (i) Proof of Tax Exemption or Entitlement to Preferential Tax Rates
 - For (a) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (b) cooperatives duly registered with the Cooperative Development Authority; and (c) BIR-approved pension fund and

retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed “valid, current and subsisting” if it has not been more than 3 years since the date of issuance thereof;

- For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder’s current, valid and subsisting Certificate of Accreditation as PERA Administrator (BIR Form No. 2336);
- For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) government-owned or -controlled corporations; and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax;
- With respect to tax treaty relief, (i) certificate of tax residence issued for the current year (whether using the form prescribed in their country of residence, or using Part I (D) of the Certificate of Tax Residence for Tax Treaty Relief (“CORTT”) Form prescribed under Revenue Memorandum Order No. 8-2017), and (ii) duly accomplished CORTT Form (particularly Part I (A), (B) and (C), and Part II (A), (B), (C) and (D)). In addition, upon the request of the Joint Lead Managers, Joint Lead Underwriters and Joint Bookrunners, the Bondholder shall submit an updated Part II (A), (B), (C) and (D) of the CORTT Form to the Issuer through the Registrar no later than the first day of the month when such subsequent interest payment/s shall fall due and, if applicable, including any clarification, supplement or amendment thereto.

Only the originals should be submitted to the Joint Lead Managers, Joint Lead Underwriters and Joint Bookrunners.

- (ii) A duly notarized declaration (in the prescribed form) warranting that the Bondholder’s tax-exemption certificate or ruling has not been revoked or cancelled and that there are no material changes in character, purpose or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or warranting the Bondholder’s entitlement to preferential treaty rates, and undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities arising from the non-withholding or reduced withholding of the required tax; Provided, that, in the case of Tax- Exempt Personal Equity Retirement Account, an additional representation and warranty shall be added that the PERA Fund consists of contributions which qualify for

exemption from income tax pursuant to Section 9 of the PERA Act of 2008;
and

- (iii) Such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities.

Failure to submit any of the documents provided under (i), (ii), and (iii) above, as may be applicable, will result in the application of the normal income tax rate provided under the Tax Code.

- f. The purchase price for each First Tranche Bond which is equal to the face amount of such First Tranche Bond (the “**Purchase Price**”) is payable in full upon submission of the duly executed Application to Purchase. Payments of the Purchase Price shall be made either in cash, checks or appropriate debit instructions or payment instructions made out to the order of, and delivered to, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners or Selling Agent.

3.2 Allocation and Submission of Final Sales Report

- a. The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunner, in consultation with the Issuer, shall agree on the process for allocating the First Tranche Bonds and the manner of accepting the Applications to Purchase (the “**Allocation Plan**”). Consistent with bank procedures (if applicable) and the Allocation Plan, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall be responsible for determining who are Eligible Bondholders from the Applicants and for establishing the *bona fide* identity of each in accordance with AMLA, as well as its own internal policies and arrangements under acceptable standards and policies regarding “know-your-customer” and anti-money laundering. Nothing herein, however, shall be construed as preventing any of the Parties from performing their own investigation in accordance with the AMLA and their own internal guidelines and standards.

The Application to Purchase, once accepted, shall constitute the duly executed purchase agreement covering the amount of the First Tranche Bonds so accepted and shall be valid and binding on the Issuer and the Applicant. Once accepted, an Application to Purchase may not be unilaterally revoked or cancelled by the Applicant, in full or in part, and the rights and privileges pertaining thereto shall be non-transferrable.

- b. Based on each tentative reports on sales of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, they shall, as soon as practicable, commence the evaluation of the same for purposes of allocating the First Tranche Bonds to the Applicants based on the Allocation Plan.
- c. If the First Tranche Bonds shall be insufficient to satisfy all Applications to Purchase, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, shall proceed with the manner of allocation and/or rejection of the Applications to Purchase, including the scaling down of allocations.
- d. After allocating the First Tranche Bonds to the Applicants, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall immediately prepare and

complete the Allocation Report and transmit the same to the Registrar on or before 9:00 a.m. of the date that is three (3) Banking Days before the Issue Date.

- e. Based on the Allocation Report, each Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall prepare a sales report detailing the Applications to Purchase covering the First Tranche Bonds it has approved and accepted, for purchase during the Offer Period (the “**Final Sales Report**”).
- f. In the event that the total sales reflected in a Final Sales Report is less than the principal amount of the First Tranche Bonds allocated to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, any such discrepancy shall be registered in the name of such Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner pursuant to its Underwriting Commitment. The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall submit the Application(s) to Purchase covering such unsold Bonds simultaneously with the submission of the Final Sales Report.
- g. The Final Sales Report by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall be submitted to the Registrar no later than 5:00 p.m., three (3) Banking Days immediately preceding the Issue Date, together with such other documents as may be required by the Registrar under the Registry and Paying Agency Agreement to enable the Registrar to issue and prepare the Register of Bondholders and the relevant Registry Confirmations, including but not limited to the following:
 - (i) a copy of the Allocation Report;
 - (ii) a certificate issued by an authorized representative of each of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, that: (w) the necessary or know-your client process was conducted on the Applicants pursuant to the AMLA and the amendments thereto as well as its implementing rules and regulations (“IRR”), (x) the identity of the Applicants were duly established pursuant to the AMLA and its IRR; (y) to the best knowledge of each of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, all information provided to the Registrar regarding the Applicants are true, complete, current and correct, and (z) all authorizations and waivers from the Applicants necessary for each of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners to disclose all information required by the Registrar to determine the eligibility of the Applicants have been duly obtained;
 - (iii) the copy of the Registrar of each duly accomplished Application to Purchase, including the required supporting documents set forth in Sections 3.1(c) to 3.1(e) for each Application to Purchase.
- h. A copy of the Final Sales Report accompanied by the notarized Certification under Section 3.2(g)(ii) above shall likewise be given to the Issuer.
- i. The Parties acknowledge that the procedure in relation to the Registrar, the Registry, and other matters in relation thereto shall be as follows:

- (i) The Registrar shall register in its Registry on Issue Date the amount of the First Tranche Bonds held by each accepted Applicant and the information needed to create the registry account based solely on the certified Final Sales Report from the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.
- (ii) The Registrar shall verify that the total sales as indicated in the Final Sales Report submitted by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners are within the total amount of the First Tranche Bonds authorized for sale by the SEC, and consistent with the aggregate Underwriting Commitment of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.
- (iii) In the event that the Registrar determines that there is any documentation deficiency or error in the submission of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, the Registrar shall coordinate with the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners to immediately take the necessary action to remedy the deficiency. The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall be given five (5) Banking Days after Issue Date to remedy or cure any documentation or other deficiency as stated in the Final Sales Report.
- (iv) The Registrar will not issue a Registry Confirmation to the Bondholder pending completion of documentation. In addition, such Bondholder will not be allowed to sell or transfer his Bonds until such deficient document/s has been remedied.
- (v) The Issuer shall, not later than 9:00 a.m. **on Issue Date**, deliver the duly executed Master Certificates of Indebtedness covering the entire principal amount of the First Tranche Bonds, to the Trustee, with a copy to the Registrar. The Trustee shall, upon its receipt of the duly executed Master Certificates of Indebtedness, immediately notify the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners of such fact in writing (including, without limitation, by facsimile transmission, telex or telecopier or electronic mail).

3.3 Remittance of Purchase Price

- a. After confirmation of receipt by the Trustee of the Master Certificates of Indebtedness, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall deliver or cause the delivery of the Purchase Price of the Underwritten Bonds to the Issuer in accordance with this Section 3.3, subject to the satisfaction of the conditions set out in Section 3.1. The Purchase Price of the Underwritten Bonds shall be remitted in cleared and available funds via RTGS to bank account no. [●], under the account name, “[●]” (the **“Receiving Account”**), not later than 11:00 a.m., Philippine Standard Time, on the Issue Date as payment for the Purchase Price of the Underwritten Bonds sold by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners or deemed purchased by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners pursuant to their respective Underwriting Commitments except as to Application/s rejected by the Issuer. In such a case, the Joint Issue Managers, Joint Lead Underwriters and Joint

Bookrunners shall not be obliged to remit the amount/s for such rejected Application/s. The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall, not later than 11:30 a.m. on the Issue Date, submit to the Issuer via fax or electronic mail a copy of its RTGS remittance instructions.

- b. All remittances of the Purchase Price by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners to the Receiving Account shall be in an amount equal to the Purchase Price for the Underwritten Bonds allocated to it pursuant to the allocation held prior to the Offer Period, including all payments received from qualified institutional buyers, and their proprietary sales or in an amount equal to the Underwriting Commitment in the event that the Issuer calls on the Underwriting Commitment of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.
- c. In the event that a Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner fails to remit the Purchase Price to the Receiving Account on the Issue Date, such Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner shall be liable to the Issuer for the interest on such amount not remitted on time at a rate equal to the then applicable interest rate on First Tranche Bonds, from the Issue Date to the date of the actual remittance, without prejudice to any other action which the Issuer may take to protect its interest; provided, that such Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner shall not be liable hereunder where such failure is not due to the fault of such Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner or where such failure is caused by an event beyond the control of such Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner and/or such failure is attributable to the fault of the Issuer.

3.4 Rejection of Applications to Purchase/Refunds

- a. In the event an Application to Purchase is rejected or the amount of the First Tranche Bonds applied for is scaled down for a particular Applicant in accordance with the Allocation Plan, the relevant Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner, upon completion of the Allocation Report, shall notify the Applicant concerned that his/her application has been rejected or that the amount of First Tranche Bonds applied for is scaled down.
- b. With respect to an Applicant whose application was rejected, refund shall be made without interest by the relevant Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner within ten (10) Banking Days after the last day of the Offer Period through issuance of check(s) payable to the order of the relevant Applicant and crossed "Payees' Account Only" and mailed or delivered, at the risk of the Applicant, to the address specified in the Application to Purchase. For the avoidance of doubt, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall be jointly responsible for any Application to Purchase that is rejected, and shall hold the Issuer free and harmless of any loss or damage (excluding indirect or consequential loss or damage) arising therefrom.

3.5 Correction of Entries

Any changes to the Register of Bondholders as may be necessary to correct erroneous information shall be made in accordance with the Registry and Paying Agency Agreement.

Section 4 LISTING

4.1 Application for Listing

- a. The Issuer shall, as soon as reasonably practicable, apply for the First Tranche Bonds to be listed on the PDEX.
- b. The Issuer agrees to deliver to PDEX copies of all necessary documents and to take such other steps as may be required for the purpose of obtaining and maintaining such listing including, without limitation, the payment of the necessary fees for listing.

4.2 Maintenance of Listing

In the event the First Tranche Bonds are listed in the PDEX, the Issuer shall maintain the listing of the First Tranche Bonds for as long as the First Tranche Bonds are outstanding.

Section 5 CONDITIONS PRECEDENT

5.1 Conditions to Obligations of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners

The obligations of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners under this Agreement: (i) are premised and conditioned on the truth and accuracy of the representations and warranties of the Issuer in Section 7.1 hereof from the signing of this Agreement and up to Issue Date; and (ii) shall be conditioned on the occurrence of all of the following conditions on or before Issue Date:

- a. the completion of a customary due diligence review of the Issuer, with results reasonably satisfactory to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners;
- b. the receipt via electronic mail by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and the Registrar, through their respective counsels, of a copy of the Prospectus, the Permit to Sell Securities, and order rendering effective the Registration Statement certified by the corporate secretary of the Issuer or any of its authorized officers as a true copy;
- c. the execution and delivery of the Transaction Documents by the relevant parties thereto;
- d. the receipt via electronic mail by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, through their counsel or any of their authorized representative, and the Registrar three (3) Banking Days before the Issue Date, through their respective counsels, of a certificate issued by the corporate secretary of the Issuer certifying to:
 - (i) the resolutions of the board of directors of the Issuer authorizing the issuance, offering and distribution of the First Tranche Bonds and the

performance by the Issuer of all the terms and conditions of the First Tranche Bonds including *inter alia* details of the issue size, and the appointment of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, the Registrar, the Paying Agent, and the Trustee, and

- (ii) the authority, name, title, and specimen signature of each officer of the Issuer authorized to sign, execute and deliver any document necessary for the Offer, including but not limited to the Transaction Documents;
- e. the receipt via electronic mail by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and Registrar, at least three (3) Banking Days before Issue Date, through counsel, of the SEC Certificate of Incorporation and Articles of Incorporation and By-Laws of the Issuer, certified by the corporate secretary of the Issuer or any of its authorized officers as a true copy;
- f. the receipt via electronic mail by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners on the Issue Date, through counsel, of a written confirmation from the Issuer, executed by an authorized officer, dated as of the Issue Date and in form and substance acceptable to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, that:
 - (i) the representations and warranties contained in Section 7.1 of this Agreement are true and correct at, and as if made on, the Issue Date;
 - (ii) the Issuer has performed its obligations herein to the extent required as of Issue Date, and that the conditions specified in this Section 5.1 have been satisfied;
 - (iii) none of the events enumerated in Section 10.1a(i) to Section 10.1a(xiii) has occurred or is continuing as of Issue Date;
 - (iv) all documents delivered to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners pursuant to this Section 5.1 are in full force and effect as of Issue Date; and
 - (v) subsequent to the date of the most recent financial statements in the Prospectus, there has been no event or condition which would have a Material Adverse Effect on the Issuer except as disclosed in the Prospectus or other documents in the public domain.
- g. the receipt via electronic mail by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, through counsel, of a closing opinion, issued by the General Counsel of the Issuer and dated as of Issue Date, in form and substance acceptable to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners;
- h. the receipt via electronic mail by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, through counsel or any of their authorized representative, of comfort letters from the external auditor of the Issuer, SyCip Gorres Velayo & Co., dated as of the date of the Final Prospectus and as of Issue Date, in form and substance acceptable to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners;

- i. the Offer Period shall have closed according to the terms and conditions of the Offer, except if certain terms and conditions of the Offer are changed due to the fault or gross negligence, or with the consent, of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners;
- j. there shall have occurred no downgrading, nor shall any notice have been given of (i) any intended or potential downgrading, or (ii) any review or possible change which does not indicate the direction of any change, in a rating solicited by the Issuer in accordance with SEC regulations for the First Tranche Bonds from any rating agency;
- k. receipt via electronic mail by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, no later than the Issue Date, of the confirmation from the Trustee of the Issuer's delivery of the duly executed Master Certificates of Indebtedness covering the entire principal amount of the First Tranche Bonds purchased during the Offer Period; and
- l. the receipt via electronic mail by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners no later than the Issue Date of a closing opinion, issued by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners' legal counsel on the capacity and due authorization of the Issuer to enter into the Transaction Documents.

5.2 Non-Fulfillment of Conditions Precedent

The Joint Issuer Managers, Joint Lead Underwriters and Joint Bookrunners shall notify the Issuer in writing in the event that any of the above conditions are not complied with on the dates that compliance is required (unless the condition is waived unanimously in writing by the Joint Issuer Managers, Joint Lead Underwriters and Joint Bookrunners at their sole discretion), and thereupon this Agreement and the obligations of the Parties under this Agreement shall forthwith lapse with the effects set forth in Section 10.4 below. Provided however that, in lieu of cancellation or termination, and with the prior consent of the Issuer and subject to Applicable Law, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners may change the structure and pricing of the Offer if it determines that such changes are advisable in order to ensure the successful placement of the Offer.

Section 6 INFORMATION AND PROSPECTUS

6.1 Materials for the Offer

- a. The Issuer, the First Tranche Bonds and the terms and conditions of the Offer are more fully described in the Prospectus which is made an integral part hereof by reference.
- b. The Issuer shall furnish the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners with applicable and relevant documents and information, give all such relevant undertakings, execute all such required agreements and instruments, and do all such acts and deliver all such things as may be reasonably required in connection with the fulfillment of the conditions contained in Section 5.1 of this Agreement, and the preparation and finalization of the Registration Statement, any offer supplement,

the Prospectus and all Transaction Documents.

- c. The Issuer hereby authorizes the use by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners of the Prospectus for purposes of the Offer. The Issuer shall, through the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, furnish and deliver as many copies of the Prospectus and the Application to Purchase as the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners may reasonably request.

6.2 Limitations of Use

- a. Each of the Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunners agrees not to use any material except the Prospectus, its amendments or supplements, and other circulars, letters, or sales literature provided by the Issuer or approved by the Issuer in writing in respect of the Offer. Any advertisement or press release relating to the Offer shall be subject to prior written approval by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and the Issuer, which shall not be unreasonably delayed or withheld. Any Party to this Agreement committing a violation of this Section 6.2 shall be liable to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and the Issuer for any advertisement or press release relating to the Offer, which has not been previously approved by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and the Issuer.
- b. Unless such public announcement or communication is in adherence with Section 6.2, neither the Issuer nor the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall make public announcements or communications concerning any aspect of the Offer, which is or may be material without the other Parties' prior written approval (which approval shall not to be unreasonably withheld) except for such announcements or communications required by Applicable Law.
- c. If so required under Applicable Law, any and all acts and deeds legally required to be done or obtained before such notices or advertisements can be made or such other sales literature can be distributed, shall be performed, executed, done or obtained by the Issuer on or before the final approval by the Issuer of the advertisements and/or sales literature.

Section 7 REPRESENTATIONS AND WARRANTIES

7.1 Representations and Warranties of the Issuer

The Issuer hereby represents, warrants and undertakes to the other Parties that, except as otherwise disclosed in the Prospectus and to the general public in accordance with the relevant rules of the SEC and Philippine Stock Exchange:

- a. To the best of the knowledge of the Issuer, reckoned from date of this Agreement, no grounds exist for the issuance of any cease and desist order suspending the effectiveness of the Registration Statement or preventing or suspending the use of the Prospectus or no such order has been issued or threatened by the SEC. If at any time the SEC shall issue any order suspending the effectiveness of the Registration

Statement or the Prospectus, the Issuer shall exert its best efforts to obtain the withdrawal of such order at the earliest possible time. The Prospectus and the Registration Statement: (i) are compliant and will remain compliant in all material respects with relevant SEC regulations on bond issuances currently existing (“**SEC Rules**”); (ii) contain all information and particulars with respect to the Issuer and to the First Tranche Bonds which are material in the context of the Offer (including, without limitation, all information required by the Applicable Law and the information which, according to the particular nature of the Issuer and the First Tranche Bonds, are required to be provided to potential investors to enable investors to make an informed assessment of the financial position, capitalization, assets, business, operations and prospects of the Issuer in its entirety and the rights attaching to the First Tranche Bonds); (iii) do not contain any untrue statement of a material fact nor omit to state a material fact required to be stated or necessary to make the statements (taken as a whole) not misleading under the circumstances; and (iv) all reasonable enquiries have been made by the Issuer to ascertain such material facts and to verify the accuracy of all such material information and statements. The Permit to Sell Securities, Registration Statement or the Prospectus shall continue to be in the aforementioned condition during the Offer Period.

- b. Except for the Permit to Sell Securities which shall be in full force and effect on or before the Offer Period and until the Listing Date, there are no filings or registrations with, nor any rulings, approvals and consents of, any government, administrative or regulatory agency, that are necessary or desirable for the execution and delivery by the Issuer of the Transaction Documents, the circulation of the Prospectus, the issue and distribution of the First Tranche Bonds, and the performance by the Issuer of its obligations under the First Tranche Bonds and the Transaction Documents.
- c. No proceeding for the purpose of non-issuance of the Permit to Sell Securities has been instituted or, to the best knowledge of the Issuer, threatened by the SEC or any third party.
- d. The statements, forecasts, estimates and expressions of opinion contained in the Registration Statement and the Prospectus including but not limited to the profits, prospects, dividends, indebtedness, assets, liabilities, cash flow and working capital of the Issuer have been made after due and proper consideration, and represent reasonable and fair expectations honestly held based on facts known to the Issuer as of the respective dates as of which information is given in the Registration Statement and Prospectus.
- e. The Issuer is a corporation duly organized, validly existing, and in good standing under and by virtue of the laws of the Philippines, and has its principal office at the address indicated in the recitals of this Agreement.
- f. The Issuer is registered or qualified to do business in every jurisdiction where registration or qualification is necessary; and has full legal right, corporate power and authority to carry on and conduct its present business, to own and lease the properties and assets owned and leased by it, to issue the First Tranche Bonds and to execute and deliver the Transaction Documents, and to comply, perform and observe the terms and conditions thereof.
- g. The Articles of Incorporation, By-Laws and other constituent documents of the Issuer authorize, and all required corporate, governmental and legal action, approvals,

consents and authorization have been taken by the Issuer to authorize, the execution, delivery and performance of the Transaction Documents.

- h. This Agreement constitutes, and each other Transaction Documents when executed and delivered pursuant hereto and the obligations of the Issuer will constitute, the legal, valid and binding obligations of the Issuer, enforceable in accordance with their respective terms, and except as enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization or other similar laws of general application relating to or affecting the enforcement of creditors' rights; and (ii) the application of general equitable principles; provided, that the documentary stamp taxes due on the issuance of the First Tranche Bonds shall be paid by the Issuer within the period allowed under Applicable Laws.
- i. The execution, delivery and performance of the Transaction Documents, the obligations of the Issuer under the First Tranche Bonds and the payment of all amounts due on the dates and in the currency provided for therein by the Issuer (i) will not violate any Applicable Law, (ii) will not conflict with the Articles of Incorporation and By-Laws of the Issuer, (iii) will not conflict with or result in the breach of any provision of, or in the creation or imposition of any Lien on any of the properties of the Issuer under, any agreement or instrument to which the Issuer is a party or by which it or any of its properties or assets are bound, and (iv) will not conflict with, or constitute a default or an event that, with the giving of notice or the passing of time, or both, would constitute a default under, any such agreement or instrument, except for any such conflict, breach, violation, default or Lien under (i), (iii) or (iv) above that would not have a Material Adverse Effect.
- j. Except for the Permit to Sell Securities which shall be obtained on or before the Offer Period and until the Listing Date, the Issuer has obtained all material Government Approvals and the consents of third parties, if any, which are necessary for the due execution, delivery, performance, validity and enforceability of the Transaction Documents other than the payment of the documentary stamp taxes due on the issuance of the First Tranche Bonds which shall be paid by the Issuer within the period allowed by Applicable Laws and except if the failure to obtain such Government Approvals will not have a Material Adverse Effect.
- k. All conditions imposed under the SRC and any subsequent conditions imposed by the SEC for the Offer under this Agreement have been and will be complied with by the Issuer as of the date and/or time that they are required to be complied with.
- l. The Issuer shall promptly advise the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners: (i) of any request by the SEC to the Issuer for any updating, amendment or supplement to the Registration Statement or the Prospectus or for any additional information thereon; and (ii) of the issuance by any government agency or office of any cease and desist order suspending the distribution or sale of the First Tranche Bonds or the initiation of any proceeding for any such purpose. No amendment or supplement to the Registration Statement or the Prospectus have been or will be made during the Offer Period without prior written approval of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, which approval shall not be unreasonably withheld.
- m. All written information supplied or provided by the Issuer to the Joint Issue Managers,

Joint Lead Underwriters and Joint Bookrunners for the due diligence review for the Offer and for other purposes directly relating to the Offer and to the Trustee in connection with the Transaction Documents, including the information contained in the Registration Statement and the Prospectus, are, taken as a whole and as of their respective dates, and if amended or supplemented, as of the date of such amendment or supplement: (i) are not violative of any statute, or any rule or regulation of any government agency or office, (ii) are true, correct, and complete, in all material respects, as of the date such written information is dated or certified, and (iii) are not incomplete by omitting to state any fact necessary to make such written information (taken as a whole) not misleading in any material respect at such time in light of the circumstances under which such written information was provided; provided that:

- (i) any statement in such written information describing documents and agreements are summaries only and such summaries are qualified in their entirety by reference to such documents and agreements;
 - (ii) to the extent any information was based upon or constitutes a forecast, projection, opinion or other data which by its nature is uncertain, the Issuer represents only that it acted in good faith and utilized due and careful consideration in the preparation of such information;
 - (iii) as to such written information which has been sourced from or supplied by or with respect to third parties (other than any such written information supplied by the agents of the Issuer on behalf of the Issuer), the Issuer represents only that, to its reasonable knowledge and without making any independent inquiry, it is not aware of any misstatement or omission therein; and
 - (iv) no representation or warranty is made as to any information which has been expressly qualified as an opinion.
- n. Except as otherwise disclosed in the Prospectus, since the respective dates as of which information is given in the Prospectus and until the Issue Date: (i) there has not been any event which may have a Material Adverse Effect, or any development involving a Material Adverse Effect, in or affecting the general affairs, condition (financial or otherwise), results of operation, business, prospects, management, financial position, stockholders' equity, or financial performance of the Issuer or which makes it improbable that it will be able to fulfill any of its obligations under Transaction Documents; and (ii) the Issuer have not entered into any transaction or agreement which has a Material Adverse Effect to the Offer.
- o. The Issuer has good and marketable title to all its properties, free and clear of Liens except for Permitted Liens.
- p. The obligations of the Issuer under the First Tranche Bonds shall constitute direct, unconditional, unsecured, and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any Permitted Lien, or as may be allowed by the Trust Agreement, and (iii) other Indebtedness or obligations disclosed by the

Issuer to the Trustee as of the Issue Date.

- q. No event has occurred and is continuing or would result from the making of this Agreement which constitutes an Event of Default or which, upon a lapse of time or notice or both, would become such an Event of Default.
- r. The Issuer is not in default in the performance, observance or fulfillment of any obligation, covenant or condition in any agreement or instrument to which they are parties or by which it or any of its properties or assets are bound, where such default will have a Material Adverse Effect;
- s. No litigation, arbitration or administrative proceeding or claim before or of any court, tribunal, arbitrator or other relevant Government Authority is pending or presently in progress or, after due inquiry and to the best knowledge of the Issuer, threatened against the Issuer, or affecting its assets and properties, which, by itself or together with any other such proceeding or claim is reasonably likely to be adversely decided against the Issuer and if so adversely decided, would have a Material Adverse Effect, or which would enjoin the execution and delivery of the Transaction Documents.
- t. The Issuer is conducting its respective businesses and operations in compliance with all Applicable Laws except where failure to do so will not have a Material Adverse Effect;
- u. The Issuer has filed true, complete and timely tax returns and have paid all taxes due on such tax returns and assessments received by it in respect of the ownership of its properties and assets or the conduct of their operations, except (i) to the extent the payment of such taxes is being contested in good faith and by appropriate proceedings duly conducted and covered by adequate reserves to the extent required in accordance with PFRS as interpreted by the independent external auditor of the Issuer; or (ii) the failure to file such true, complete and timely tax returns or pay such taxes will not have a Material Adverse Effect;
- v. The consolidated audited financial statements as of December 31, 2018, December 31, 2019 and unaudited consolidated financial statements as of the period ended June 30, 2020 of the Issuer provided to the Trustee or the Bondholders have been prepared in accordance with PFRS; such financial statements fairly present the financial condition and results of operations of the Issuer as of the dates stated therein and for the periods then ended, and there are no material or substantial liabilities, direct or indirect, fixed or contingent, of the Issuer as of Issue Date that are not reflected therein or in the notes thereto; and since the latest date of such financial statements, to the best knowledge of the Issuer, there has not occurred any event or circumstance which has had or would be reasonably likely to have a Material Adverse Effect and which has not been disclosed to the Trustee or the Bondholders.
- w. No information which could have a material adverse effect on the business of the Issuer has been withheld from the independent public accountants of the Issuer for the purposes of the relevant audited financial statements as set out in the Prospectus and as used in connection with the Offer.
- x. There is no tax payable by the Issuer pursuant to the terms of any of the Transaction Documents or to be imposed on or by virtue of the execution, delivery, performance

or enforcement of any of the Transaction Documents other than as disclosed in the statements in the Registration Statement and the Prospectus under the caption "Taxation".

- y. The Issuer has not entered into any business other than those as disclosed in the Prospectus.
- z. The operations of the Issuer are and have been conducted at all times in compliance with applicable financial record keeping and reporting requirements and money laundering statutes in the Philippines and of all jurisdictions in which the Issuer conducts business or operations, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued and administered or enforced by any government agency or proceeding by or before any court or government agency (collectively, "Money Laundering Laws") and except as otherwise disclosed in the Prospectus, no action, suit or proceeding by or before any court or government agency, authority or body or any arbitrator involving the Issuer with respect to Money Laundering Laws is pending and to the best of knowledge, information and belief of the Issuer, no such actions, suits or proceedings are threatened.
- aa. Neither the Issuer nor any of its properties or assets enjoy any right of immunity from suit, jurisdiction, of any competent court, attachment prior to judgment, attachment in aid of execution, execution of judgment or set-off in respect of its obligations under this Agreement, the Trust Agreement and the First Tranche Bonds.
- bb. The Issuer is solvent to operate and engage in business, and specifically that: (i) it is able to meet its obligations as they mature; (ii) the fair value of its assets exceeds its liabilities; and (iii) it has sufficient capital to carry on its business;
- cc. The Issuer shall use the proceeds of the Offer in accordance with the Prospectus.

7.2 Representations and Warranties of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners

Each of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, jointly and not solidary, and with respect to itself only, represents and warrants that:

- a. It is a corporation duly organized and existing under the laws of the place of its incorporation, and is duly authorized to do business in the Philippines, with full power and authority to undertake its respective duties as a Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner.
- b. The execution, delivery, and performance by it of this Agreement have been duly authorized by appropriate or necessary corporate actions or approvals and constitute its valid and binding agreement and will not conflict with or constitute a breach of its Articles of Incorporation or By-Laws, or any contract or other instrument by which it or any of its assets is bound, or any Philippine law, regulation, judgment, or order of any of its offices, agencies, or instrumentalities.
- c. It has made its own independent appraisal of the business, financial condition, operations, creditworthiness and status of the Issuer based on information provided by the Issuer, and will continue to be solely responsible for making its own

independent appraisal of such matters in the future.

- d. It shall not give any information or make any representation in respect of the Issuer, the offering and the First Tranche Bonds, and shall not distribute any material pursuant to the Offer, other than those contained in the Prospectus, including any amendment or supplement thereto, and any other sale literature approved in writing by the Issuer.
- e. Since no action has been taken to permit a public offer of the First Tranche Bonds or the distribution of the Prospectus in any jurisdiction other than the Philippines, the Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner shall not sell or offer any of the First Tranche Bonds which may be sold or acquired by them or distribute copies of the Prospectus in any jurisdiction except under circumstances that will result in compliance with any applicable laws and/or regulations. For this purpose, the Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner shall require a representation and warranty from their foreign investors that their investment in the First Tranche Bonds will not violate the laws of their jurisdiction and that they are allowed to acquire or invest in the First Tranche Bonds.

7.3 Notice of Material Events

The Issuer shall forthwith notify the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners if, at any time on or prior to the Issue Date, anything becomes known to the Issuer that renders or may render untrue or inaccurate any of the representations and warranties of the Issuer in this Agreement. The Issuer shall forthwith take steps as the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners may reasonably request to remedy and/or publicize that fact, including the making of any announcement.

7.4 Accuracy of Representations and Warranties

The representations and warranties made by the Issuer and by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners in this Agreement are true, correct and accurate as of the Signing Date, throughout the Offer Period and up to the Issue Date.

Section 8 UNDERTAKINGS OF THE JOINT ISSUE MANAGERS, JOINT LEAD UNDERWRITERS AND JOINT BOOKRUNNERS

The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners agree not to give any information or make any representation in respect of the Issuer, the Offer and the First Tranche Bonds other than those: (i) allowed by Applicable Law or required by the courts or government authorities; (ii) contained in the Prospectus, its amendments or supplements, and other circulars, letters, or sales literature provided by the Issuer; (iii) announcements made during a road show; or (iv) any other corporate information approved in writing by the Issuer.

Section 9 INDEMNITIES AND LIMITATIONS

9.1 Indemnity Obligation

- a. The Issuer shall indemnify and hold the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, its directors, officers employees, affiliates, agents, and stockholders, free and harmless from any and all actual and documented losses, claims, damages, liabilities and expenses (including reasonable attorney's fees), or any actions with respect thereto, arising directly out of or by virtue of: (i) the failure of the Issuer to comply with any of its undertakings, covenants or other obligations in this Agreement and related agreements referred to herein; (ii) any defect, falsity or inaccuracy in the representations and warranties of the Issuer herein or in any material fact contained in the Prospectus, or any misleading statement of a material fact contained therein, or omission of, a material fact necessary or required to be stated therein for purposes of fair disclosure or to make such statement not misleading in the light of the circumstances under which it was made; or (iii) any court proceeding, litigation or other similar action against the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners in connection with or with respect to the sale by the Issuer of the First Tranche Bonds in the Offer, and will pay for or reimburse the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners within fifteen (15) Banking Days from demand for any reasonable and documented legal or other expense reasonably incurred by it in connection with investigating or defending against such losses, claims, damages, expenses, liabilities or actions, except where such court proceeding, litigation or other similar action is due to the willful misconduct or gross negligence of any of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners as determined by final judgement of a court of competent jurisdiction.
- b. The Issuer shall indemnify and hold the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, its respective directors, officers and employees, free and harmless from any and all actual and documented losses, claims, damages, liability and expenses, or actions with respect thereto arising primarily and directly out of, or in connection with the appointment of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners as such pursuant to this Agreement, except to the extent that said losses, claims, damages, liability and expenses, or actions have resulted primarily and directly from the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners' own willful misconduct or gross negligence. The Issuer will pay for or reimburse within ten (10) Banking Days from demand of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners of any actual and documented legal or other expense in connection with investigating or defending against such losses, claims, damages, expenses, liabilities or actions.
- c. The obligation of the Issuer to indemnify the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners for breach of the representations and warranties set out in Section 7.1 shall continue in full force and effect, notwithstanding the completion of the Offer, the performance of other provisions of this Agreement, or the termination of this Agreement.
- d. In case of assertion of any claim against the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners or of the commencement of any claim, action or proceeding relating to this Agreement, including any breach or violation by or any action that may be attributable to the Issuer or any claim, action or proceeding to refund to any person the moneys paid for the First Tranche Bonds or to pay damages to any person ("**Claimant**") on the grounds that any statement contained in the Prospectus or any other offering material prepared by the Issuer or which were known

to and/or approved by it in connection with the Offer is found to be untrue, inaccurate or misleading in any material respect or that the Prospectus or any other offering material prepared by it in connection with the Offer did not contain any material information in the context of other grounds which constitute a breach of any of the representations or warranties contained herein, the Issuer agrees to indemnify the actual and documented liabilities, losses, damages, actions, claims, costs, charges and expenses in respect thereof including, without limitation, all such costs, charges and expenses the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners may pay or incur in disputing any such claim or defending any proceeding instituted against it. If the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners receives notice of the assertion of any claim or of the commencement of any claim, action, or proceeding made or brought by any Claimant, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners will give the Issuer prompt written notice thereof. Such notice shall describe the nature of the claim in reasonable detail (including a copy of the Claimant's claim, if made in writing) and shall indicate the estimated amount, if practicable, of the claim costs, charges, and expenses that has been or may be sustained by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners. The Issuer will have the right to participate in or, by giving written notice to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, assume the defense of any such claim at the Issuer's own expense and by the Issuer's own counsel, by all appropriate proceedings, which proceedings will be diligently defended, and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners will, upon reasonable request of the Issuer, cooperate in good faith in such defense, provided it is not inconsistent with the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners' interest, at the Issuer's expense. Without the prior written consent of the Issuer (not to be unreasonably withheld or delayed), the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners will not enter into any settlement with the Claimant.

- e. Each of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners agree to indemnify and hold the Issuer free and harmless from any and all actual and documented losses, claims, damages, liability and expenses or actions with respect thereto arising primarily and directly from or in connection with the willful misconduct or gross negligence of each of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, its respective successors, assigns, directors, officers, shareholders, employees, agents and representatives in the discharge of the obligations of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners under this Agreement, provided that any such losses, claims, damages, liability, and expenses are incurred from the date of this Agreement. The maximum liability of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners in respect of this Section shall be limited to the amount of their respective fees, net of out-of-pocket expenses, due or payable to it under this Agreement.
- f. If in one or more instances the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall take any action or assume any responsibility not specifically required to be taken or assumed pursuant to the provisions of this Agreement, neither the taking of such action nor the assumption of such responsibility shall be deemed to be an express or implied undertaking on the part of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners that they will take the same or similar action or assume the same or similar responsibility in any other instance.

- g. Nothing in this Agreement shall be construed as (i) excusing the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners from their obligation under Section 5(A) of the Omnibus Rules and potential liability under Section 56.1(g) of the SRC, (ii) preventing the public from claiming against the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners in respect of their obligation under Section 5(A) of the Omnibus Rules, and (iii) reducing or limiting the obligation of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners to conduct due diligence under Section 5(A) of the Omnibus Rules.

9.2 Scope of Indemnity Obligation

- a. The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners assume no obligation and shall not be subject to any obligation or liability to any other person, except as specifically set forth in this Agreement. Neither shall the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners nor any of their officers, directors, agents, or employees be liable for any action taken or omitted to be taken by them in accordance with the terms of this Agreement, except for their own gross negligence or willful default. For the avoidance of doubt, a Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner shall only be liable for its own act or omission and shall not be liable for any act or omission of any other Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner.
- b. Neither the Issuer nor the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall be liable for indirect, consequential, or special damages.
- c. The obligations and undertakings of the Parties in this Section 9.2 shall survive or remain in full force and effect as long as the First Tranche Bonds or any portion thereof remain outstanding.

9.3 Tax on the First Tranche Bonds

The Issuer acknowledges that it has sought its own tax advice regarding the First Tranche Bonds and has not relied and does not rely in any way on the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners. Consequently, the Issuer agrees to solely take full legal and financial responsibility for any of its actions in accordance with such tax advice, and further agrees to hold the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners free and harmless from any liability that may arise from the foregoing.

Section 10 TERMINATION

10.1 Option of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners to Terminate

- a. The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, deciding unanimously may, by prior written notice to the Issuer, cancel, suspend, or terminate this Agreement upon the occurrence of any of the following events prior to the Issue Date:
 - (i) The Issuer fails to perform any of its undertakings, covenants, or obligations under this Agreement or the Trust Agreement, or any representations and

warranties made by the Issuer in the Agreement or the Trust Agreement, or any information given in the Prospectus is untrue or misleading, or has become untrue or misleading to a material extent.

An order cancelling, suspending, or terminating the offer, sale, distribution, or issuance of the First Tranche Bonds is issued by any Governmental Authority with competent jurisdiction.

- (ii) Any change or impending change occurs in any Applicable Law which (x) could materially and adversely affect any of the features, yield, or marketability of the First Tranche Bonds, or the financial position, operations, profitability, or business prospects of the Issuer, or the ability of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners to perform any of their obligations under this Agreement or any substantive aspect of this Agreement, or (y) increases or may increase the taxes on the fees or increase the costs of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners in performing their obligations under this Agreement, and in both (x) and (y), render it inadvisable or impracticable to proceed with the Offer in the manner contemplated by this Agreement or the Registration Statement or the Prospectus.
- (iii) Declaration of a war by a sovereign state against the Philippine government or vice versa; occurrence of an invasion, sedition, revolution, military uprising, widespread civil disorder, national calamity or other adverse political or social developments which, in the reasonable determination of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, would have a material adverse effect on the value or marketability of the First Tranche Bonds.
- (iv) The Issuer is compelled to stop or is about to stop its operations pursuant to an order of a competent Governmental Authority.
- (v) A general banking moratorium is declared in the Philippines.
- (vi) Any event occurs which makes it legally impossible for the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners whose aggregate Underwriting Commitments constitute more than fifty percent (50%) to perform their obligations hereunder due to conditions beyond their control, so long as the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners is not, independent of such event, in breach of any of its obligations.
- (vii) In the sole opinion of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, after discussions and consultations, in good faith, with the Issuer, a (x) material and adverse change or development in the financial condition, assets, corporate structure or relationships, investments, revenues, operations, or business and profitability prospects of the Issuer or (y) material change in the general commercial bank, loan syndication, financial or capital market conditions, the national or international financial, social, political or economic conditions or currency exchange rates or exchange controls, which in each case is reasonably expected to have a

material and adverse effect on, and is likely to prejudice materially the successful distribution of, the First Tranche Bonds in the primary market and/or dealings in the First Tranche Bonds in the secondary market.

- (viii) In the sole opinion of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, after discussions and consultations, in good faith, with the Issuer, a change, or any development involving a prospective change, occurs or is revealed in the social, political, economic, or fiscal conditions, policies, or relationships of the Philippines, notably any material and adverse development or change in the general commercial bank, bond, loan syndication, financial or capital market conditions, the national financial, political or economic conditions which in each case may materially and adversely affect the Offer and render it inadvisable or impracticable to proceed with the Offer in the manner contemplated by this Agreement or the Registration Statement or the Prospectus.
- (ix) Any other event, whether or not similar to any of the above, should occur or be revealed which, in the reasonable determination of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, will materially and adversely affect the circumstances existing when this Agreement was entered into rendering it inadvisable or impracticable to proceed with the Offer in the manner contemplated by this Agreement or the Registration Statement or the Prospectus; provided, that such event is beyond the control of and/or not attributable to the fault of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.
- (x) Any Government Authority issues an order cancelling, suspending, or terminating the Offer.

The Issuer shall be adjudicated by final order of a competent court as bankrupt or insolvent, or shall be proven to be unable to pay its debts as they mature, or shall make or threaten to make an assignment for the benefit of, or a composition or arrangement with, its creditors or any class of creditors, or shall declare or threaten to declare a moratorium on its indebtedness or any class of indebtedness; or the Issuer shall apply for or consent to the appointment of any receiver, trustee, or similar officer for it or for all or any substantial part of its property; or such receiver, trustee, or similar officer shall be appointed and such appointment shall continue undischarged for a period of ninety (90) days; or the Issuer shall institute (by petition, application, or otherwise) or consent to the institution of any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, suspension of payment, dissolution, liquidation, or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding shall be instituted against it and shall remain undismissed for a period of ninety (90) days; or any judgment, writ, warrant of attachment or execution, or similar process shall be issued or levied against any material asset of the Issuer and such judgment, writ, or similar process shall not be released, vacated, or fully bonded within ninety (90) days after its issue or levy; or any event occurs which, under Applicable Law, has an effect equivalent to any of the foregoing.

- (xi) Any other event, whether or not similar to any of the above, should occur or be revealed which, in the reasonable determination of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, after discussions and consultations, in good faith, with the Issuer, will materially affect the circumstances existing when this Agreement was entered into; provided, that such event is beyond the control of and/or not attributable to the fault of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.
- b. The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners may suspend, cancel or terminate its Underwriting Commitment by giving written notice to the Issuer if, on or prior to the Issue Date, performance of or compliance with any of the undertakings of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, or its covenants and obligations herein becomes impossible due to conditions beyond its control, such as force majeure, natural calamities and disasters, flood, storm, earthquake, wars, riots, insurrections, terrorist acts and/or any other cause beyond the reasonable control of and which cannot be reasonably foreseen by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.
- c. The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall not exercise the right to suspend, cancel or revoke its Underwriting Commitment (under Section 10.1(b)) or this Agreement (under Section 10.1 (a)) until and unless consultation shall have first been held with the Issuer, and the Parties in discussions shall have failed to resolve the situation. In the event that after consultation, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and/or the Issuer decide(s) to terminate this Agreement, the terminating Party (*i.e.*, the Issuer or the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners) or both Parties (should they mutually agree to terminate) shall send written notice to all concerned Parties and the SEC regarding such termination within one (1) Banking Day from the date of termination.
- d. No waiver of the applicability of any provision in this Section 10 shall be deemed implied from the execution by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and the Issuer of this Agreement.

10.2 Option of the Issuer to Terminate

The Issuer may, by prior written notice to the Joint Lead Managers, Joint Lead Underwriters and Joint Bookrunners, cancel, suspend, or terminate this Agreement fully or with respect to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners upon the occurrence of any of the following events prior to the Issue Date:

- a. The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners fail to perform any of its undertakings, covenants, or obligations under this Agreement; or in any material respect.
- b. Any of the representations and warranties of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners under this Agreement is or becomes untrue or misleading in any material respect.

Provided, that such event is beyond the control of the Joint Lead Managers, Joint Lead Underwriters and Joint Bookrunners and/or is not attributable to the fault of the Issuer.

10.3 Discussions in Good Faith

In case of events, which are not due to the fault of any of the Parties, the Parties shall discuss in good faith any remedial actions or steps.

10.4 Effect of Termination

Upon the giving of written notice of termination, all the obligations of the Parties hereunder shall cease and terminate, and no Party to this Agreement shall have any claim against the other in respect of any matter or thing arising out of or in connection with this Agreement, provided that except when the termination is due to any of the grounds for termination by the Issuer under Section 10.2: (a) the foregoing shall be without prejudice to Section 9.1(c); and (b) all costs and expenses referred to in Section 11.2 incurred by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners in connection with the Offer up to the time notice of termination is served shall be for the account of the Issuer. Reasonable expenses incurred up to the time of service of notice of termination shall, after verification by the Issuer, be reimbursed to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners within fifteen (15) Banking Days from receipt by the Issuer of a statement of account and properly documented receipts.

If this Agreement is terminated for any of the causes stated in Section 10.1 hereof, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall within seven (7) Banking Days cause the Issuer to return to the Applicant the full subscription price of all applications procured from them, without interest, provided that full payment has already been remitted and received. It is understood that upon such return, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall be free from any and all liability to such Applicant.

Section 11 FEES AND EXPENSES

11.1 Fees and Commissions

- a. In consideration of the services rendered by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners pursuant to this Agreement, the Issuer shall pay each of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners such fees as has been agreed upon by them, or among themselves in accordance with a separate fee letter.

For the avoidance of doubt, gross receipts tax on the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners' Fees shall be for the account of the relevant Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and the fees shall be inclusive of such gross receipts tax.

- b. The fees due to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners under this Section 11.1 shall be due and payable by the Issuer to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners within five (5) Banking Days from the Issue Date, provided that the Issuer has received confirmation from the bank of the Issuer that cleared funds representing payments for all accepted Applications to Purchase have been credited to the Receiving Account, and statement of account thereof. The Issuer shall then remit the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners' Fees and all costs and expenses payable to the

Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners to an account(s) designated by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.

11.2 Payment of Costs and Expenses

- a. The Issuer shall bear and will pay for or reimburse the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners within five (5) Banking Days upon request for all reasonable and properly documented costs and expenses, agreed upon in advance with the Issuer, which the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners may incur in connection with the Offer, including all travelling, printing, communication, postage, publishing, advertising and other promotional expenses, documentary stamp tax, in all cases whether or not definitive documentation for the Offer is signed or the Offer is closed.
- b. Such expenses shall be in addition to any direct expenses incurred by the Issuer and for which it is liable in connection with the proposed Offer, including without limitation:
 - (i) fees payable to the Registrar, the Paying Agent, the Trustee
 - (ii) fees and disbursements of the legal counsel of the Issuer and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners
 - (iii) fees payable to auditors, accountants and any other advisors
 - (iv) fees payable in conjunction with the rating of the Issuer
 - (v) expenses relating to the preparation, printing and filing with the SEC of the Registration Statement and Prospectus (including any and all amendments and supplements thereto)
 - (vi) expenses relating to the marketing and roadshow activities for the Offer
 - (vii) fees and expenses in conjunction with the listing of the First Tranche Bonds in a fixed income exchange, and registration of the First Tranche Bonds with the SEC
 - (viii) filings with Insurance Commission
 - (ix) any and all printing, mailing, communication, publicity, signing, tombstone and representation expenses and other out-of-pocket expenses which may be reasonably incurred by the Issuer and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners in connection with the Offer and the issuance of the First Tranche Bonds, in connection with this Agreement and other relating agreements in implementation thereof
 - (x) any other expenses incurred directly by the Issuer in connection with the issuance of the First Tranche Bonds and relating to this Agreement and other related agreements or the implementation and enforcement therefor.

- c. The Issuer shall pay all aforementioned costs and expenses in connection with the Offer that may be advanced by the Joint Issue Managers, the Joint Lead Underwriters and Joint Bookrunners as provided in this Section. Except in the case of termination of this Agreement (in which case, the provisions of Section 10.4 shall apply), the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall deliver to the Issuer a statement of account and properly documented receipts detailing the expenses not withheld by virtue of this Section to be reimbursed not later than five (5) Banking Days from receipt of the statement of account. In the case of termination of this Agreement, the Joint Issue Managers, the Joint Lead Underwriters and Joint Bookrunners shall deliver a statement of account detailing such costs and expenses to be reimbursed, to the Issuer not later than five (5) Banking Days from the date of the notice of termination.

11.3 Mode of Payment

- a. All sums payable to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners hereunder shall be paid in Philippine currency and in full without withholding or deduction (other than the creditable withholding tax) and free and clear of any taxes (including value added, excise or other similar taxes, but excluding gross receipts taxes), duties, assessments or government charges of any nature unless such withholding or deduction is required by Applicable Law, in which event the Issuer will pay to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners such additional amounts as to ensure that the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners receive and retain the amount it would have received (free from any liability in respect of any such withholding or deduction) if no such withholding or deduction have been made or required to be made.
- b. The Issuer shall pay any value added, excise, or other similar tax at the same time as any amount due is paid to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners. Each of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall issue a VAT- registered official receipt upon receipt of any payment from the Issuer. All official receipt, or other accountable form to be issued by any Party pursuant to this Agreement shall comply with the prevailing invoicing and receipting rules and regulations as well as contain all the information required by BIR to support the expenses incurred as well as enable the issuer to utilize the input value-added tax thereon.
- c. Unless otherwise agreed among the Parties, no payments made to third parties by the Issuer shall reduce the fees and expenses payable to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.

Section 12 NOTICES

12.1 Form of Notice

All documents required to be submitted to the Issuer, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners pursuant to this Agreement and all other notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if (a) (i) delivered personally, or (ii) mailed through a reputable overnight courier service (postage prepaid) to the parties at the following addresses and addressed to

the individuals names below; provided, that in either case, such notice, request or other communication be also sent via email; or (b) via email communication to the parties at the following email addresses and addressed to the individuals named below:

If to the Issuer:

ABOITIZ POWER CORPORATION

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

Attention: [●]
[●]
Telephone No: [●]
Email: [●]
With copy to: [●]

If to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners:

BDO CAPITAL & INVESTMENT CORPORATION

20th Floor, South Tower, BDO Corporate Center
7899 Makati Avenue, Makati City

Attention: Jose Eduardo A. Quimpo II
First Vice President
Telephone No: +632 840 7563
Email: quimpo.jose@bdo.com.ph

BPI CAPITAL CORPORATION

11th Floor, Ayala North Exchange Building,
Ayala Avenue corner Salcedo street, Makati City

Attention: Reinier A. Llige
Associate Director
Telephone No: +632 8246 5137
Email: rallige@bpi.com.ph

CHINA BANK CAPITAL CORPORATION

28th Floor, BDO Equitable Tower
8751 Paseo de Roxas St., Makati City

Attention: Michael L. Chong
Director and Head of Origination and Client Coverage
Telephone No: +632 8230 6926
Email: mlchong@chinabank.ph

FIRST METRO INVESTMENT CORPORATION

45th Floor, GT Tower International
6813 Ayala Ave. cor. H.V. Dela Costa St., Makati City

Attention: Luis Martin E. Villalon

Vice President
Telephone No: +632 8858 7960
Fax: +632 840 3706
Email: martin.villalon@firstmetro.com.ph

All notices shall be deemed served or given when sent via email; provided, that no bounce mail, error or send failure notification is received by the sender.

Each of the Issuer, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners may from time to time change its address, facsimile number or other information for the purpose of notices hereunder by giving notice specifying such change to the other parties pursuant to the notice procedure under this Section 12.1.

Section 13 GENERAL PROVISIONS

13.1 Entire Agreement

This Agreement contains the sole and entire agreement among the Parties with respect to the subject matter of this Agreement and supersedes all prior discussions, memoranda of understanding, term sheets, correspondence agreements and arrangements (whether written or oral, including all correspondence) if any, among the Parties with respect to the subject matter of this Agreement (together with any amendments or modifications thereof).

13.2 Due Diligence and Compliance with the Securities Regulation Code

Notwithstanding anything in this Agreement to the contrary, no provisions of this Agreement will relieve or diminish the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners' obligations to conduct due diligence and comply with the relevant provisions of the Securities and Regulation Code and Sec. 5 of the Omnibus Rules and Regulations for Investment Houses and Universal Banks Registered as Underwriters of Securities to their fullest extent.

13.3 Assignment and Delegation

- a. This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the Parties and their successors and permitted assigns, any rights, benefits, privileges, liabilities or obligations under or by reason of this Agreement.
- b. Neither party may, without the prior written consent of the other, (i) assign its rights, interests or any part thereof under this Agreement, or (ii) delegate to any other person the whole or any part of its obligations or duties under this Agreement.

13.4 Amendment

No modification, variation, amendment, waiver or change of this Agreement shall be of any force and effect unless such modification, variation, or amendment is in writing and has been signed by all the Parties.

13.5 Waiver

No failure or delay on the part of any Party in exercising any right, power or remedy accruing to it upon any breach or default of any Party under this Agreement shall impair any such right, power or remedy nor shall it be construed as a waiver of any such breach or default thereafter occurring, nor shall a waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring, nor shall any single or partial exercise of any such right or power preclude any other or further exercise thereof or the exercise of any other right or power hereunder. All remedies, either under this Agreement or by Applicable Law or otherwise afforded the Parties shall be cumulative and not alternative. No notice to or demand on any Party in any case shall entitle it to any other or further notice or demand in similar or other circumstances.

13.6 Governing Law

- a. This Agreement shall in all respects be governed by, construed and enforced in accordance with the laws of the Republic of the Philippines.
- b. Any legal action or proceeding arising out of, or connected with, this Agreement shall be brought exclusively in the proper courts of Makati City or Taguig City, at the option of the complaining Party, each of the Parties expressly waiving any other venue.

13.7 Severability of Provisions

Should any provision of this Agreement be declared void or unenforceable by any competent authority or court, the other provisions of this Agreement which are capable of severance from the defective provision shall continue to be effective and the Parties shall cooperate in such manner as would fully implement their intentions hereby.

13.8 Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any single counterpart or set of counterparts signed in either case by any of the Parties hereto shall constitute a full and original agreement for all purposes.

13.9 Waiver of Preference

In the event that a primary obligation for payment shall arise out of this Agreement, such as to constitute this Agreement as a contract for the payment of an indebtedness or a loan, then it is understood and expressly agreed by the parties hereto that the obligation created under this Agreement shall not enjoy any priority, preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that this Agreement may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced.

[Signature pages follow.]

ANNEX A
Application to Purchase

ANNEX B
TERMS AND CONDITIONS

TRUST AGREEMENT

This **TRUST AGREEMENT** (this “**Agreement**”) is made and executed this [●], by and between:

ABOITIZ POWER CORPORATION, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal offices at the 32nd Street, Bonifacio Global City, 1634 Taguig City, Metro Manila (hereinafter referred to as “**AboitizPower**” or the “**Issuer**”);

– and –

[●], a universal banking corporation duly organized and validly existing under the laws of the Republic of the Philippines and duly authorized to perform trust and other fiduciary business, with principal offices at the [●], (hereinafter referred to as “[●]” or the “**Trustee**”).

RECITALS

WHEREAS, the Issuer is authorized by the Philippine Securities and Exchange Commission (“**SEC**”) to issue Fixed Rate Peso-Denominated Bonds for offering, distribution and sale to the general public of up to the aggregate principal amount of PHILIPPINE PESOS: THIRTY BILLION (PhP30,000,000,000.00) to be issued in one or several tranches within three (3) years from the date of effectivity of its shelf registration (the “**Bonds**”). The first tranche of the Bonds shall comprise of [●] per annum fixed rate bonds due [2026] (“**First Tranche Bonds**”), in an aggregate principal amount of up to [PHILIPPINE PESOS: FOUR BILLION (PhP4,000,000,000.00)] with an oversubscription option of up to PHILIPPINE PESOS: FOUR BILLION (PhP4,000,000,000.00) (the “**Oversubscription Option**”; the bonds under the Oversubscription Option, the “**Oversubscription Bonds**”; the First Tranche Bonds and the Oversubscription Bonds, the “**First Tranche Bonds**”; and this first tranche, the “**Offer**”);

WHEREAS, the Offer and the terms thereof are more fully described in **Annex “A”** hereof and in the Prospectus to be issued and circulated for the Offer, which is made an integral part hereof by reference;

WHEREAS, the Issuer expects to obtain a Permit to Offer Securities for Sale from the SEC in respect of a public distribution and sale of the First Tranche Bonds prior to the start of the Offer Period;

WHEREAS, to achieve the foregoing objectives, the Issuer has appointed, and hereby confirms the appointment of [●] as the Trustee on the basis of the representations and warranties of the Issuer and under the terms and conditions hereinafter set forth, has consented to the appointment;

NOW, THEREFORE, for and in consideration of the foregoing premises, the parties hereto agree as follows:

Section 1 DEFINITIONS AND INTERPRETATION

1.1. Definitions

The following terms shall have the respective meanings set forth below except as otherwise expressly provided or unless the context otherwise requires:

“Aboitiz Group” shall mean Aboitiz & Company, Inc. (“ACO”) and the companies or entities in which ACO has beneficial interest and over which ACO, directly or indirectly, exercises management control, including, without limitation, Aboitiz Equity Ventures Inc. (AEV), Aboitiz Power Corporation (AboitizPower), Aboitiz Land, Inc., Pilmico Foods Corporation, Aboitiz InfraCapital, Inc. (formerly: AEV Infracapital, Inc.), each a corporation organized under Philippine law, together with their respective Subsidiaries and Affiliates, related persons and related interests, whether or not stockholders of record of the Issuer as of the Issue Date;

“Affiliate” shall mean with respect to any Person, any other Person directly or indirectly Controlling, Controlled by or under common Control with, such Person;

“Agreement” shall mean this Trust Agreement and all amendments or supplements hereto;

“Applicable Law” shall refer to any statute, law, regulation, ordinance, rule, judgment, order, decree, directive, guideline, policy, requirement or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Government Authority;

“Applicant” shall mean a Person who shall duly accomplish the Application as defined herein and who shall deliver the same to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners in accordance with the Issue Management and Underwriting Agreement;

“Application” or **“Application to Purchase”** shall mean the form actually accomplished and submitted by the Applicant for the purchase of the First Tranche Bonds, together with all other requirements set forth substantially in the form attached hereto as **Annex “B”**;

“Authorization” shall refer to any authorization, consent, approval, license, exemption, filing, registration, or other similar action;

“Banking Day” shall mean any day other than Saturday, Sunday and public holidays on which commercial banks and the Philippine Clearing House Corporation are generally open for the transaction of business in Taguig City, Makati City and the City of Manila; *provided*, that all other days unless otherwise specified herein shall mean calendar days which shall be construed as successive periods of twenty-four (24) hours each;

“BIR” shall mean the Bureau of Internal Revenue of the Republic of the Philippines;

“Board” shall mean the board of directors of AP, unless context clearly provides otherwise;

“Bona Fide Bondholder” shall have the meaning ascribed to it in Section 3.10.a hereof;

“Bondholders” shall mean a Person whose name appears at the relevant time, in the Register of Bondholders;

"Competitor" shall have the meaning ascribed to it in Section 3.9.c hereof;

"Consolidated Equity" means the total stockholders' equity of the Issuer as recognized and measured in its fiscal year-end audited consolidated financial statements and quarter-end unaudited consolidated financial statements, as may be applicable and available in accordance with Applicable Law, both in conformity with PFRS;

"Control" means the possession, directly or indirectly, by a Person of the power to direct or cause the direction of the management and policies of another Person whether through the ownership of voting securities or otherwise; provided, however, that the direct or indirect ownership of over fifty percent (50%) of the voting capital stock, registered capital or other equity interest of a Person is deemed to constitute control of that Person, and **"Controlling"** and **"Controlled"** have corresponding meanings;

"Early Redemption Date" shall have the meaning set forth in Section 6.4;

"Early Redemption Price" shall have the meaning set forth in Section 6.4;

"Event of Default" shall have the meaning set forth in Section 9.1 hereof;

"Fair Market Value of Assets" shall mean at any particular time, the aggregate of the total current assets and the total non-current assets of the Issuer as shown in the balance sheet of its latest audited financial statements on a consolidated basis.

"Fee Letter" shall mean the letter of the Trustee to the Issuer dated on or about [●] and acknowledged by the Issuer on a later date;

"First Tranche Bonds" shall mean the First Tranche Bonds with an aggregate amount of PHILIPPINE PESOS: FOUR BILLION (PhP4,000,000,000.00) with an Oversubscription Option of up to PHILIPPINE PESOS: [●] (PhP[●]), which the Issuer shall issue for distribution and sale on Issue Date;

"Government Authority" shall mean the Government of the Republic of the Philippines, or any political subdivision or agency thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the said government, and any national agency or body vested with jurisdiction or authority over any Person;

"Indebtedness" shall mean: (i) all indebtedness or other obligations of the Issuer for borrowed money or for the deferred purchase price of property or services and similar arrangements; (ii) all indebtedness or other obligations of any other Person, the payment or collection of which is guaranteed by the Issuer (except by reason of endorsement for collection in the ordinary course of business) or in respect of which the Issuer is liable, contingently or otherwise, including without limitation, any agreement to purchase, to provide funds for payment, to supply funds to or otherwise invest in such Person; and (iii) capitalized lease obligations of the Issuer;

"Interest Payment Date" shall mean [●], [●], [●], and [●] of each year commencing on [●] until and including the Maturity Date, or the immediately succeeding Banking Day,

without adjustment, if such Interest Payment Date is not a Banking Day, without any adjustment in the amount due.

“Issue Date” shall be on [●], or the immediately succeeding Banking Day, if such Issue Date is not a Banking Day, or such other date as may be determined by the Issuer and the and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners for the issuance of the First Tranche Bonds. In the event that the original Issue Date is moved to the succeeding Banking Day, the interest accruing for the first Interest Period shall accrue from (and including) such adjusted Issue Date, without adjustment to the Interest Payment Date;

“Issue Management and Underwriting Agreement” shall mean the issue management and underwriting agreement dated [●], executed by and between the Issuer and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.

“Issue Price” shall mean one hundred percent (100%) of the face value of the First Tranche Bonds;

“Joint Issue Managers, Joint Underwriters and Joint Bookrunners” shall mean BDO Capital & Investment Corporation, BPI Capital Corporation, China Bank Capital Corporation, and First Metro Investment Corporation;

“Lien” shall mean, with respect to any Person, any lien, pledge, mortgage, charge, hypothecation, encumbrance, or other security interest or preferential arrangement on or with respect to any asset or revenue of such Person;

“Majority Bondholders” shall mean, at any time, the Bondholders of the First Tranche Bonds, or a series thereof, who hold, represent or account for at least fifty percent (50%) plus one peso (Php1.00) of the aggregate outstanding principal amount of the First Tranche Bonds;

“Master Certificates of Indebtedness” shall mean the certifications representing such amounts corresponding to the First Tranche Bonds sold in the Offer issued to and registered in the name of the Trustee, on behalf of the Bondholders, substantially in the form set forth in **Annex “C”** hereof.

“Material Adverse Effect” shall mean a material adverse effect on the ability of the Issuer to perform or comply with any of its material obligations, or to exercise any of its material rights, under this Agreement, the Issue Management and Underwriting Agreement or the First Tranche Bonds;

“Maturity Date” shall mean the date at which the First Tranche Bonds shall be redeemed by the Issuer by paying the principal amount thereof, and which date is five (5) years from Issue Date, provided that, if such Maturity Date falls on a day that is not a Banking Day, the Maturity Date shall be the immediately succeeding Banking Day, without adjustment to the amount of interest to be paid.;

“Net Debt” shall mean the interest-bearing debt less cash, cash equivalents, and short-term investments of the Issuer;

“Net Debt to Consolidated Equity Ratio” shall mean the ratio of Net Debt to Consolidated Equity

“Offer” shall mean the First Tranche Bonds or the offering, issuance, distribution and sale of the First Tranche Bonds;

“Offer Period” shall mean the period when the First Tranche Bonds are offered for sale by the Issuer to the public, through the Selling Agents, commencing on [●] and ending on [●], or such other date as may be mutually agreed between the Issuer and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners;

“Paying Agent” shall mean the Philippine Depository & Trust Corp. acting as paying agent in accordance with the Registry and Paying Agency Agreement;

“Payment Date” shall mean the Interest Payment Date and/or the Principal Payment Date, as the case may be;

“PDEX” shall mean Philippine Dealing & Exchange Corp., a domestic corporation duly registered with the SEC to operate an exchange and trading market for fixed income securities and a member of the Philippine Dealing System Group of Companies.

“Penalty Interest” shall mean the penalty interest at the rate of two percent (2%) per annum payable by the Issuer pursuant to Section 6.7 hereof.

“Person” shall mean an individual, corporation, partnership, association, joint stock company, trust, any unincorporated organization, or a government or political subdivision thereof;

“PFRS” shall mean Philippine Financial Reporting Standards;

“Philippine Peso” or **“PhP”** shall mean the legal currency of the Republic of the Philippines;

“Philippines” shall mean the Republic of the Philippines;

“Principal Payment Date” shall mean the Maturity Date or the Early Redemption Date;

“Prospectus” means the selling material including any amendment or supplement thereto duly filed by the Issuer with, and duly approved by, the SEC for the purpose of the offering, distribution, and sale of the First Tranche Bonds;

“PSE” shall mean The Philippine Stock Exchange, Inc.;

“Record Date” as used with respect to any Interest Payment Date shall mean the day which is two (2) Banking Days prior to the relevant Interest Payment Date; provided that if such day falls on a non-Banking Day, the Record Date shall be the next Banking Day immediately preceding said date;

“Registrar” shall mean the Philippine Depository & Trust Corp. acting as the registrar in accordance with the Registry and Paying Agreement;

“Registration Statement” shall mean the registration statement filed by the Issuer with the SEC on [●] in accordance with the Securities Regulation Code relating to the registration and issuance of the Bonds;

“Registry and Paying Agency Agreement” shall mean the agreement dated [●] by and between the Issuer and Philippine Depository & Trust Corp., as the Registrar and Paying Agent for the Issue;

“Relevant Period” shall mean a period of 12 calendar months ending on the last day of any quarter of any of the Issuer’s fiscal years for which financial statements have been disclosed in accordance with SEC regulations;

“SEC” shall mean the Securities and Exchange Commission of the Philippines and its successor agency/ies;

“Securities Regulation Code” shall refer to Republic Act No. 8799 and its implementing rules and regulations, as the same may be amended and supplemented from time to time;

“Selling Agents” shall mean [●].

“Subsidiary” shall mean in respect of any Person, any entity: (i) over fifty percent (50%) of whose capital is owned directly by that Person; or (ii) for which that Person may nominate or appoint a majority of the members of the board of directors or such other body performing similar functions;

“Taxes” or **“Tax”** shall mean any present or future taxes, levies, imposts, duties, filing, registration and other fees or charges imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof;

“Transaction Date” shall mean with respect the incurrence of any loan obligation with a maturity of more than one (1) year, the date such loan obligation is incurred;

“Transaction Documents” shall mean this Agreement, the Registry and Paying Agency Agreement, the Issue Management and Underwriting Agreement, and any amendments thereto;

“Treasury Transaction” shall mean any currency, commodity, or interest rate purchase, cap or collar agreement, forward rate agreement, future or option contract, swap or other similar agreement, in relation to the Issuer’s treasury management;

“Trustee” shall mean [●] or any other successor trustee acting as trustee pursuant to this Agreement; and

1.2. Other Terms.

Any reference in this Agreement to:

a **“company”** shall be construed so as to include any company, corporation or any association or partnership (whether or not having separate legal personality) of any two or more Persons;

“Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners” “Registrar,” “Paying Agent,” “Trustee” and “Bondholders” shall be construed so as to include their respective successors, transferees and assigns in accordance with their respective interests to the extent permitted under the terms hereof and, in the case of the ***“Issuer,”*** its respective successors, transferees and assigns, to the extent permitted under the terms hereof;

a ***“month”*** is the period commencing on a specified day in a calendar month and ending on the numerically corresponding day in the relevant subsequent calendar month (or if there is no day so corresponding in the calendar month in which such period ends, such period shall end on the last day of such calendar month);

an ***“Annex”*** shall, subject to any contrary indication, be construed as a reference to a schedule hereto;

a ***“Section”*** shall, subject to any contrary indication, be construed as a reference to a section hereof; and

the ***“winding-up,” “dissolution” or “administration”*** of a company shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or any jurisdiction in which such company carries on business.

1.3. Accounting Terms.

All accounting terms not specifically defined in this Agreement shall be construed in accordance with PFRS.

1.4. Rules of Construction.

Save where the contrary is indicated, any reference in this Agreement to:

- a. the First Tranche Bonds or any other agreement or document shall be construed as a reference to this Agreement or, as the case may be, the First Tranche Bonds, other agreement or document as the same may have been, or may from time to time be (subject to any restrictions herein), amended, varied, novated, supplemented, replaced or substituted;
- b. a statute shall be construed as a reference to such statute as the same may have been, or may from time to time be, amended or re-enacted; and
- c. a day shall be construed as a reference to a calendar day.

1.5. Headings.

Section, Annex, Exhibit and Schedule headings are for ease of reference only and shall not affect the interpretation of this Agreement and the First Tranche Bonds.

1.6. Interpretation.

The words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole, and not to any particular Section, subsection or clause hereof. Any reference herein to any Person shall include its successors and permitted assigns and, in the case of any Governmental Authority, any Person succeeding to its functions and capacities. All accounting terms used herein and not otherwise defined will have the meanings accorded them under the PFRS and, except as expressly provided herein, all accounting determinations will be made in accordance with such accounting principles in effect from time to time. Any reference to “include” or “including” shall be treated as “including, without limitation”. Defined terms in the singular shall include the plural and vice versa, and the masculine, feminine or neuter gender shall include all genders.

Section 2 ISSUANCE OF FIRST TRANCHE BONDS AND DELIVERY OF MASTER CERTIFICATES OF INDEBTEDNESS

2.1. Issuance of the First Tranche Bonds

The First Tranche Bonds shall be issued by the Issuer in accordance with the terms of this Agreement. The obligations of the Issuer in connection with the First Tranche Bonds shall consist of all its obligations under this Agreement, including the full and prompt payment of all accrued interests and redemption amounts due on the First Tranche Bonds, as well as any and all reasonable and documented expenses that may be incurred by the Trustee in enforcing any of its and/or the Bondholders’ rights, powers, and remedies under and in accordance with this Agreement.

2.2. Delivery of Executed Master Certificates of Indebtedness

The Issuer shall, not later than 9:00 a.m. on Issue Date, deliver the duly executed Master Certificate of Indebtedness covering the entire principal amount of the First Tranche Bonds purchased during the Offer Period, to the Trustee, with copies to the Registrar. The Trustee shall, upon its receipt of the duly executed Master Certificate of Indebtedness, immediately notify the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners of such fact in writing (including, without limitation, by facsimile transmission, telex or telecopier, or electronic mail).

Section 3 THE TRUSTEE

3.1. Appointment

- a. The Issuer hereby appoints [●] as the Trustee, and the Trustee hereby accepts its appointment as Trustee for and on behalf and benefit of the Bondholders, in connection with the distribution, sale and issuance of the First Tranche Bonds by the Issuer.
- b. The foregoing appointment shall commence on the Issue Date and shall subsist for so long as any amount of the First Tranche Bonds is outstanding, unless the services of the Trustee are otherwise terminated pursuant to this Agreement.

3.2. Duties and Responsibilities of the Trustee

- a. The Trustee shall coordinate with the Issuer, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, and the Registrar and the Paying Agent in relation to the performance of their respective responsibilities under the relevant Transaction Documents.
- b. The Trustee shall act as trustee for and on behalf of the Bondholders and as such shall, in accordance with the terms and conditions of this Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the Issuer's observance of all its covenants and performance of all its obligations, under and pursuant to this Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under this Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters to be taken up with the Issuer.
- c. The Trustee shall report regularly to the Bondholders any non-compliance by the Issuer with this Agreement and, to the best of Trustee's knowledge, any development with respect to the Issuer based on official disclosures to the PDEX, PSE, SEC, or other regulatory agencies and that adversely affects the interest of the Bondholders, including any default by the Issuer on any of its obligations of which the Trustee may have knowledge based on official disclosures to the PDEX, PSE, SEC, or other regulatory agencies; provided, that for purposes hereof, the Trustee shall, without need of any further act or notice to the Issuer, publish a notice once in a newspaper of general circulation, binding upon all the Bondholders wherever situated or located, that the Bondholders or their duly authorized representatives may obtain a report regarding the First Tranche Bonds at the principal office of the Trustee upon presentation of sufficient and acceptable identification and Registrar's confirmation;
- d. The Trustee shall have custody of and hold in its name, for and in behalf of the Bondholders, the Master Certificate of Indebtedness for the total issuance of the First Tranche Bonds.
- e. The Trustee shall promptly and faithfully carry out the instructions or decisions of the Majority Bondholders issued or reached in accordance with Section 11.
- f. The Trustee may, from time to time, request the Issuer to submit such certification of its officers, reports of its external auditors, and other documents relating to the Issuer's ability to comply with its obligations under the First Tranche Bonds and this Agreement, as well as to examine such records of the Issuer as may be related to the Issuer's obligations under the First Tranche Bonds and this Agreement.

The request shall be reasonable, made not less than seventy-two (72) hours prior to the intended date of examination and shall be in writing to the Issuer which shall include, in reasonable detail, the purpose for such request and the intended use of the requested documents or information. The Issuer may require the Trustee, its directors, officers, employees, representatives, agents, partners, consultants and advisors to hold in confidence such documents and information furnished to the Trustee pursuant to said request or to limit the use thereof for

the purpose intended as stated in the request provided such limitation shall not apply if it is in conflict with the duties and responsibilities of the Trustee under any provision of this Agreement.

- g. The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in this Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by this Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs under similar circumstances. The Trustee may appoint agents to perform or institute the necessary actions in the exercise of such rights and powers.
- h. The Trustee shall inform the Bondholders of any event, breach of representations and warranties, and Events of Default within a reasonable period from the time that the Trustee learns or is informed of such events.

As to the Bondholders, the Trustee may presume that no Event of Default has occurred and the Issuer has complied with all its representations, warranties and covenants until it has received notice or has actual knowledge thereof.

- i. Upon written request by the Issuer no later than 11:30 a.m. on a Banking Day, the Trustee shall send notice of any matter to the Bondholders, other than those matters notice of which is specifically required to be given to the Bondholders by another party under this Agreement. If required, a copy of such notice shall be sent to the Registrar.
- j. Except as may be necessary to perform its duties under this Agreement and as required by Applicable Law, the Trustee (i) shall permanently keep privileged and confidential, separate and distinct, any information, data, documents, files, properties, funds, or any other matter which it may acquire pursuant to this Agreement or obtained in the course of the performance of its duties and functions as a Trustee, (ii) shall refrain from disclosing any such information or item in any manner, whether written, verbal, telegraphic, coded, or encrypted, whether in physical, electronic, or any other form or media, and (iii) hereby undertakes not to use any such information or item for its own benefit or for the benefit of any of its clients regardless of whether or not such use can be shown to cause disadvantage, injury, or damage to the Issuer; provided, that where any disclosure of the foregoing information is required by Applicable Law, the Trustee shall properly apprise the Issuer of such disclosure and give reasonable opportunity to the Issuer to consider the same. This Section shall survive termination of this Agreement.
- k. The Trustee shall perform such other powers and functions as provided for elsewhere under this Agreement.

2.3. Corporate Form

The Trustee shall at all times be a financial institution organized and doing business under the laws of the Republic of the Philippines duly authorized to exercise corporate trust powers, having its principal office and place of business in Metro Manila, Philippines.

2.4. Custody, Segregation, and Deposit of Funds

All moneys and funds received by the Trustee in connection with this Agreement shall be held in trust for the purpose for which they were received, and any and all such sums and assets shall be segregated from all other funds and assets of the Trustee.

2.5. Compensation, Reimbursement, and Indemnification

- a. In consideration for the faithful compliance and performance by the Trustee of its duties and obligations under this Agreement, the Issuer shall pay to the Trustee the amount of fees to be stipulated in a separate Fee Letter which is made an integral part hereof. The Issuer will pay or reimburse the Trustee for all expenses, disbursements, and advances incurred or made by the Trustee in accordance with any of the provisions of this Agreement (including reasonable compensation and expenses and disbursements of its counsel and of all Persons not regularly in its employ). If any property other than cash shall at any time be subject to any Lien created for the benefit of the Trustee, on account of the Issuer's obligations to the Trustee under the Agreement, or the Bondholders by operation of Applicable Law or as a result of any execution, receivership, bankruptcy, dissolution or similar proceedings, if and to the extent authorized by any agency or court of competent jurisdiction subjecting such property to such Lien, the Trustee may, but without legal obligation to do so, make advances for the purpose of preserving such property or of discharging tax Liens or other prior Liens or encumbrances thereon previously disclosed to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.
- b. The Issuer also covenants to indemnify the Trustee for, and to hold it free and harmless against, any loss, liability or expense arising out of the gross negligence and bad faith on the part of the Issuer provided, that such loss, liability, or expense is incurred without gross negligence or bad faith on the part of the Trustee, arising out of or in connection with the administration of this trust and the performance of its obligations and functions under this Agreement, including the cost and expenses of defending itself against any claim of liability in the premises. The Issuer shall not be liable for any consequential or indirect loss.
- c. The obligations of the Issuer to the Trustee under this Section shall constitute additional indebtedness of the former hereunder.

2.6. Liability of the Trustee

- a. No provision of this Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its willful misconduct, or that of its directors, officers or employees, provided that:
 - i. Prior to the occurrence of an Event of Default or after curing or the waiver of Events of Default which may have occurred, in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely upon, as to the truth of the statements and the correctness of the opinion expressed in, any certificate or opinion furnished to the Trustee conforming to the requirements of this Agreement.

- ii. The Trustee shall not be liable for any error of judgment made in good faith by its responsible officer or officers, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent fact.
- iii. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written direction of the Majority Bondholders, relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under this Agreement.
- iv. None of the provisions contained in this Agreement shall require the Trustee to expend, advance or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.
- v. The Trustee shall have no duty or liability beyond its duty to perform the obligations under this Agreement.
- vi. The Trustee or successor Trustee shall be exempt from giving any surety or bond in the performance of its duties under this Agreement.

2.7. Ability to Consult with Counsel

- a. The Trustee may consult with counsel in connection with the duties to be performed by the Trustee under this Agreement, upon due notice to Issuer, and any reasonable opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or omitted to be taken by the Trustee hereunder in good faith and in accordance with such opinion; provided that, prior to taking or not taking such action for which the opinion of counsel is sought, the Trustee shall inform the Issuer of the relevant opinion of counsel.
- b. Notwithstanding any provision of this Agreement authorizing the Trustee conclusively to rely upon any certificate or opinion, the Trustee may, before taking or refraining from taking any action in reliance thereon, require any further evidence or make any further investigation as to the facts or matters stated therein which it may in good faith deem reasonable in the circumstances; and the Trustee shall require such further evidence or make such further investigation as may reasonably be requested in writing by the Majority Bondholders.

2.8. Trustee as Owner or Pledgee of the First Tranche Bonds

The Trustee, in its individual or any other capacity, may become the owner or pledgee of the First Tranche Bonds with the same rights it would have if it were not Trustee, and subject to the provisions of Section 3.9, the Trustee may otherwise deal with the Issuer in the same manner and to the same extent as though it were not the Trustee hereunder.

2.9. Conflict of Interest

- a. If the Trustee has or acquires any conflicting interest, as defined in Section 3.9c, the Trustee shall, within sixty (60) days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign as Trustee in the manner and with the effect specified in this Section 3.9, or obtain a written waiver from the Issuer in relation to such conflicting interest, which waiver shall not be unreasonably withheld or delayed. In the event of a resignation by the Trustee under this Section 3.9, the Trustee shall resign in the manner and with the effect specified in Section 3.11.
- b. In the event that the Trustee shall fail to comply with the provisions of Section 3.9a, the Trustee shall within ten (10) days after the expiration of the aforesaid sixty (60)-day period transmit notice of such failure to the Bondholders and the Issuer.
- c. For the purpose of this Section, the Trustee shall be deemed to have a conflicting interest if:
 - i. The Trustee directly or indirectly Controls or is directly or indirectly Controlled by or is under direct or indirect common Control of the Issuer; or
 - ii. Twenty percent (20%) or more of the voting securities of the Trustee is beneficially owned either by the Issuer or by any director, partner or executive officer thereof, or thirty percent (30%) or more of such voting securities is beneficially owned, collectively, by any two (2) or more of such Persons; or
 - iii. The Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, five percent (5%) or more of the voting securities, or ten percent (10%) or more of any other class of security, of the Issuer, not including the bonds of the Issuer issued under any other agreement under which the Trustee is also a trustee; or
 - iv. The Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, five percent (5%) or more of the voting securities of any Person who, to the knowledge of the Trustee, owns ten percent (10%) or more of the voting securities of, or controls directly or indirectly or is under direct or indirect common control of, the Issuer; or
 - v. The Trustee is or becomes a Competitor.

For this purpose, a "Competitor" is:

- vi. any Person which is: (a) engaged in, (b) has a direct or indirect beneficial interest of at least thirty percent (30%) of the outstanding capital stock of, (c) has the power to nominate, appoint or elect a director or executive officer of, or (d) has the power to propose, direct or Control (whether by contract, the ownership of shares or otherwise) the management policy or affairs of, any business which is in competition with the business of the Issuer or, in any event, any Person which has the ability or power to

disclose, use or otherwise exploit information relating to the Issuer in furtherance of or in connection with such competitive business; or

- vii. any Person, twenty percent (20%) or more of the voting securities of which is legally and beneficially, directly or indirectly, owned by a Person referred to in Section 3.9c(vi) above; or
- viii. any Person which is the legal and beneficial, direct or indirect, owner of at least twenty percent (20%) of the voting securities of a Person referred to in Section 3.9c(vi) above; or
- ix. any Person whose directors, partners or executive officers is a director, partner or executive officer of any of the Persons referred to in Section 3.9c(vi), (vii), and (viii) above; or
- x. any Person, thirty percent (30%) or more of the voting securities of which is legally and beneficially, directly or indirectly, owned by a director, partner, or executive officer, or any two (2) or more of such directors, partners or executive officers, of a Person referred to in Section 3.9c(vi).

2.10. Change of Trustee

- a. The Trustee may at any time resign by giving sixty (60) days prior written notice to the Issuer and to the Bondholders of such resignation. Upon receiving such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor Trustee by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the successor Trustee. If no successor Trustee shall have been so appointed and have accepted appointment within sixty (60) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, or any Bondholder who has been a bona fide holder of the First Tranche Bonds for at least six (6) months (the "**Bona Fide Bondholder**") may, for and on behalf of the Bondholders, petition any such court for the appointment of a successor Trustee. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor Trustee, subject to Section 3.2 of this Agreement.
- b. In case at any time any of the following shall occur -
 - i. The Trustee shall fail to comply with the provisions of Section 3.9.a after written request therefor by the Issuer or by the Majority Bondholders; or
 - ii. The Trustee shall cease to be eligible in accordance with the provisions of Section 3.2 and shall fail to resign after written request therefor by the Issuer or by any Bona Fide Bondholder; or
 - iii. The Trustee shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation; or

- iv. Provided there is no Event of Default, the successor Trustee, pursuant to Section 3.11, is not acceptable to the Issuer, for any reason;

then the Issuer may, within thirty (30) days therefrom remove the Trustee and appoint a successor Trustee, by written instrument in duplicate, executed by the Issuer's duly authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the successor Trustee. If the Issuer fails to remove the Trustee and appoint a successor Trustee, any Bona Fide Bondholder may, on behalf of himself and all other Bondholders, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor Trustee, subject to Section 3.2 of this Agreement.

- c. The Majority Bondholders may at any time remove for cause the Trustee and appoint a successor Trustee by the delivery to the Trustee so removed, to the successor Trustee and to the Issuer of the evidence provided for in Section 11.9 of the action in that regard taken by the Majority Bondholders. This is without prejudice to whatever remedies may be available to the Majority Bondholders under Applicable Law or in equity.
- d. Any resignation or removal of the Trustee and appointment of a successor Trustee pursuant to any of the provisions of this Section shall become effective upon the earlier of: (i) acceptance of appointment by the successor Trustee as provided in this Agreement; or (ii) the effectivity of the resignation notice sent by the Trustee under this Agreement provided, however, that after such effectivity of the resignation notice and, as relevant, until such successor Trustee is qualified and appointed, the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by the Issuer.
- e. Within ten (10) days from the effectivity of the resignation notice, the Trustee shall transfer and turn over to the successor Trustee, and shall make an accounting of, all the assets, documents or instruments which are in the custody of the Trustee pursuant to this Agreement, if any.

2.11. Successor Trustee

- a. Any successor Trustee appointed as provided in Section 3.10 shall execute, acknowledge and deliver to the Issuer and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder with like effect as if originally named as Trustee herein. The foregoing notwithstanding, on the written request of the Issuer or of the successor Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor Trustee, upon the trust herein expressed, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor Trustee, the Issuer shall execute

any and all instruments in writing as may be necessary to fully vest in and confer to such successor Trustee all such rights, powers and duties.

- b. No successor Trustee shall accept appointment as provided in this Section unless at the time of acceptance such successor Trustee shall be qualified and eligible under the provisions of Section 3.2 and has none of the conflict of interest under Section 3.9.
- c. Upon acceptance of appointment by a successor Trustee as provided in this Section, the Issuer shall notify the Bondholders in writing of the succession of such Trustee to the trust herein. If the Issuer fails to notify the Bondholders within ten (10) days after acceptance of appointment by the successor Trustee, the latter shall cause the Bondholders to be so notified at the expense of the Issuer.

2.12. Merger or Consolidation

Without prejudice to Section 3.9.b, any corporation into which the Trustee may be merged or with which it may be consolidated or any corporation resulting from any merger or consolidation to which the Trustee shall be a party or any corporation succeeding to the business of the Trustee shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such successor Trustee shall be eligible under Section 3.2 and has none of the conflict of interest under Section 3.9, and that, if such successor Trustee shall not be qualified under Section 3.9, such successor Trustee shall, within ninety (90) days after becoming such successor Trustee, either become qualified under Section 3.9 or resign in the manner and with the effect specified in Section 3.10. The Trustee shall immediately inform the Issuer of the occurrence of such merger, consolidation or such succession to the business of the Trustee.

2.13. Representations and Warranties of the Trustee

The Trustee represents to the Issuer and to the Bondholders as follows:

- a. It is a corporation duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines, and has its business address at the place indicated in this Agreement, and is registered or qualified to do business as now being conducted in every jurisdiction where registration or qualification is necessary;
- b. It has full power and authority to enter into this Agreement and to perform its obligations hereunder and execute the trust hereby created, and hereby accepts the trust in this Agreement and provided upon the terms and conditions herein set forth;
- c. The obligations of the Trustee under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with its terms;
- d. All consents, approvals and authorizations necessary on its part for the due execution, delivery and performance of this Agreement have been obtained or effected by it and remain in full force and effect as of the date hereof;

- e. It is duly authorized and licensed and has full power and authority to perform the trust functions prescribed hereunder;
- f. It shall not give any information or make any representation in respect of the Issuer, the Offer, and the First Tranche Bonds other than those contained in the Prospectus, including any amendment or supplement thereto, or any other sales literature approved in writing by the Issuer and the Joint Issue Managers, Joint Underwriters, and Joint Bookrunner; and
- g. The execution and delivery of this Agreement, and the performance of its obligations hereunder, do not and will not violate any Applicable Law or judgments, orders or issuances of Philippine courts and will not conflict with or result in a breach of its constitutive documents, any contract, agreement or other obligation to which it is a party or for which it may be bound.

The aforesaid representations and warranties are true and correct as of the date of this Agreement and shall remain to be true and correct as long as the First Tranche Bonds or any portion thereof remain outstanding.

The representations and warranties of the Trustee shall survive the issuance of the First Tranche Bonds and may be enforced at any time while the First Tranche Bonds or any portion thereof remains outstanding.

Any breach of the foregoing representations of the Trustee entitles the Majority Bondholders to remove the Trustee pursuant to and in accordance with Section 3.10.c.

2.14. Declarations by the Trustee and the Issuer

The recitals contained herein and in the First Tranche Bonds, except the Trustee's representations provided in Section 3.12, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity of the First Tranche Bonds. The Trustee shall not be accountable for the use or application by the Issuer of any of the First Tranche Bonds or of the proceeds of such First Tranche Bonds. Similarly, the Issuer takes no responsibility for the correctness of the representations made by the Trustee under Section 3.13.

2.15. Reports to the Bondholders

- a. Only upon the occurrence of either (i) or (ii) below, the Trustee shall submit to the Bondholders on or before March 31 of each year from the relevant Issue Date until full payment of the First Tranche Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:
 - i. The property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report (as reported by the Paying Agent to the Trustee); and
 - ii. Any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the First Tranche Bonds, except action in

respect of a default, notice of which has been or is to be withheld by it in accordance with the provisions of Section 10.2.

- b. Upon the written request of any Bona Fide Bondholder, the Trustee shall likewise transmit to the requesting Bondholder, a brief report with respect to the character, amount and the circumstances surrounding the making of any advance by the Trustee for the reimbursement of which the Trustee claims or may claim a Lien or charge which is prior to that of the Bondholders on the trust estate or property or funds held or collected by the Paying Agent and which it has not previously reported pursuant to this paragraph, if such advance remaining unpaid at any time aggregates more than ten percent (10%) of the aggregate principal amount of First Tranche Bonds outstanding at such time, such report to be transmitted within ninety (90) days from the making of such advance.
- c. Only upon a written request at least five (5) Banking Days before, the following pertinent documents may be inspected during regular business hours on any Banking Day at the principal office of the Trustee:
 - i. This Agreement;
 - ii. The Registry and Paying Agency Agreement;
 - iii. The latest Articles of Incorporation and By-Laws of the Issuer; and
 - iv. The Permit to Sell the First Tranche Bonds.
- d. Upon the written request of any Bona Fide Bondholder, the Trustee shall issue a certification, based on the information provided by the Registrar and Paying Agent, as to the amount of First Tranche Bonds held by such Bona Fide Bondholder. The Bondholder shall pay the Trustee an upfront certification fee of Five Thousand Pesos (PhP5,000.00) per certification in addition to any fees that may be imposed by the Registrar and Paying Agent for such certification.

Section 3 REPRESENTATIONS AND WARRANTIES OF THE ISSUER

3.3. Representations and Warranties

The Issuer hereby represents and warrants to the Bondholders, through the Trustee as follows:

- a. **Organization and Existence.** It is a corporation duly incorporated, validly existing and in good standing under the Laws of the Republic of the Philippines, and has its business address at the place indicated in this Agreement, and is registered or qualified to do business as now being conducted in every jurisdiction where registration or qualification is necessary;
- b. **Authorization.** It has full legal right, power and authority to carry on its present business, to own its properties and assets, to incur the Indebtedness and other obligations provided for in the First Tranche Bonds and this Agreement, and has taken all appropriate and necessary corporate and legal actions to authorize the

offer, issuance, distribution and sale of the First Tranche Bonds, for the circulation of the Prospectus and the execution and delivery of this Agreement, and to comply, perform and observe the terms and conditions hereof and thereof;

- c. **Binding Obligation.** The obligations of the Issuer under the First Tranche Bonds, this Agreement and all accepted Applications to Purchase will constitute its legal, valid and binding obligations, enforceable in accordance with their terms and conditions;
- d. **No Breach.** The execution and delivery by the Issuer of this Agreement, the issuance of the First Tranche Bonds, the performance by it of any provision, condition, covenant or other terms herein or therein and its payment of all amounts due on the dates and in the currency provided for therein will not violate in any respect any provision of its Articles of Incorporation, By-Laws, or other constitutive documents, or violate, conflict with or result in the breach of or constitute a default (or which, with the giving of notice or passing of time or both, would constitute a default) under: (i) any Applicable Law presently in effect; or (ii) any indenture, agreement, mortgage, contract or other undertaking or instrument to which it is a party or which is binding upon it or any of its properties or assets, and do not and will not result in the creation or imposition of any Lien in or any security interest on any of its properties or assets pursuant to the provisions of such indenture, agreement, contract or other undertaking or instrument;
- e. **No Event of Default.** No event has occurred and is continuing or would result from the making of this Agreement or the issuance of the First Tranche Bonds which constitutes an Event of Default under Section 9.1 hereof or which, upon a lapse of time or notice or both, would become such an Event of Default;
- f. **No Declared Event of Default in Other Agreements.** No declared event of default which would have a Material Adverse Effect has occurred which constitutes a default by the Issuer under or in respect of any agreement, undertaking or instrument to which it is a party or by which it or its ownership in any of its assets or properties may be bound. Neither has an event which would have a Material Adverse Effect occurred which with giving of notice, lapse of time or other conditions would constitute a declared event of default by it under or in respect of any such agreement, undertaking or instrument;
- g. **Consents, Approvals and Registrations.** All consents, licenses, approvals and authorizations of, and all filings and registrations with any Governmental Authority, bureau or agency, or other entity or Person legally necessary for the issuance as well as the offering, distribution and sale of the First Tranche Bonds, for the circulation of the Prospectus, and for the Issuer to enter into and comply with its obligations under this Agreement, the First Tranche Bonds and all accepted Applications to Purchase, will have been obtained or effected on or before the commencement of the Offer Period;
- h. **Compliance with Conditions.** All conditions imposed under the Securities Regulation Code and the pertinent rules and regulations of the SEC with respect to the offer, issuance, distribution and sale of the First Tranche Bonds, have been

or will have been complied with by the Issuer as of the date or time that they are required to be complied with;

- i. **Litigation.** Except as otherwise disclosed by the Issuer to the Bondholders, through the Trustee, in writing on or prior to the date of this Agreement, there is no litigation, arbitration or other proceeding pending, or to its knowledge threatened against or affecting it or its assets and properties, before any court or governmental department, commission, board, bureau, agency or instrumentality of the Republic of the Philippines or any other jurisdiction which, if determined adversely could have a material adverse effect on the business, properties, assets or financial conditions of the Issuer, or have a Material Adverse Effect or which might enjoin the execution and delivery of or might affect in any manner the validity and enforceability of this Agreement or the First Tranche Bonds;
- j. **Immunity.** Neither it nor any of its properties or assets enjoy any right of immunity from suit, jurisdiction of any competent court, attachment prior to judgment, attachment in aid of execution, execution of judgment or set-off in respect of its obligations under this Agreement or the First Tranche Bonds;
- k. **Equal Rank.** Its obligations under this Agreement and the First Tranche Bonds shall constitute the direct, unconditional, unsecured, and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to Section 5.2.a or as may be allowed by this Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the Issue Date. The First Tranche Bonds shall effectively be subordinated in right of payment to, among others, all of AboitizPower's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines, unless the Issuer procures a waiver of the preference created by such notarization or equally and ratably extend such preference to the First Tranche Bonds.
- l. **Material Adverse Event.** No event has occurred which might materially and adversely affect its condition (financial or otherwise), results of operation, business or prospects or which makes it improbable that it will be able to fulfill any of its obligations under this Agreement or the First Tranche Bonds;
- m. **Financial Statements.** Its audited financial statements as of December 31, 2019, December 31, 2018, and December 31, 2017 fairly represent in all material respects the financial conditions of the Issuer as of such date and results of its operations for such period based on PFRS, and since such date, there has been no material adverse change in such condition or operations. There are no substantial liabilities of the Issuer, direct, contingent or otherwise as of the Issue Date, which are not reflected in such balance sheet except for those which have been previously disclosed in writing;

- n. **Compliance with Laws/Taxes.** The Issuer is conducting its business and operations in compliance with the Applicable Law. The Issuer has filed timely tax returns with the appropriate Governmental Authority, which are required to be filed by it, and has paid all Taxes shown to be due on such tax returns and on all assessments received by it, to the extent that such Taxes and assessments have become due, except to the extent that the payment of such Taxes and assessments is being contested in good faith and by appropriate proceedings diligently conducted, and adequate reserves have been provided for payment thereof;
- o. **Material Disclosure.** All information heretofore or hereinafter given by the Issuer to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners (for the due diligence review of the Offer and for other purposes directly relating to the Offer), which, for the avoidance of doubt, shall include disclosures made available to the general public in accordance with the relevant rules of the SEC and the PSE, and to the Bondholders, through the Trustee, for and in connection with this Agreement and the First Tranche Bonds are true, binding, complete and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made; reasonable inquiries have been made to verify the facts contained therein; and, there are no other facts the omission of which would make any fact or statement therein misleading;
- p. **Registration Statement and Prospectus.** The Registration Statement and the Prospectus, taken collectively with disclosures made available to the general public in accordance with the relevant rules of the SEC and PSE, are not violative of any statute or any rule or regulation of any governmental agency or office, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made; reasonable inquiries have been made to verify the facts contained therein; and there are no other facts the omission of which would make any fact of statement therein misleading. The Registration Statement and the Prospectus contain a reasonably complete description of the business, properties, operations, financial condition, affairs and assets of the Issuer, its capitalization, the First Tranche Bonds, and the terms of the Offer;
- q. **Title to Properties.** It has valid, good, indefeasible, and marketable title to all its properties appearing in its financial statements, free and clear of Liens, restrictions, or charges, except as provided under Section 5.2.a hereof;
- r. **Concession, Trade Names and Patents.** It has the right to all concessions, trade names, patents and license agreements necessary for the conduct of its business as now conducted, without any known conflict with the rights of others, except to the extent that such rights may be subject to conflicts with third parties which would not have a Material Adverse Effect; and
- s. **Solvency.** The Issuer is solvent to operate and engage in business, and specifically that: (i) it is able to meet its obligations as they mature; (ii) the fair value of its

assets exceeds its liabilities; and (iii) it has sufficient capital to carry on its business.

- t. **Financial Ratio.** On Issue Date and on the issue date of each subsequent tranche of the Bonds, the Net Debt to Consolidated Equity Ratio shall not exceed 3:1. At least two (2) Banking Days prior to such issue date, the Issuer shall furnish the Trustee, substantially in the form of **Exhibit 2** a certificate signed by the Chief Finance Officer or a duly designated officer of the Issuer stating the Net Debt, Consolidated Equity and Net Debt to Consolidated Equity Ratio of the Issuer, dated on the date of delivery thereof, together with the relevant supporting documents to enable the validation of such calculation.

3.4. Survival of Representations and Warranties

Each of the representations and warranties set forth in Section 4.1 hereof are made as of the date of this Agreement and, except for Section 4.1.p, will be true and accurate throughout the continuance of this Agreement and for as long as the First Tranche Bonds or any portion thereof remain outstanding, with reference to the facts and circumstances existing from time to time.

Section 4 COVENANTS

4.3. Affirmative Covenants

The Issuer covenants that during the term of the First Tranche Bonds and until payment in full and performance of all its obligations thereunder and under this Agreement, the Issuer shall act as follows and shall perform the following obligations:

- a. **Maintenance and Continuity of Business/Insurance.** The Issuer shall maintain and preserve its corporate existence, rights, privileges and franchises necessary or desirable in the normal conduct of its business (including, without limitation, any governmental approval, license or certification necessary or advisable for the legality, validity and enforceability of this Agreement and the First Tranche Bonds); carry out and conduct its business in an orderly, diligent, efficient, and customary manner and in accordance with sound financial and business practices; keep all its properties in good working order and condition, and from time to time make all needful and proper repairs, renewals, replacements and improvements thereto and thereof so that business carried on in connection therewith may be properly and advantageously conducted at all times; and maintain insurance with reputable insurers on all of its properties and assets to such extent and against such risk as is customary with companies in the same or similar business and maintain such other insurance as may be required by Applicable Law;
- b. **Compliance with Law/ Taxes.** The Issuer shall comply in all respects with all Applicable Law. It shall at all times comply with all orders, directives, judgments, indentures, mortgages, deeds of trust, agreements and other instruments, arrangements, obligations and duties to which it is subject or by which it is legally bound where non-compliance would materially and adversely affect the Issuer's ability to duly perform and observe its obligations and duties under this Agreement and the First Tranche Bonds. The Issuer shall duly pay and discharge all Taxes assessments and governmental charges of whatsoever nature and by

whomsoever levied upon it or against its properties prior to the date on which penalties attach thereto, unless and to the extent only that the same shall be contested in good faith and by appropriate proceedings diligently conducted by the Issuer and adequate reserves have been provided for the payment thereof or where penalties and consequences for a delay in the payment thereof will not result in a Material Adverse Effect;

- c. **Indebtedness and Contractual and Other Obligations.** The Issuer shall promptly pay and discharge all Indebtedness and perform all contractual obligations promptly and in accordance with their terms; duly pay and discharge all lawful claims of labor, materials, supplies, services or otherwise which might or could, if unpaid become a Lien or charge upon the properties or assets of the Issuer, unless and to the extent only that the same shall be contested in good faith and by appropriate proceedings diligently conducted by the Issuer, and take such steps as may be necessary in order to prevent its properties or any part thereof from being subjected to the possibilities of loss, forfeiture or sale;
- d. **Notice of Legal Proceeding and Adverse Action.** The Issuer shall give the Bondholders through the Trustee prompt written notice of:
 - i. any litigation or proceeding before any court, tribunal, arbitrator or Governmental Authority affecting it or any of its assets, including provisional relief such as attachments and garnishments, that could materially impair the ability of the Issuer to carry on its business substantially as now conducted, or materially and adversely affect its operations or financial condition, or would have a Material Adverse Effect;
 - ii. any dispute which may exist between it and any Governmental Authority or any proposal by any Governmental Authority to acquire its business or any of its assets which could materially and adversely affect its operations and financial condition, or would have a Material Adverse Effect;
 - iii. any litigation or proceeding relating to environmental matters concerning the Issuer that may materially and adversely affect its operations and financial condition, or would have a Material Adverse Effect;
 - iv. any notice of strike filed with the Department of Labor and Employment against the Issuer which may materially and adversely disrupt the Issuer's business operations or have a Material Adverse Effect;
 - v. any Event of Default or any event which, upon a lapse of time or giving of a notice or both, would become an Event of Default;
 - vi. any damage, destruction or loss which might materially and adversely affect the assets, business operations, prospects or financial condition of the Issuer or have a Material Adverse Effect; or
 - vii. any other event or matter of any nature whatsoever which has Material Adverse Effect;

- e. **Additional Agreements.** The Issuer shall promptly execute and deliver to the Bondholders, through the Trustee, such additional reports, documents, and other information respecting the business, properties, condition or operations, financial or otherwise of the Issuer, as the Bondholders may reasonably require from time to time to perfect and confirm to the Bondholders all their rights, powers and remedies hereunder;
- f. **Continuing Consents and Approvals.** The Issuer shall at its own cost and expense, continue and maintain in full force and effect any and all Authorizations, approvals, licenses or consents obtained in connection with or necessary for the carrying out of its business and its obligations under this Agreement and the First Tranche Bonds; perform and observe all the conditions and restrictions contained in, or imposed on the Issuer by, any and all such Authorizations; and, obtain any new or additional Authorizations, approvals, licenses or consents, effect any and all registrations or filings and take such additional actions as are, or which may become, necessary for its business and the performance by the Issuer of its obligations under this Agreement and the First Tranche Bonds or the enforceability of this Agreement and the First Tranche Bonds;
- g. **Books of Account and Records.** The Issuer shall maintain true, materially complete and adequate books of accounts and records and prepare all financial statements required hereunder to reflect fairly its financial condition and results of operation in accordance with PFRS and in compliance with the regulations of any Governmental Authority having jurisdiction thereof; appoint and maintain as auditors a firm of independent public accountants of recognized standing acceptable to the Trustee;
- h. **Reports.** The Issuer will furnish the Trustee:
 - i. within ninety (90) days after the close of the first semestral period of the fiscal year of the Issuer, or such longer or extended period as may be granted by the SEC or the Applicable Law, unaudited consolidated financial statements of the Issuer, as of the end of such semester, certified by an authorized officer of the Issuer, each prepared in accordance with PFRS; and
 - ii. within one hundred twenty (120) days after the close of the fiscal year of the Issuer, or such longer or extended period as may be granted by the SEC or the Applicable Law, copies of the annual consolidated audited reports of the Issuer, certified by independent accountants of recognized standing accredited by the SEC including consolidated balance sheets as of the end of such fiscal year and consolidated earnings and surplus statements of the Issuer for such fiscal year, prepared in accordance with PFRS;
- i. **Certificate of No Default, Compliance and Notice of Default.** The Issuer shall furnish the Trustee, substantially in the form of **Exhibit 1**:
 - i. simultaneous with the audited consolidated financial statements, a certificate signed by the Chief Finance Officer or a duly designated officer of the Issuer, dated not more than ten (10) days prior to the delivery

thereof, stating that no event has occurred and is continuing which constitutes or which, with the giving of notice or lapse of time or both, would constitute an Event of Default; and

- ii. within five (5) Banking Days after the occurrence of any event which constitutes or which, with the giving of notice or lapse of time or both, would constitute an Event of Default, notice of such occurrence, together with a detailed statement by the Chief Finance Officer or a duly designated officer of the Issuer as to the nature thereof and the steps taken and/or being taken by the Issuer to cure such event;
- j. **Notice of Change of Address.** The Issuer shall give the Bondholders, through the Trustee, written notice of any change of address at least five (5) Banking Days prior to such change;
- k. **Title.** The Issuer shall maintain, warrant and defend the rights, title and interests of the Bondholders hereunder and under the First Tranche Bonds;
- l. **Use of Proceeds.** The Issuer shall ensure that the proceeds of the First Tranche Bonds shall be used for the purpose stated in the Prospectus. Notwithstanding this Section, the Issuer may reallocate the proceeds of the First Tranche Bonds to other purposes subject to compliance with the Applicable Law;
- m. **Subsidiaries.** The Issuer shall cause its Subsidiaries, so far as is permitted by Applicable Law, or by loan covenants, or by the financial conditions of, or other relevant agreements of the Issuer or Subsidiary, to pay such dividends to the Issuer as are necessary to meet the Issuer's obligations under this Agreement and the First Tranche Bonds;
- n. **Ranking of the First Tranche Bonds.** If the Issuer incurs Indebtedness embodied in public instruments providing priority or preference under Article 2244(14) of the Civil Code of the Philippines, the Issuer shall, at its option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the First Tranche Bonds;
- o. **Submission of Reports/Information Documents to Trustee.** The Issuer shall submit to the SEC copies of the reports, information and documents which the Issuer may be required to file with the SEC in connection with the offering of the First Tranche Bonds pursuant to the Securities Regulation Code, and submit the same to the Trustee (other than those documents which are already required to be submitted to the Trustee under this Agreement), within ten (10) Banking Days after the Issuer has filed the same with the SEC;
- p. **Further Assurances.** The Issuer shall: (i) comply with all the terms and conditions of this Agreement and the First Tranche Bonds; (ii) maintain satisfactory accounting, cost control, and management information systems; and (iii) ensure that all transactions with Subsidiaries and material Affiliates in the ordinary course of business shall be executed on arm's length basis; and

- q. **Services of a Credit Rating Agency.** The Issuer shall maintain the services of an independent credit rating agency accredited by the SEC to monitor the rating of the First Tranche Bonds.

4.4. Negative Covenants

During the term of this Agreement and until payment in full of all the outstanding First Tranche Bonds and performance of all other obligations of the Issuer hereunder, the Issuer hereby covenants that it shall not permit any of the following occurrences without the prior consent of the Majority Bondholders:

- a. **Encumbrances.** The Issuer shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; *Provided*, however that this shall not prohibit the following:
 - i. any Lien over any asset to secure: (x) payment of the purchase price or cost of leasehold rights of such asset; or (y) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (z) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
 - ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;
 - iii. any Lien to secure, in the normal course of the business of the Issuer or its affiliates: (x) statutory or regulatory obligations; or (y) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases;
 - iv. any Lien to secure, in relation to a pending judicial, administrative, or arbitral proceeding, the Issuer or its affiliates' (x) surety or appeal bonds; or (y) bonds for release of attachment, stay of execution or injunction;
 - v. any Lien constituted for the purpose of guaranteeing an affiliate's obligation in connection with any contract or agreement that has been assigned to such affiliate by the Issuer;
 - vi. any Lien constituted for the purpose of guaranteeing an obligation in connection with any contract or agreement of sale of any asset by the Issuer, provided that the Lien is removed or discharged within twelve (12) months of the date of the sale of the asset;

- vii. any Lien created over (x) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos (“foreign currency”); or (y) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purposes of raising an equivalent amount of Peso denominated indebtedness;
- viii. any Lien on the properties and assets of the Issuer: (x) imposed by Applicable Law, such as carriers’ Liens, warehousemen’s Liens, mechanics’ Liens, unpaid vendors’ Liens, and other similar Liens arising in the ordinary course of business; (y) arising out of pledges or deposits under workmen’s compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (z) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;
- ix. any Lien in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty-Five percent (35%) of the Issuer’s total assets;
- x. any Lien over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Forty Million (US\$40,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;
- xi. other Liens: (x) created solely by operation of law; (y) on such other assets, whether constituted before or after the Issue Date, as may be disclosed in writing by the Issuer to the Trustee on or before the execution of this Agreement; and
- xii. any Lien constituted over the investment of the Issuer in any of its affiliate, and whether such investment is in the form of shares, deposits or advances to guarantee or secure the obligations of the said affiliates;

Provided that for purposes of “affiliate” as used in Section 5.2a(iii), (iv), (v), and (xii) of this Agreement, it shall refer to any Person in which the Issuer has investment, whether direct or indirect, in.

- b. **Nature of Business.** Except as required by Applicable Law or any Governmental Authority, the Issuer shall not: (i) make or permit any material change in the nature of its business from that being carried on as of the date hereof; or (ii) engage in any business operation or activity other than that for which it is presently authorized, expressly or impliedly, by its Articles of Incorporation or by Applicable Law;
- c. **Merger or Consolidation.** The Issuer shall not enter into any merger or consolidation except where (i) the Issuer is, or the Aboitiz Group retains Control of, the surviving corporation; (ii) such merger or consolidation is required by law, regulation, or decree; or (iii) such merger or consolidation does not result in a Material Adverse Effect;
- d. **Amendment of Articles of Incorporation and By-laws: Quasi-reorganization.** Except as required by Applicable Law, the Issuer shall not amend its Articles of Incorporation and/or By-laws or reorganize or reduce its capital where such amendment, reorganization, or reduction of capital results in a Material Adverse Effect;
- e. **Declaration and Payment of Cash Dividends/Issuance of Share.** The Issuer shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the First Tranche Bonds are current and updated;
- f. **Sale or Lease of Assets.** The Issuer shall not sell, assign, lease, transfer, dispose, or subject all and/or substantially all of its properties and assets (whether in a single transaction or in a series of transactions, related or otherwise), divest any of its existing investments, or acquire all or substantially all of the properties or assets of any other Person except when such sale, assignment, lease, transfer, disposition, divestment, or acquisition: (i) is made in the ordinary course of business; (ii) is required by Applicable Law or any Governmental Authority; or (iii) does not result in a Material Adverse Effect;
- g. **Assignment of Revenues/Income.** The Issuer shall not assign, transfer or otherwise convey any right to receive any of its income or revenues except when such assignment, transfer, or conveyance: (i) is allowed under Section 5.2a above; (ii) is made in the ordinary course of day-to-day operations; (iii) is required by Applicable Law or any Governmental Authority; or (iv) does not result in a Material Adverse Effect;
- h. **Guarantee.** The Issuer shall not purchase or repurchase (or agree contingently or otherwise to do so) the Indebtedness, or assume, guarantee, endorse, or otherwise become directly or contingently liable (including without limitation, to become liable by way of agreement, contingent or otherwise, to purchase, use facilities, provide funds for payment, supply funds or otherwise invest in the debtor or otherwise to assure the creditor against loss) for or in connection with any obligation or Indebtedness of any other Person, other than obligations of its

Subsidiaries or Affiliates or any Person which the Issuer has investments in, whether such investment is in the form of shares, deposits or advances;

- i. **Suspension of Business.** The Issuer shall not voluntarily suspend its business operations in a manner that will result in a Material Adverse Effect, or dissolve its affairs;
- j. **Loans and Advances to any Person.** The Issuer shall not extend any loan, advance or subsidy to any person (other than to its Subsidiaries or Affiliates or any Person which the Issuer has investments in, whether such investment is in the form of shares, deposits or advances, or transactions in the ordinary course of business) which will have a Material Adverse Effect. Neither shall the Issuer make any deposit, credit to, or investment in, any Person which will have a Material Adverse Effect, except for bank deposits, money market placements, and other transactions in the ordinary course of business;
- k. **Incurrence of Additional Loans.** The Issuer shall not incur any loan obligation with a maturity of more than one (1) year, if on the Transaction Date, after giving effect to the incurrence of such loan obligation and any other such cumulative obligations, but not giving any effect to the receipt or application of proceeds therefrom, the Net Debt to Consolidated Equity Ratio, as at the last day of the Relevant Period immediately preceding the Transaction Date (and giving effect to the incurrence of such loan obligation and any other such cumulative obligations), will exceed 3:1. At least two (2) Banking Days prior to the Transaction Date, the Issuer shall furnish the Trustee, substantially in the form of **Exhibit 2** a certificate signed by the Chief Finance Officer or a duly designated officer of the Issuer stating the Net Debt, Consolidated Equity and Net Debt to Consolidated Equity Ratio of the Issuer, dated on the date of delivery thereof, together with the relevant supporting documents to enable the validation of such calculation.
- l. **Acceleration of Outstanding Credit Obligations.** The Issuer shall not, after the occurrence of an Event of Default, voluntarily prepay any Indebtedness unless it shall contemporaneously make a proportionate prepayment of the First Tranche Bonds; and
- m. **Material Adverse Effect.** The Issuer shall not, in any case, execute, perform or do any other act which shall have a Material Adverse Effect.

4.5. Survival

The covenants of the Issuer mentioned in Sections 5.1 and 5.2 shall survive the issuance of the First Tranche Bonds and shall be performed fully and faithfully by the Issuer at all times while the First Tranche Bonds or any portion thereof remain outstanding.

Section 5 PAYMENT OF THE FIRST TRANCHE BONDS

5.3. Remittance of Payment by the Issuer

- a. No later than three (3) Banking Days prior to a Payment Date, the Paying Agent shall notify Issuer in writing of the amount required to be remitted on such

relevant Payment Date in accordance with the Registry and Paying Agency Agreement. On Payment Date, the Issuer shall remit to the Paying Agent in good and cleared funds the amount required for all interest and principal payments of the First Tranche Bonds, net of any withholding tax, which tax shall be remitted to the BIR by the Issuer in accordance with BIR rules and regulations. Principal, interest, and any other payment shall be considered paid and the Issuer's obligation to pay shall be discharged at the time it is due if: (i) at such time the Paying Agent holds money sufficient to pay all principal, interest, or other payments then due, and (ii) the Paying Agent pays out such monies to the Bondholders or the Issuer causes payment to be made directly to the Bondholders to discharge the interest or principal payments due on the First Tranche Bonds in accordance with the Registry and Paying Agency Agreement.

- b. In the event that the Issuer will be unable to remit the full amount sufficient to cover the principal and the interest on the First Tranche Bonds on the Payment Date, the Issuer shall remit the amount available for payment to the Paying Agent; provided, that such remitted amount shall be proportionately applied towards the satisfaction of the amounts due on the First Tranche Bonds, and without prejudice to the right of action of the Trustee and the Bondholders because of such failure to remit in full such amount.

5.4. Interest Payment

- a. The interest on the outstanding principal sum of the First Tranche Bonds shall be paid at a rate and in the manner provided in **Annex "A"** hereof, accrued and payable on the dates indicated in the interest coupon of the First Tranche Bonds (the "Interest Payment Dates"). The Interest Payment Dates shall be automatically adjusted to fall on the immediately succeeding Banking Day if the Interest Payment Dates fall on a non-Banking Day, but there shall be no adjustment in the amount of interest as originally computed. Interest on the first Interest Payment Date will cover the period from Issue Date up to such Interest Payment Date. Subsequent interest payments shall be reckoned from the last Interest Payment Date up to the next Interest Payment Date. The last Interest Payment Date on the First Tranche Bonds shall fall on its Maturity Date. For the avoidance of doubt, if the First Tranche Bonds shall be redeemed prior to the Maturity Date, then the last Interest Payment Date shall be the date of the redemption, as applicable.
- b. The Person in whose name the First Tranche Bonds is registered at the close of business on the Record Date preceding any Interest Payment Date shall be entitled to receive payment of the interest accruing up to such Interest Payment Date. In case of default in the payment of interest, such defaulted interest payment shall pertain to and be paid to the Person in whose name the First Tranche Bonds are registered as of Record Date immediately preceding the relevant Interest Payment Date. In all cases, interest payments shall be remitted to the Bondholders only upon proper presentation to, and authentication by, the Paying Agent of proper authorization and identification papers.

5.5. Principal Repayment

- a. Unless previously redeemed, purchased, and cancelled, the principal amount of the First Tranche Bonds shall be payable on its Maturity Date at its face value. However, payment of all amounts due on such date may be made by the Issuer through the Paying Agent, without adjustment to the amount of interest to be paid.
- b. The Maturity Date shall be automatically adjusted to fall on the immediately succeeding Banking Day if the relevant Maturity Date is on or otherwise falls on a non-Banking Day; provided, that no adjustment on the principal or interest accruing on such Maturity Date shall be made.

5.6. Early Redemption

Prior to the respective Maturity Date of the First Tranche Bonds, the Issuer shall have the right, but not the obligation, granted to the Issuer under the Terms and Conditions to redeem in whole (and not in part), the outstanding First Tranche Bonds, on any Early Redemption Date, or the immediately succeeding Banking Day, if such date is not a Banking Day, without any adjustment in the amount of interest as originally computed (the “Early Redemption Date”).

The amount payable to the Bondholders in respect of the Early Redemption exercise (the “Early Redemption Price”) shall be calculated based on the principal amount of the First Tranche Bonds being redeemed as the aggregate of the: (i) accrued interest computed from the last Interest Payment Date up to the relevant Early Redemption Date; and (ii) the product of the principal amount and the applicable Early Redemption Price in accordance with the following schedule:

Early Redemption Dates	Early Redemption Price
3 years from Issue Date and every Interest Payment Date thereafter before the 4 th anniversary of the Issue Date	101.00%
4 years from Issue Date and every Interest Payment Date thereafter before Maturity Date	100.25%

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the First Tranche Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the First Tranche Bonds on the Early Redemption Date stated in such notice.

5.7. Redemption for Taxation Reasons

The Issuer may redeem the First Tranche Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days’ notice to the Trustee) at par or 100% of the face value plus accrued interest, subject to the requirements of Applicable Law, if payments under the First Tranche Bonds become subject to additional or increased taxes for the Issuer, other than the taxes and rates of such taxes prevailing on Issue Date as a result of certain changes in Applicable Law, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer.

For avoidance of doubt, the Issuer shall not be liable for the payment of the additional or increased taxes on the income of the Bondholders, which shall be for the account of the Bondholders.

The Trustee, upon receipt of written notice of redemption delivered by the Issuer, shall declare the principal of the First Tranche Bonds, including all accrued interest, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty that is imposed under an Early Redemption, anything in this Agreement or in the First Tranche Bonds contained to the contrary notwithstanding.

5.8. Mandatory Redemption

If any one or more of the following events shall occur, in the reasonable opinion of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the First Tranche Bonds for the events contemplated in (a), (b) or (c) below or the Majority Bondholders for the events contemplated in (d) below (and with written notice to the Trustee), and be continuing for a period of fifteen (15) Banking Days with respect to the events contemplated in (a) or (c) below:

- a. Any law, government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under this Agreement or the First Tranche Bonds which shall be modified in a manner which, while not constituting an Event of Default, will materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld;
- b. Any provision of this Agreement or any of the related documents is or becomes invalid, illegal or unenforceable by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of this Agreement or any of the related documents in whole or in part, or any law is introduced to prevent or restrain the performance by the parties hereto of their obligations under this Agreement or any other related documents;
- c. Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation, in such a manner as to materially and adversely affect the financial condition or operations of the Issuer; and
- d. Any Government Authority or any competent authority condemns, seizes, or expropriates all or substantially all of the assets or properties of the Issuer, unless

such act is contested in good faith by the Issuer or unless such act is suspended or restrained by an order of a court of competent jurisdiction;

then, the Trustee, by notice in writing delivered to the Issuer may declare the principal of the First Tranche Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty that is imposed under an Early Redemption, anything in this Agreement or in the First Tranche Bonds contained to the contrary notwithstanding, subject to the notice requirements under Section 10.2, provided that, such notice shall not be deemed either caused by a default under Section 9.1, or a notice of default under Section 10.2.

5.9. Penalty Interest

In case any amount payable by the Issuer under the First Tranche Bonds, whether for principal, interest, fees due to the Trustee, Registrar or Paying Agent or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty fee on the defaulted amount(s) at the rate of two percent (2%) per annum (the “**Penalty Interest**”) from the time the amount fell due until it is fully paid.

Section 6 DISCHARGE OF OBLIGATION

The obligations of the Issuer under the First Tranche Bonds and this Agreement shall cease to be of further effect if the Issuer shall have paid or remitted or caused to be paid the principal of, and all accrued interest on, all the First Tranche Bonds issued and outstanding, including Penalty Interest, if any, at the time and in the manner therein provided.

In the event that the obligations of the Issuer under the First Tranche Bonds and this Agreement shall cease to be of further effect as provided in this Section, the Trustee shall, on demand of the Issuer and at the latter's cost and expense, execute proper instruments acknowledging the satisfaction and discharge of the obligations of the Issuer under the First Tranche Bonds and this Agreement. The Issuer agrees to reimburse the Trustee for any cost or expense thereafter, reasonably and properly incurred by the Trustee in connection with the First Tranche Bonds or this Agreement.

Section 7 UNCLAIMED PAYMENTS

The Paying Agent shall be responsible for any money remitted to it for the payment of principal and interest on any First Tranche Bonds including Penalty Interest, if any, but not actually applied to such payment because the same have not been collected or claimed by the Bondholders. The Bondholders concerned shall make the necessary request for payment to the Paying Agent for any such sums unclaimed in accordance with the Registry and Paying Agency Agreement. Any unclaimed payments shall not bear any interest.

Six (6) months after the Maturity Date of the First Tranche Bonds, or Early Redemption Date or any other date of early redemption other than the Early Redemption Date, the Paying Agent shall return any balance remaining in such payment account. Such amount of unclaimed interests and principal payments shall be held for the benefit of the Bondholders. Upon payment of all amounts due to the Bondholders or return of the

balance to the Issuer as provided in this Section, the responsibility of the Paying Agent to effect payments to the Bondholders as provided for in this Agreement shall cease.

Section 8 EVENTS OF DEFAULT

8.3. Events of Default.

A Bondholder upon receipt of information of an occurrence of any of the events enumerated in this Section 9.1, or the Issuer pursuant to Section 5.1.d, shall promptly notify the Trustee in writing of the occurrence of such event.

Each of the following events constitutes an Event of Default (“Event of Default”) under this Agreement:

- a. **Payment Default.** The Issuer fails to pay when due and payable any amount of principal or interest which the Issuer is obligated to pay the Bondholders under this Agreement and the First Tranche Bonds, and such failure to pay is not remedied within seven (7) Banking Days from due date thereof.

The Issuer fails to pay when due and payable any other amount payable by the Issuer in respect of the First Tranche Bonds and under this Agreement in the manner, at the place, and in the currency in which it is expressed to be payable, and such non-payment continues for thirty (30) days from the date such payment is due. These other amounts include Penalty Interest, insofar as the payment of such interest is concerned;

- b. **Representation Default.** Except for clerical or typographical error, any representation or warranty made by the Issuer in this Agreement or in any document issued pursuant thereto or otherwise in connection therewith shall prove to have been untrue, incorrect, or misleading in any material respect as at the time it was made or deemed to have been made or is violated or not complied with, and the circumstances which cause such representation or warranty to be incorrect or misleading continue for not less than thirty (30) days (or such longer period as the Majority Bondholders shall approve) after receipt of written notice from the Trustee to that effect;
- c. **Other Provisions Default.** The Issuer fails to perform or comply with any other term, obligation, or covenant contained in this Agreement or in any other document or instruments related or otherwise in connection therewith in any material respect and any such failure, violation, non-compliance is not remediable or if remediable, continues unremedied for a period of ninety (90) days for financial covenants and sixty (60) days for all other covenants from the date after written notice thereof shall have been given by the Trustee; *Provided*, however, that for the avoidance of doubt, no additional grace period shall apply to the Events of Default specified in this Section 9.1;
- d. **Cross-Default.** The Issuer violates any other material obligation by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any law or regulation, which violation, if remediable, is not remedied by the Issuer within thirty (30) Banking Days from

receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation will, further, in the reasonable opinion of at least 2/3 of the Bondholders, adversely and materially affect the performance by the Issuer of its obligations under this Agreement and the First Tranche Bonds. Provided, however, that no event of default will occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or is in excess of five percent (5%) of the Fair Market Value of Assets of the Issuer, based on the relevant parent-only financial statements of the Issuer;

- e. **Insolvency Default.** The Issuer becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, which act shall include: (i) the filing of a petition in any bankruptcy, reorganization, winding up or liquidation of the Issuer, or any other proceeding analogous in purpose and effect: Provided, however, that in case the foregoing petition is filed by any other party, other than the Issuer, such event shall be considered a declared Event of Default only upon the issuance of a final order by the court of competent authority; (ii) the making of an assignment by the Issuer of substantially all or all of its assets, or in fraud of creditors; (iii) the admission in writing by the Issuer of its inability to pay its debts; (iv) the entry of any final order or judgment of any court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization, winding up or liquidation of the Issuer; or (v) the appointment of a receiver, liquidator, assignee, trustee, or sequestrator of the Issuer, or a substantial part of its property or assets or a substantial part of its capital stock or to assume custody or control of the Issuer, or the ordering of its dissolution, winding-up or liquidation of its affairs; provided, that, the issuance of any such decree or order shall not be an Event of Default if the same shall have been dismissed or stayed by injunction or otherwise within ninety (90) days from issuance thereof;
- f. **Closure Default.** The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days except that if the closure is: (i) due to strikes or lockouts; or (ii) necessary to prevent business losses; or (iii) due to fortuitous events or force majeure, then such closure shall not be deemed a Closure Default;
- g. **Judgment Default.** Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of 20% of the Issuer's Fair Market Value of Assets or its equivalent in any other currency is entered against the Issuer and any relevant period specified for payment in such judgment, decree, order, or agreement, and any extension thereof, shall have expired without being satisfied, discharged, or stayed within thirty (30) calendar days after the date when payment of such judgment, decree, or award is due under the applicable law or agreement; and
- h. **Writ and Similar Process Default.** Any writ, warrant of attachment or execution, or similar process shall be issued or levied against all or substantially all of the Issuer's assets, and such writ, warrant, or similar process shall not be released, vacated, or fully bonded within sixty (60) days after its issue or levy (or such longer

period as the Issuer satisfies the Majority Bondholders as appropriate under the circumstances).

Section 9 CONSEQUENCES OF DEFAULT

9.3. Declaration by the Trustee or the Majority Bondholders

- a. If any one or more of the Events of Default shall occur and be continuing, the Trustee, upon the written direction of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the First Tranche Bonds, by notice in writing delivered to the Issuer, may declare the principal of the First Tranche Bonds then outstanding, including all interest accrued and unpaid thereon and all amounts due thereunder, to be due and payable immediately, anything contained in this Agreement or in the First Tranche Bonds to the contrary notwithstanding.
- b. The provision in Section 10.1a, however, is subject to the condition that, except in the case of a Writ and Similar Process Default under Section 9.1(h), the Majority Bondholders, by written notice to the Issuer and to the Trustee, may rescind and annul such declaration made by the Trustee pursuant to a consequence of default and its consequences, upon such terms, conditions and agreements, if any, as they may determine, including, in connection with a Cross Default, the fact that the non-payment of the obligation is contested in good faith by the Issuer; provided, that, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereto. Any such waiver shall be conclusive and binding upon all the Bondholders and upon all future holders and owners of such First Tranche Bonds, or any First Tranche Bond issued in lieu thereof or in exchange therefor, irrespective of whether or not notation of such waiver is made upon the First Tranche Bonds.
- c. At any time after an Event of Default shall have occurred, the Trustee may:
 - i. by notice in writing to the Issuer, the Registrar, and the Paying Agent, require the Registrar and Paying Agent to:
 - x. act thereafter as agents of the Bondholders represented by the Trustee on the terms provided in the Registry and Paying Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability under the provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Registrar and the Paying Agent shall be limited to amounts for the time being held by the Trustee on the trusts of this Agreement in relation to the First Tranche Bonds and available to the Trustee for such purpose) and thereafter to hold all sums, documents and records held by them in respect of the First Tranche Bonds on behalf of the Trustee; and/or
 - y. deliver all evidence of the First Tranche Bonds and all sums, documents and records held by them in respect of the First Tranche Bonds to the Trustee or as the Trustee shall direct in such notice; provided, that, such notice shall be deemed not to apply to any

document or record which the Registrar or Paying Agent is not obliged to release by any Applicable Law; and

- iii. by notice in writing to the Issuer, require the Issuer to make all subsequent payments in respect of the First Tranche Bonds to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn.

10.2. Notice of Default

The Trustee shall, within ten (10) days after the occurrence of an Event of Default give to the Bondholders written notice of any such Event of Default known to it unless the same shall have been cured before the giving of such notice; provided, that, in the case of a Payment Default under Section 9.1(a), the Trustee shall, upon written notice from the Paying Agent of the Issuer's failure to pay any amount of principal or interest which the Issuer is obligated to pay the Bondholders under this Agreement and the First Tranche Bonds, immediately notify the Bondholders upon the occurrence of such Payment Default; provided further, that such written notice from the Paying Agent shall not be required if the Issuer's failure to pay was caused by a technical error or by reasons beyond the control of the Issuer. The existence of a written notice required to be given to the Bondholders under this Section shall be published in two (2) newspapers of general circulation in Metro Manila, Philippines for two (2) consecutive days, indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the First Tranche Bonds at the principal office of the Trustee as indicated in this Agreement upon presentation of sufficient and acceptable identification to the Trustee.

Subject to Applicable Law, in case of the occurrence of an Event of Default, the Issuer shall authorize the Registrar to provide the Trustee with the list of Bondholders containing the names and addresses of the Bondholders, the amount of the First Tranche Bonds held by them, and such other information as may be agreed upon between the Registrar and the Issuer.

10.3. Payments in the Event of Default

The Issuer covenants that upon the occurrence of any Event of Default, the Issuer will pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding First Tranche Bonds with interest at the rate borne by the First Tranche Bonds on the overdue principal and with Penalty Interest, where applicable, and in addition thereto, the Issuer will pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred in furtherance of this Agreement and without negligence or bad faith by the Trustee hereunder.

Upon the occurrence of an Event of Default and in accordance with the requirements of this Agreement, the Bondholders shall have the right, but not the obligation, to require the Issuer to redeem the First Tranche Bonds in full, by payment of the amounts stated above, plus the principal amount, by delivery of the relevant evidence of the First Tranche Bonds to the Trustee.

10.4. Application of Payments

Any money collected by the Trustee under this Section and any other funds held by it, which shall be delivered to the Paying Agent, subject to any other provision of this Agreement and the Registry and Paying Agency Agreement relating to the disposition of such money and funds, shall be applied by the Paying Agent in the order of preference as follows:

- a. First: To the payment of the costs, expenses, fees and other charges of collection, including reasonable compensation to the Trustee, Paying Agent, Registrar, and each such Person's agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursement made by them without negligence or bad faith.
- b. Second: To the payment of Penalty Interest.
- c. Third: To the payment of the interest, in the order of the maturity of such interest.
- d. Fourth: To the payment of the principal amount of the outstanding First Tranche Bonds due and payable.
- e. Fifth: The remainder, if any, shall be paid to the Issuer, its successors or assigns, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the First Tranche Bonds shall require the conformity of the Trustee. The Paying Agent shall render a monthly account of such funds under its control.

10.5. Remedies

All remedies conferred by this Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extrajudicial proceedings appropriate to enforce the conditions and covenants of this Agreement, subject to Section 10.6.

No delay or omission by the Trustee or by any Bondholder to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto, and every power and remedy given by this Agreement to the Trustee or to the Bondholder may be exercised from time to time and as often as may be necessary or expedient.

10.6. Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of this Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless all of the following conditions have been fulfilled: (1) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and

the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the First Tranche Bonds, and (2) the Majority Bondholders shall have decided and made a written request upon the Trustee to institute such suit, action or proceeding in its own name, and (3) the Trustee for sixty (60) days after receipt of such notice and request shall have neglected or refused to institute any such suit, action or proceeding unless such failure was due to any circumstance beyond its control, and (4) no directions inconsistent with such written request or waiver of default by the Bondholders pursuant to Section 10.7, shall have been made, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholder shall have any right in any manner whatsoever by virtue of or by availing of any provision of this Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over, or preference to, any other such holder or to enforce any right under this Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all Bondholders. For the protection and enforcement of the provisions of this Section, each and every Bondholder and the Trustee shall be entitled to such relief as can be given under the Applicable Law.

10.7. Waiver of Default by Bondholders

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Bondholders may decide for and in behalf of the Bondholders to waive any past default except the Events of Default specified in Sections 9.1(a), 9.1(d), 9.1(e), and 9.1(f) and its consequences. In case of any such waiver, written notice of which shall be given to the Issuer by the Trustee, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the First Tranche Bonds.

10.8. Prescription

Claims in respect of principal and interest or other sums payable hereunder shall prescribe unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

Section 11 MEETINGS OF BONDHOLDERS

11.1. Meetings

A meeting of Bondholders may be called at any time and from time to time pursuant to the provisions of this Section for the purpose of taking any action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of First Tranche Bonds under any other provisions of this Agreement or under Applicable Law and such other matters related to the rights and interests of the Bondholders under the First Tranche Bonds.

11.2. Notice of Meetings

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the First Tranche Bonds may direct in writing the Trustee to call a meeting of the Bondholders, to take any action specified in Section 11.1, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be issued by the Trustee and sent by the Trustee to the Issuer and to each of the registered Bondholders and published in two (2) newspapers of general circulation in Metro Manila, Philippines not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the notices for the requested meeting, including the cost of the venue and other related expenses for the meeting, shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported statement of account.

11.3. Failure of Trustee to Call a Meeting

In case at any time the Issuer, pursuant to a resolution of its Board, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the First Tranche Bonds shall have requested and funded the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with Section 11.2, the notice of such meeting within fifteen (15) Banking Days after receipt of such request, then the Issuer or the holders of First Tranche Bonds in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof as provided in Section 11.2, and the costs thereof shall be chargeable to the Trustee except when such failure is beyond the control of the Trustee.

11.4. Quorum

The presence of the Majority Bondholders personally or by proxy shall be necessary to constitute a quorum to do business at any meeting of the Bondholders. The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy. The Trustee shall rely on the records provided by the Registrar and shall be held free and harmless for such reliance.

11.5. Procedure for Meetings

The Trustee shall preside at all the meetings of the Bondholders unless the meeting shall have been called by the Issuer or by the Bondholders as provided in Section 11.3, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall move for the election of the chairman and secretary of the meeting from among the Bondholders then present or represented during the meeting.

Any meeting of the Bondholders duly called pursuant to the provisions of this Section may be adjourned from time to time for a period or periods not to exceed in the aggregate one (1) year from the date for which the meeting shall originally have been called, and the meeting so adjourned may be held on another date without further notice. Any such adjournment may be ordered by Persons representing a majority of the aggregate

principal amount of the First Tranche Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

In the event consent/s are requested from the Bondholders, the Bondholders' records with the Registrar as of the immediately preceding month-end prior to the date of the request shall be used by the Trustee until the results of the exercise is completed. Transfers or changes to ownership during any exercise shall be disregarded by the Trustee. Notwithstanding the foregoing, if the Registrar determines the record date of Bondholders according to its Agreements then such listing shall prevail and the Trustee shall rely on such records.

11.6. Voting Rights

To be entitled to vote at any meeting of the Bondholders, a Person shall be a registered holder of the First Tranche Bonds or a Person appointed by an instrument in writing as proxy by any such holder as of the date of such meeting. Bondholders shall be entitled to one vote for every Ten Thousand Pesos (PhP10,000.00) interest. The only Persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the Persons entitled to vote at such meeting and any representative of the Issuer and its legal counsel.

11.7. Voting Requirement

All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the majority of the Bondholders present or represented in a meeting at which there is a quorum, except as otherwise provided in this Agreement.

Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Trustee as if the votes were unanimous.

11.8. Role of the Trustee in Meetings of Bondholders

Notwithstanding any other provisions of this Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of the First Tranche Bonds, the appointment of proxies by registered holders of the First Tranche Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem fit. The minutes of each meeting and any resolution made thereat shall be taken by the Trustee.

11.9. Evidence Supporting Bondholders' Action

Wherever in this Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the First Tranche Bonds may take any action (including the making of any demand or request, the giving of any notice or consent, or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy

appointed in writing; (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith; or (iii) a combination of such instruments and any such record of meeting of the Bondholders. The Trustee shall rely on the Registrar to authenticate all Bondholders' signature at all times.

Section 12 AMENDMENT OR SUPPLEMENTAL AGREEMENTS

With the written consent of the Majority Bondholders, the Issuer, when authorized by a resolution of its board of directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental hereto for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of this Agreement; provided, however, that no such supplemental agreement shall:

- a. Without the consent of each Bondholder affected thereby:
 - ii. extend the fixed maturity of the First Tranche Bonds, or
 - iii. reduce the principal amount of the First Tranche Bonds, or
 - iv. reduce the rate or extend the time of payment of interest and principal thereon;
- b. Affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders; or
- c. Reduce the percentage required to be obtained of the Bondholders to consent to or approve any supplemental agreement or any waiver provided for in this Agreement without the consent of all the Bondholders.

The Issuer and the Trustee may amend or waive any provisions of the Transaction Documents and it shall not be necessary to send a prior notice to, or obtain the consent of, the Bondholders under this Section for the purpose of:

- i. approving the particular form of any proposed supplemental agreement but such consent shall be necessary for the purpose of approving the substance thereof; and
- ii. any such amendment or waiver that is of a formal, minor, or technical nature or to correct a manifest error or inconsistency, without prior notice to or the consent of the Bondholders provided in all cases that such amendment or waiver does not adversely affect the interests of the Bondholders and provided further that all Bondholders are notified of such amendment or waiver.

Any consent given pursuant to this Section shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof or of any First Tranche Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the First Tranche Bonds.

Promptly after the execution by the Issuer and the Trustee of any supplemental agreement pursuant to the provisions of this Section, the Issuer shall send a notice to the Bondholders setting forth in general terms the substance of such supplemental agreement. Any failure of the Issuer to send such notice or any defect therein shall not, however, in any way impair or affect the validity of any supplemental agreement.

Section 13 MISCELLANEOUS PROVISIONS

13.1. Waiver of Preference

In the event that a primary obligation for payment shall arise out of this Agreement, such as to constitute this Agreement as a contract for the payment of an indebtedness or a loan, then it is understood and expressly agreed by the parties hereto that the obligation created under this Agreement shall not enjoy any priority, preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that this Agreement may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced.

13.2. Notice

Any notice or demand authorized by this Agreement to be given to the Issuer and the Trustee must be in writing and will be deemed to have been duly given only if (a) (i) delivered personally, or (ii) mailed through a reputable overnight courier service (postage prepaid) to the parties at the following addresses and addressed to the individuals names below; provided, that in either case, such notice, request or other communication be also sent via email; or (b) emailed to the parties at the following email addresses and addressed to the individuals named below:

If to the Issuer:

Aboitiz Power Corporation
Attention: [●]
Subject: [●]
Address: 32nd Street, Bonifacio Global City,
1634 Taguig City, Metro Manila
Telephone No. [●]
E-mail: [●]
With copy to: [●]

If to the Trustee:

[●]
Attention: [●]
Subject: [●]
Address: [●]
Facsimile: [●]
E-mail: [●]

If to the Joint Issue Managers, Joint Underwriters, and Joint Bookrunners

[BDO Capital & Investment Corporation]
Attention: [●]
Subject: [●]
Address: [●]

Facsimile: [●]
E-mail: [●]

To the Underwriter: [BPI Capital Corporation]
Attention: [●]
Subject: [●]
Address: [●]
Facsimile: [●]
E-mail: [●]

To the Underwriter: [China Bank Capital Corporation]
Attention: [●]
Subject: [●]
Address: [●]
Facsimile: [●]
E-mail: [●]

To the Underwriter: [First Metro Investment Corporation]
Attention: [●]
Subject: [●]
Address: [●]
Facsimile: [●]
E-mail: [●]

All notices to the Issuer and the Trustee shall be deemed served or given when sent via email; provided, that no bounce mail, error or send failure notification is received by the sender.

The Trustee shall send all notices to Bondholders to their mailing address as set forth in the Register of Bondholders. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) reputable surface mailing service; (iii) reputable overnight courier service (postage prepaid); (iv) electronic mail; (v) by one-time publication in a newspaper of general circulation in the Philippines; (vi) personal delivery to the address of record in the Register of Bondholders; or (vii) disclosure through the online disclosure system of the PDEX. The Trustee shall rely on the Register of Bondholders in determining the Bondholders entitled to notice. Such notices to Bondholders shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing if transmitted by a reputable surface mailing service; (iii) upon the next business day, if sent by reputable overnight courier service; (iv) on the date of transmission, if transmitted by electronic mail; provided, that no bounce mail, error or send failure notification is received by the sender; (v) on date of publication; (vi) on date of delivery, for personal delivery; or (vii) on the date of posting through the online disclosure system of PDEX, as applicable.

13.3. Binding and Conclusive Nature

Except as provided in this Agreement, all notifications, opinion, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of this Agreement, shall (in the absence of

willful default, bad faith or manifest error) be binding on the Issuer, and all Bondholders and (in the absence of willful default, bad faith or manifest error) no liability to the Issuer, the Registrar, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Agreement, resulting from the Trustee's reliance on the foregoing.

13.4. Successors and Assigns

This Agreement shall be binding upon and shall be enforceable against the Issuer, the Trustee and the Bondholders and their respective successors and assigns; provided, however, that the Issuer shall not have the right to transfer or assign any and all of its rights or obligations herein without the prior written consent of the Bondholders representing at least two-thirds (2/3) of the aggregate outstanding principal amount of the First Tranche Bonds.

13.5. Exclusive Nature of Agreement

Nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon or give to any Person or corporation, other than the parties hereto and the Bondholders, any right, remedy or claim under or by reason of this Agreement or any covenant, condition or stipulation hereof; and except as aforesaid all the covenants, stipulations, promises and agreements herein contained are and shall be for the sole and exclusive benefit of the parties hereto, their successors and assigns, and the Bondholders.

13.6. Validity of Provisions

If any provision, term or condition of this Agreement or the application hereof to any Person or circumstance is declared invalid, the other provisions, terms or conditions hereof or the application hereof to any Person or circumstance shall not be affected and shall continue to be in full force and effect.

13.7. No PDIC Coverage

This Agreement is not covered by the Philippine Deposit Insurance Corporation. Any losses arising from this Agreement, if any, shall be for the account of the Issuer.

13.8. Venue

Any legal action or proceeding arising out of, or in connection with, this Agreement and the First Tranche Bonds and any and all related documents and papers, shall be brought in the proper courts of Makati City, Metro Manila, Philippines, to the exclusion of any other court.

13.9 Dispute Settlement

In case any dispute shall arise between the Issuer, the Trustee or any of the Bondholders in respect of this Agreement, or other related agreements or arrangements, the Issuer, the Trustee or any of the Bondholders shall attempt to resolve the same amicably by agreement which shall be in writing. However, if no such agreement is concluded within thirty (30) Banking Days from the time the dispute arose, or such period as may be

reasonable under the circumstances, the parties may have recourse to the usual judicial action obtaining under the circumstances.

13.10 No Right to Set-Off

The Trustee shall have no right to apply funds or money of the Issuer on deposit with or in the custody of the Trustee or any of its branches, subsidiaries, or affiliates on reduction of amounts past due under this Agreement.

13.11 Governing Law

This Agreement and the First Tranche Bonds issued hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the Republic of the Philippines.

13.12 Termination

The Trustee shall automatically be discharged from its duties and responsibilities under this Agreement within three (3) days from full payment of the First Tranche Bonds on the relevant Maturity Date absent any written notice of payment default.

13.13 Counterparts

This Agreement may be executed and delivered in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

[The remainder of this page is left intentionally blank.]

[•]

By:

[•]

[•]

[•]

[•]

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
) SS.

I certify that on this ___ day of _____ 2020, before me, a notary public duly authorized in the city named above to take acknowledgments, personally appeared the following:

Name	Competent Evidence of Identity	Date of Issue/ Place of Issue
------	-----------------------------------	----------------------------------

who were identified by me through competent evidence of identity to be the same persons described in the foregoing instrument, who acknowledged before me that their respective signatures on the instrument were voluntarily affixed by them for the purposes stated therein, and who declared to me that they have executed the instrument as their free and voluntary act and deed, and that they have the authority to sign on behalf of their principals.

WITNESS MY HAND AND SEAL, on the date and at the place first above written.

Doc. No. : _____;
Page No. : _____;
Book No. : _____;
Series of 2020.

ANNEX A
TERMS AND CONDITIONS OF THE BOND

ANNEX B
FORM OF THE APPLICATION TO PURCHASE

ANNEX C-1
MASTER CERTIFICATE OF INDEBTEDNESS FOR THE FIRST TRANCHE BONDS

LOGO
ABOITIZ POWER CORPORATION
MASTER CERTIFICATE OF INDEBTEDNESS
First Tranche Bonds

EQ \O(P,) • , •
Bond Certificate No. [•]
Issue Date: [•]
Maturity Date: [•]

For and in consideration of the sum of PESOS: • PESOS EQ \O(P,) •, ABOITIZ POWER CORPORATION (the Company), promises to pay the sum of PESOS: • EQ \O(P,) •, together with interest, to the Bondholders appearing in the Register of Bondholders, pursuant to, and subject to the terms and conditions set forth in: (i) the Trust Agreement dated [•], 2020, and (ii) Annex A thereto.

This Master Certificate of Indebtedness is being issued by the Company, acting by the authority of its Board of Directors, to [•], in its capacity as Trustee, in acknowledgement of the Company's obligations in respect of the [•] year Philippine Peso fixed rate bonds (the First Tranche Bonds) duly registered with the Philippine Securities and Exchange Commission.

The First Tranche Bonds shall bear fixed interest rate equivalent to [•]% per annum, subject to the terms and conditions contained in the Trust Agreement dated [•], 2020, and Annex A attached thereto.

Annex A provides for the mode and manner of the payment and prepayment of the First Tranche Bonds under the terms and conditions set forth and specified therein as well as for the acceleration of the maturity of the First Tranche Bonds under certain conditions.

The First Tranche Bonds shall be governed by, and construed in accordance with, the laws of the Republic of the Philippines.

ABOITIZ POWER CORPORATION
Bv:

EXHIBIT 1
FORM OF CERTIFICATE OF NO DEFAULT AND COMPLIANCE / NOTICE OF DEFAULT

To: [•]
(the "Trustee")
Fax: [•]
Attn: [•]
From: Aboitiz Power Corporation
Date: [•]

Re: Trust Agreement dated (the "Agreement") between Aboitiz Power Corporation (the "Issuer"), and the Trustee

We refer to the Agreement. Words and expressions defined in the Agreement have the same meanings in this certificate. This is a Certificate of No Default and Compliance.

We confirm the following:

1. that [no/the following] Events of Default were outstanding as at [*relevant date*];
2. all the representations and warranties of the Issuer contained in the Agreement remain true and correct; and
3. all of the covenants of the Issuer set forth in the Agreement have been fully met and performed; .

For and on behalf of Aboitiz Power Corporation

By:
Name:
Title:

EXHIBIT 2
FORM OF CERTIFICATE ON NET DEBT TO CONSOLIDATED EQUITY RATIO

To: [•]
(the "Trustee")
Fax: [•]
Attn: [•]
From: Aboitiz Power Corporation
Date: [•]

Re: Trust Agreement dated (the "Agreement") between Aboitiz Power Corporation (the "Issuer"), and the Trustee

We refer to the Agreement. Words and expressions defined in the Agreement have the same meanings in this certificate. This is a Certificate on Net Debt to Consolidated Equity Ratio.

We confirm that as at [*relevant date*]:

Net Debt was [•] and Consolidated Equity was [•], so the ratio of Net Debt to Consolidated Equity was [•]:1.

For and on behalf of Aboitiz Power Corporation

By:
Name:
Title:

FIXED RATE BONDS
DUE 2023
REGISTRY AND PAYING AGENCY AGREEMENT

ABOITIZ POWER CORPORATION

AND

PHILIPPINE DEPOSITORY & TRUST CORP.

REGISTRY AND PAYING AGENCY AGREEMENT

NOW ALL MEN BY THESE PRESENTS:

This **Registry and Paying Agency Agreement** (the **Agreement**) is made between:

ABOITIZ POWER CORPORATION, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with address at the 32nd Street, Bonifacio Global City, 1634 Taguig City, Metro Manila (**APC** or the **Issuer**)

and

PHILIPPINE DEPOSITORY & TRUST CORP., a corporation duly authorized to perform registry functions by appropriate authorities and organized and existing under and by virtue of laws of the Republic of the Philippines, with principal office at the 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City (**PDTC** or the **Registrar** and in its capacity as the Paying Agent, the **Paying Agent**).

WITNESSETH:

- (a) The Issuer is authorized by the Philippine Securities and Exchange Commission (SEC) to issue Fixed Rate Peso-Denominated Bonds for offering, distribution and sale to the general public of up to the aggregate principal amount of PHILIPPINE PESOS: THIRTY BILLION (PhP30,000,000,000.00) to be issued in one or several tranches within three years from the date of effectivity of its shelf registration (the Bonds). The first tranche of the Bonds shall comprise of [●] per annum fixed rate bonds due 2026 (First Tranche Bonds), for a total of PHILIPPINE PESOS: FOUR BILLION (PhP4,000,000,000.00) with an oversubscription option of up to PHILIPPINE PESOS: FOUR BILLION PESOS (PhP4,000,000.00) (the Oversubscription Option the bonds under the Oversubscription Option, the Oversubscription Bonds the First Tranche Bonds and the Oversubscription Bonds, the First Tranche Bonds and this first tranche, the Offer)
- (b) The Issuer will issue the First Tranche Bonds in scripless form and desires to appoint PDTC as registrar to maintain the electronic official registry or records of title to the First Tranche Bonds, record the initial issuance and subsequent transfers of the same as warranted, and perform such other duties as may be undertaken by PDTC as registrar under this Agreement, and PDTC has accepted said appointment under the terms and conditions hereinafter set forth and
- (c) The Issuer desires to appoint PDTC as paying agent to handle the payment of interest and principal on the First Tranche Bonds paid by the Issuer to the eligible Bondholders, and PDTC has accepted said appointment under the terms and conditions hereinafter set forth

NOW, THEREFORE, for and in consideration of the foregoing and subject to the terms and conditions set forth below, the parties hereto agree as follows:

Section 1 Definitions and Interpretation

- 1.1 Terms defined in the Terms and Conditions (as defined below), and which are made an integral part hereof attached as **Schedule 1**, shall have the same meaning when used in this Agreement, except where otherwise defined and where the context requires otherwise. In addition to the foregoing, the following terms shall have the following meaning:

Agreement shall mean this Registry and Paying Agency Agreement, its attachments and schedules (when executed), as may be modified, amended, or supplemented as applicable from time to time.

Anti-Money Laundering Laws of the Philippines or **AMLA** shall mean Republic Act No. 9160, as amended by Republic Act No. 9194 and Republic Act No. 10167, and BSP Circular Nos. 251, 253, 279, 527, 564, 608, 612 and 706, and all other amendatory and implementing law, regulation, jurisprudence, notice or order of any Philippine governmental body relating thereto.

Applicable Law shall mean: any statute, law, regulation, ordinance, rule, judgment, order, decree, directive, guideline, policy, requirement or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Government Authority.

“Applicant” shall mean a Person who shall duly accomplish the Application as defined herein and who shall deliver the same to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners in accordance with the Issue Management and Underwriting Agreement

Application or Application to Purchase shall mean the form actually accomplished and submitted by the Applicant for the First Tranche Bonds, together with all other requirements set forth substantially in the form attached hereto as **Schedule 2**.

BIR shall mean the Bureau of Internal Revenue of the Republic of the Philippines.

Bondholder shall mean a person whose name appears, at the relevant time, in the Registry as the registered owner of Bonds.

BSP shall mean Bangko Sentral ng Pilipinas.

Banking Day shall mean any day other than Saturday, Sunday and public holidays on which commercial banks and the Philippine Clearing House Corporation are generally open for the transaction of business in Taguig City, Makati City and the City of Manila provided, that all other days unless otherwise specified herein shall mean calendar days which shall be construed as successive periods of twenty-four (24) hours each.

Cash Settlement Account shall mean an account designated by a Bondholder with a Cash Settlement Bank into which shall be credited the interests, principal, and other payments on the First Tranche Bonds.

Cash Settlement Bank shall mean a bank licensed and authorized under the laws of the Philippines and designated by the Bondholder as the bank with which the Bondholder's Cash Settlement Account is maintained, such designation to be made in accordance with the procedures of the Paying Agent.

Closed Period shall mean the periods during which the Registrar shall not register any transfer or assignment of the First Tranche Bonds, specifically: (a) the period of two (2) Banking Days preceding any Interest Payment Date or the due date for any payment of the principal amount of the First Tranche Bonds or (b) the period when any First Tranche Bonds have been previously called for redemption.

Depository Account shall mean a securities account opened and maintained by the Bondholder, his custodian, or broker, as the case may be, with the PDTC.

Early Redemption Date shall mean the Early Redemption Date for the First Tranche Bonds, as defined in Annex A of the Trust Agreement dated [●].

Early Redemption Option shall mean the right, but not the obligation, granted to the Issuer under the Terms and Conditions to call and redeem in whole (and not in part), the outstanding First Tranche Bonds, on any Early Redemption Date, or the immediately succeeding Banking Day, if such date is not a Banking Day, without any adjustment in the amount of interest as originally computed.

Early Redemption Price shall mean the Early Redemption Price for the First Tranche Bonds, as defined in Annex A of the Trust Agreement dated [●].

Event of Default shall mean an event specified as such under Section 7 hereof.

Final Sales Report shall mean the report from each Selling Agents detailing the Applications to Purchase covering the First Tranche Bonds approved and accepted for purchase during the Offer Period.

First Tranche Bonds shall mean the First Tranche Bonds with an aggregate principal amount of PHILIPPINE PESOS: FOUR BILLION (PhP4,000,000,000.00) with an Oversubscription Option of up to PHILIPPINE PESOS: FOUR BILLION (PhP4,000,000,000.00), which the Issuer shall issue for distribution and sale on Issue Date.

Government Authority shall mean the Republic of the Philippines, or any political subdivision or agency thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the said government, and any national agency or body vested with jurisdiction or authority over any Person.

Interest shall mean for any Interest Period, the interest payable on the First Tranche Bonds at such rate set out in the Terms and Conditions.

Interest Payment Date shall mean [●], [●], [●], and [●] of each year commencing on [●] until and including the Maturity Date, or the immediately succeeding Banking Day, without adjustment, next Banking Day if such date is not a Banking Day, without any adjustment in the amount of interest as originally computed.

Interest Period shall mean the period commencing on the Issue Date and having a duration of three (3) months and, thereafter, each successive three (3)-month period commencing on the last day of the immediately preceding Interest Period up to, but excluding the first day of the immediately succeeding Interest Period, but in the case of the last Interest Period, it will be the period from and including the last day of the immediately preceding Interest Period up to, but excluding, the Maturity Date.

Issue shall mean the issuance of the First Tranche Bonds by the Issuer pursuant to the Terms and Conditions.

Issue Date shall be on [●], or the immediately succeeding Banking Day, if such Issue Date is not a Banking Day, or such other date as may be determined by the Issuer and the and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners for the issuance of the First Tranche Bonds. In the event that the original Issue Date is moved to the succeeding Banking Day, the interest accruing for the first Interest Period shall accrue from (and including) such adjusted Issue Date, without adjustment to the Interest Payment Date.

Issue Price shall mean one hundred percent (100 %) of the aggregate nominal principal amount of the First Tranche Bonds.

Joint Issue Managers, Joint Lead Underwriters and Bookrunners shall mean BDO Capital Investment Corporation, BPI Capital Corporation, China Bank Capital Corporation, and First Metro Investment Corporation.

Master Certificate of Indebtedness shall mean the certificate representing such amount corresponding to the First Tranche Bonds sold in the Offer issued to and registered in the name of the Trustee, on behalf of the Bondholders, substantially in the form set forth in **Annex “C”** of the Trust Agreement.

Maturity Date shall mean the date at which the First Tranche Bonds shall be redeemed by the Issuer by paying the principal amount thereof, and which date is five (5) years from the Issue Date, provided that if such Maturity Date is not a Banking Day, the Maturity Date shall be the immediately succeeding Banking Day, without adjustment to the amount of interest to be paid.

Maturity Value shall mean the Issue Price plus unpaid and accrued applicable interests up to but excluding the Maturity Date.

Non-Trade Transactions shall mean transactions relating to the First Tranche Bonds under any of the following instances:

- a. Nomination or change of nominated custodian by the beneficial owner of the First Tranche Bonds
- b. Succession, provided that the heirs and successors-in-interest present a court order of partition or deed of extrajudicial settlement and the proper documentation evidencing the payment of applicable taxes and a certificate authorizing the transfer of the First Tranche Bonds from the BIR
- c. Donation, provided that the donor presents a valid deed of donation and documents to evidence the payment of applicable taxes and a certificate authorizing the transfer of the First Tranche Bonds from the BIR
- d. Request for recording or annotation of interests or liens on the First Tranche Bonds of any party arising from transactions such as, but not limited to, pledge or escrow, provided that the pledgor or the beneficiary of the escrow shall present a proper contract of pledge or escrow agreement and
- e. Such other transactions that may be deemed valid and free of payment transactions by PDTC *Provided* that such transfer is not in violation of any law or regulation or made in circumvention thereof *Provided*, further that, the burden of proving the validity of a free of payment transaction rests with the transferor of the First Tranche Bonds.

Offer shall mean the First Tranche Bonds or the offering, issuance, distribution and sale of the First Tranche Bond.

Offer Period shall mean the period when the First Tranche Bonds are offered for sale by the Issuer to the public, through the Selling Agents, commencing on [●] and ending [●] or such earlier or later day as may be determined by the Issuer and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.

Outstanding shall mean, in relation to the First Tranche Bonds, all the First Tranche Bonds issued except: (a) those which have been redeemed in accordance with the Terms and Conditions (b) those in respect of which the date for redemption has occurred and the redemption moneys (including all interest accrued on such First Tranche Bonds to the date for such redemption and any interest payable under the Terms and Conditions after such date) have been duly paid to the Paying Agent as provided in this Agreement and remain available for payment against presentation and surrender of the First Tranche Bonds and (c) those in respect of which claims have become void.

Payment Account shall mean the account to be opened and maintained by the Paying Agent with such Payment Account Bank designated by the Issuer and solely managed by the Paying Agent, in trust and for the irrevocable benefit of the Bondholders, into which the Issuer shall deposit the amount of the interest and/or principal payments due on the Outstanding First Tranche Bonds on a relevant date and exclusively used for such purpose, the beneficial ownership of which shall always remain with the Bondholders.

Payment Account Bank shall mean a duly-licensed bank designated by the Issuer (in such form prescribed by the Paying Agent, attached hereto as **Schedule 3** hereof), where the PDTC Payment Account will be opened, maintained, and managed by the Paying Agent for and on behalf of the Issuer, into which the Issuer shall deposit, in good cleared funds, the amount of the relevant interest and principal payments due each Bondholder on each relevant Payment Date.

Payment Date shall mean the Interest Payment Date and/or the Principal Payment Date, as the case may be.

Payment Report shall mean the report to be submitted by the Paying Agent to the Issuer prepared under Section 2.9 of this Agreement.

PDEX shall mean the Philippine Dealing Exchange Corp., a domestic corporation duly registered with the SEC to operate an exchange and trading market for fixed income securities and a member of the Philippine Dealing System Group of Companies.

PDEX Rules shall mean the PDE Rules for the Fixed Income Securities Market, as amended, and as the same may be revised from time to time, as well as all other related rules, guidelines, and procedures that may be issued by PDE .

PDEX Trading Participant shall mean a trading participant of PDEX defined as such under its rules.

PDSClear System or **PDSClear** shall mean the system operated by PDEX that enables settlement of a Trade Related Transaction via delivery versus payment.

PDS Group shall mean the group of companies comprised of the Philippine Dealing System Holdings Corporation, which is the parent company of the group, and its operating subsidiaries, which are affiliates of PDTC, namely, PDEX, and the Philippine Securities Settlement Corp.

Person shall mean an individual, corporation, partnership, association, joint stock company, trust, any unincorporated organization, or a government or political subdivision thereof.

Philippine Peso or **PhP** shall mean the legal currency of the Republic of the Philippines

Principal Payment Date shall mean the Maturity Date or the Early Redemption Date

Record Date shall mean as used with respect to any Payment Date, two (2) Banking Days immediately preceding such relevant Payment Date, which shall be the cut-off date in determining the existing Bondholders entitled to receive interest, principal and other payments due, or such other date duly notified by the Issuer.

Redemption Date shall mean: (i) the Interest Payment Date following compliance by the Issuer with the requirements under the Terms and Conditions relating to the Early Redemption Option or Tax Redemption Option, as a consequence of which the Issuer may redeem the First Tranche Bonds or (ii) the date on which the First Tranche Bonds are redeemed by the Issuer pursuant to a Mandatory Redemption.

Registry shall mean the electronic registry book of the Registrar containing the official information on the Bondholders and the amount of Bonds they respectively hold, including all transfers and assignments thereof or any liens or encumbrances thereon.

Registry Account shall mean the account opened and maintained by the Bondholders in the Registry.

Registry Confirmation shall mean the written advice sent by the Registrar to the Bondholders, confirming the registration in the name of such Bondholder in the Registry of the specified amount of the First Tranche Bonds issued to or purchased by a Bondholder, in the Registry. The Registry Confirmation is the Securities Receipt Confirmation attached hereto as Schedule 9.

Registry Rules shall mean the rules of the Registrar as may be amended from time to time.

RTGS shall mean the Philippine Payment Settlement System via Real Time Gross Settlement that allows banks to effect electronic payment transfers which are interfaced directly to the automated accounting and settlement systems of the BSP.

SEC shall mean the Securities and Exchange Commission of the Philippines and its successor agency/ies.

Selling Agents shall mean institutions who are authorized under Philippine law to act as such and whose role is to help facilitate the sale and distribution of the First Tranche Bonds. The Selling Agents for this offering are each of the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners, and [●].

Tax Exempt/Treaty Documents shall mean the following documentary requirements to be submitted by Bondholders claiming exemption from any applicable tax as proof of its tax-exempt status to the Registrar:

- a. Proof of Tax Exemption or Entitlement to Preferential Tax Rates:

- (i) For (a) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code) (b) cooperatives duly registered with the Cooperative Development Authority and (c) BIR-approved pension fund and retirement plan - certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed "valid, current and subsisting" if it has not been more than 3 years since the date of issuance thereof
- (ii) For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 - certified true copy of the Bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator (BIR Form No. 2336)
- (iii) For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions (b) government-owned or -controlled corporations and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) - certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax and
- (iv) For entities claiming tax treaty relief - (i) certificate of tax residence issued for the current year (whether using the form prescribed in their country of residence, or using Part I (D) of the Certificate of Tax Residence for Tax Treaty Relief ("CORTT") Form prescribed under Revenue Memorandum Order No. 8-2017), and (ii) duly accomplished CORTT Form (particularly Part I (A), (B) and (C), and Part II (A), (B), (C) and (D))

In addition, for subsequent interests due, upon the request of the Selling Agent, the Bondholder shall submit an updated Part II (A), (B), (C) and (D) of the CORTT Form to the Issuer, through the Registrar, no later than the first day of the month when such subsequent interest payment/s shall fall due and, if applicable, including any clarification, supplement or amendment thereto.

- b. A duly notarized declaration (in the form attached hereto as **Schedule 4** hereof) warranting that its tax-exemption certificate or ruling has not been revoked or cancelled and that there are no material changes in character, purpose or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or warranting the Bondholder's entitlement to preferential treaty rates, and undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities arising from the non-withholding or reduced withholding of the required tax and
- c. If applicable, such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities.

Tax Redemption Option shall mean the option granted to the Issuer under the Terms and Conditions to redeem the whole of the First Tranche Bonds, in the event payments under the relevant First Tranche Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in Applicable Law, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer.

Terms and Conditions shall mean the applicable terms and conditions of the First Tranche Bonds, which is attached as Schedule 1 hereto, and made an integral part of this Agreement.

Trade Related Transactions shall mean transactions on the First Tranche Bonds other than Non-Trade Transactions executed through PDEX (upon listing of the First Tranche Bonds).

Trust Agreement shall mean the trust agreement dated [●], executed by and between the Issuer and the Trustee.

Trustee shall mean [●].

- 1.2 **Interpretation.** All terms defined in this Agreement shall have their defined meanings when used in any certificate, report, or other document or instrument made or delivered pursuant hereto, unless the context requires otherwise. All Annexes, Schedules, or Attachments shall be considered integral parts of this Agreement. Titles of provisions in this Agreement and references herein to Sections, Subsections and Annexes are to sections and subsections of and annexes to this Agreement. Words importing gender include feminine, masculine, and neuter. Titles of provisions in this Agreement are used for convenience of reference only and do not limit or affect the interpretation of the provisions hereof. Any references to a person includes its permitted successors and permitted assigns. Any reference to writing or cognate expressions includes a reference to telex, cable, facsimile transmission, electronic mails, web-based uploads, or other electronic or teleprocess instruction system or comparable means of communications, and all consents and approvals to be obtained hereunder shall be understood to be required to be in writing. The words include, includes, and including are not limiting and shall be deemed to be followed by the words without limitation, whether or not so followed. The words hereof, herein and hereunder and words of similar import when used in any document shall refer to such document as a whole and not to any particular provision of such document. Any reference to days shall mean calendar days, unless a descriptive word is used to qualify the term. A reference to a year or annum shall mean a year of 360 days. Other than to a third party, references to party, parties or parties hereto or similar references and references to Section or Sections are to be construed as references to a party or the parties to this Agreement and to a section or sections of this Agreement.

Section 2 The Registrar

- 2.1 **Appointment of the Registrar.** The Issuer hereby appoints PDTC as the Registrar for the First Tranche Bonds, and PDTC accepts such appointment as Registrar, in accordance with the terms of this Agreement, and the Terms and Conditions.
- 2.2 **Responsibilities of the Registrar.** The Registrar shall be responsible for establishing and maintaining the Registry, in accordance with the terms of this Agreement
- 2.3 **Functions of the Registrar.** The Registrar shall have the following functions:
- 2.3.1 Establish, maintain, update, and, in accordance with the Terms and Conditions, close the Registry, which shall stand as the best evidence of ownership of, and transactions with respect to, the First Tranche Bonds
- 2.3.2 Open Registry Accounts for Bondholders and record the issuance of the First Tranche Bonds in the Registry based solely on the Final Sales Reports submitted by the Joint Lead Underwriters to the Registrar. Where PDTC discovers any inconsistency between the Final Sales Report and the Application to Purchase submitted by the client subsequent to Issue Date, PDTC reserves the right to rely subsidiarily on the Applications to Purchase, to the extent that the information in the Final Sales Report is noted to be inconsistent with the Application to Purchase
- 2.3.3 Record or refuse to record, as appropriate, the secondary transfers of ownership over the First Tranche Bonds in the Registry, based solely on the instructions arising from Non-Trade Transactions and Trade Related Transactions including those effected in PDEX, should the First Tranche Bonds be listed in PDEX, subject to such restrictions on transfer as may be imposed for the First Tranche Bonds and the submission of all the documents required to support such transfers as required under the Terms and Conditions and the Registry Rules, including, without limitation, the Trade-Related Transfer Form and Non-Trade Related Transfer Form, substantially in the forms of **Schedule 5** and **Schedule 6** hereof, respectively the written consent of the transferee Bondholder, substantially in the form of **Schedule 7** hereof and the **Investor Registration Form** substantially in the form of **Schedule 8** hereof
- 2.3.4 Issue a Registry Confirmation (substantially in the form attached as **Schedule 9** hereof) to the Bondholders, within seven (7) Banking Days from Issue Date, in the case of the initial issuance of the First Tranche Bonds, and to the relevant transferees, within five (5) Banking Days from date of transfer, in the case of transfers of the First Tranche Bonds in the secondary market
- 2.3.5 Prepare and transmit to the requesting party the information on the Bondholders as reflected in the relevant Registry Account, upon the written request (and at the expense) of the Issuer, Trustee through the Issuer or PDEX (as applicable), and subject to applicable laws on disclosure of information or pursuant to or in compliance with any court orders or administrative orders or such orders issued by applicable regulatory agencies
- 2.3.6 Receive and safely keep a certified true copy of the duly executed Master Certificates of Indebtedness (the original copy of which shall be kept by the Trustee, in such form attached hereto as **Schedule 1-A** hereof), the pertinent documents of the Bondholders, including duly authenticated signature cards

and authorization documents of the Bondholders, and such other pertinent documents related to the First Tranche Bonds that may be required in connection with its registry functions or where so required by the Issuer

- 2.3.7 Compute for the amount of Interest and Maturity Value payable to each Bondholder, including payments arising from the exercise by the Issuer of its Redemption Option, if any, and the applicable tax, if any, to be withheld from the affected Bondholder.
- 2.3.8 Prepare and transmit to the Bondholders statements of account at the Issuer's expense
- 2.3.9 Monitor compliance with any restrictions on transfers as set out in this Agreement and
- 2.3.10 Perform such obligations as may be imposed upon it as such Registrar under this Agreement.

2.4 **The Registrar and the Primary Issuance of the First Tranche Bonds.**

- 2.4.1 **Form of the First Tranche Bonds.** The First Tranche Bonds will be issued in accordance with the terms of this Agreement, the Trust Agreement and the Terms and Conditions. The First Tranche Bonds shall be in scripless form and, subject to the payment of fees to the Registrar, registered and lodged with the Registrar in the name of the Bondholders. Once lodged, the First Tranche Bonds shall be eligible for electronic transfer in the Registry, without the issuance or cancellation of certificates. Legal title to the First Tranche Bonds shall be shown in the Registry, which shall be the official registry and best evidence of ownership and all other information regarding ownership of the First Tranche Bonds.
- 2.4.2 At least two (2) Banking Days prior to the commencement of the Offer Period, and in accordance with the Registry Rules, the Issuer shall submit to the Registrar such documents as shall be required to set up the First Tranche Bonds in the Registry, in the form prescribed by the Registrar or to the satisfaction of the Registrar, the list of which documents is attached hereto as **Schedule 10** hereof. The Issuer acknowledges that the procedures and timelines provided in this Agreement may be delayed should the Issuer fail to timely submit the required documents or information to set up the First Tranche Bonds in the Registry. In such a case and provided the Registrar is not guilty of any contributory negligence, the Registrar shall be held free and harmless for such delays. Should the Issuer submit the requirements through another party, the Issuer shall inform the Registrar in writing thereof and hereby and thereby warrants, undertakes and represents that (a) such other party delivers such documents under valid and subsisting authority from the Issuer, (b) such delivered documents are the same as those that would have been delivered by the Issuer were it to directly submit the same, and (c) the Registrar is entitled to rely solely on such delivered documents as the basis for setting-up and creating the Registry for the First Tranche Bonds.
- 2.4.3 No later than 9:00 a.m. at least three (3) Banking Days prior to the Issue Date, the Issuer shall deliver or cause to be delivered to the Registrar, a report detailing the final issue size, the total amount of the First Tranche Bonds for purchase and the allocations of the First Tranche Bonds among the Selling Agents (the Allocation Report). No later than 5:00 p.m. at least three (3)

Banking Days prior to the Issue Date and in accordance with the Registry Rules, the Issuer shall deliver or cause to be delivered through its Selling Agents the following documents, in such forms and mode of transmittal as prescribed by the Registrar, and as are necessary to determine proper allocations of the Selling Agents involved and to create Registry Accounts for Bondholders in the Registry:

- 2.4.3.1 Three (3) certified Final Sales Report: (a) one for tax-exempt accounts (b) another one for taxable accounts, from each Selling Agent and (c) another one for US Entities under the Foreign Account Tax Compliance Act (FATCA) from each Selling Agent, each report in electronic and written form, detailing the purchases of the First Tranche Bonds by the Bondholders
- 2.4.3.2 The Registrar's copy of each completed Application to Purchase of the First Tranche Bonds accepted by the Issuer, and the other documentary requirements received by them
- 2.4.3.3 Where applicable, the BIR-certified Tax Exempt/Treaty Documents for the relevant Bondholders
- 2.4.3.4 In case of a non-PDS registered Cash Settlement Bank, duly executed Cash Settlement Bank Designation, in the form attached herewith as **Schedule 11**;
- 2.4.3.5 Other documents as may be reasonably required by the Registrar and
- 2.4.3.6 If the Offer Period will commence while a community quarantine is still imposed in the Philippines due to the COVID-19 pandemic, the procedures set forth in **Schedule 13** shall apply with respect to 2.4.3.1- 2.4.3.5.

The Registrar shall register in its Registry on Issue Date the amount of the First Tranche Bonds held by each accepted applicant and the information needed to create the Registry Account based solely on the certified Final Sales Reports from each of the Selling Agents.

The Registrar shall verify that the total sales as indicated in the Final Sales Report submitted by the Selling Agents are within the total amount of Bonds authorized for sale by the SEC based on the certified true copy of the Permit to Sell submitted by the Issuer to PDTC, and consistent with the Allocation Report.

- 2.4.4 Notwithstanding the submission to the Registrar of the Final Sales Report and the reliance by the Registrar on the same to create the Registry Account, the Registrar reserves the right to verify or ensure the accuracy of any entry in the Registry. Further hereto, the Registrar commits to upload to, and accurately reflect in the Registry only the data and information contained in such Final Sales Report.
- 2.4.5 The Issuer's appointed agents shall be solely responsible for ensuring the accuracy of information regarding, as well as the completeness of the documents relating to, the Bondholders which are submitted to the Registrar. The Registrar shall not be held liable for delays in the delivery of required documents as well as issuance of Registry Confirmations to Bondholders as a result of incomplete and/or late submissions by the Issuer's appointed agents of the required documents. Any costs, expenses or damages incurred or suffered to be paid by the Registrar as a result of such delays or inaccuracies shall be borne by the Issuer-appointed agent involved.

- 2.4.6 The Selling Agents shall be given five (5) Banking Days after Issue Date to remedy or cure any documentation deficiency as stated in the Final Sales Report. The Registrar will not issue a Registry Confirmation to the Bondholder pending completion of documentation. In addition, such Bondholder will not be allowed to sell or transfer his securities until such deficient document/s has been remedied.
- 2.4.7 Notwithstanding the preceding section, the Registrar is hereby authorized to allow correction of data in the Registry, not later than 12:00 noon, one (1) Banking Day before the Issue Date only under the following instances:
- 2.4.7.1 Any change to correct information provided in the Final Sales Report to make it consistent with the Application to Purchase prior to Issue Date or
- 2.4.7.2 Substitution of Bondholders in the Final Sales Report submitted by the Selling Agents *Provided*, that the following conditions concur:
- (a) Complete documentation relating to the substitute Bondholder is submitted to the Registrar
- (b) The substitution of any Bondholder shall not prevent timely final entries into the Registry and
- (c) The substitution will not result in an increased number of Applications to Purchase as reflected in the Final Sales Report nor number of Registry Accounts.
- 2.4.8 Any subsequent change to the information once recorded by the Registrar in its Registry on Issue Date shall require the written authorization of the Bondholder, unless the change is to correct information provided in the Final Sales Report to make it consistent with the Application. In case the change is to correct information provided in the Final Sales Report to make it consistent with the Application to Purchase, the Registrar shall charge the relevant Joint Lead Underwriters a fee equivalent to One Hundred Pesos (PhP100.00) for every account that requires a subsequent change.
- 2.4.9 On Issue Date, the Registrar shall reflect the ownership of the First Tranche Bonds, as well as the relevant details concerning the Bondholders, in the Registry as warranted under the Final Sales Reports submitted to it by the Selling Agents in accordance with the Registry Rules and prescribed forms. Any subsequent change to such information, other than a change in ownership of the First Tranche Bonds, as recorded by the Registrar shall require the written authorization of the Bondholders duly endorsed by the respective Selling Agents. For purposes hereof, the Registrar shall be entitled to rely solely on the Final Sales Reports submitted by the Selling Agents to the Registrar. Where PDTC discovers, after Issue Date, any inconsistency between the Final Sales Report and the Application to Purchase submitted by the Bondholder, PDTC reserves the right to rely subsidiarily on the Applications to Purchase, to the extent that the information in the Final Sales Report is noted to be inconsistent with the Application to Purchase. All such changes in the entries after Issue Date, shall require an affidavit of correction from the relevant Selling Agent attesting to the propriety of such change and payment by the relevant Selling Agent of a fee amounting to One Hundred Pesos (PhP100.00)

or as the same may be updated from time to time, for each account requiring changes to the entries.

- 2.4.10 The Registrar may require submission or completion of additional documents to update the records of a Bondholder after the Issue Date for purposes of compliance with the provisions of the Anti-Money Laundering Laws of the Philippines (“**AMLA**”), or other relevant laws or regulations. The parties acknowledge that the Registrar is not required to exhaust all possible actions to resolve any deficiency and/or inconsistency and shall not be held liable for any failure to so act or for the failure of the Selling Agents to notify the Registrar of such deficiency and/or inconsistency, unless such failure to act is due to the gross negligence or fraud on the part of the Registrar.
- 2.4.11 After Issue Date, the Registrar shall release: (i) to the Issuer, the final list of all Bondholders recorded as such in the Registry, containing the names, addresses, tax identification number (TIN), tax status, and account details of the Bondholders to whom Bonds have been issued on the Issue Date, the amount of the First Tranche Bonds held by them, the Cash Settlement Account numbers where payment to them shall be credited and such other information as may be agreed upon between the Registrar and the Issuer, which release shall in any case be made no later than one (1) Banking Day after Issue Date, and (ii) to each Bondholder, a Registry Confirmation confirming the principal amount of the First Tranche Bonds held by such Bondholder, in the mode specified in the Final Sales Report, at the Issuer’s expense, which release shall in any case be made no later than seven (7) Banking Days after Issue Date provided that the Registrar will not issue a Registry Confirmation to a Bondholder whose documentation is pending completion and such Bondholder will not be allowed to sell or transfer his securities until such deficient document/s has been remedied. It is hereby understood that the Registrar shall not record in the Registry, or issue Registry Confirmations to, Bondholders that would exceed the maximum amount of the Issue as authorized by the SEC.
- 2.4.12 A Bondholder has twenty (20) calendar days from the date indicated in its Registry Confirmation to request PDTC for amendment, correction or completion of the relevant information in the relevant Registry. The Bondholder shall within such period, request the Registrar, through the Selling Agent, to amend entries in the Registry by issuing an Affidavit of Correction duly endorsed by his Selling Agent. The Selling Agent shall be responsible for informing the Registrar of the said corrections requested by the Bondholder and shall solely coordinate with the Registrar for this purpose. The Registrar shall not in any way be obliged to coordinate directly with the Bondholder. Any costs or expenses incurred by the Registrar as a result of such correction, if the same is due to the erroneous recording of the details of the Bondholder in the Final Sales Report submitted by the Selling Agent, shall be borne by the relevant Selling Agent in accordance with the Registry Rules. Otherwise, such cost shall be borne by the Bondholder.
- 2.4.13 On agreement with the Issuer, the Registrar shall likewise receive the duly executed Master Certificate of Indebtedness and reference the amount indicated therein to maintain consistency with respect to the total amount recorded in the Registry.
- 2.5 *The Registrar and the Secondary Market for the First Tranche Bonds.* In the secondary market, the Registrar shall:

- 2.5.1 Effect transfers of the First Tranche Bonds, which transfers may only be made or, upon listing of the First Tranche Bonds in PDEX through a PDEX Trading Participant.
- 2.5.2 Record the ownership of Bondholders consequent to secondary market transfers and Non-Trade Transactions in accordance with the Registry Rules and its requirements.
- 2.5.3 Issue Registry Confirmations to Bondholders in accordance with the Registry Rules and its requirements. For purposes hereof, the Issuer hereby acknowledges that the Registrar shall comply with its obligations hereunder in the mode elected by the Bondholder, which may include, among others, electronic mail to a designated account.
- 2.5.4 Where the First Tranche Bonds become listed on PDEX, all Trade Related Transactions must be coursed through PDEX in accordance with the PDEX Rules and conventions.
- 2.5.5 Notwithstanding Section 2.12, transfers that take place after the First Tranche Bonds are listed in PDEX between taxable and tax-exempt entities shall be allowed to be recorded in the Registry of Bondholders without restriction and observing the tax exemption of tax exempt entities, if and/or when so allowed under, and in accordance with the relevant rules, conventions and guidelines of PDEX and PDTC.
- 2.5.6 The Issuer hereby acknowledges that PDEX Trading Participants may engage in secondary market transfers on the First Tranche Bonds and be primarily and directly responsible for facilitating the necessary entries into the relevant Registry with respect to secondary market trades in which they are involved, by submission of such requirements prescribed by the Registrar.
- 2.5.7 The Registrar shall report to PDEX any breach of any prohibitions on the holdings or transfers of the First Tranche Bonds within twenty-four (24) hours from occurrence thereof, in accordance with the relevant PDEX rules.
- 2.5.8 The Issuer hereby acknowledges that transactions on the First Tranche Bonds after the primary issuance (secondary market trading and non-trade transactions) are subject to the standard trading, clearing, settlement, depository maintenance and transfer fees or capital gains taxes, as applicable.
- 2.5.9 The Issuer hereby acknowledges and accepts that secondary market trading and settlement of the First Tranche Bonds shall likewise be governed by applicable PDEX Rules and conventions.
- 2.5.10 For the efficient handling of First Tranche Bonds under the non-restricted trading and settlement environment, PDTC shall create such taxable and tax-exempt settlement accounts, as may be necessary to accurately reflect the movement in ownership of the First Tranche Bonds.
- 2.6 **PDEX Listing.** The Issuer undertakes to list the First Tranche Bonds for trading in PDEX within a reasonable period of time.
- 2.7 **Tax-Exempt Accounts.** The Registrar shall allow the opening and maintenance of tax-exempt Registry Accounts upon submission of the Tax Exempt/Treaty Documents in accordance with the Terms and Conditions and such other documents as may be

required by the Issuer and the Registrar. Such Registry Accounts shall be operated and maintained in accordance with the Registry Rules. Unless properly provided with satisfactory proof of the tax-exempt status of a Bondholder, the Registrar and Paying Agent may assume that such Bondholder is taxable and proceed to apply the tax due on the First Tranche Bonds. Notwithstanding the submission by the Bondholder, or the receipt by the Issuer or any of its agents, of documentary proof of the tax-exempt status of a Bondholder, the Issuer may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the First Tranche Bonds. Any question on such determination shall be referred to the Issuer. In the event that the Issuer determines that such Bondholder is not entitled to the tax benefit he is claiming, any amount that should have been rightfully withheld by the Issuer on previous payments to the Bondholder shall be automatically set off against future payments due to the Bondholder, without the Issuer being liable either to the Bondholder, or any person other than the Bondholder, claiming title to the First Tranche Bonds. In case such Bondholder no longer owns any amount or otherwise owns an insufficient amount of First Tranche Bonds at the time of the intended automatic set off, the Registrar, upon request of the Issuer, shall furnish all necessary information, including, but not limited to, copies of the BIR ruling or certificate of exemption submitted by such Bondholder, the original Deed of Undertaking executed by the Bondholder, and copies of any other documents relating to the Bondholder's tax status, which are in its possession to enable the Issuer to pursue its claim against the Bondholder. The Registrar shall certify to the completeness of the documents provided to the Issuer pursuant to this Section. Nothing in this Agreement shall limit the right of the Issuer to pursue its claims against such Bondholders in accordance with applicable law.

2.8 **Non-Trade Transactions.** The Registrar shall record transfers arising from Non-Trade Transactions only upon submission of all the documents required to support such transfers as required under the Registry Rules, including the submission of the Non-Trade Related Transfer Form.

2.8.1 The Registrar shall have the right to refuse recording of any Non-Trade Transaction should the requesting party fail to submit the required documents or where recording the same shall result in a violation of a law, rule or regulation.

2.8.2 The Transferee shall be required to open or maintain a Registry Account, in accordance with the Registry Rules.

2.8.3 Upon recording of the Non-Trade Transaction in the Registry, the Registrar shall issue a Registry Confirmation in the transferee's name in accordance with the Registry Rules.

2.9 **The Payment Report.** No later than 12:00 noon on the day immediately succeeding each Record Date, the Registrar shall prepare and submit to the Issuer (in electronic (excel and PDF) or printed form) a report (a **Payment Report**"), with the following information effective as of Record Date: (a) the names of the Bondholders (b) the amounts of interest payments due on the outstanding First Tranche Bonds held by each Bondholder (c) the tax status of each Bondholder, if relevant or applicable (d) the corresponding withholding tax to be withheld for each Bondholder, if any and (e) the total amount, net of any applicable withholding taxes, due to each of the Bondholders on Payment Date. In case of inconsistency between the Excel version, the electronic PDF, and the printed form of the Payment Report, the electronic PDF or printed form shall prevail. In case of inconsistency between the electronic PDF and the printed form of the Payment Report, the printed form shall prevail.

- 2.10 **Other Similar Reports for Purposes of Payment by the Issuer.** For the purpose of effecting settlement of the Early Redemption Price and accrued interest or the Maturity Value (as the case may be) of the First Tranche Bonds due to each Bondholder, the Registrar shall, no later than one (1) Banking Day succeeding the Record Date for the Pre-termination Date or the Maturity Date, as the case may be, provide the Issuer the list of Bondholders who are entitled to receive the Pre-termination Value on the Redemption Date or, as the case may be, the Maturity Value on the Maturity Date, the amount of payment due to each such Bondholder, the tax status of each Bondholder, if relevant or applicable, the corresponding withholding tax to be withheld for each Bondholder, if any, and the total amount, net of any applicable withholding taxes, due to each of the Bondholders on Payment Date. Provided, that for purposes of the TIN, PDTC shall provide the TIN as appearing in the sales report submitted by the selling agent and does not certify the correctness of the TIN provided. PDTC shall have no obligation to verify the TIN submitted with the BIR.
- 2.11 **Payment Instruction Report.** The Registrar shall, at or prior to 4:00 p.m., at least one (1) Banking Day before each Payment Date, prepare and submit to the Issuer, and following the Issuer's confirmation, to the relevant Cash Settlement Bank of the Bondholders, and the Paying Agent, a report or statement (the "**Payment Instruction Report**"), detailing the following:
- 2.11.1 the list of the Bondholders who have appointed such Cash Settlement Bank and who are entitled to payment on the relevant Payment Date (the Principals)
 - 2.11.2 the total gross amounts falling due to each of their respective Principals on the Payment Date and
 - 2.11.3 such other information relevant for the purposes.
- 2.12 **Restricted Transfers.** The Registrar shall not reflect any transfers in the relevant Registry accounts where the same are restricted transfers on the First Tranche Bonds as follows:
- 2.12.1 Transfers across Tax Categories shall not be allowed except on Interest Payment Dates that fall on a Banking Day, provided however that transfers from a Tax-Exempt Category to a Taxable Tax Category on a non-Interest Payment Date shall be allowed using the applicable tax-withheld series name on PDEX, ensuring the computations are based on the final withholding tax rate of the taxable party to the trade. Should this transaction occur, the tax-exempt entity shall be treated as being of the same Tax Category as its taxable counterpart for the interest period within which such transfer occurred. For purposes hereof, "Tax Categories" refer to the four (4) final withholding tax categories covering, particularly, tax-exempt entities, 20 tax-withheld entities, 25 tax-withheld entities, and 30 tax-withheld entities. This restriction shall be in force until a Non-Restricted Trading Settlement Environment for Corporate Securities is implemented.
 - 2.12.2 Transfers by Bondholders with deficient documents.
 - 2.12.3 Transfers during a Closed Period.

2.12.4 Except as otherwise contemplated under the Terms and Conditions, none of the Bondholders shall have the right to require the Issuer to redeem and repay any or all of the First Tranche Bonds before the Maturity Date. Transfers of the First Tranche Bonds to a person other than the Issuer shall not constitute pretermination.

2.13 Recognition of PDTC Registry Rules

2.13.1 The Issuer shall, through the Registrar, inform the Bondholders of the Registry Rules. The Registrar shall furnish Bondholders copies of the same together with the Registry Confirmation. Any amendment or supplement to the said Registry Rules shall be timely communicated by the Registrar to the Bondholders.

2.13.2 By execution hereof, the Issuer acknowledges and undertakes that its Bondholders shall be bound by the Registry Rules, as the same may be amended from time to time.

2.14 Instructions.

2.14.1. The Registrar is authorized to act on any instructions given by the Issuer, the Selling Agents, the Joint Lead Underwriters, PDEX, PDEX Trading Participants or their authorized personnel by any of the following methods: (a) in writing (b) by telegram, telex, facsimile, S.W.I.F.T., or other electronic or teleprocess instruction system acceptable to the Registrar (whether tested or untested) or (c) electronic mail or (d) any other methods agreed to by the Registrar.

2.14.2. The Registrar may rely, without any liability on its part, upon any instructions or documents (or the signature thereon and including a facsimile subject to certain limitations) believed by it in good faith to be given by the Issuer, the Joint Lead Underwriters, Selling Agents or PDEX, PDEX Trading Participants or their authorized personnel, or to be genuine, provided, however, that the Registrar is not guilty of fraud, evident bad faith, gross negligence or willful misconduct. The Registrar shall have no responsibility for any losses or liabilities whatsoever should such instructions or documents (or the signature thereon) turn out to be unauthorized, erroneous, or fraudulent provided, that the Registrar (including its officers and employees) is not guilty of fraud, evident bad faith, gross negligence, or willful misconduct in its reliance on the said instructions or documents.

2.14.3. Instructions shall continue in full force and effect until cancelled or superseded.

2.14.4. The Registrar may, without any liability, refuse to execute any instruction if, in its opinion: (a) there are reasonable grounds for believing that the instruction or liabilities arising from the execution of such instruction may not be adequately covered by the relevant First Tranche Bonds and/or funds (b) personal liabilities may be incurred by it pursuant to such instruction (c) satisfactory arrangement for the settlement of any outstanding issue hereunder has not been made or (d) the instruction may be unauthorized or fraudulent. If any instructions are, in the Registrar's opinion, conflicting and/or ambiguous, the Registrar may, without any liability on its part, refuse to execute such instructions until such conflict or ambiguity has been resolved to its satisfaction. In any case, the Registrar shall coordinate with the Issuer, the

Selling Agents, the Joint Lead Underwriters, PDEX, PDEX Trading Participants or their authorized personnel on its action regarding any instructions.

2.14.5. Instructions, the handling of the First Tranche Bonds and/or payments thereon, and the provision of services hereunder shall be carried out subject to the applicable rules, laws, operating procedures, and market practice, if any, of any relevant securities exchange, clearing house, sub-custodian, agents, depository, settlement system, market, or jurisdiction where they are to be executed. In this regard, the Registrar shall be entitled to execute any instructions in accordance with its normal market practice and operational procedures, insofar as it may consider these practicable and reasonable. The Registrar may further refuse to execute any instruction or accept any deposit if, in its opinion, such instruction is contrary to any applicable law, rule, or other regulatory requirement (including those arising from any governmental authority, self-regulatory organization, stock exchange, clearing house, depository, settlement system, or market) or the assets for deposit are not in good order. In any case, the Registrar shall coordinate with the Issuer, the Joint Lead Underwriters, PDEX, PDEX Trading Participants or their authorized personnel on its action regarding any instructions.

2.14.6. The Registrar shall be under no duty to assess the prudence or correctness of any instructions or to give advice in relation thereto, and may act on the instructions irrespective of their prudence or correctness.

2.15 ***Transactions Deemed Authorized.*** In the absence of contrary instructions and so long as the Registrar is prepared to provide the registry services enumerated below, the Registrar is authorized by the Issuer to carry out the following transactions at the Issuer's expense and at the Registrar's discretion relating to the First Tranche Bonds without requiring further instructions from the Issuer provided that such transactions were received and executed in accordance with applicable laws, and rules, operating procedures, and market practice of the Registrar:

2.15.1 Complete and sign any affidavits, certificates of ownership, or other certificates relating to the First Tranche Bonds in connection with the Registrar's duties under this Agreement which may be required by the tax or any other regulatory authority

2.15.2 Make cash disbursements or payments for any fees, taxes, duties, levies, expenses, and/or any payments incurred in connection with the Registrar's duties under this Agreement

2.15.3 With written notice to the Issuer, use any reputable and competent party (including clearing systems, depositories, sub-custodians, outsourcing, or overseas data processing agents, and any member of the PDS Group) to perform and/or to assist or advise the Registrar in performing any of its services and duties under this Agreement. The Registrar may delegate to any such party any of its services or duties under this Agreement, Provided, that the Registrar shall use reasonable care to ensure that it uses only reputable competent parties, and Provided, further, that the Registrar shall be responsible for the actions of any such party used by the Registrar. The requirement of a prior written notice herein shall not apply when the use of any reputable and competent party is in compliance with regulatory requirements in connection with this Agreement provided that such transactions were received and executed in accordance with applicable laws, and rules, operating procedures, and market practice of the Registrar ,

2.15.4 Do all such acts as the Registrar may consider to be necessary or desirable for the above or in order to perform its duties under this Agreement (including any conversion of currency at the prevailing rate as reasonably determined by the Registrar where such conversion is necessary).

2.16 Segregation, Identification, and Registration.

2.16.1 In accordance with the Registrar's Rules, the First Tranche Bonds may be maintained by the Registrar in an omnibus clients' securities account, and the Registrar warrants that it will not mingle its own assets with assets of other Registry account holders.

2.16.2 The First Tranche Bonds shall always be clearly identified in the Registrar's records as being held for the Bondholders.

2.16.3 The Registrar's records relating to the First Tranche Bonds shall be open to inspection or audit at reasonable times (subject to prior written notice) by the auditors and representatives of the Issuer. Provided, that such inspection or audit shall not violate any Applicable Law. The Registrar shall ensure that there are no unreasonable delays in allowing or implementing the inspection or audit by the representatives and auditors of the Issuer.

Section 3 Provisions Specific to the Paying Agent

3.1 ***Appointment as the Paying Agent.*** The Issuer hereby appoints PDTC as Paying Agent for the First Tranche Bonds, and PDTC accepts such appointment as Paying Agent in accordance with the terms of this Agreement.

3.2 ***Functions of the Paying Agent.*** The Paying Agent shall have the following functions:

3.2.1 perform the functions of a paying agent for the periodic payment of interest, principal, and the Maturity Value, when due, to the Bondholders, including Early Redemption Price and accrued interest, if any and

3.2.2 open and maintain on behalf of the Issuer, the PDTC Payment Account with the Payment Account Bank designated by the Issuer, and act as its authorized signatory.

Section 4 Payments

4.1 ***Designation of the Payment Account Bank by the Issuer.*** The Issuer shall designate a bank as its Payment Account Bank, subject to the concurrence of the Paying Agent who shall have the right to impose such reasonable requirements on the Payment Account Bank as shall be necessary to efficiently operationalize the Payment Account.

4.2 ***The Payment Account.*** As soon as practicable, the Paying Agent shall open with the Payment Account Bank, one Payment Account for the First Tranche Bonds. The Payment Account shall be operated solely and exclusively by the Paying Agent in accordance with this Agreement and payment of interest and principal on the relevant Payment Date shall be made from such Payment Account. All transactions on the Payment Account shall be signed by the duly designated authorized signatories of the

Paying Agent. All costs for opening, maintaining and operating the Payment Account shall be for the account of the Issuer.

4.2.1 The Issuer shall provide the necessary funds to cover the initial deposit and shall provide the minimum maintaining balance required by the Payment Account Bank, if so required.

4.2.2 The Payment Account shall be opened in the following names, “[●]”. All the disbursements for coupon and principal payments to be effected out of the said Payment Account shall be signed by the duly designated authorized signatories of the Paying Agent.

4.2.3 The Issuer shall maintain the Payment Account while the First Tranche Bonds are Outstanding, and until six (6) months past the Maturity Date or Redemption Date, as applicable. Then, the Payment Account shall be closed by the Paying Agent and any balance remaining in such account shall be turned over to the Issuer which shall nevertheless continue to hold such balance in trust and for the irrevocable benefit of the Bondholders with unclaimed principal and coupon payments. The Paying Agent’s responsibility to effect payments to Bondholders as provided for in this Agreement shall cease upon transfer of the funds to the Cash Settlement Banks nominated by the Bondholders or the return of the balance to the Issuer upon closure of the Payment Account.

4.3 **Payment to the Paying Agent.** The Issuer shall, at or prior to 9:30 a.m. on each Payment Date and on the basis of the Payment Report submitted by the Registrar as provided in Section 5.3.1 hereof, transfer to the Paying Agent via on us check deposit into the relevant Payment Account such amount as may be required for the purposes of such payment.

4.4 **Payment Administration After Receipt of Full Payment from the Issuer on Each Payment Date.** Payment administration by the Paying Agent shall be effected in accordance with the Registry Rules.

4.4.1 The Paying Agent shall pay, or cause to be paid, on behalf of the Issuer on or before 12:00 noon on each Payment Date the total amounts due in respect of the First Tranche Bonds through a direct credit (via RTGS) of the proper amounts, net of taxes and fees (if any) to the Cash Settlement Banks of the Bondholders, for onward remittance to the relevant Cash Settlement Account of the Bondholders with the Cash Settlement Bank no later than 3:00 p.m. on each Payment Date.

4.4.2 The Paying Agent shall generate and send to each Bondholder, a credit advice (in the mode elected by such Bondholder either through electronic mail, registered mail as indicated in the Final Sales Report submitted by the Selling Agent) of payments credited to their account. The cost of mailing and other related costs in the distribution of the advice shall be for the account of the Issuer.

4.4.3 After each Payment Date, the Paying Agent shall also send an email to the Issuer, copy furnish the **Trustee**, that all interest and/or principal payments due on the First Tranche Bonds on such Payment Date have been paid by Issuer and remitted by the Paying Agent to the Bondholders.

4.5 **Receipt of Insufficient Payment from the Issuer.** In the event that the Issuer fails to timely remit any part of the amounts due to the Bondholders on a Payment Date,

Redemption Date, or Maturity Date, the Issuer shall so inform the Bondholders (and in any case within two (2) Banking Days from the relevant Payment Date, Redemption Date, or Maturity Date). If only part of the amount payable in respect of the First Tranche Bonds is paid (except as a result of a deduction of tax permitted by the Terms and Conditions), any amount delivered to the Paying Agent as aforesaid shall be distributed by the Paying Agent proportionately to the Bondholders towards the satisfaction of the amount due on the First Tranche Bonds on such Payment Date, without prejudice to any right or remedy that a Bondholder may have against the Issuer. Unless and until the payment due or owing to the Bondholders has been made to the Paying Agent by the Issuer, the Paying Agent will not be bound to make any such payment or advance any sums using its own funds to the Bondholders.

- 4.6 ***Non-Receipt of Payment from the Issuer or Late Payment by the Issuer.*** The Issuer shall forthwith notify the Paying Agent and its Bondholders of the fact that payment of the amount due and payable under the Outstanding First Tranche Bonds by the time specified in Section 4.3 above shall be delayed. If the Paying Agent, however, receives the full amount payable on a later date, it will forthwith (and in any case within two (2) Banking Days from the date of receipt) make such payments in respect of the First Tranche Bonds in accordance with this Agreement.
- 4.7 ***Bondholders' Cash Settlement Accounts.*** The Issuer acknowledges that each Bondholder shall designate and maintain a cash account with a Cash Settlement Bank where the interest and principal payments due the Bondholder shall be credited. A list of PDS-registered Cash Settlement Banks shall be provided to the Issuer, Joint Lead Underwriters and Selling Agents prior to the start of the Offer Period. The Issuer acknowledges that the Paying Agent is constrained by legal requirements from being able to validate the existence of Cash Settlement Accounts of Bondholders and hereby commits that its appointed agents shall conduct the validation procedures necessary to ensure the validity of such Cash Settlement Accounts. The Issuer further acknowledges that the failure of its appointed agents to conduct these procedures may result in delays or errors in the distribution of payments to Bondholders. In these cases, the Paying Agent shall be indemnified and held free and harmless from any and all costs, expenses, and damages that it may incur or suffer to incur by reason of the inaccuracies in Bondholders Cash Settlement Accounts and consequent failure to receive amounts due on the First Tranche Bonds, or delays therein.
- 4.8 ***Withholding or Deduction.*** If the Issuer is, in respect of any payment for the First Tranche Bonds, compelled to withhold or deduct any amount for or on account of any taxes, duties, assessments or governmental charges as contemplated by the Terms and Conditions, the Issuer shall give notice to the Registrar as soon as it becomes aware of the requirement to make the withholding or deduction and shall give to the Registrar such information as the Registrar shall require to enable it to reflect such requirement in the Payment Report indicated under Section 2.9. Notwithstanding the submission of documentary proof of the tax-exempt status of a Bondholder, the Issuer may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the First Tranche Bonds. Any question on such determination shall be referred to the Issuer. In case such Bondholder no longer owns any amount or otherwise owns an insufficient amount of First Tranche Bonds at the time of the intended automatic set off, the Registrar, upon request of the Issuer, shall furnish all necessary information, including, but not limited to, copies of the BIR ruling or certificate of exemption submitted by such Bondholder, the original Deed of Undertaking executed by the Bondholder, and copies of any other documents relating to the Bondholder's tax status, which are in its possession to enable the Issuer to pursue its claim against the Bondholder. The Registrar shall certify to the completeness of the documents

provided to the Issuer pursuant to this Section. Nothing in this Agreement shall limit the right of the Issuer to pursue its claims against such Bondholders in accordance with applicable law.

- 4.9 **Repayment.** If claims in respect of any principal or interest become void under the Terms and Conditions, the Paying Agent shall forthwith return to the Issuer the amount which would have been due if presentation for payment had been made before such claims became void. The Paying Agent shall not, however, be otherwise required or entitled to return any sums received by it under this Agreement.

Section 5 Records and Reports

- 5.1 **Records.** The Registrar shall maintain the Registry and other pertinent records relating to the First Tranche Bonds, all of which shall be available for inspection by the Issuer during normal business hours, subject to prior written notice to the Registrar and provided that such inspection shall be reasonable and not violate applicable laws. The Registrar may, at its option, make copies of the documents received from the Selling Agents. The Registrar shall verify the identification and signature of the Bondholders against the identification documents or the digital copies thereof in its possession, in relation to any request for change of information regarding the Bondholder or instructions in relation to the secondary trading of the First Tranche Bonds. The Issuer is aware of and confirms that the digitalization of the documents shall result only in two-dimensional copies thereof and the Registrar shall not be required to verify beyond the features or information captured by such two-dimensional digital copy.
- 5.2 **Records Retention.** While the Bonds are still outstanding, PDTC shall safe keep hard copies of relevant records such as but not limited to the documents referred in Section 2.4.3.1 to 2.4.3.5 and 2.5.2 and 2.5.3 of this Agreement. No later than six (6) months after the Maturity Date or the Early Redemption Date, PDTC shall turnover to the Issuer such physical copies of the documents that are subject of this section. The Issuer hereby acknowledges that PDTC shall maintain electronic copies of the said documents solely for the purpose of its compliance with the relevant laws and regulations on document retention.
- 5.3 **PDEX.** Should the First Tranche Bonds be listed on the PDEX, transactions executed on the PDEX Trading System shall be traded and settled in accordance with the relevant rules of PDEX.
- 5.4 **Reports.** The Registrar or Paying Agent, as the case may be, shall prepare the following reports and submit to the appropriate party or parties as follows:
- 5.4.1 the Payment Report referred to in Section 2.9, which shall be made by the Registrar and submitted to the Issuer at or prior to 12:00 p.m. one (1) Banking Day after every Record Date
 - 5.4.2 the Payment Instruction Report referred to in Section 2.11, which shall be made by the Registrar and submitted to the Issuer, Cash Settlement Banks, and Paying Agent at or prior to 12:00 p.m. at least one (1) Banking Day before each Payment Date
 - 5.4.3 a statement of the amount of First Tranche Bonds outstanding in the name of a Bondholder which shall be prepared by the Registrar and released to each relevant Bondholder no later than twenty (20) Banking Days from the end of each quarter and

5.4.4 such other transaction advice, statements or reports as stated in this Agreement and as may be reasonably required by the Issuer.

- 5.5 **Conclusiveness of Reports.** All of the reports, transaction advice or statements referred to in Section 5.3 shall, save in the case of manifest error or fraud, be final and binding on the Issuer or the Bondholder. The Issuer and/or the Bondholder shall examine such reports, transaction advice or statements and promptly (and in no case more than thirty (30) calendar days from receipt thereof) notify the Registrar and Paying Agent in writing of any error and they shall together resolve to correct such error promptly (and in no case more than five (5) Banking Days from receipt of the notice by the Registrar and Paying Agent), failing which such transaction advice, statement or report shall be conclusive against the Issuer or the Bondholder, as the case may be.

Section 6 Representations and Warranties

- 6.1 **The Issuer's Representations and Warranties.** In addition to the representations and warranties of the Issuer under the Terms and Conditions of the First Tranche Bonds which it reiterates in this Agreement *mutatis mutandis*, the Issuer further represents and warrants that:
- 6.1.1 it (and, if applicable, any person on whose behalf it may act as agent or in a representative capacity) has and shall continue to have full capacity and authority to enter into this Agreement and to carry out the transactions contemplated in this Agreement, and has taken and shall continue to take all action (including the obtaining of all necessary corporate approvals and governmental consents) to authorize the execution, delivery and performance of this Agreement
 - 6.1.2 the terms of this Agreement as well as compliance with such terms do not constitute a breach of any obligations by which it is bound whether arising by its charter documents, any contract, or operation of law
 - 6.1.3 it shall execute and deliver such documents and perform such further acts as the other party may reasonably require in relation to this Agreement
 - 6.1.4 it shall fully, timely, and unconditionally comply with all items imposed under the Applicable Laws, relevant rules and regulations
 - 6.1.5 it has obtained the required regulatory approvals to issue the First Tranche Bonds which approval has not been revoked, qualified, or restricted, and shall fully, timely, and unconditionally comply with all other terms and conditions imposed by the appropriate regulatory authorities regarding the issuance of the First Tranche Bonds while any portion of the First Tranche Bonds remains outstanding
 - 6.1.6 it shall, on the Issue Date, execute the Master Certificate of Indebtedness and deliver certified true copies thereof to the Registrar and Paying Agent
 - 6.1.7 it shall, when so requested in writing, provide any and all information reasonably needed by the Registrar and/or Paying Agent to enable them to respectively comply with their respective responsibilities and duties *Provided*, that, in the event that the Issuer cannot, for any reason, provide the required information, the Issuer shall immediately advise the party requesting the same

and shall perform such acts as may be necessary to provide for alternative information gathering.

These representations and warranties are true and correct as of the date hereof and be deemed repeated on Issue Date and shall remain true and correct as long as the First Tranche Bonds remain outstanding.

6.2 ***The Registrar's and Paying Agent's Representations and Warranties.*** PDTC, as Registrar and/or Paying Agent, represents and warrants that it is duly licensed by the SEC and qualified by the Monetary Board of the BSP to act and perform the responsibilities of a Registrar and/or Paying Agent, and that its representation and warranty herein shall remain true and correct for the period of the subsistence of this Agreement. Furthermore:

6.2.1 It is duly licensed by the SEC to act and perform the responsibilities of a Registrar and/or Paying Agent, as may be required by applicable law, rules, and regulations

6.2.2 It has full capacity and authority to enter into this Agreement and to carry out the transactions contemplated in this Agreement

6.2.3 It is a third party that has no subsidiary or affiliate or any other relationship with the Issuer that would undermine its independence

6.2.3 It has adequate facilities, attributes, and organization required of a registrar and paying agent.

Section 7 Events of Default

7.1 ***Events of Default.*** As provided under the Trust Agreement, the Issuer shall be considered in default under the First Tranche Bonds in case any of the following events shall occur:

7.1.1 The Issuer fails to pay when due and payable any amount of principal or interest which the Issuer is obligated to pay the Bondholders under the Trust Agreement and the First Tranche Bonds, and such failure to pay is not remedied within seven (7) Banking Days from due date thereof. The Issuer fails to pay when due and payable any other amount payable by the Issuer in respect of the First Tranche Bonds and under the Trust Agreement in the manner, at the place, and in the currency in which it is expressed to be payable, and such non-payment continues for thirty (30) days from the date such payment is due. These other amounts include Penalty Interest, insofar as the payment of such interest is concerned

7.1.2 Except for clerical or typographical error, any representation or warranty made by the Issuer in the Trust Agreement or in any document issued pursuant thereto or otherwise in connection therewith shall prove to have been untrue, incorrect, or misleading in any material respect as at the time it was made or deemed to have been made or is violated or not complied with, and the circumstances which cause such representation or warranty to be incorrect or misleading continue for not less than thirty (30) days (or such longer period as the Majority Bondholders shall approve) after receipt of written notice from the Trustee to that effect

- 7.1.3 The Issuer fails to perform or comply with any other term, obligation, or covenant contained in the Trust Agreement or in any other document or instruments related or otherwise in connection therewith in any material respect and any such failure, violation, non-compliance is not remediable or if remediable, continues unremedied for a period of ninety (90) days for financial covenants and sixty (60) days for all other covenants from the date after written notice thereof shall have been given by the Trustee *Provided*, however, that for the avoidance of doubt, no additional grace period shall apply to the Events of Default specified in this Section 9.1 of the Trust Agreement
- 7.1.4 The Issuer violates any other material obligation by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any law or regulation which violation, if remediable, is not remedied by the Issuer within thirty (30) Banking Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity and which violation will, further, in the reasonable opinion of the at least 2/3 of the Bondholders, adversely and materially affect the performance by the Issuer of its obligations under the Trust Agreement and the First Tranche Bonds. *Provided*, however, that no event of default will occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or is in excess of five percent (5 %) of the fair market value of assets of the Issuer, based on the relevant parent-only financial statements of the Issuer
- 7.1.5 The Issuer becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, which act shall include: (i) the filing of a petition in any bankruptcy, reorganization, winding up or liquidation of the Issuer, or any other proceeding analogous in purpose and effect: *Provided*, however, that in case the foregoing petition is filed by any other party, other than the Issuer, such event shall be considered a declared Event of Default only upon the issuance of a final order by the court of competent authority (ii) the making of an assignment by the Issuer of substantially all or all of its assets, or in fraud of creditors (iii) the admission in writing by the Issuer of its inability to pay its debts (iv) the entry of any final order or judgment of any court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization, winding up or liquidation of the Issuer or (v) the appointment of a receiver, liquidator, assignee, trustee, or sequestrator of the Issuer, or a substantial part of its property or assets or a substantial part of its capital stock or to assume custody or control of the Issuer, or the ordering of its dissolution, winding-up or liquidation of its affairs provided, that, the issuance of any such decree or order shall not be an Event of Default if the same shall have been dismissed or stayed by injunction or otherwise within ninety (90) days from issuance thereof
- 7.1.6 The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days except that if the closure is: (i) due to strikes or lockouts or (ii) necessary to prevent business losses or (iii) due to fortuitous events or force majeure, then such closure shall not be deemed a closure default
- 7.1.7 Any final judgment, decree or arbitral award for the sum of money, damages or

for a fine or penalty in excess of 20% of the Issuer's Fair Market Value of Assets or its equivalent in any other currency is entered against the Issuer and any relevant period specified for payment in such judgment, decree, order, or agreement, and any extension thereof shall have expired without being satisfied, discharged, or stayed within thirty (30) calendar days after the date when payment of such judgment, decree, or award is due under the applicable law or agreement and

- 7.1.8 Any writ, warrant of attachment or execution, or similar process shall be issued or levied against all or substantially all of the Issuer's assets, and such writ, warrant, or similar process shall not be released, vacated, or fully bonded within sixty (60) days after its issue or levy (or such longer period as the Issuer satisfies the Majority Bondholders as appropriate under the circumstances).

Section 8 Indemnities, Fees, and Expenses

- 8.1 ***Indemnification of the Issuer.*** PDTC agrees to indemnify and hold the Issuer, its stockholders, directors, officers, employees, and agents free and harmless from all losses, claims, damages, liabilities, and expenses, including attorney's fees, or actions with respect to, arising out of, or by virtue of the failure of PDTC as Registrar and/or Paying Agent, to comply with any of its undertakings, covenants, or other obligations herein *provided* that, PDTC shall not indemnify the Issuer for such losses or actions arising out of or attributable to the gross negligence or willful misconduct of the Issuer. The foregoing shall be without prejudice to the right of the Issuer to pursue all available remedies for the breach by PDTC of its obligations under this Agreement.
- 8.2 ***Indemnification of PDTC.*** In addition to other indemnities provided elsewhere in this Agreement, the Issuer agrees to indemnify PDTC, and to hold PDTC free and harmless against all charges, costs, damages, losses, claims, liabilities, expenses, fees, and disbursements (together with any value-added tax or similar tax imposed from time to time), that PDTC may suffer or incur howsoever in connection with or arising from this Agreement, including the Issuer's position with respect to the taxability or non-taxability of the interest income on the First Tranche Bonds and on any transfer or negotiation of the First Tranche Bonds within five (5) years after Issue Date, as well as on the necessity and timing of obtaining a confirmatory ruling from the relevant tax authorities on the matter *provided*, that this provision shall not be available to the Registrar if the liabilities for which it is seeking indemnity arise from its own gross negligence or willful misconduct.

PDTC shall also be protected and shall incur no liability (and the Issuer undertakes to indemnify PDTC against any such liability) for or in respect of any action taken or omitted to be taken or anything suffered by it in reliance upon any notice, direction, consent, certificate, affidavit, statement or other document, or any telephone or other oral communication, relating to its duties hereunder reasonably believed to be genuine and correct and to have been delivered, signed, sent, sworn or made by or on behalf of the Issuer.

PDTC's Scope of Responsibility and Limitation of Liability

- 8.3.1 In the performance of its obligations under this Agreement, PDTC shall exercise such judgment and care under the circumstances then prevailing that persons of prudence, discretion, intelligence, and familiarity with such matters exercise in the management of their own affairs. In addition, PDTC shall not be held liable for any of its act or omission unless: (a) such act or

omission was committed with fraud, evident bad faith, gross negligence, willful omission or (b) it failed to exercise the skill, care, prudence, and/or diligence required by law under the circumstances. PDTC shall not be liable for any consequential or indirect loss. The Issuer shall promptly inform PDTC in writing of any loss or damage and shall, when possible, take steps to mitigate such loss or damage. PDTC's liability as herein provided for shall be limited only to that proportion of loss or damage suffered by the Issuer as determined by a court of competent jurisdiction to be attributable to PDTC.

- 8.3.2 PDTC is entitled at its discretion (but shall not have the obligation) to reverse incorrect credit entries to any accounts (including such an instance where an entry was made in anticipation of receipt of funds/assets that were not delivered), provided that prior written notice thereof shall be given to the Issuer.
- 8.3.3 Upon receipt of each transaction advice, statement of account, or report supplied to it by PDTC, the Issuer shall examine the same and promptly notify PDTC of any error in writing and subject to observance of Section 5.4 hereof, failing which the entries in the relevant Registry shall be conclusive against the Issuer.
- 8.3.4 Unless there is contributory negligence or fault on the part of PDTC, it assumes no responsibility for any loss/liability owing to any reason or cause beyond its control, including nationalization, currency turmoil or restrictions, fire, acts of war, acts of God, acts of any authority whether de jure or de facto, requirements of/change in any laws or regulations, strikes or industrial action, acts of terrorism, failure of courier/delivery service, or acts or disruption of any relevant securities exchange, depository, clearing house, settlement system, or market, and loss or malfunction of utilities or computers (hardware and software). PDTC's liability as herein provided for shall be limited only to that proportion of loss or damage suffered by the Issuer as determined by a court of competent jurisdiction to be attributable to PDTC.
- 8.3.5 PDTC shall not be liable for statements, reports, files, and/or advice sent electronically to Bondholders. Bondholders who opt to receive such statements electronically shall be required to execute an indemnity clause in the Application to Purchase or Investor Registration Form to hold the PDTC free and harmless from any liability, loss, suit, or damage that may arise due to the electronic delivery of such statements.
- 8.3.6 PDTC shall not be liable for any negligence, default, failure or delay of any Joint Lead Underwriters, any Selling Agent, PDEX Trading Participant, depository, clearing system, securities registration body, or securities Registrar (or similar party), and any losses arising therefrom (including non-receipt of any payments from the Issuer).
- 8.3.7 Notwithstanding any assistance rendered by PDTC in connection with tax matters the Issuer shall be solely and ultimately responsible for determining the applicable tax rates to be applied to the issuance and sale of the First Tranche Bonds and to the gross interest accruing to the Bondholders, reflecting the same in the relevant returns, preparing and filing all such tax returns, payments, reports, and other tax matters on any transactions undertaken pursuant to this Agreement that must be made on time to any relevant authority, whether governmental or otherwise.

- 8.3.8 PDTC shall not: (i) be responsible for monitoring if tax payment has been properly remitted by the relevant PDEX Trading Participant, and (ii) be required to request proof of said payment by the PDEX Trading Participant and shall be held indemnified, free, and harmless from any claims, charges, and assessments from the foregoing.
- 8.3.9 The Issuer understands that regulatory authorities may require PDTC to furnish information concerning the ultimate beneficiaries of any account held by it. Upon PDTC forwarding any such regulatory authority's requirement to the Issuer, the Issuer shall furnish such information to PDTC for onward transmission or directly to the relevant regulatory authority in accordance with the local laws. Any inaction or delay in the compliance of the Issuer with the requirement of regulatory authorities properly notified by PDTC shall free it from any harm and liability caused by such inaction.
- 8.3.10 Except as otherwise provided elsewhere in this Agreement, PDTC shall not have any duty to monitor the compliance by the Issuer or its customers/agents with any guideline or restriction imposed by the Issuer's charter documents or by any other document, law, or regulation including compliance with any investment restriction and any notification requirement relating to the Issuer's or its customers/agents' beneficial ownership of securities.
- 8.3.11 The Issuer, Joint Lead Underwriters, and any of the Selling Agents in the case of the initial issuance of the First Tranche Bonds, and the PDEX Trading Participants, in the case of secondary trades on the First Tranche Bonds, shall be responsible for establishing the bona fide identity of each of the Bondholders in accordance with the AMLA, as well as its own internal policies regarding knowing your customer and anti-money laundering. PDTC shall be entitled to rely on the strict performance by the Issuer, the Joint Lead Underwriters and any of the Selling Agent, and/or the PDEX Trading Participants, as the case may be, of their obligations under the AMLA. Nothing herein, however, shall be construed as preventing any of the parties from performing their own investigation in accordance with the AMLA and their own internal guidelines and standards.
- 8.3.12 No liability will be incurred by PDTC if, in the event of any dispute or question as to the scope of its functions and authority, it acts in accordance with the terms and conditions of this Agreement.
- 8.3.13 The Registrar and Paying Agent shall not be construed as acting as investment manager or investment adviser to the Issuer or any of the Bondholders.
- 8.3.14 None of the Selling Agents shall be construed, deemed, or implied as acting as or agreeing to act as a Cash Settlement Bank as this term is defined, used, understood, or construed under any of the rules or regulations or memoranda of the PDS Groups, nor shall any of the Selling Agents be construed, deemed, or implied to have agreed to be bound as a Cash Settlement Bank under such rules, regulations, or memoranda, unless it has otherwise applied for and been qualified as such by the PDS Group. For the avoidance of doubt, where the Selling Agents have been nominated by the Issuer as Cash Settlement Banks under this Agreement, such appointment and designation is understood to be for purposes of this Agreement alone.

- 8.4 **Fees and Expenses.** The Issuer shall pay to the Registrar and Paying Agent from time to time (without any deduction except for the applicable creditable withholding tax or its statutory replacement) such fees/commission for its services pursuant to this Agreement as may be agreed in writing between the Registrar and the Paying Agent and the Issuer including such reasonable expenses, disbursements, and costs as may be incurred under this Agreement. All reasonable out-of-pocket expenses which are to be incurred by PDTC in connection with the preparation, execution, delivery, and performance of this Agreement, shall be for the account of the Issuer, provided that for any expense in the amount of at least Twenty Five Thousand Pesos (PhP25,000), PDTC shall secure, prior to incurring such expense, the written consent of the Issuer, except when such expense is in compliance with regulatory requirements in connection with this Agreement. The requirement of a written consent herein shall not apply to out-of-pocket expense in relation to the statement generation, mailing and courier costs of the Registry Confirmation, Credit Advice, and Quarterly Statement of Account. If any applicable law requires a deduction, other than creditable withholding tax under Revenue Regulations No. 17-2003, to be made, the Issuer shall pay such further sum to the PDTC as Registrar and/or Paying Agent so that it would ultimately receive an amount equal to that it would have received had no such deduction been made. PDTC shall issue the official receipts for payments made by Issuer only upon the submission by the Issuer of the Creditable Withholding Tax Certificate or such other proof of payment of the applicable taxes as mentioned above. Any invoice, official receipt, or other accountable form to be issued by PDTC pursuant to this Agreement shall comply with the prevailing invoicing and receipting rules and regulations as well as contain all the information required by BIR to support the expenses incurred as well as enable the Issuer to utilize the input value-added tax thereon. The Issuer agrees to pay interest at the PDTC's prevailing rate on any sum owed but not paid by the Issuer on the due date of payment.

The Issuer hereby acknowledges the right of the Registrar and the Paying Agent to be reimbursed and paid out-of-pocket expenses that it may incur in the preparation of documents which the Trustee may request in connection with the performance of the Trustee of its duties under the Trust Agreement.

The PDTC may likewise impose such reasonable fees on the Bondholders for the services that it shall perform for their benefit. Such fees are detailed in **Schedule 12** of this Agreement, and made an integral part hereof.

Section 9 Notices to Bondholders

- 9.1 **Notice.** Notices required to be given by the Registrar or Paying Agent to the Bondholders under this Agreement shall be made in accordance with the Terms and Conditions and the Registry Rules, as the same may be amended from time to time, at the expense of the Issuer.

Section 10 Changes in Agents

- 10.1 **Termination.** The Issuer may at any time appoint a new registrar or paying agent and/or terminate the appointment of the Registrar and Paying Agent by giving to the Registrar and Paying Agent at least thirty (30) Banking Days prior written notice to that effect. *Provided that*, so long as any of the First Tranche Bonds are outstanding, the notice shall not expire less than forty five (45) Banking Days before an Interest Payment Date and notice shall be given to the Bondholders at least thirty (30) Banking Days before the termination of the appointment of the Registrar and Paying Agent.

- 10.2 **Resignation.** The Registrar and Paying Agent may resign at any time by giving the Issuer at least thirty (30) Banking Days prior written notice to that effect *Provided* that, so long as any of the First Tranche Bonds are outstanding, the notice shall not expire less than forty five (45) Banking Days before any Interest Payment Date. Following receipt of a notice of resignation from the Registrar and Paying Agent, the Issuer shall promptly, and in any event not less than thirty (30) Banking Days before the resignation takes effect, give notice to the Bondholders.
- 10.3 **Change of Office.** If the Registrar and Paying Agent changes the address of its specified office in a city, it shall give the Issuer and the Bondholders at least thirty (30) calendar days notice of the change, giving the new address and the date on which the change is to take effect.
- 10.4 **Delivery of records and turnover of amounts held.** If the Registrar and Paying Agent resigns or its appointment is terminated, it shall on the date on which the resignation or termination takes effect pay to the new registrar and paying agent any amount held by it for payment in respect of the First Tranche Bonds and deliver to the new registrar and paying agent the Registry and all other records kept by it pursuant to this Agreement.
- 10.5 **Successor Corporations.** A corporation into which the Registrar and Paying Agent is merged or converted or with which it is consolidated or which results from a merger, conversion or consolidation to which it is a party shall, to the extent permitted by applicable law, be the successor agent under this Agreement without further formality. The Registrar and Paying Agent concerned shall forthwith notify such an event to the Issuer and the Bondholders.

Section 11 General Provisions

- 11.1 **Several and Joint Obligations.** The obligations of the Registrar and Paying Agent are several and not joint.
- 11.2 **No Implied Duties.** The Registrar and Paying Agent are hereby obligated to perform such duties as are specifically set forth in this Agreement or are incorporated into this Agreement by reference to the Terms and Conditions, and subject to the limitations herein, shall be responsible only for the performance of such duties and obligations as are specifically set forth this Agreement, and no obligation or covenants shall be implied or read into this Agreement as against the Registrar and Paying Agent.
- 11.3 **No Agency or Trust.** In acting pursuant to this Agreement, the Registrar and Paying Agent shall have no obligation towards or relationship of agency or trust with any Bondholders and need only perform the duties set out specifically in this Agreement and the Terms and Conditions and any duties necessarily incidental to them.
- 11.4 **Taking of Advice.** The Registrar and Paying Agent may consult on any legal matter with any legal adviser selected by it, who may also be an employee of or adviser to the Issuer and it shall not be liable in respect of anything done, or omitted to be done, in good faith relating to that matter in accordance with that adviser s opinion.
- 11.5 **Reliance on Documents etc.** The Registrar and Paying Agent shall not be liable in respect of anything done or suffered by it in reliance on any document reasonably believed by it to be genuine and to have been signed by the proper parties or on

information or instructions to which it should properly have regarded and reasonably believed by it to be genuine and to have been originated by the proper parties.

- 11.6 **No liability for Interest.** The Paying Agent shall not be under any liability for interest on any moneys at any time received by it pursuant to any of the provisions of this Agreement or the Terms and Conditions and applied by it in accordance with provisions hereof, except as otherwise provided hereunder or agreed in writing.
- 11.7 **Compensation.** None of the provisions contained in this Agreement shall require the Registrar and Paying Agent to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if there is a reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Agreement.
- 11.8 **Other Relationships.** PDTC may become the owner or pledgee of the First Tranche Bonds with the same rights it would have if it were not the Registrar and Paying Agent, and may engage or be interested in any financial or other transaction with the Issuer or any of its affiliates, and may act on, or as depository, trustee or agent for any committee or body of holders of the First Tranche Bonds or other obligations of the Issuer, as freely as if it were not the Registrar and Paying Agent and need not account for any profit in relation thereto.
- 11.9 **Copies of this Agreement.** The Registrar shall, during regular business hours, provide a copy of this Agreement for inspection at its specified office by the Bondholders upon their request.
- 11.10 **Liens, Encumbrances, Attachments or Garnishments.** The Registrar shall record and annotate in the Registry:
- 11.10.1 any voluntary liens or encumbrances constituted upon the First Tranche Bonds, upon its receipt of a written notice from the relevant creditor, together with the written acknowledgement from such Bondholder of the same and documentary evidence of such voluntary liens or encumbrances such other documents as may be reasonably required by the Registrar and
- 11.10.2 any writ of attachment or garnishment issued by a court or quasi-judicial agency of competent jurisdiction against a Bondholder and served upon the Registrar, either directly or through the Issuer.

Upon such recording and notation, the Registrar shall place on hold and shall not be obliged to record any transfer of the First Tranche Bonds, the subject of such lien, encumbrance, attachment or garnishment, unless or until: (a) in the case of voluntary liens or encumbrances, the obligations secured by such voluntary liens or encumbrances have been performed by the registered Bondholder or the transferee Bondholder agrees to take the First Tranche Bonds subject to the lien or encumbrance constituted thereon and in either case, upon written acknowledgement of the relevant creditor to the Registrar of the same or (b) in the case of attachments or garnishment, the appropriate court or quasi-judicial agency orders the lifting of such attachment or garnishment, which order is served upon the Registry, either directly or through the Issuer.

The Issuer acknowledges that PDTC as the appointed Registrar and Paying Agent of the First Tranche Bonds shall treat attachment or garnishment orders issued by a court or quasi-judicial agency on a case to case basis. PDTC shall rely on the instructions of the Issuer with respect to the handling of the securities account upon the recording

and notation of the attachment or garnishment, including the disbursement of the coupon and maturity cash proceeds pertaining to the attached or garnished securities account.

For the purpose of this section, when a securities account has been Frozen , no debit or credit of securities can be made into such securities account. When a securities account has been Suspended , however, no debit will be made but credit of securities is allowed to be made to the securities account.

11.12 **Good Faith Undertaking**

11.12.1 In implementing this Agreement and in discharging their respective duties and obligations hereunder, the parties agree to apply the standards of good faith and commercial loyalty, taking into consideration that the main purpose of this Agreement is to ensure the utmost cooperation among the parties and the success of the Offer and the trading of the First Tranche Bonds. Thus, the parties agree to perform all such acts and to execute and deliver such other documents or instruments as may be necessary (including amending and/or supplementing this Agreement) in order to give effect to the intent underlying the Offer and the trading of the First Tranche Bonds as to fully implement or consummate the transactions contemplated thereby.

11.12.2 Should there be new rules and regulations imposed by the relevant regulatory bodies, including a Self-Regulatory Organization (“**SRO**”), as defined in the Securities Regulation Code, or market conventions adopted and imposed by an SRO, or changes in the Registry System of the Registrar in compliance with the said rules and regulations or market conventions that would require the parties to this Agreement to perform or do certain acts in addition to what are contemplated or envisioned herein, the parties agree to comply with said regulations and/or conventions subject to the provisions of Section 6.1 above.

Section 12 Miscellaneous

12.1 **Assignment.** Neither party may terminate this Agreement, or assign or transfer all or any of its rights, benefits, and obligations hereunder without the consent of the other party.

12.2 **Ability to Consult Counsel.** PDTC may consult with legal counsel of its choice in connection with its duties under this Agreement and any opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or omitted to be taken by PDTC hereunder in good faith and in accordance with such opinion. Provided, that, prior to taking or not taking such action for which the opinion of counsel was sought, PDTC shall inform the Issuer of the relevant opinion of counsel. Any delay in the taking of action by PDTC, where the Issuer shall have contributed to such delay, shall entitle PDTC to indemnification, and it shall be held free and harmless for any costs, expenses or damages incurred or suffered to be incurred by it by reason thereof.

12.3 **Disclosure; Confidentiality.** Except as may be necessary to perform its duties under this Agreement as required by applicable regulations, PDTC as Registrar and/or Paying Agent: (a) shall keep privileged, confidential, separate, and distinct any information, data, documents, files, properties, funds, or any other matter which it may

acquire pursuant to this Agreement or obtained in the course of the performance of its duties and functions (b) shall refrain from disclosing any such information or item in any manner, whether written, oral, telegraphic, coded or encrypted, whether in physical, electronic, or any other form or media and (c) hereby undertakes not to use any such information or item for its own benefit or for the benefit of any of its clients regardless of whether or not such use can be shown to cause disadvantage, injury, or damage to the Issuer. The Issuer hereby authorizes PDTC as Registrar and/or Paying Agent to disclose information and/or transfer data regarding this Agreement if required to do so by:

- 12.3.1 Request of any Bondholders with respect to its own holdings of the First Tranche Bonds
 - 12.3.2 Request of the Bank through its authorized officers or employees, all of whom shall be caused by the Issuer to keep confidential all such information disclosed to them
 - 12.3.3 Corporate practice, as disclosures made to directors, officers, employees, auditors, or legal counsel of PDTC necessary to perform its functions under this Agreement, all of whom shall be caused by PDTC to keep confidential all such information disclosed to them
 - 12.3.4 any applicable law, statute, or other regulation of or by any court order or similar process enforceable in any relevant jurisdiction
 - 12.3.5 any regulatory body, self-regulatory entity, clearing system/company or depository (whether of a governmental nature or otherwise) in any relevant jurisdiction
 - 12.3.6 any department or agency of government in any relevant jurisdiction and
 - 12.3.7 any offices, branches, or subsidiaries of the PDS Group or any agents or third parties in connection with this Agreement (including the services/duties to be provided by the Registrar under this Agreement).
- 12.4 The Registrar and Paying Agent hereby agrees to handle all information it may receive in relation to the First Tranche Bonds as a Data Processor in accordance with Republic Act No. 10173 (Data Privacy Act of 2012), its implementing rules and regulations, and other relevant issuances of the Philippine National Privacy Commission.
- 12.5 **Severability.** If any provision hereunder becomes invalid, illegal, or unenforceable under any law, the validity, legality, and enforceability of the remaining provisions of this Agreement shall not be affected or impaired.
- 12.6 **Notices.**
- 12.6.1 Except as otherwise provided in this Agreement, any notice, demand, letter, or communication may be sent by the Registrar and/or Paying Agent to the Issuer by telex, electronic mail, web-based uploads, or other electronic or teleprocess instruction system, post, reputable courier, confirmed facsimile, S.W.I.F.T., electronic mail or by hand. Any notice, demand, letter or communication to the Registrar and/or the Paying Agent shall be sent to the following address and shall be effective only when received by the designated addressee/s. Any notice, demand, letter, or communication may be sent by one party to the other

at the address and numbers set out below or such address and numbers as one party may inform the other in writing.

To the Issuer: **Aboitiz Power Corporation**
NAC Tower, 32nd Street
Bonifacio Global City, 1634 Taguig City
Attention: [•]
Subject: [•]
Address: 32nd Street, Bonifacio Global City,
1634 Taguig City, Metro Manila
Telephone No. [•]
E-mail: [•]
With copy to: [•]

To the Registrar
Paying Agent: **Philippine Depository & Trust Corp.**
29th Floor, BDO Equitable Tower, Paseo de Roxas
Makati City

Telephone no.: (632) 8884-4425
Fax no.: (632) 82303346
E-mail: baby.delacruz@pds.com.ph
Attention: Josephine Baby Delacruz
Director

To the Trustee: [•]
[•]

Fax no.: [•]
E-mail: [•]
Attention: [•]

12.6.2 The parties shall maintain a record of electronic data, message, communication, or mail received pursuant to this Agreement. Any electronic data, message, communication, or mail addressed to the Registrar and/or Paying Agent shall not be deemed received by the Registrar and/or Paying Agent until receipt of such communication has been acknowledged or confirmed by electronic communication or mail by an authorized representative of the Registrar and/or Paying Agent.

12.6.3 All notices shall be deemed to have been personally given on the date of receipt (if delivered personally), or ten (10) calendar days after posting (if transmitted by registered mail), or the date of transmission (if transmitted by telefax or electronic mail provided, that no bounce mail, or error or send notification is received by the sender), or the next Banking Day if sent by reputable courier service, or the date of receipt (if sent through other means). Each party may change its addressee, address, telefax number, or email address for purposes of receiving notice by giving written notice thereof to the other parties hereto.

12.6.4 The Issuer agrees that the Registrar and/or Paying Agent does not guarantee the security of any electronic communication transmitted to the Bondholder or the Issuer, and that the Registrar and/or Paying Agent is not liable for the

complete and timely transmission thereof in the absence of evident bad faith, gross negligence, or willful omission. The Issuer likewise agrees to hold the Registrar and/or Paying Agent harmless and indemnified from and against any actual or threatened liability or damage arising from or in connection with electronic transmission of information under this Agreement, unless said liability or damage was caused by the Registrar and/or Paying Agent's fraud, evident bad faith, gross negligence, or willful omission.

- 12.7 **Amendment.** Any amendment of this Agreement is subject to the mutual agreement in writing by both parties. The Issuer understands that any change to the Terms and Conditions that may affect the obligations of the Registrar and Paying Agent under this engagement shall be subject to a separate agreement with the Registrar and Paying Agent.
- 12.8 **Survival of Representations and Obligations.** Unless otherwise stated, the representations, warranties, agreements, undertakings and indemnities in this Agreement shall continue in full force and effect despite the termination or expiry of the term of this Agreement.
- 12.9 **Non-Waiver.** The failure of any party at any time or times to require the performance by the other of any provision of this Agreement shall not affect the right of such party to require the performance of that or any other provisions and the waiver by any party of a breach under this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any other right under this Agreement.
- 12.10 **Governing Law and Venue.** This Agreement shall be governed and construed in accordance with the laws of the Republic of the Philippines. Any legal action or proceeding arising out of, or connected with, this Agreement shall be brought exclusively in the proper courts of Makati City or Taguig City, at the option of the complaining Party, each of the parties expressly waiving any other venue.
- 12.11 **Counterpart Signing.** It is agreed that this Agreement may be signed and notarized in counterparts.

IN WITNESS WHEREOF:

The parties have caused this Agreement to be executed on the date and at the place first written above.

(signature pages follow)

PHILIPPINE DEPOSITORY & TRUST CORP.
Registrar and Paying Agent

By:

MA. THERESA B. RAVALO
President Chief Operating Officer

Signed in the presence of:

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

BEFORE ME, a Notary Public in and for the City of Makati this 27th day of October 2020 personally appeared the following, who has satisfactorily proven to me his identity through the below-described identification documents:

Name	Identification Document/ID No.	Expiring on / Issued at
MA. THERESA RAVALO	B. Driver's License No. F01-84-003769	2023/07/12/ LTO

known to me and to me known to be the same person who executed the foregoing Registry and Paying Agency Agreement composed of _____ pages including annexes and the page on which this acknowledgement is written, and who acknowledged to me that the same is his free will and voluntary act and deed, and that of the corporation he represents.

WITNESS MY HAND AND NOTARIAL SEAL on the date and place first above written.

Doc. No.
Page No.
Book
Series of 2020.

**ABOITIZ POWER CORPORATION
ISSUER**

By:

[•]
[•]

Signed in the presence of:

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY) S.S.

BEFORE ME, a Notary Public in and for the City of Taguig this [•] day of [•] personally appeared the following, who has satisfactorily proven to me his identity through the below-described identification documents:

Name	Identification Document/ID No.	Issued on / at
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known to me and to me known to be the same person who executed the foregoing Registry Agreement composed of pages including annexes and the page on which this acknowledgement is written, and who acknowledged to me that the same is his free will and voluntary act and deed, and that of the corporation he represents.

WITNESS MY HAND AND NOTARIAL SEAL on the date and place first above written.

Doc. No.
Page No.
Book
Series of 2020.

SCHEDULES

Schedule 1	Terms and Conditions of the First Tranche Bonds
Schedule 1-A	Form of the Master Certificate of Indebtedness for the Series C and Series D Bonds
Schedule 2	Form of the Application to Purchase
Schedule 3	Payment Account Bank Form
Schedule 4	Form of Affidavit of Undertaking
Schedule 5	Trade Related Transfer Form
Schedule 6	Non-Trade Related Transfer Form
Schedule 7	Form of Written Consent of Transferee Bondholder
Schedule 8	Investor Registration Form
Schedule 9	Form of Registry Confirmation
Schedule 10	List of Documents Required by Registrar
Schedule 11	Form of Cash Settlement Bank Designation
Schedule 12	Registry Fees
Schedule 13	Guidelines for the Submission of PDTC Registry Documents for Primary Issuance During Community Quarantine

SCHEDULE 1
TERMS AND CONDITIONS OF THE FIRST TRANCHE BONDS

**SCHEDULE 1-A
FORM OF MASTER CERTIFICATE OF INDEBTEDNESS FOR THE SERIES C AND
SERIES D BONDS**

**SCHEDULE 2
FORM OF THE APPLICATION TO PURCHASE**

**SCHEDULE 3
PAYMENT ACCOUNT BANK FORM**

**SCHEDULE 4
FORM OF AFFIDAVIT OF UNDERTAKING**

AFFIDAVIT OF UNDERTAKING

Name of Bondholder , citizenship and civil status , with residence address at address , state trade or business engaged in, if any) represented herein by the undersigned name of officer , title/designation , (the "Bond Holder"), after having been sworn in accordance with law hereby depose and state that:

1. The Bondholder is the holder of the [●]% per annum APC Bonds due on [●] (the "Bonds") issued by Aboitiz Power Corporation (APC") with an aggregate principal amount of Pesos.
2. As a holder of APC Bonds, the Bondholder is entitled to receive periodic interest and principal payments pursuant to the terms of the bond offering.
3. The Bondholder represents and warrants to PC and to the Philippine Depository Trust Corp. ("PDTC"), in the latter's capacity as Registrar and Paying Agent for the Bonds, that it is, a state tax status of Bondholder entitled to tax benefits provided under tax exemption basis: statutory provision, applicability of a tax treaty, BIR ruling or opinion resulting in taxation benefit and its effect . Proof of the foregoing tax benefits are provided in the following documents which are attached to this Affidavit of Undertaking:
 - (a) Please specify which document is applicable: For (a) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code) (b) cooperatives duly registered with the Cooperative Development Authority and (c) BIR-approved pension fund and retirement plan certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed valid, current and subsisting if it has not been more than 3 years since the date of issuance thereof For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 certified true copy of the Bondholder s current, valid and subsisting Certificate of Accreditation as PERA Administrator For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions (b) government-owned or -controlled corporations and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax With respect to tax treaty relief, (i) certificate of tax residence issued for the current year (whether using the form prescribed in their country of residence, or using Part I (D) of the Certificate of Tax Residence for Tax Treaty Relief (CORTT) Form prescribed under Revenue Memorandum Order No. 8-2017), and (ii) duly accomplished CORTT Form (particularly Part I (A), (B) and (C), and Part II (A), (B), (C) and (D))
 - (b) evidence of the applicability of a tax Please specify the specific document.
 - (c) A certification from the Ministry of Finance of the domicile state of the Bondholder duly authenticated and consularized by the Philippine Consulate in that the Bondholder is a resident of such state and
 - (d) Confirmation from the Securities and Exchange Commission that the entity is not doing business in the Philippines.
4. The Bondholder undertakes and warrants that as of the date hereof, the Tax Exemption Certificate / Decision / BIR Ruling in its entirety, has not been revoked, overruled, reversed or set aside by any authority (judicial or administrative), and has the full force and effect of the law. Such decision applying or interpreting the Bondholder s exempt status under the National Internal Revenue Code of 1997 from withholding tax on interest income earned is enforceable and conclusive upon the BIR.

5. The Bondholder shall: (a) promptly provide such other documentary requirements as may be required by APC or PDTC under the applicable regulations of the relevant taxing or other authorities for the purpose of claiming tax treaty or withholding rate benefits and (b) promptly advise APC and PDTC of any change in its circumstance, relevant treaty, law, or regulation that may or would result in the interest income of the Bondholder being ineligible to the benefits described in paragraph 3 above or otherwise being made subject to tax.
6. The Bondholder undertakes to notify APC and PDTC immediately of any order, ruling, amendment, or supervening event that would result in the suspension or revocation of the above tax benefits claimed by the Bondholder.
7. The Bondholder hereby authorizes APC and PDTC to rely solely on the foregoing representations in all of the Bondholder's holdings, transactions, and dealings in respect of the Bonds. In view of the tax benefits described in paragraph 2 above, if and when so warranted under applicable law, rules, and regulations, the Issuer is directed not to withhold taxes on the interest earned by the Bondholder in its investment in the Bonds or to otherwise reduce the rate of withholding tax to the extent provided under the tax benefits claimed by the Bondholder.
8. The Bondholder hereby holds APC and PDTC free and harmless from, and undertakes to indemnify APC and PDTC against any and all obligations (including any tax obligation), actions, charges, claims, costs and other expenses that APC and PDTC may incur or be subjected to on account of their reliance on the foregoing representations, warranties, and directive. The Bondholder assumes all risks and liabilities arising out of its representation that it is a tax-exempt entity (or an entity entitled to a reduced rate of withholding tax under a tax treaty) and its directive to APC not to effect any withholding (or to effect a reduced rate of withholding) on the receipt of income arising from its ownership of the Bonds.
9. In the event that the BIR shall issue a demand letter and assessment against APC following a lawful and timely audit despite presentation of the Bondholder's supporting documents, the Bondholder shall immediately pay the amount of the assessment (including interests and penalties, if any) subject of the assessment notice within the prescribed period or prosecute the appropriate protest and/or enter into a compromise agreement with the BIR, without recourse to APC and/or PDTC. The Bondholder shall submit to APC proof of payment of the tax assessments duly stamped received by the BIR and such other proof of settlement or termination of the tax assessment or audit without necessity of any demand.
10. In the event that the Bondholder violates any of the provisions of this Affidavit of Undertaking, or if any of the Bondholder's representations prove to be untrue, or if the tax exemption and/or benefit of the Bondholder shall have been suspended, revoked or otherwise rendered ineffective, APC is hereby authorized to withhold the tax deemed by it to be applicable on the Bondholder's income arising from its ownership of the Bonds, provided that any amount that should have been withheld by APC on previous payments to the Bondholder shall be automatically set off against future payments due to the Bondholder, without liability either to the Bondholder, or any person other than the Bondholder, claiming title to the Bonds.
11. The Bondholder agrees that notwithstanding the submission by the Bondholder or the receipt by APC and PDTC of the documents required in paragraph 3 as well as this Affidavit of Undertaking, APC may, in its sole and reasonable discretion, determine that such Bondholder is taxable and may require PDTC to proceed to apply the tax due on the interest income from the Bonds or otherwise offset any taxes, penalties, interest, and other charges due from previous payments made to the Bondholder against any future payments to be made by APC or PDTC to the Bondholder. The Bondholder hereby acknowledges that any questions on such determination shall be referred to APC. The Bondholder agrees to indemnify and hold APC and PDTC free and harmless against all charges, costs, damages, losses, claims, liabilities, expenses, fees, and disbursements that APC and/or PDTC may suffer or incur howsoever in connection with the application of this provision.

IN WITNESS WHEREOF, the undersigned has hereunto set her hand this _____ of _____ at _____

By: Bondholder
[Name]
Position

SUBSCRIBED AND SWORN to before me on this day of at . Affiant, who is personally known to me, personally appeared to me and exhibited his Competent evidence of identity issued at on and his Community Tax Certificates issued at on

Doc. No.
Page No.
Book No.
SERIES OF 2020.

**SCHEDULE 5
TRADE RELATED TRANSFER FORM**

**SCHEDULE 6
NON-TRADE RELATED TRANSFER FORM**

SCHEDULE 7
FORM OF WRITTEN CONSENT OF TRANSFEREE BONDHOLDER

**SCHEDULE 8
INVESTOR REGISTRATION FORM**

**SCHEDULE 9
NON-TRADE RELATED TRANSFER FORM**

**SCHEDULE 9
FORM OF REGISTRY CONFIRMATION**

SCHEDULE 10
LIST OF DOCUMENTS REQUIRED BY THE REGISTRAR

SCHEDULE 11
FORM OF CASH SETTLEMENT BANK DESIGNATION

**SCHEDULE 12
REGISTRY FEES**

SCHEDULE 13
GUIDELINES FOR THE SUBMISSION OF PDTC REGISTRY DOCUMENTS FOR
PRIMARY ISSUANCE DURING COMMUNITY QUARANTINE

CE012436



Republic of the Philippines
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Mandaluyong City
Metro Manila
CEBU EXTENSION OFFICE
Cebu City

SEC Reg. No. C199800134

CERTIFICATE OF INCORPORATION

KNOW ALL MEN BY THESE PRESENTS:

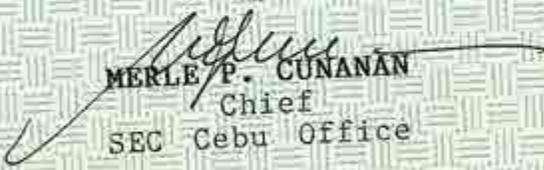
This is to certify that the Articles of Incorporation and By-Laws of

ABOITIZ POWER CORPORATION

were duly registered by the Commission on this date upon the issuance of this Certificate of Incorporation in accordance with the Corporation Code of the Philippines (Batas Pambansa Blg. 68), approved on May 1, 1980 and copies of said Articles and By-Laws are hereto attached.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of this Commission to be affixed at Cebu City, Philippines, this 12 day of February, Nineteen Hundred and Ninety-eight.

BY AUTHORITY OF THE COMMISSION


MERLE P. CUNANAN
Chief
SEC Cebu Office

Per SEC Office Order No. 9, Series of 1983

ARTICLES OF INCORPORATION
OF
ABOITIZ POWER CORPORATION

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KNOW ALL MEN BY THESE PRESENTS:

That we, all of legal age, citizens and residents of the Republic of the Philippines, have this day voluntarily associated ourselves together for the purpose of forming a stock corporation under the laws of the Philippines.

AND WE HEREBY CERTIFY:

FIRST: That the name of the said corporation shall be:

ABOITIZ POWER CORPORATION *Jan*

SECOND: That the purposes for which the said corporation is formed are:

PRIMARY PURPOSE

To invest in, hold, own, purchase, acquire, lease, contract, operate, improve, develop, manage, grant, sell, exchange, or otherwise dispose of real personal properties of every kind and description, including shares of stock, bonds and other securities or evidence of indebtedness of any electricity generation and/or distribution or hydropower facility, corporation, partnership, association, firm, or entity, domestic or foreign, where necessary or appropriate and to possess and exercise in respect thereof all the rights, powers, and privileges of ownership, including all voting powers of any stock so owned, without acting as or engaging in the business of an investment company, or dealer or broker in securities; to act as managers or managing agents of persons firms, associations, corporations, partnerships and other entities engaged in the electricity generation and/or distribution, hydropower or related businesses; to provide management, investment and technical advice for commercial, industrial, manufacturing and other kinds of enterprises engaged in the electricity generation and/or distribution, hydropower or related businesses; to undertake, carry on, assist or participate in the promotion, organization, management, liquidation, or reorganization of corporations, partnerships and other entities engaged in the electricity generation and/or distribution, hydropower or related businesses; to develop, construct, own, lease and operate electricity generation and/or distribution and/or hydropower plants or related businesses; to engage in build-operate-transfer arrangements with the government, its branches, agencies and instrumentalities, and any non-government entity; act as consultants, contractors or principals in the business of developing, constructing, operating, repairing and maintaining of hydropower plants and systems and other power-generating or converting stations and in the manufacture, operation and repair of associated mechanical and electrical equipment; to carry on the general business of manufacture, generation, and/or transmission of electric power in accordance with existing laws, rules and regulations; and to carry on all business necessary or incident to all the foregoing.

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SECONDARY PURPOSES

1. To acquire or obtain from any government or authority, national, provincial, municipal or otherwise, or any corporation, company or partnership or person, such charter, contracts, franchise, privileges, exemption, licenses and concession as may be conducive to any of the objects of the corporation;
2. To offer shares of its original or increased capital stock to the public for subscription and increased capitalization, subject to the requirements provided by law;
3. To acquire and hold water and flowage rights;
4. To construct, erect, purchase, install, operate and sell electric light plants, ice making plants, systems for pumping water for individuals, corporations and/or municipalities, cold storage plants, water distilling plants, machine shops, foundries, and slipways, and to sell and distribute the products or results of any such plants or systems.
5. To purchase, acquire, own, lease, sell and convey real properties such as lands, buildings, factories and warehouses and machineries, equipment and other personal properties as may be necessary or incidental to the conduct of the corporate business, and to pay in cash, shares of its capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the corporation.
6. To borrow or raise money necessary to meet the financial requirements of its business by the issuance of bonds, promissory notes and other evidence of indebtedness, and to secure the repayment thereof by mortgage, pledge, deed of trust or lien upon the properties of the corporation or to issue pursuant to law shares of its capital stock, debentures and other evidence of indebtedness in payment for properties acquired by the corporation or for money borrowed in the prosecution of its lawful business;
7. To invest and to deal with moneys and properties of the corporation in such manner as may from time to time be considered wise or expedient for the advancement of its interests and to sell, dispose of or transfer the business, properties and goodwill of the corporation or any part thereof for such consideration and under such terms as it shall see fit to accept;
8. To aid in any manner any corporation, association, or trust estate, domestic or foreign, or any firm or individual, any shares of stock in which or any bonds, debentures, notes, securities, evidences of indebtedness, contracts, or obligations of which are held by or for this corporation, directly or indirectly or through other corporations or otherwise.
9. To enter into any lawful arrangement for sharing profits, union of interest, unitization of farmout agreement, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person or governmental, municipal or public authority, domestic or foreign, in the carrying on of any business or transaction deemed necessary, convenient or incidental to carrying out any of the purposes of this corporation;



10. To establish and operate one or more offices or agencies and to carry on any or all of its operations and business without any restriction as to place or amount including the right to hold, purchase or otherwise acquire, lease mortgage, pledge, and convey or otherwise deal in and with real and personal property anywhere within the Philippines;
11. To distribute as dividends, the unrestricted earnings of the corporation to the stockholders thereof either in cash, and/or in shares of the unissued stock of the Corporation and/ or in kind, namely, properties of the corporation, particularly any shares of stock, debentures or securities of other companies belonging to this corporation, and
12. Without in any particular limiting the powers of the corporation, it is hereby expressly declared and provided that the corporation shall have the power to make and perform contracts of any kind and description with any person, firm, or corporation; and particularly, but not by way of limitation, to make and perform contracts creating rights, easements, and other privileges respecting any of the property, real or personal, of any kind owned by the corporation; and in the conduct of its business and for the purpose of attaining or furthering any of its purposes to do any and all other acts and things, to exercise any and all other powers which a natural person could do and exercise and which are now or may hereafter be authorized by law.
13. To conduct and transact any and all lawful business, and to do or cause to be done any one or more of the acts and things herein set forth as its purposes, within or without the Philippines, and in any and all foreign countries, and to do everything necessary, desirable or incidental to the accomplishment of the purposes or the exercise of any or more of the powers herein enumerated, or which shall at any time appear conducive to or expedient for the protection or benefit of this corporation.

THIRD: That the place where the principal office of the corporation is to be established or located is at Cebu City, Philippines *Jan*

FOURTH: That the term for which said corporation is to exist is Fifty (50) years from and after the date of incorporation.

FIFTH: That the names, nationalities and residences of the incorporators of said corporation are as follows:

<u>Name</u>	<u>Nationality</u>	<u>Residence</u>
Jon Ramon Aboitiz	Filipino	Maria Luisa Estate Park, Cebu City
Juan Antonio Bernad	Filipino	Maria Luisa South Guadalupe, Cebu City
Mikel A. Aboitiz	Filipino	Maria Luisa Estate Park, Cebu City

M

Erramon I. Aboitiz	Filipino	North Town Homes, Cebu City
Alfonso Y. Aboitiz	Filipino	Maria Luisa Estate Park Cebu City

SIXTH: That the number of directors of said corporation shall be Nine (9) and that the names, nationalities, and residences of the directors who are to serve until their successors are elected and qualified as provided in the by-laws are as follows:

<u>Name</u>	<u>Nationality</u>	<u>Residence</u>
Jon Ramon Aboitiz	Filipino	Maria Luisa Estate Park, Cebu City
Enrique M. Aboitiz, Jr.	Filipino	San Lorenzo Village, Makati City
Ernesto M. Aboitiz	Filipino	Maria Luisa Estate Park, Cebu City
Juan Antonio Bernad	Filipino	Maria Luisa South Guadalupe, Cebu City
Mikel A. Aboitiz	Filipino	Maria Luisa Estate Park, Cebu City
Erramon I. Aboitiz	Filipino	North Town Homes, Cebu City
Luis Miguel Aboitiz	Filipino	110 Legazpi St., Makati City
Alfonso Y. Aboitiz	Filipino	Maria Luisa Estate Park, Cebu City
Antonio R. Moraza	Filipino	Maria Luisa Estate Park Cebu City

SEVENTH: That the authorized capital stock of said corporation is FIVE BILLION (P5,000,000,000.00) PESOS and said capital stock is divided into:

1. FOUR BILLION (4,000,000,000) COMMON SHARES, with a par value of 1 PESO (P1.00);
2. 1 BILLION (1,000,000,000) PREFERRED SHARES, with a par value of 1 PESO (P1.00).

Preferred shares shall be non-voting, non-participating, convertible at the option of the Board of Directors, redeemable and maybe issued from time to time by the Board in one or more series, the designations, relative rights, references and

limitations of the preferred stock, and/or particularly the shares of each series thereof, maybe similar to or may differ from those of any other series. The Board of Directors is hereby expressly authorized to issue from time to time before issuance thereof, the number of shares in each series, and all designations, relative rights, preferences and limitations of the shares in each series, subject to the provisions of this Article. Preferred shares that are redeemed by the corporation may be re-issued; that holders thereof are entitled to receive dividends payable out of the earned surplus profit of the corporation as the Board of Directors may, by resolution determine with due notice to the SEC; such dividends or series of dividends may be cumulative as determined by the Board of Directors by resolution; in the event of any liquidation or dissolution or winding up (whether voluntary or involuntary) of the corporation, the holders of the PREFERRED stock shall be entitled to be paid in full the par value of their shares before any payment in liquidation is made upon the COMMON stock.

No holder of shares of the capital stock of any class of the corporation shall have any pre-emptive or preferential right of subscription to any shares of any class of stock of the corporation, whether now or hereafter authorized, or to any obligations convertible into any stock of the corporation, issued or sold, nor any right of subscription to any thereof other than such, if any, as the Board of Directors, in its discretion, may from time to time determine and at such price as the Board of Directors may from time to time set.

EIGHTH: That the amount of said capital stock which has been actually subscribed is TWO BILLION (2,000,000,000) ^{Shares} and the following persons have subscribed for the number of shares and the amount of capital stock indicated opposite their respective names:

<u>Names</u>	<u>No. of Shares Subscribed</u>	<u>Amount Subscribed</u>
Jon Ramon Aboitiz	1	P1.00
Enrique M. Aboitiz, Jr.	1	P1.00
Ernesto M. Aboitiz	1	P1.00
Juan Antonio Bernad	1	P1.00
Mikel A. Aboitiz	1	P1.00
Erramon I. Aboitiz	1	P1.00
Luis Miguel Aboitiz	1	P1.00
Alfonso Y. Aboitiz	1	P1.00
Antonio R. Moraza	1	P1.00
Aboitiz Equity Ventures, Inc.	1,999,999,991	P1,999,999,991.00
<u>Total</u>	<u>2,000,000,000</u>	<u>P 2,000,000,000.00</u>

Common

He *you*

NINTH: That the following persons have paid on the shares of capital stock for which they have subscribed the amount set out after their respective names:

<u>Name</u>	<u>Common</u> <u>Amount Paid</u>
Jon Ramon Aboitiz	P1.00
Enrique M. Aboitiz, Jr.	P1.00
Ernesto M. Aboitiz	P1.00
Juan Antonio Bernad	P1.00
Mikel A. Aboitiz	P1.00
Erramon I. Aboitiz	P1.00
Luis Miguel Aboitiz	P1.00
Alfonso Y. Aboitiz	P1.00
Antonio R. Moraza	P1.00
Aboitiz Equity Ventures, Inc.	P1,599,999,991.00
Total	<u>P1,600,000,000.00</u>

TENTH: That no issuance or transfer of shares of stock of the corporation which would reduce the stock ownership of Filipino Citizens to less than the minimum percentage of the outstanding capital stock required by law to be owned by Filipino Citizens, shall be allowed or permitted to be recorded in the books of the corporation. This restriction shall be printed or indicated in all the certificates of stock to be issued by the corporation.

ELEVENTH: That Mr. Erramon I. Aboitiz has been elected by the subscribers as Treasurer of the corporation to act as such until his/her successor is duly elected and shall have qualified in accordance with the by-laws; and that, as such Treasurer, he/she has been authorized to receive for the corporation, and to issue its name receipt for, all subscription paid in by the subscribers.

He

IN WITNESS WHEREOF, we have hereunto signed the Articles of Incorporation, this 24th day of October, at Cebu City, Philippines.

[Redacted Signature]

Jon Ramon Aboitiz

[Redacted Signature]

Juan Antonio E. Bernad

[Redacted Signature]

Mikel A. Aboitiz

[Redacted Signature]

Erramon I. Aboitiz

[Redacted Signature]

Alfonso Y. Aboitiz

SIGNED IN THE PRESENCE OF:

[Redacted Signature]

REPUBLIC OF THE PHILIPPINES)
CITY OF CEBU) S. S.

Before me, a Notary Public for and in the City of Cebu, Philippines, on this 24th day of October, 1997, personally came and appeared:

<u>Name</u>	<u>CTC No.</u>	<u>Place/Date of Issue</u>
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[Redacted Table Content]

Known to me and to me known to be the same persons who executed the foregoing instrument and acknowledged to me that the same is their own free act and deed.

WITNESS MY HAND AND SEAL at the place and on the date first above-written.

Doc. No. 354
Page No. 72
Book No. 75
Series of 1997

[Redacted Seal]

DELEIN A. DE CERDIL
NOTARY PUBLIC
UNTIL DECEMBER 31, 1998
PTR NO. 9212119
ISSUED ON JAN. 7, 1997
AT CEBU CITY
TIN NO. 103-715-216

RECEIVED
OFFICE OF THE
TREASURER
✓

TREASURER'S CERTIFICATE

97 OCT 28 P.M. 29

I, ERRAMON I. ABOITIZ, after having been duly sworn in accordance with law, hereby depose and say:

That I am the duly elected Treasurer-in Trust by the subscribers named in the foregoing Articles of Incorporation of Aboitiz Power Corporation, to act as such until my successor has been duly elected and qualified in accordance with the By-laws of the corporation; and that as such Treasurer, I hereby certify under oath that at least twenty-five (25%) percent of the authorized capital stock has been subscribed and at least twenty-five (25%) percent of the subscription has been paid and received by me in cash in the amount of not less than THIRTY NINE MILLION EIGHT HUNDRED SIXTY THOUSAND SIX HUNDRED EIGHTY ONE Pesos (P39, 860, 681.00) and shares of stock in the amount of ONE BILLION FIVE HUNDRED SIXTY MILLION ONE HUNDRED THIRTY NINE THOUSAND THREE HUNDRED NINETEEN Pesos (P1, 560, 139, 319.00), and attached herewith are supporting documents, in accordance with the *statute* of the corporation *date*.

[Redacted Signature]

Erramon I. Aboitiz
Treasurer

SUBSCRIBED AND SWORN to before me this 24th day of October, 1997, at Cebu City, Philippines; affiant having exhibited to me his [Redacted]

[Redacted]

Doc. No. 418
Page No. 25
Book No. 35
Series of 1997

[Redacted]

MEL B. LIBRE
NOTARY PUBLIC
UNTIL DECEMBER 31, 1997
PTR NO. 9212120
ISSUED AT CEBU CITY
ON JAN. 7, 1997

PHILIPPINE HYDROPOWER CORPORATION
Aboitiz Corporate Center
P.O. Box 65, Cebu City

18 FEB 13 9:59

CERTIFICATION

This is to certify that the Philippine Hydropower Corporation hereby conforms to the assignment made by the Aboitiz Equity Ventures, Inc. of FIVE HUNDRED MILLION (500,000,000) shares of stock of Philippine Hydropower Corporation in favor of Aboitiz Power Corporation.

February 12, 1998, Cebu City, Philippines.

PHILIPPINE HYDROPOWER CORP.
By:


SYLVA G. AGUIRE-PADERANGA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 13th day of February 1998, affiant exhibiting to me her 

Doc. No. 337;
Page No. 69;
Book No. 77;
Series of 1998.


DELFINA M. DECIERDO
NOTARY PUBLIC
UNIVERSITY OF CEBU
ISSUED ON FEB 21, 1998
AT CEBU CITY

RECEIVED
97 OCT 28 P 4: 29

October 28, 1997

Securities & Exchange Commission
and/or Central Bank of the Philippines
Metro Manila

Gentlemen:

This is to authorize your office to examine and verify the deposit in the UNION BANK OF THE PHILIPPINES, LAHUG BRANCH, CEBU CITY in my name as Treasurer-in-Trust for ABOITIZ POWER CORPORATION in the amount of THIRTY NINE MILLION NINE HUNDRED SEVENTY-ONE THOUSAND FOUR HUNDRED ~~THREE~~ PESOS (P39,971,403.00) representing the CASH paid up capital of the said corporation which is in the process of incorporation.

This authority is valid and inspection of said deposit maybe made even after the issuance of the certificate of incorporation to the company.

Should the deposit be transferred to another bank prior to or after incorporation, this letter will also serve as authority to verify and examine the same.

The representative of the Securities & Exchange Commission is also authorized to examine the pertinent books and records of accounts of the corporation as well as supporting papers to determine the utilization and disbursement of the said paid up capital.

ABOITIZ POWER CORPORATION
By:

[Redacted Signature]

ERRAMON I. ABOITIZ
Treasurer-in-Trust

SUBSCRIBED AND SWORN to before me this 28 day of OCTOBER 1997
at the City of Cebu, Philippines: affiant having exhibited to me his C [Redacted]

JAN 13 1998

Doc. No. 444
Page No. 20
Book No. 76
Series of 1998.

[Redacted Signature]

DELFIN G. DECIERDO
NOTARY PUBLIC
UNTIL DECEMBER 31, 1998
P.R. NO. 9212119
ISSUED ON JAN. 7, 1997
AT CEBU CITY
TIM NO. 103-715-216

[Handwritten Signature]

October 28, 1997 ¹⁹⁹⁷ OCT 28 4:29

The Chairman
Securities and Exchange Commission
EDSA, Mandaluyong, Metro Manila

Sir:

In connection with the registration of the Articles of Incorporation/Partnership of
the:

ABOITIZ POWER CORPORATION

I, the undersigned representative and on behalf of the organizers thereof, hereby
manifest our willingness to change its corporate name in the event another person, firm
or entity has acquired a prior right to the use of the said firm name or one deceptively
or confusingly similar to it.

Very truly yours,


CONCEPCION S. CABILES
c/o Aboitiz & Co., Inc.
Banilad, Cebu City

BY-LAWS
OF
ABOITIZ POWER CORPORATION
ARTICLE I



SECTION 1. Annual Meeting - The annual meeting of the stockholders shall be held at the principal office of the corporation at Cebu City, Philippines, at a time to be announced by the Board of directors every 2nd MONDAY OF MAY of each year, and if such day is a legal holiday, in which case, it shall be held on the next business day of the following.

SECTION 2. Special Meeting - Special Meeting of the stockholders may be called by the President of the Corporation at his discretion or by resolution of the Board of Directors or upon written demand of stockholders holding one-third of the outstanding capital stock of the corporation.

SECTION 3. Notices - Notice of time and place of annual or special meetings of the stockholders shall be given either personally or by mail, addressed to each stockholder of record at the address left by such stockholder with the Secretary of the Corporation or at his last known address. Provided, however, that in the case of special meetings, notice shall state the object or objects of the same. Failure or irregularity of notice of any annual or special meeting shall not invalidate such meetings or any proceedings when all the stockholders are present and voting thereat without protest. Publication of notice of meetings in the newspapers of general circulation shall not be necessary except as provided by law.

SECTION 4. Quorum - A quorum for any meeting of stockholders shall consist of a majority of the outstanding capital stock of the corporation, and a majority of such quorum shall decide any question at the meeting save and except in those matters where the corporation law requires the affirmative vote of a greater proportion.

SECTION 5. Vote - Voting upon all questions at all meetings of the stockholders shall be by shares of stock and not per capita.

SECTION 6. Proxy - Stockholders may vote at all meetings either in person or by proxy duly given in writing and presented to the Secretary for inspection and record at least five (5) days before said meeting. No proxy bearing the signature which is not legally acknowledged shall be recognized by the Secretary. Any proxy issued by the stockholder shall be valid for only one meeting, and any adjournments thereof, provided that such proxy is presented to the Secretary not later than the deadline set in this section.

SECTION 7. Nomination of Directors - Nominations for the election of directors for the ensuing year must be received by the Corporate Secretary no less than five (5) days prior to the Annual Meeting of stockholders.

SECTION 8. Order of Business - The order of business at the annual meeting of the stockholders shall be as follows:

- a.) Proof of the required notice of the meeting
- b.) Proof of the presence of quorum
- c.) Reading of the minutes of the previous meeting
- d.) Report of the President and the Board of Directors
- e.) Ratification and approval of the acts of the President and the Board of Directors

A handwritten signature in black ink, appearing to be a stylized name or initials.

- f.) Election of Directors for the ensuing year
- g.) Appointment of External Auditors
- h.) Other matters
- i.) Adjournment

SECTION 9. Minutes - Minutes of all meetings of the stockholders shall be kept and preserved as a record of the business transacted at such meetings. The minutes shall contain in such entries as may be required by law.

ARTICLE II

THE BOARD OF DIRECTORS

SECTION 1. Qualifications and Election - The general management of the corporation shall be vested in a board of nine (9) who shall be stockholders and who shall be elected annually by the stockholders owning majority of the outstanding capital stock for a term of one (1) year and who shall serve until the election and qualification of their successors. Any vacancy in the Board of Directors, other than removal or expiration of term may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose if they still constitute a quorum, and the director or directors so chosen shall serve for the unexpired term.

SECTION 2. Quorum - The directors shall act as a Board and the individual directors shall have no power as such. A majority of the directors shall be necessary at all meetings to constitute a quorum for the transaction of any business. Every decision of a majority of the quorum duly assembled as a Board shall be valid as a corporate act, except as provided under Section 25 of the Corporation Code.

SECTION 3. Meetings - The Board of Directors shall hold a meeting, for organization, and for the election of officers immediately after their election of which meeting no notice is required. Thereafter, the Board of Director shall hold meetings at least quarterly at the principal office of the corporation on a particular day of each quarter that it may fix.

SECTION 4. Powers - The Board of Directors shall have the management of the business of the company and such powers and authorities as are herein by these By-Laws or by statutes of the Philippines expressly conferred upon by it.

Without prejudice to the general powers herein-above conferred, the Board of Directors shall have the following express powers:

- a.) From time to time to make and change rules and regulations not inconsistent with these by-laws for the management of the corporation's business and officers;
- b.) To purchase or otherwise acquire for the corporation, rights or privileges which the corporation is authorized to acquire at such price and on such terms and conditions and for such considerations as it shall from time to time see fit;
- c.) To borrow money for the corporation and for such purpose, to create, make and issue mortgage, bonds, deeds of trust and negotiable instruments and securities secured by mortgage or pledge or property belonging to the corporation;
- d.) To pay for any property or rights acquired by the company or to discharge obligations of the company either wholly or partly in money or in stocks, bonds, debentures, or other securities of the company;
- e.) To delegate, from time to time, any of the powers of the board which may lawfully be delegated in the course of any officer or agent and to appoint any

person or persons to be agents of the corporation with such powers and upon such term may be deemed fit;

SECTION 5. Order of Business - The order of business at any regular or special meeting of the Board of Directors shall be as follows:

- a.) Calling to roll
- b.) Secretary's proof of due notice of the meeting
- c.) Reading and disposal of the minutes of the previous meeting
- d.) Unfinished business
- e.) New business
- f.) Adjournment

The foregoing order of business may, however, be changed by the affirmative vote of the majority of the members of the Board.

SECTION 6. Minutes - Minutes of all meetings of the Board of Directors shall be kept and preserved as a record of the business transacted at such meetings. The minutes shall contain such entries as may be required by law.

ARTICLE III

SECTION 1. General Proviso - The officers of the corporation shall consist of a Chairman, Vice Chairman, President, Executive Vice Presidents, Senior Vice-Presidents, Vice Presidents, Assistant Vice Presidents, Secretary, Assistant Secretary, Treasurer and Assistant Treasurer, and such other officers as may be appointed by the Board, whose powers and duties shall be as hereinafter provided and as the Board of Directors may fix in conformity with the provisions of these By-Laws. All officers shall be elected to their offices by a majority vote of all the members of the Board of Directors and they shall hold office for the term of one (1) year.

SECTION 2. CHAIRMAN - The Chairman, who must be a Director, shall preside in all meetings of the Board of Directors. He shall also inform the Board of Directors and the stockholders, of matters of interest to them at their respective meetings.

SECTION 3. VICE CHAIRMAN - The Vice Chairman, who must be a Director, shall have such powers and performs such duties as the Board of Directors may from time to time prescribe. In the absence or inability of the Chairman, the Vice Chairman shall act in his stead, and shall exercise any and all such powers and perform any and all duties pertaining to the office of the Chairman as conferred upon him by these By-laws.

SECTION 4. PRESIDENT - The President must be a Director. In addition to such duties as may be delegated to him by the Board of Directors, he shall preside and call to order all meetings of the stockholders of the corporation.

SECTION 5. EXEC. VICE PRESIDENT - In the absence of the President, the Executive Vice President(s), who may be a director, if qualified, shall execute all the powers and perform all the duties of the President and discharge such duties as the Board of Directors may prescribe.

SECTION 6. SENIOR VICE PRESIDENT - The Senior Vice President(s), who may be a director, shall exercise all the powers and perform all the duties of the president, if qualified in case of absence or disability for any cause of the

Executive Vice President. The Senior Vice President (s) shall also have such powers and discharge such duties as the Board of Directors may from time to time prescribe.

SECTION 7. VICE PRESIDENT - The Vice President(s), who may be a director, shall exercise all the powers and perform all the duties of the president, if qualified in case of absence or disability for any cause of the Senior Vice President. The Vice President (s) shall also have such powers and discharge such duties as the Board of Directors may from time to time prescribe.

SECTION 8. ASST. VICE PRESIDENT - The Assistant Vice President(s), who may be a director, shall exercise all powers and perform all the duties of the Vice President(s), if qualified in case of the latter(s) absence or disability for any cause. He (they) shall exercise all powers and perform all duties as the Board may prescribe.

SECTION 9. SECRETARY - The Secretary who must be a citizen and a resident of the Philippines, shall keep the minutes of all meetings of the stockholders and of the Board of Directors. He shall have charge of the corporate seal, the stock certificate books and such other books and papers of the Corporation. He shall countersign with the President the certificate of stock issued as well as such other instruments which require his signature. He shall attend to the giving and serving of all notices required by the Corporation Law or these By-laws. He shall also perform such other duties as are incident to his office and as the Board of Directors may from time to time direct.

SECTION 10. ASST. SECRETARY - He or She shall perform the duties or responsibility of the Corporate Secretary, if qualified, for and in the absence or inability for any cause of the Corporate Secretary.

SECTION 11. TREASURER - The Treasurer, who must be a resident of the Philippines, shall have charge of the funds, securities, receipts and disbursements of the corporation. He shall deposit or cause to be deposited all money and other valuable effects of the corporation in such banks or trust companies as the Board of Directors may delegate. He shall render to the President or the Board of Directors, whenever required, an account of the financial condition of the corporation and of all transactions made by him as treasurer. He shall keep correct books of account of all the business transactions of the corporation. He shall perform all other duties which are incident to his position and which are from time to time prescribed by the Board of Directors. He may be required to post a bond of sufficient securities for the faithful performance of his duties.

SECTION 12. ASST. TREASURER - He or She shall perform all acts of the Treasurer, if qualified, in case of absence or disability for any cause of the Treasurer.

SECTION 13. EXECUTIVE COMMITTEE - An executive committee shall be appointed by the Board of Directors from either the Directors and/or Officers. It shall consist of 5 members, of which the President, who is automatically a member, shall be Chairman, and at least two others who must be Directors. The powers of the executive Committee shall extend to any acts exercised by the Board and Officers, except those acts, the delegation of which, would be contrary to law.

ARTICLE IV

STOCKS

SECTION 1. Issue - The Board of Directors shall, in accordance with law, provide for the issuance of the stock certificate of the corporation and shall be signed by the President and countersigned by the Secretary and sealed with the seal of the

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corporation. The certificate of stocks shall be issued in consecutive order, and the certificates shall be numbered in the order in which they are issued. Upon the stub of each certificate issued shall be entered the name of the person, firm, or corporation owning the stock represented by such certificate, the number of shares in respect of which the certificate is issued and, in the case of cancellation, the date thereof.

SECTION 2. Transfer - Transfer of stock shall be made by endorsement of the certificate and delivery thereof, but shall not be effective and binding in so far as the corporation is concerned until it is duly registered in the books of the corporation. Every certificate surrendered for exchange or transfer shall be cancelled, and no new certificate shall be issued in exchange for cancelled certificate until the old certificate has been so cancelled.

SECTION 3. Stock and Transfer Book - There shall be kept by the Secretary of the corporation a book to be known as the "Stock and Transfer Book", containing the names, alphabetically arranged, of the stockholders of the corporation, showing their places of residence, the number of stock held by them and the time when they respectively become the owner thereof and the amount paid by them thereon. A record date may be set by the Board of Directors during such period as the Board of Directors may from time to time direct and in accordance with rules and regulations issued by the Securities and exchange Commission or Philippine stock exchange from time to time.

SECTION 4. Treasury Stocks - The treasury stocks of the corporation shall consist of such issued and outstanding stocks which have found their way back into the treasury of the corporation either by reason of donation in its favor or by virtue of any other forms of acquisition. The said stocks may be disposed of by virtue of a resolution adopted by the Board of Directors. While held by the corporation, said stocks shall neither vote nor participate in the distribution of dividends.

SECTION 5. Loss or Destruction of Certificates - The Board of Directors may direct a new certificate of stock to be issued in place of any certificate theretofore issued and alleged to have been lost or destroyed. The Board of Directors authorizing such issue of a new certificate, may in its discretion, require the owner of the stock or his legal representative to furnish proof by affidavit or otherwise to the satisfaction of the Board as to ownership of the stock alleged to have been lost or destroyed, and the facts which supported its loss or destruction. The Board of Directors may also require him to give notice to such loss or destruction by publication or otherwise, as it may direct, and cause the delivery to the Corporation of a bond with or without sureties in such sum as it may direct, indemnifying the corporation from any claims that may be made against it by reason of the issuance of such new certificate. The Board of Directors, however, may refuse in its discretion, to issue any such new certificate except pursuant to legal proceedings made and provided for in such case. In this connection, the provision of Sec. 73 of the Corporation Code must be complied with.

SECTION 6. Compulsory Exchange of Certificates - When the Articles of Incorporation are amended in any way affecting the statements contained in the certificates for outstanding shares, or it becomes desirable for any reason to cancel the outstanding certificates of shares and issue new certificates thereafter conforming to the rights of the holder, the Board of Directors may order any holder of outstanding certificates for shares to surrender and exchange them for new certificates within reasonable time to be fixed by the Board of Directors.

SECTION 7. Uncertificated Securities - Anything in this Article to the contrary notwithstanding, the Board of Directors may, subject to existing laws and regulations which may be issued by the Securities and exchange Commission from time to

time, approve the issuance or transfer of stocks by way of electronic book entries of uncertificated securities in any duly registered clearing agency.

ARTICLE V

FISCAL YEAR, DIVIDENDS, AUDITING AND INSPECTION OF BOOKS OF ACCOUNTS

SECTION 1. Fiscal year - The Fiscal Year of the corporation shall commence with the opening of the business on the 1ST day of January of each calendar year and shall close on the 31st day of December of the same year.

SECTION 2. Dividends - Dividends shall be declared only from the unrestricted ^{retained} earnings and shall be payable at such times and in such amounts as the Board of Directors shall determine, and payment shall be in cash and/or in shares of the unissued stock of the Corporation and/or in kind namely, properties of the Corporation, particularly any shares of stock, debentures or securities of other companies belonging to this Corporation as said Board of Directors shall determine; provided, that no stock dividend shall be declared without the concurrence of stockholders representing not less than two-thirds (2/3) of outstanding capital stock. No dividends shall be declared that will impair the capital of the Corporation.

SECTION 3. Auditing of Books of Accounts - Inspection of the books of accounts by any member of the Board of Directors may be made at any and all times, and such inspection may embrace all book, records, and voucher of the corporation. Stockholders may inspect the books of the corporation only on reasonable time during business hours.

ARTICLE VI

SEAL

The corporate seal of the corporation shall consist of two concentric rings, between shall be inscribed - the words "ABOITIZ POWER CORPORATION" and in the center, the words "Incorporated on followed immediately by the date of the approval of the Articles of Incorporation by the Securities & Exchange Commission"

ARTICLE VII

AMENDMENTS

These By-Laws may be amended, repealed, or altered in whole or in part by a majority vote of the Board of Directors and a majority vote of the entire outstanding capital stock of the corporation at any regular or special meeting of the shareholders or at any special meeting where such action has been announced in the call and notice of such meetings, provided, however, that the owners of two-thirds (2/3) of the outstanding capital stock may delegate to the Board of Directors the power to amend or repeal these By-laws or to adopt new By-laws. Such delegation of powers shall be considered revoked whenever a majority of the outstanding capital stock shall so vote at a regular or special meeting.



ADOPTED on the 24th day of October, 1997 at Cebu City, Philippines, by the unanimous vote of the undersigned incorporators of ABOITIZ POWER CORPORATION

[Redacted Signature]

Jon Ramon Aboitiz

[Redacted Signature]

Juan Antonio E. Bernad

[Redacted Signature]

Mikel A. Aboitiz

[Redacted Signature]

Erramon I. Aboitiz

[Redacted Signature]

Alfonso Y. Aboitiz

[Redacted Signature]

Jon Ramon Aboitiz

for and in behalf of
Aboitiz Equity Ventures,
in his capacity as
President and Chief Executive Officer
thereof.



REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
Ground Floor, Secretariat Building, PICC
City Of Pasay, Metro Manila

COMPANY REG. NO. C199800134

**CERTIFICATE OF FILING
OF
AMENDED ARTICLES OF INCORPORATION**

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

ABOITIZ POWER CORPORATION

(Amending Articles II Primary Purpose, IV (term of existence) & VII thereof)

copy annexed, adopted on March 06, 2020 by majority vote of the Board of Directors and on April 27, 2020 by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 15 of the Revised Corporation Code of the Philippines, Republic Act No. 11232, which took effect on February 23, 2019, and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing/lending company and time shares/club shares/membership certificates issuers or selling agents thereof; nor to operate a fiat money to virtual currency exchange. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Pasay City, Metro Manila, Philippines, this 18th day of October, Twenty Twenty.


DANIEL P. GABUYO
Assistant Director
SO Order 7488 Series of 2018

**COVER SHEET
COMPANY REGISTRATION AND MONITORING DEPARTMENT**

Nature of Application

Amended By-Laws

SEC Registration Number

C 1 9 9 8 0 0 1 3 4

Company Name

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

**AMENDED TO:
New Company Name**

Principal Office (No./Street/Barangay/City/Town/Province)

**N A C T O W E R , 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**

Company's Email Address

COMPANY INFORMATION
Company's Telephone Number/s

(02) 8886-2800

Mobile Number

CONTACT PERSON INFORMATION

*The designated contact person **MUST** be a Director/Trustee/Partner/Officer/Resident Agent of the Corporation*

Name of Contact Person

MAILENE M. DE LA TORRE

Email Address

mailene.delatorre@aboitiz.com

Telephone Number/s

(02) 8886-2454

Mobile Number

Contact Person's Address

NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila

To be accomplished by CRMD Personnel

Assigned Processor:

Date

Signature

Document I.D.

Received by Corporate Filing and Records Division (CFRD)

Forwarded to:

- Corporate and Partnership Registration Division
- Green Lane Unit
- Financial Analysis and Audit Division
- Licensing Unit
- Compliance Monitoring Division

AMENDED ARTICLES OF INCORPORATION

OF

ABOITIZ POWER CORPORATION

KNOW ALL MEN BY THESE PRESENTS:

That we, all of legal age, citizens and residents of the Republic of the Philippines, have this day voluntarily associated ourselves together for the purpose of forming a stock corporation under the laws of the Philippines.

AND WE HEREBY CERTIFY:

FIRST : That the name of the said corporation shall be:

ABOITIZ POWER CORPORATION

SECOND : That the purposes for which the said corporation is formed are:

PRIMARY PURPOSE

To invest in, hold, own, purchase, acquire, lease, contract, operate, improve, develop, manage, grant, sell, exchange, or otherwise dispose of real and personal properties of every kind and description, including shares of stock, bonds and other securities or evidence of indebtedness of any hydroelectric, geothermal, wind, solar and other renewable power generation facilities, distribution, retail electricity supply and other related facilities, corporations, partnerships, associations, firms, or entities, domestic and/or foreign, where necessary or appropriate and to possess and exercise in respect thereof all the rights, powers, and privileges of ownership, including all voting powers of any stock so owned, without acting as or engaging in the business of an investment company, or dealer or broker in securities; to act as managers or managing agents of persons, firms, associations, corporations, partnerships and other entities engaged in hydroelectric, geothermal, wind, solar and other renewable power generation facilities, distribution businesses, retail electricity supply services, battery power storage services or related businesses; to provide management, investment and technical advice for commercial, industrial, manufacturing and other kinds of enterprises engaged in hydroelectric, geothermal, wind, solar and other renewable power generation, distribution businesses, retail electricity supply services, or related businesses; to undertake, carry on, assist or participate in the promotion, organization, management, liquidation, or reorganization of corporations, partnerships and other entities engaged in hydroelectric, geothermal, wind, solar and other renewable power generation, distribution businesses, retail electricity supply services, or related businesses; to develop, construct, own, lease and operate electricity generation distribution facilities and/or hydroelectric, geothermal, wind, solar, and other renewable energy power plants, retail electricity supply facilities, or related businesses; to engage in build-operate-transfer arrangements with the government, its branches, agencies and instrumentalities, and any non-government entities; act as consultants, contractors or principals in the business of developing, constructing, operating, repairing and maintaining of hydroelectric, geothermal, wind, solar and other renewable energy power plants and systems and other power-generating or converting stations and in the manufacture, operation and repair of associated mechanical and electrical equipment; to carry on the general business of generation, distribution, retail supply, battery storage services, and/or transmission of electric power in accordance with

existing laws, rules and regulations; enter into contracts for differences, and to carry on all business necessary or incidental to all the foregoing, and to perform all acts necessary and incidental to the furtherance of the foregoing primary purpose, including, but without limitation, to guarantee and act as surety to its affiliated companies, subsidiaries, and associates, and to allow the creation of lien upon all or any part of the properties and assets owned by the corporation, in order to meet the necessary financial requirements of its businesses, as may be authorized by its Board of Directors. (As amended by the Board of Directors on March 6, 2020 and the stockholders on April 27, 2020)

SECONDARY PURPOSES

1. To acquire or obtain from any government or authority, national, provincial, municipal or otherwise, or any corporation, company or partnership or person, such charter, contracts, franchise, privileges, exemption, licenses and concession as may be conducive to any of the objects of the corporation.
2. To offer shares of its original or increased capital stock to the public for subscription and increased capitalization, subject to the requirements provided by law.
3. To acquire and hold water flowage, geothermal development and exploration rights, and such other rights, permits and licenses as may be necessary in furtherance of the corporation's purposes. (As amended by the Board of Directors on March 27, 2014 and approved by the Stockholders on May 19, 2014.)
4. To construct, erect, purchase, install, operate and sell electric light plants, ice making plants, systems for pumping water for individuals, corporations and/or municipalities, cold storage plants, water distilling plants, machine shops, foundries, and slipways, and to sell and distribute the products or results of any such plants or systems.
5. To purchase, acquire, own, lease, sell and convey real properties such as lands, buildings, factories and warehouses and machineries, equipment and other personal properties as may be necessary or incidental to the conduct of the corporate business, and to pay in cash, shares of its capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the corporation.
6. To borrow or raise money necessary to meet the financial requirements of its businesses and for any of the purposes of the corporation, and from time to time, to draw, make, accept, endorse, transfer, assign, execute, and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable and transferable instruments and evidence of indebtedness or issue third party accommodations, sureties and guarantees, or otherwise lend its credit to its subsidiaries and affiliates and to another person or corporation, and for the purpose of securing any of its obligations or contracts, to convey, transfer, assign, deliver, mortgage and/or pledge, or enter into deeds of trust or allow the creation of lien upon, any and all part of the properties or assets at any time held or owned by the corporation and to issue pursuant to law, shares of its capital stock, debentures and other evidence of indebtedness in payment for properties acquired by the corporation or for money borrowed in the prosecution of its lawful business. (As amended by the Board of Directors on March 27, 2014 and approved by the Stockholders on May 19, 2014.)

7. To invest and to deal with moneys and properties of the corporation in such manner as may from time to time be considered wise or expedient for the advancement of its interests and to sell, dispose of or transfer the business, properties and goodwill of the corporation or any part thereof for such consideration and under such terms as it shall see fit to accept.
8. To aid in any manner any corporation, association, or trust estate, domestic or foreign, or any firm or individual, of which any shares of stock or any bonds, debentures, notes, securities, evidences of indebtedness, contracts, or obligations are held by or for this corporation, directly or indirectly or through other corporations or otherwise.
9. To enter into any lawful arrangement for sharing profits, union of interest, unitization of farmout agreement, contracts for differences, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person or governmental, municipal or public authority, domestic or foreign, in the carrying on of any business or transaction deemed necessary, convenient or incidental to carry out any of the purposes of this corporation. (As amended by the Board of Directors on March 27, 2014 and approved by the Stockholders on May 19, 2014.)
10. To establish and operate one or more offices or agencies and to carry on any or all of its operations and business, without any restriction as to place or amount, including the right to hold, purchase, acquire, lease, mortgage, pledge, and convey or otherwise deal in and with real and personal property anywhere within the Philippines.

(As amended by the Board of Directors on March 27, 2014 and approved by the Stockholders on May 19, 2014.)

11. To distribute as dividends, the unrestricted earnings of the corporation to the stockholders thereof either in cash, and/or in shares of the unissued stock of the Corporation and/or in kind, namely, properties of the corporation, particularly any shares of stock, debentures or securities of other companies belonging to this corporation.
12. Without limiting the powers of the corporation, it is hereby expressly declared and provided that the corporation shall have the power to make and perform contracts of any kind and description with any person, firm, or corporation; and particularly, but not by way of limitation, to make and perform contracts creating rights, easements, and other privileges respecting any of the property, real or personal, of any kind owned by the corporation; and in the conduct of its business and for the purpose of attaining or furthering any of its purposes, to do any and all other acts and things, to exercise any and all other powers which a natural person could do and exercise and which are now or may hereafter be authorized by law. (As amended by the Board of Directors on March 27, 2014 and approved by the Stockholders on May 19, 2014.)
13. To conduct and transact any and all lawful business, and to do or cause to be done any one or more of the acts and things herein set forth as its purposes, within or without the Philippines, and in any and all foreign countries, and to do everything necessary, desirable or incidental to the accomplishment of the purposes or the exercise of any or more of the powers herein enumerated, or which shall at any time appear conducive to or expedient for the protection or benefit of this corporation.

THIRD : That the place where the principal office of the corporation is to be established or located is at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila,

Philippines. (As amended by the Board of Directors on March 21, 2013 and the stockholders on May 20, 2013)

FOURTH : That the term for which said corporation is perpetual from and after the date of incorporation, as provided in Section 11 of the Revised Corporation Code of the Philippines. (As amended by the Board of Directors on March 6, 2020 and the stockholders on April 27, 2020)

FIFTH : That the names, nationalities and residences of the incorporators of said corporation are as follows:

<u>Name</u>	<u>Nationality</u>	<u>Residence</u>
Jon Ramon Aboitiz	Filipino	Maria Luisa Estate Park, Cebu City
Juan Antonio Bernad	Filipino	Maria Luisa, South Guadalupe Cebu City
Mike A. Aboitiz	Filipino	Maria Luisa Estate Park, Cebu City
Erramon I. Aboitiz	Filipino	North Town Homes, Cebu City
Alfonso Y. Aboitiz	Filipino	Maria Luisa Estate Park, Cebu City

SIXTH : That the number of directors of said corporation shall be Nine (9) and that the names, nationalities, and residences of the directors who are to serve until their successors are elected and qualified as provided in the by-laws are as follows:

<u>Name</u>	<u>Nationality</u>	<u>Residence</u>
Jon Ramon Aboitiz	Filipino	Maria Luisa Estate Park, Cebu City
Enrique M. Aboitiz, Jr.	Filipino	San Lorenzo Village, Makati City
Ernesto M. Aboitiz	Filipino	Maria Luisa Estate Park, Cebu City
Juan Antonio Bernad	Filipino	Maria Luisa South Guadalupe, Cebu City
Mikel A. Aboitiz	Filipino	Maria Luisa Estate Park, Cebu City
Erramon I. Aboitiz	Filipino	North Town Homes, Cebu City
Luis Miguel Aboitiz	Filipino	110 Legaspi St., Makati City

Alfonso Y. Aboitiz	Filipino	Maria Luisa Estate Park, Cebu City
Antonio R. Moraza	Filipino	Maria Luisa Estate Park, Cebu City

SEVENTH : That the authorized capital stock of said corporation is SEVENTEEN BILLION PESOS (P17,000,000,000.00), Philippine currency and said capital stock is divided into:

1. SIXTEEN BILLION (16,000,000,000) COMMON SHARES, with a par value of ONE PESO (P1.00) per share;
2. ONE BILLION (1,000,000,000) PREFERRED SHARES, with a par value of ONE PESO (P1.00) per share.

Preferred Shares shall be non-voting, non-convertible, and shall have preference over common shares in case of liquidation or dissolution of the corporation. The Board of Directors or the Executive Committee is expressly authorized to issue preferred shares in one or more series, establish and designate each particular series of preferred shares, fix the number of shares to be included in the series, and to determine the dividend rate, issue price, designations, relative rights, preferences, privileges and limitations of the preferred shares and/or series of shares. Preferred shares may or may not be cumulative, participating, or redeemable, as may be determined by the Board of Directors or the Executive Committee.

Upon redemption, preferred shares (whether unissued, issued and outstanding, including all existing treasury shares) shall not be considered retired, but may be reissued under such terms and conditions as may be determined by the Board of Directors or the Executive Committee.

No holder of shares of the capital stock of any class of the corporation shall have any pre-emptive or preferential right of subscription to any shares of any class of stock of the Corporation, whether now or hereafter authorized, other than such, if any, as the Board of Directors in its discretion, may from time to time determine and at such price as the Board of Directors may from time to time set.

(As amended on January 16, 2007 and further amended by the Board of Directors on March 6, 2020 and the stockholders on April 27, 2020)

EIGHTH: That the amount of said capital stock which has been actually subscribed is TWO BILLION (P2,000,000,000) PESOS, and the following persons have subscribed for the number of shares and the amount of capital stock indicated opposite their respective names:

<u>Names</u>	<u>No. of Shares Common Subscribed</u>	<u>Amount Subscribed</u>
Jon Ramon Aboitiz	1	P1.00
Enrique M. Aboitiz, Jr.	1	P1.00
Ernesto M. Aboitiz	1	P1.00
Juan Antonio Bernad	1	P1.00

Mikel A. Aboitiz	1	P1.00
Erramon I. Aboitiz	1	P1.00
Luis Miguel Aboitiz	1	P1.00
Alfonso Y. Aboitiz	1	P1.00
Antonio R. Moraza	1	P1.00
Aboitiz Equity Ventures, Inc.	1,999,999,991	P 1,999,999,991.00
	-----	-----
TOTAL	2,000,000,000	P2,000,000,000.00
	=====	=====

NINTH : That the following persons have paid on the shares of capital stock for which they have subscribed the amount set out after their respective names:

<u>Name</u>	<u>Common Amount Paid</u>
Jon Ramon Aboitiz	P1.00
Enrique M. Aboitiz, Jr.	P1.00
Ernesto M. Aboitiz	P1.00
Juan Antonio E. Bernad	P1.00
Mikel A. Aboitiz	P1.00
Erramon I. Aboitiz	P1.00
Luis Miguel Aboitiz	P1.00
Alfonso Y. Aboitiz	P1.00
Antonio R. Moraza	P1.00
Aboitiz Equity Ventures	P 1,599,999,991.00

TOTAL	P 1,600,000,000.00
	=====

TENTH : That no issuance or transfer of shares of stock of the corporation which would reduce the stock ownership of Filipino Citizens to less than the minimum percentage of the outstanding capital stock required by law to be owned by Filipino Citizens, shall be allowed or permitted to be recorded in the books of the corporation. This restriction shall be printed or indicated in all the certificates of stock to be issued by the corporation.

ELEVENTH : That Mr. Erramon I. Aboitiz has been elected by the subscribers as Treasurer of the corporation to act as such until his/her successor is duly elected and shall have qualified in accordance with the by-laws; and that, as such Treasurer, he/she has been authorized to receive for the corporation, and to issue its name receipt for, all subscription paid in by the subscribers.

IN WITNESS WHEREOF, we have hereunto signed the Articles of Incorporation, this 24th day of October 1997 at Cebu City, Philippines.

(Sgd) Jon Ramon Aboitiz

(Sgd) Juan Antonio E. Bernad

(Sgd) Mikel A. Aboitiz

(Sgd) Erramon I. Aboitiz

(Sgd) Alfonso Y. Aboitiz

SIGNED IN THE PRESENCE OF:

(Sgd) Illegible

(Sgd) Illegible

REPUBLIC OF THE PHILIPPINES)
CITY OF CEBU) S. S.

Before me, a Notary Public for and in the City of Cebu, Philippines, on this 24th day of October 1997 personally came and appeared:

<u>Name</u>	<u>CTC No.</u>	<u>Place/Date of Issue</u>
[REDACTED]	[REDACTED]	[REDACTED] 7

Known to me and to me known to be the same persons who executed the foregoing instrument and acknowledged to me that the same is their own free act and deed.

WITNESS MY HAND AND SEAL at the place and on the date first above-written.

Doc. No. 354;
Page No. 72;
Book No. 75;
Series of 1997.

(Sgd) Delfin H. Decierdo
Notary Public
Until December 31, 1998
PTR No. 9212119
Issued on Jan. 7, 1997
At Cebu City
TIN No. 103-715-215

TREASURER'S CERTIFICATE

I, ERRAMON I. ABOITIZ, after having been duly sworn in accordance with law, hereby depose and say:

That I am the duly elected Treasurer-in Trust by the subscribers named in the foregoing Articles of Incorporation of Aboitiz Power Corporation, to act as such until my successor has been duly elected and qualified in accordance with the By-laws of the corporation; and that as such Treasurer, I hereby certify under oath that at least twenty-five (25%) percent of the authorized capital stock has been subscribed and at least twenty-five percent (25%) of the subscription has been paid and received by me in cash in the amount of not less than THIRTY NINE MILLION NINE HUNDRED SEVENTY-ONE THOUSAND FOUR HUNDRED THREE PESOS (P39,971,403.00) and shares of stock in the amount of ONE BILLION FIVE HUNDRED SIXTY MILLION TWENTY EIGHT THOUSAND FIVE HUNDRED NINETY-SEVEN Pesos (P1,560,028,597.00), and attached herewith are supporting documents, in accordance with the corporation code.

(Sgd) ERRAMON I. ABOITIZ
Treasurer

SUBSCRIBED AND SWORN to before me this 24th day of October 1997, at Cebu City, Philippines; Affiant having exhibited to me his 


Doc. No. 418;
Page No. 85;
Book No. 35;
Series 1997.

(Sgd) MEL B. LIBRE
Notary Public
Until December 31, 1997
PTR No. 9212120
ISSUED AT CEBU CITY
ON JAN. 7, 1997

REPUBLIC OF THE PHILIPPINES)
CITY OF TAGUIG) S.S.

SECRETARY'S CERTIFICATE

I, **MAILENE M. DE LA TORRE**, Filipino citizen, of legal age, with office address at NAC Tower, 32nd Street Bonifacio Global City, Taguig City, after having been duly sworn according to law, hereby depose and state that:

1. I am the Assistant Corporate Secretary of **ABOITIZ POWER CORPORATION** (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.
2. At the special meeting of the Board of Directors held on March 6, 2020, at which meeting a quorum was present and acting throughout, the following resolution was unanimously passed and approved:

"RESOLVED, that pursuant to the delegated authority granted by the stockholders under Article VII of its By-Laws, the Board of Directors of Aboitiz Power Corporation (the "Company") approve, as it hereby approves, the amendment of Sections 4, 5, and 6 of Article I of the Company's By-Laws to allow the Company's shareholders to vote through remote communication or *in absentia*, subject to the rules and regulations that may be issued by the Securities and Exchange Commission (SEC) from time to time;

RESOLVED FURTHER, that, to reflect the said amendments to the Company's By-Laws as set out in the foregoing resolutions, Sections 4, 5, and 6 of Article I of the Company's By-Laws, as it is hereby amended, to read as follows:

SECTION 4. Quorum – A quorum for any meeting of stockholders shall consist of a majority of the outstanding capital stock of the Corporation, and a majority of such quorum shall decided any question at the meeting save and except in those matters where the corporation law requires the affirmative vote of a greater proportion. Stockholders casting votes through remote participation or in absentia, electronically or otherwise, shall be deemed present for the purpose of determining the existence of a quorum.

SECTION 5. Vote – Voting upon all questions at all meetings of the stockholders shall be by shares of stock and not per capita. Any stockholder entitled to vote may vote in person, through remote communication, in absentia, or be represented by proxy at any stockholders' meeting, subject to compliance with the rules and regulations as may be issued by the Securities and Exchange Commission from time to time.

SECTION 6. Proxy – Stockholders may vote at all meetings either in person, through remote participation, in absentia, or by proxy duly given in writing and presented to the Corporate Secretary for inspection and record at least seven (7) days before said meeting. Unless otherwise

stated therein, any proxy issued by the stockholder shall be valid for only one meeting, and any adjournments thereof, provided that such proxy is presented to the Corporate Secretary not later than the deadline set in this section. Such proxies may be revoked by the stockholder in writing duly presented to the Corporate Secretary at least a day prior to a scheduled meeting or by the stockholder's personal appearance at the meeting. The decision of the Corporate Secretary on the validity of the proxies shall be final and binding until and unless set aside by a court of competent jurisdiction.

RESOLVED FURTHER, that management, be authorized to implement the above resolutions and to do such acts and deeds to have the application for the amendment to the Amended By-Laws filed with, and approved by, the SEC."

3. The above statements are in accordance with the records of the Company.

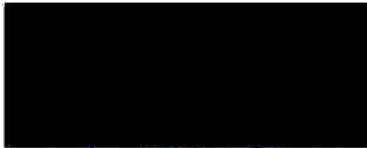
IN WITNESS WHEREOF, the undersigned has hereunto set her hand this JUL 01 2020 at Taguig City, Philippines.


MAILÈNE M. DE LA TORRE
Assistant Corporate Secretary^{FCA}

SUBSCRIBED AND SWORN to before me this JUL 01 2020 at Taguig City, Philippines. Affiant, who is personally known to me, exhibited to me her  issued on 


Doc. No. 74 ;
Page No. 16 ;
Book No. IV ;
Series of 2020.




Atty. Stella Marie G. Sacdalan
Notary Public for Taguig City
Notarial Commission No. 99
Until December 31, 2020
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR NO. A-4689455; January 2, 2020, Taguig City
IBP Lifetime OR No. 104545; January 8, 2020
Roll No. 63289
MCLE Compliance No. VI - 0011090



REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION

G/F Secretariat Bldg, PICC Complex
Roxas Boulevard, Manila, 1307

COMPANY REGISTRATION AND MONITORING DEPARTMENT

C E R T I F I C A T I O N

This is to certify that based on the records of the Securities and Exchange Commission, as of February 18 2020, **ABOITIZ POWER CORPORATION** with **SEC No. C199800134** has not been dissolved nor has this Commission received any information derogatory to said corporation that would prevent it from exercising its primary franchise.

This Certification, however, does not constitute as waiver of any fine or penalty for deficiencies in reportorial requirements due from, or may hereafter be assessed against, the corporation nor does it preclude the institution of any action against the corporation for violation of any of the provisions of the Corporation Code of the Philippines, the Securities Regulation Code, and its implementing rules and regulations, and other pertinent laws, rules and regulations implemented by the Commission.

In witness whereof, I have set my hand and caused the seal of this Commission to be affixed to this certification at Secretariat Bldg., PICC Complex, Roxas Blvd., Pasay City, Philippines this 19th of February, Twenty Twenty.

GERARDO F. DEL ROSARIO
Director

By:


ROSALINA V. PASCUA
S.O. Order No. 68 series of 2019

Not valid without SEC seal.

OR No. : 1891671
Date : 2020-02-19
Amount : P 530.00
TRN No. : CRMD 2020-02-19-008

Printed Date: 02/19/2020 10:45:18



DIRECTORS' CERTIFICATE

We, the undersigned members of the Board of Directors and the Corporate Secretary of **ABOITIZ POWER CORPORATION** (the "Company"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal address at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila 1634, Philippines, do hereby certify that:

- (1) the amendments to the Company's Articles of Incorporation were approved in a Special Board Meeting held on March 6, 2020, by the vote of at least a majority of the members of the Board of Directors and by the stockholders representing at least 2/3 of the issued and outstanding capital stock in the Company's Annual Stockholders' Meetings held on April 27, 2020 in accordance with Section 15 of the Revised Corporation Code;
- (2) the amendments to the Company's By-Laws were in a Special Board Meeting held on March 6, 2020, by the vote of at least a majority of the members of the Board of Directors pursuant to the delegated authority approved and renewed by the stockholders representing at least 2/3 of the issued and outstanding capital stock in the Company's Annual Stockholders' Meetings held on May 18, 2009 and May 18, 2015 in Taguig City, respectively, in accordance with Section 47 of the Revised Corporation Code.
- (3) The amendments consist of the following:
 - (a) Articles Second, Fourth, and Seventh of the Amended Articles of Incorporation to:
 - i) include in the Primary Purpose the power to act as guarantor or surety for the loans and obligations of its Affiliates and Associates; ii) amend the corporate term to perpetual existence; and iii) amend the features of the preferred shares; and
 - (b) Sections 4, 5, and 6 Article I of the Amended By-Laws to allow the Company's shareholders to vote through remote communication or in absentia, subject to the rules and regulations that may be issued by the Securities and Exchange Commission from time to time.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, we have signed this certificate this JUL 29 2020 in
TAGUIG CITY Philippines.



EMMANUEL V. RUBIO
Director, President and Chief Executive Officer



ROMEO L. BERNARDO
Lead Independent Director



ENRIQUE M. ABOITIZ
Director



CARLOS C. EJERCITO
Independent Director



DANIEL C. ABOITIZ
Director



ERIC RAMON O. RECTO
Independent Director



Countersigned:



MANUEL ALBERTO R. COLAYCO
Corporate Secretary



IN WITNESS WHEREOF, we have signed this certificate this JUL 29 2020
TAGUIG CITY, Philippines.

[REDACTED]

ENRIQUE M. ABOITIZ
Director

[REDACTED]

Countersigned:

[REDACTED]

MANUEL ALBERTO R. COLAYCO
Corporate Secretary

[REDACTED]

IN WITNESS WHEREOF, we have signed this certificate this JUL 01 2020 in
_____, Philippines.

[Redacted Signature]

ERRAMON I. ABOITIZ
Chairman of the Board

[Redacted]

[Redacted Signature]

JAIME JOSE Y. ABOITIZ
Director, Executive Vice President & Chief
Operating Officer

[Redacted]

Countersigned:

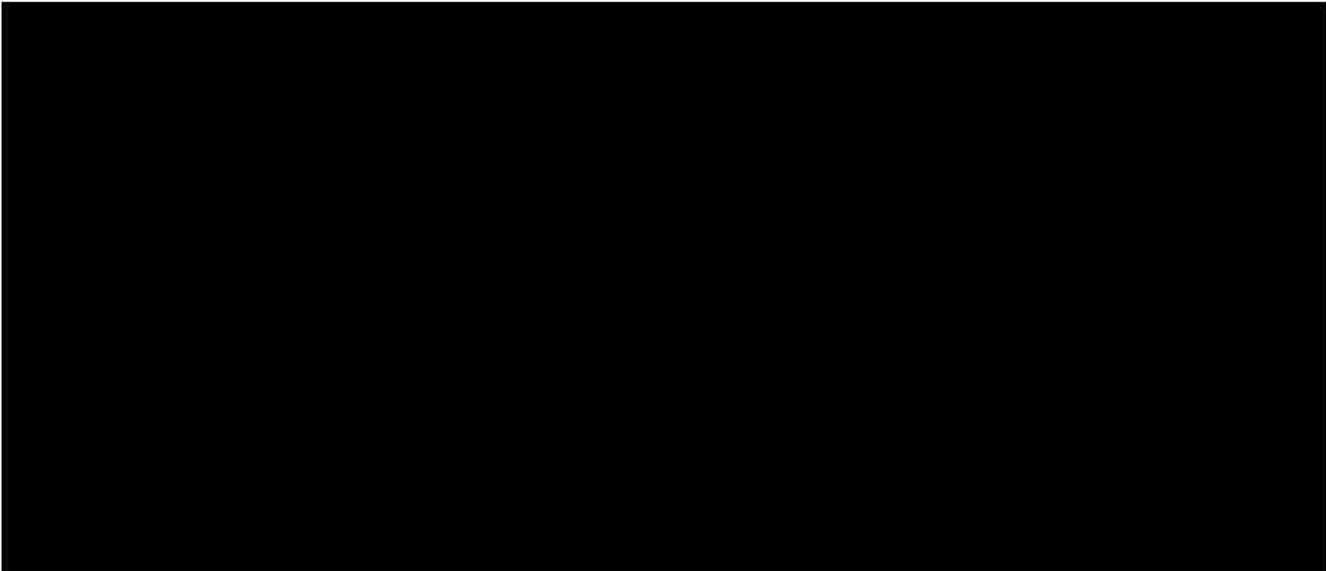
[Redacted Signature]

MANUEL ALBERTO R. COLAYCO
Corporate Secretary

[Redacted]

REPUBLIC OF THE PHILIPPINES)
CITY OF **TAGUIG CITY**) S.S.

SUBSCRIBED AND SWORN TO before me this **JUL 29 2020** in **TAGUIG CITY**,
Philippines. Affiants, who are personally known to me, presented their respective Community
Tax Certificates and passports with the details shown below as follows:



Doc. No. 593;
Book No. 106;
Page No. 18;
Series of 2020.



Atty. Stella Marie G. Saldalan
Notary Public for Taguig City
Notarial Commission No. 99
Unit, December, 2020
NAC Tower, 32nd St. Bonifacio Global City Taguig City
PTR No. A-4208020 January 7 2019, Taguig City
IBP Lifetime OR No. 061321
Roll No. 63289
MCLE Compliance No. VI 0011090

REPUBLIC OF THE PHILIPPINES)
CITY OF CEBU) S.S.

SUBSCRIBED AND SWORN TO before me this JUL 01 2020 in CEBU CITY,
Philippines. Affiants, who are personally known to me, presented their respective Community
Tax Certificates and passports with the details shown below as follows:



Doc. No. 77 ;
Book No. 8 ;
Page No. 1 ;
Series of 2020.




JUSTINE MAE A. CABATINGAN
Notary Public for Cebu City
Notarial Commission No. 94-16
Until December 31, 2021
Aboliz Corporate Center
Gov. M. Cuenco Ave. Cebu City
Roll No. 62000
PTR 1856258 12 16 19 Cebu City
IBP Lifetime No. 013514 1.21 15 Cebu City
MCLE Compliance No. VI-0016200



REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
Ground Floor, Secretariat Building, PICC
City Of Pasay, Metro Manila

COMPANY REG. NO. C199800134

CERTIFICATE OF FILING OF AMENDED BY-LAWS

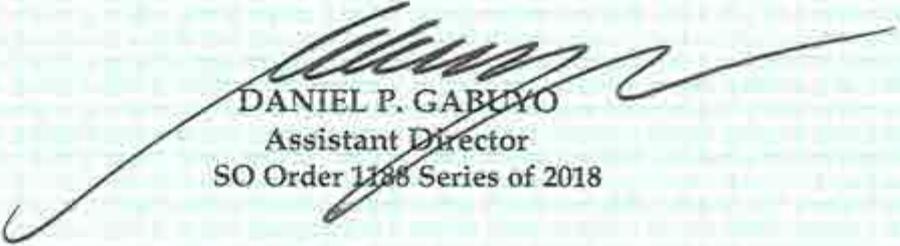
KNOW ALL PERSONS BY THESE PRESENTS:

THIS IS TO CERTIFY that the Amended By-Laws of

ABOITIZ POWER CORPORATION

copy annexed, adopted on March 06, 2020 by majority vote of the Board of Directors pursuant to the authority duly delegated to it by the stockholders owning at least two thirds (2/3) of the outstanding capital stock during the Company's Annual Stockholders' Meeting on May 18, 2009 and renewed on May 18, 2015 and certified under oath by the Corporate Secretary and majority of the said Board was approved by the Commission on this date pursuant to the provisions of Section 47 of the Revised Corporation Code of the Philippines, Republic Act No. 11232, which took effect on February 23, 2019, and copies thereof are filed with the Commission.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Pasay City, Metro Manila, Philippines, this 18th day of October, Twenty Twenty.


DANIEL P. GABUYO
Assistant Director
SO Order 1188 Series of 2018

MGT/qba

AMENDED BY-LAWS
OF
ABOITIZ POWER CORPORATION

ARTICLE I
STOCKHOLDERS' MEETING

SECTION 1. Annual Meeting – The annual meeting of the stockholders shall be held, if applicable, at the principal office of the Corporation at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines, or in lieu thereof at any location within Metro Manila that the Board of Directors may approve, and at a time to be announced by the Board of Directors on the day which is the 4th MONDAY OF APRIL of each year; provided that if such day is a legal holiday, the annual meeting of the stockholders shall be held on the next succeeding business day. (As amended on May 15, 2007 and further amended by the Board of Directors on March 21, 2013 and the stockholders on May 20, 2013, and by the Board of Directors on March 8, 2018 pursuant to its authority delegated by the stockholders representing at least 2/3 of the issued and outstanding capital stock on May 18, 2009, and renewed on May 19, 2014)

SECTION 2. Special Meeting – Special Meeting of the stockholders may be called by the President of the Corporation at his discretion, or by resolution of the Board of Directors, or upon written demand of stockholders holding one-third of the outstanding capital stock of the Corporation.

SECTION 3. Notices – Notice of time and place of annual or special meetings of the stockholders shall be given either personally or by mail, addressed to each stockholder of record at the address left by such stockholder with the Corporate Secretary of the Corporation or at his last known address, by telefacsimile, electronic mail or publication in a newspaper of general circulation. Provided, however, that in the case of special meetings, notice shall state the object or objects of the same. Failure or irregularity of notice of any annual or special meeting shall not invalidate such meeting or any proceedings when all the stockholders are present and voting thereat without protest. (As amended on May 15, 2007 and on May 18, 2009)

SECTION 4. Quorum – A quorum for any meeting of stockholders shall consist of a majority of the outstanding capital stock of the Corporation, and a majority of such quorum shall decide any question at the meeting save and except in those matters where the corporation law requires the affirmative vote of a greater proportion. **Stockholders casting votes through remote participation or in absentia, electronically or otherwise, shall be deemed present for the purpose of determining the existence of a quorum. (As amended by the Board of Directors on March 6, 2020 pursuant to its authority delegated by the stockholders representing at least 2/3 of the issued and outstanding capital stock on May 18, 2009, and renewed on May 18, 2015)**

SECTION 5. Vote – Voting upon all questions at all meetings of the stockholders shall be by shares of stock and not per capita. **Any stockholder entitled to vote may vote in person, through remote communication, in absentia, or be represented by proxy at any**

stockholders' meeting, subject to compliance with the rules and regulations as may be issued by the Securities and Exchange Commission from time to time. (As amended by the Board of Directors on March 6, 2020 pursuant to its authority delegated by the stockholders representing at least 2/3 of the issued and outstanding capital stock on May 18, 2009, and renewed on May 18, 2015)

SECTION 6. Proxy – Stockholders may vote at all meetings either in person, through remote participation, in absentia, or by proxy duly given in writing and presented to the Corporate Secretary for inspection and record at least seven (7) days before said meeting. Unless otherwise stated therein, any proxy issued by the stockholder shall be valid for only one meeting, and any adjournments thereof, provided that such proxy is presented to the Corporate Secretary not later than the deadline set in this section. Such proxies may be revoked by the stockholder in writing duly presented to the Corporate Secretary at least a day prior to a scheduled meeting or by the stockholder's personal appearance at the meeting. The decision of the Corporate Secretary on the validity of the proxies shall be final and binding until and unless set aside by a court of competent jurisdiction. (As amended on May 15, 2007, May 18, 2009, November 12, 2010 and by the Board of Directors on March 6, 2020 pursuant to its authority delegated by the stockholders representing at least 2/3 of the issued and outstanding capital stock on May 18, 2009, and renewed on May 18, 2015))

SECTION 7. Nomination of Directors – Nominations for the election of directors for the ensuing year must be received by the Corporate Secretary no less than fifteen working (15) days prior to the Annual Meeting of stockholders, except as may be provided by the Board of Directors in appropriate guidelines that it may promulgate from time to time in compliance with law. (As amended on May 15, 2007)

SECTION 8. Order of Business – The order of business at the annual meeting of the stockholders shall be as follows:

- a) Proof of the required notice of the meeting
- b) Proof of the presence of quorum
- c) Reading of the minutes of previous meeting
- d) Report of the President and the Board of Directors
- e) Ratification and approval of the acts of the President and the Board of Director
- f) Election of Directors for the ensuing year
- g) Appointment of External Auditors
- h) Other matters
- i) Adjournment

SECTION 9. Minutes – Minutes of all meetings of the stockholders shall be kept and preserved as a record of the business transacted at such meetings. The minutes shall contain in such entries as maybe required by law.

ARTICLE II

THE BOARD OF DIRECTORS

SECTION 1. Qualifications and Election – The general management and governance of the Corporation shall be vested in a board of nine (9) who shall be stockholders and who shall be elected annually by the stockholders owning majority of the

outstanding capital stock for a term of one (1) year and who shall serve until the election and qualification of their successors. (As amended on May 15, 2007)

No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Corporation or any of its subsidiaries or affiliates. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:

- a) If he is an officer, manager or controlling person of, or the owner (either of record or beneficial) of 20% or more of any outstanding class of shares of any corporation (other than one in which this Corporation owns at least 30% of the capital stock) engaged in business which the Board, by at least majority vote, determines to be competitive or antagonistic to that of the Corporation or any of its subsidiaries or affiliates;
- b) If he is an officer, manager or controlling person of, or the owner (either of record or beneficial) of 20% or more of any outstanding class of shares of, any corporation or entity engaged in any line of business of the Corporation or any of its subsidiaries or affiliates, when in the judgment of the Board, by at least majority vote, the law against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or
- c) If the Board, in the exercise of its judgment in good faith, determines by at least majority vote that he is the nominee of any person set forth in (a) or (b).

In determining whether or not a person is a controlling person, beneficial owner or nominee of another, the Board may take into account such factors as business and family relationships. (As amended on May 15, 2007 further amended on May 18, 2009)

Any vacancy in the Board of Directors, other than removal or expiration of term may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose if they still constitute a quorum, and the director or directors so chosen shall serve for the unexpired term.

SECTION 2. Independent Directors - The Corporation shall have at least two (2) independent directors or at least twenty percent (20%) of the entire Board membership, whichever is lesser. (As amended on May 15, 2007)

The independent directors shall have all the qualifications and none of the disqualifications set forth in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations, as the same may be amended from time to time. (As amended on May 15, 2007)

SECTION 3. Board Committees – The Board of Directors may create committees and bodies as it may deem necessary to ensure effective management oversight. (As amended on May 15, 2007)

SECTION 4. Quorum – The directors shall act as a Board and the individual directors shall have no power as such. A majority of the directors shall be necessary at all meetings to constitute a quorum for the transaction of any business. Every decision of a majority of the quorum duly assembled as a Board shall be valid as a corporate act, except as provided under Section 25 of the Corporation Code.

SECTION 5. Meetings – The Board of Directors shall hold a meeting for organization, and for the election of officers immediately after their election of which meeting no notice is required. Thereafter, the Board of Director shall hold regular meetings at least quarterly on such dates that it may fix. (As amended on May 18, 2009)

Special meetings of the Board of Directors may be called by the Chairman or the President or upon the written request of two (2) directors on one day's prior notice to each director personally, in writing, by telefacsimile, electronic media, and such meeting may be held any place within the Philippines.

Attendance at board meetings by tele/videoconferencing shall be allowed. (As amended on May 15, 2007)

SECTION 6. Powers – The Board of Directors shall have the management of the business of the company and such powers and authorities as are herein by these By-Laws or by statutes of the Philippines expressly conferred upon it.

Without prejudice to the general powers herein-above conferred, the Board of Directors shall have the following express powers:

- a) From time to time to make and change rules and regulations not inconsistent with these by-laws for the management of the Corporation's business and officers;
- b) To purchase or otherwise acquire for the Corporation, rights or privileges which the Corporation is authorized to acquire at such price and on such terms and conditions and for such considerations as it shall from time to time see fit;
- c) To borrow money for the Corporation and for such purpose, to create, make and issue mortgage, bonds, deeds of trust and negotiable instruments and securities secured by mortgage or pledge or property belonging to the Corporation;
- d) To pay for any property or rights acquired by the company or to discharge obligations of the company either wholly or partly in money or in stocks, bonds, debentures, or other securities of the company;
- e) To delegate, from time to time, any of the powers of the board which may lawfully be delegated in the course of any officer or agent and to appoint any person or persons to be agents of the Corporation with such powers and upon such terms as may be deemed fit;

SECTION 7. Order of Business – The order of business at any regular or special meeting of the Board of Directors shall be as follows:

- a) Calling to Order
- b) Confirmation of Quorum
- c) Reading and Approval of the Minutes of Previous Meeting
- d) Business Overview
- e) Other business
- f) Adjournment

The foregoing order of business may, however, be changed by the affirmative vote of the majority of the members of the Board. (As amended on May 18, 2009 and further amended on March 27, 2014)

SECTION 8. Minutes – Minutes of all meetings of the Board of Directors shall be kept and preserved as a record of the business transacted at such meetings. The minutes shall contain such entries as may be required by law.

ARTICLE III

OFFICERS

SECTION 1. Corporate Officers – The officers of the Corporation shall consist of a Chairman, a Vice Chairman, Chief Executive Officer, President, Chief Operating Officer(s), Corporate Secretary, Assistant Corporate Secretary(ies) and a Treasurer, and such other officers as may be appointed by the Board, whose powers and duties shall be as hereinafter provided and as the Board of Directors may fix in conformity with the provisions of these By-Laws. All officers shall be elected to their offices by a majority vote of all the members of the Board of Directors and they shall hold office for the term of one (1) year. (As amended on May 15, 2007 and May 18, 2009 and further amended on March 27, 2014)

SECTION 2. General Proviso – In addition to the duties enjoined upon them by law or these By-laws, the officers of the Corporation shall exercise such powers and discharge such duties as the Board of Directors may prescribe from time to time. (As amended on May 18, 2009)

SECTION 3. Chairman – The Chairman, who must be a Director, shall preside in all meetings of the Board of Directors and stockholders. He shall approve the agenda for all meetings of the Board of Directors and stockholders and also inform the Board of Directors and the stockholders of matters of interest to them at their respective meetings. (as amended on May 15, 2007 and May 18, 2009 and further amended on March 27, 2014)

SECTION 4. Vice Chairman – The Vice Chairman, who must be a Director, shall have such powers and perform such duties as the Board of Directors may from time to time prescribe. In the absence or inability of the Chairman, the Vice Chairman shall act in his stead, and shall exercise any and all such powers and perform any and all duties pertaining to the office of the Chairman as conferred upon him by these By-Laws.

SECTION 5. Chief Executive Officer – The Chief Executive Officer shall assume overall leadership of the Corporation. He shall report to, and take instructions from, the Board of Directors. He is responsible for leading the development and execution of the Company's long term strategy in accordance with the Board's mandate. He is also responsible for implementing the Company's long and short term strategic plans and shall have oversight over the President. (Amended on March 27, 2014)

SECTION 6. President – The President, who must be a Director, shall have general supervision of the business affairs and property of the Corporation and over its several offices and employees. He shall submit to the Board as soon as possible, at each annual meeting, a complete report of the operations of the Corporation for the preceding year and the state of its affairs. He shall also from time to time, report to the Board and to the Chief Executive Officer all matters within his knowledge which the interests of the

Corporation may require to be brought to its notice. He shall do and perform such other duties as from time to time may be assigned to him by the Board of Directors.

The President may assign the exercise or performance of any of the foregoing powers, duties, and functions to any other officer(s), subject always to his supervision and control. (As amended on March 27, 2014)

SECTION 7. Corporate Secretary – The Corporate Secretary, who must be a citizen and a resident of the Philippines, shall keep the minutes of all meetings of the stockholders and of the Board of Directors. He shall have charge of the corporate seal, the stock certificate books and such other books and papers of the Corporation. He shall countersign with the President the certificate of stock issued as well as such other instruments which require his signature. He shall attend to the giving and serving of all notices required by the Corporation Law or these By-Laws. He shall also perform such other duties as are incident to his office and as the Board of Directors may from time to time direct. (As amended on May 18, 2009)

SECTION 8. Asst. Corporate Secretary(ies) – The Assistant Secretary(ies) shall assist the Corporate Secretary in the performance of the Corporate Secretary's functions. He shall perform the duties or responsibility of the Corporate Secretary, if qualified, for and in the absence or inability for any cause of the Corporate Secretary and discharge such duties as the Board of Directors may prescribe. (As amended on May 15, 2007 and on May 18, 2009)

SECTION 9. Treasurer – The Treasurer, who must be a resident of the Philippines, shall have charge of the funds, securities, receipts, and disbursements of the Corporation. He shall deposit or cause to be deposited all money and other valuable effects of the Corporation in such banks or trust companies as the Board of Directors may delegate. He shall render to the President or the Board of Directors, whenever required, an account of the financial condition of the Corporation and of all transactions made by him as Treasurer. He shall keep correct books of account of all the business transactions of the Corporation. He shall perform all other duties which are incident to his position and which are from time to time prescribed by the Board of Directors. He maybe required to post a bond of sufficient securities for the faithful performance of his duties. (As amended on May 15, 2007)

SECTION 10. Executive Committee – An executive committee may be formed to consist of such number of members as may be determined by the Board of Directors provided that not less than three (3) members thereof shall be members of the Board of Directors. The powers of the Executive Committee shall extend to any acts within the competence of the Board, except with respect to the following:

- a) approval of any action for which shareholders' approval is also required;
- b) the filling of vacancies in the Board of Directors;
- c) the amendment or repeal of these By-laws or the adoption of new By-laws;
- d) the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable; and
- e) a distribution of cash dividends to the stockholders.

(As amended on May 18, 2009)

ARTICLE IV

STOCKS

SECTION 1. Issuance – The Board of Directors shall, in accordance with law, provide for the issuance of the stock certificate of the Corporation and shall be signed by the President and countersigned by the Corporate Secretary and sealed with the seal of the Corporation; Provided, that in case any such stock certificate is countersigned by a duly appointed stock transfer agent, transfer clerk or registrar, the signature of the President, as well as the countersignature of the Corporate Secretary or Assistant Corporate Secretary, upon such certificate, may be facsimiles, which can be engraved or printed on the same. The certificate of stocks shall be issued in consecutive order, and the certificates shall be numbered in the order in which they are issued. Upon the stub of each certificate issued shall be entered the name of the person, firm, or corporation owning the stock represented by such certificate, the number of shares in respect of which the certificate is issued and, in the case of cancellation, the date thereof. (As amended on May 15, 2007 and on May 18, 2009)

SECTION 2. Transfer – Transfer of stock shall be made by endorsement of the certificate and delivery thereof, but shall not be effective and binding in so far as the Corporation is concerned until it is duly registered in the books of the Corporation. Every certificate surrendered for exchange or transfer shall be cancelled, and no new certificate shall be issued in exchange for cancelled certificate until the old certificate has been so cancelled.

SECTION 3. Stock and Transfer Book – There shall be kept by the Corporate Secretary of the Corporation a book (which may be electronic) to be known as the “Stock and Transfer Book”, containing the names, alphabetically arranged, of the stockholders of the Corporation, showing their places of residence, the number of stock held by them and the time when they respectively become the owner thereof and the amount paid by them thereon. A record date may be set by the Board of Directors during such period as the Board of Directors may from time to time direct and in accordance with rules and regulations issued by the Securities and exchange Commission or Philippine stock exchange from time to time. (As amended on May 15, 2007 and on May 18, 2009)

SECTION 4. Treasury Stocks – The treasury stocks of the Corporation shall consist of such issued and outstanding stocks which have found their way back into the treasury of the Corporation either by reason of donation in its favor or by virtue of any other forms of acquisition. The said stocks may be disposed of by virtue of a resolution adopted by the Board of Directors. While held by the Corporation, said stocks shall neither vote nor participate in the distribution of dividends.

SECTION 5. Loss or Destructions of Certificates – The Board of Directors may direct a new certificate of stock to be issued in place of any certificate theretofore issued and alleged to have been lost or destroyed. The Board of Directors authorizing such issue of a new certificate, may in its discretion, require the owner of the stock or his legal representative to furnish proof by affidavit or otherwise to the satisfaction of the Board as to ownership of the stock alleged to have been lost or destroyed, and the facts which supported its loss or destruction. The Board of Directors may also require him to give notice to such loss or destruction by publication or otherwise, as it may direct, and cause the delivery to the Corporation of a bond with or without sureties in such sum as it may direct, indemnifying the Corporation from any claims that may be made against it by reason of the issuance of such new certificate. The Board of Directors, however, may refuse in its discretion, to issue any such new certificate except pursuant to legal proceedings made and provided for in such case. In this connection, the provision of Sec. 73 of the Corporation Code must be complied with.

SECTION 6. Compulsory Exchange of Certificates – When the Articles of Incorporation are amended in any way affecting the statements contained in the certificates for outstanding shares, or it becomes desirable for any reason to cancel the outstanding certificates of shares and issue new certificates thereafter conforming to the rights of the holder, the Board of Directors may order any holder of outstanding certificates for shares to surrender and exchange them for new certificates within reasonable time to be fixed by the Board of Directors.

SECTION 7. Uncertificated Securities – Anything in this Article to the contrary notwithstanding, the Board of Directors may, subject to existing laws and regulations which may be issued by the Securities and exchange Commission from time to time, approve the issuance or transfer of stocks by way of electronic book entries of uncertificated securities in any duly registered clearing agency.

ARTICLE V

FISCAL YEAR, DIVIDENDS, AUDITING AND INSPECTION OF BOOKS OF ACCOUNTS

SECTION 1. Fiscal year – The Fiscal Year of the Corporation shall commence with the opening of the business on the 1st day of January of each calendar year and shall close on the 31st of December of the same year.

SECTION 2. Dividends – Dividends shall be declared only from the unrestricted retained earnings and shall be payable at such times and in such amounts as the Board of Directors shall determine, and payment shall be in cash and/or in shares of the unissued stock of the Corporation and/or in kind namely, properties of the Corporation, particularly any shares of stock, debentures, or securities of other companies belonging to this Corporation as said Board of Directors shall determine; provided, that no stock dividend shall be declared without concurrence of stockholders representing not less than two-thirds (2/3) of outstanding capital stock. No dividends shall be declared that will impair the capital of the Corporation.

SECTION 3. Auditing of Books of Accounts – Inspection of the books of accounts by any member of the Board of Directors may be made at any and all times, and such inspection may embrace all book, records, and voucher of the Corporation. Stockholders may inspect the books of the incorporation only on reasonable time during business hours.

ARTICLE VI

SEAL

The corporate seal of the Corporation shall consist of two concentric rings, between shall be inscribed – the words “ABOITIZ POWER CORPORATION” and in the center, the words “Incorporated on followed immediately by the date of the approval of the Articles of Incorporation by the Securities & Exchange Commission”

ARTICLE VII

AMENDMENTS

These By-Laws may be amended, repealed, or altered in whole or in part by a majority vote of the Board of Directors and a majority vote of the entire outstanding capital

stock of the Corporation at any regular or special meeting of the shareholders or at any special meeting where such action has been announced in the call and notice of such meetings, provided, however, that the owners of two-thirds (2/3) of the outstanding capital stock may delegate to the Board of Directors the power to amend or repeal these By-laws or to adopt new By-laws. Such delegation of powers shall be considered revoked whenever a majority of the outstanding capital stock shall so vote at a regular or special meeting.

ADOPTED THIS 24th day of October, 1997 at Cebu City, Philippines, by the unanimous vote of the undersigned incorporators of ABOITIZ POWER CORPORATION representing the majority of the outstanding capital stock of the Corporation.

(Sgd.) Jon Ramon Aboitiz

(Sgd.) Juan Antonio E. Bernad

(Sgd.) Mikel A. Aboitiz

(Sgd.) Erramon I. Aboitiz

(Sgd.) Alfonso Y. Aboitiz

(Sgd.) Jon Ramon Aboitiz

for and in behalf of
Aboitiz Equity Ventures, Inc.
in his capacity as
President and Chief Executive Officer
thereof.

TRUST AGREEMENT

This TRUST AGREEMENT is made and executed this August 27, 2014, by and between:

ABOITIZ POWER CORPORATION, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal offices at the NAC Tower, 32nd Street, Bonifacio Global City, 1634 Taguig City, Metro Manila (hereinafter referred to as the "**Issuer**");

– and –

BANK OF THE PHILIPPINE ISLANDS, a corporation duly organized and validly existing under the laws of the Republic of the Philippines, duly authorized to perform trust functions and other fiduciary business, with principal offices at the 17th Floor, BPI Building, 6768 Ayala Avenue corner Paseo de Roxas, Makati City, **acting through its Asset Management and Trust Group** (hereinafter referred to as "**BPI-AMTG**" or the "**Trustee**").

WITNESSETH: That -

WHEREAS, the Issuer is authorized to issue Fixed Rate Peso-Denominated Bonds for offering, distribution and sale to the general public of up to the aggregate principal amount of PHILIPPINE PESOS: FIVE BILLION (PhP 5,000,000,000.00), with an additional over-subscription option exercisable by the Lead Underwriter (the "Over-Subscription Option") of up to PHILIPPINE PESOS: FIVE BILLION (PhP5,000,000,000.00) (the "Offer");

WHEREAS, the Offer and the terms thereof are more fully described in **Annex "A"** hereof and in the Prospectus to be issued and circulated for the Offer, which is made an integral part hereof by reference;

WHEREAS, the Issuer expects to obtain a Permit to Sell from the SEC in respect of a public distribution and sale of the Bonds prior to the start of the Offer Period;

WHEREAS, to achieve the foregoing objectives, the Issuer has appointed, and hereby confirms the appointment of, BPI-AMTG as the Trustee on the basis of the representations and warranties of the Issuer and under the terms and conditions hereinafter set forth, has consented to the appointment;

NOW, THEREFORE, for and in consideration of the foregoing premises, the parties hereto agree as follows:

SECTION 1

DEFINITIONS AND INTERPRETATION

1.01 *Definitions*

The following terms shall have the respective meanings set forth below except as otherwise expressly provided or unless the context otherwise requires:

"Aboitiz Group" means Aboitiz & Co., Inc. and Aboitiz Power Corporation, each a corporation organized under Philippine law, together with their respective Subsidiaries and Affiliates, related persons and related interests, whether or not stockholders of record of the Issuer as of the Issue Date;

"Affiliate" means with respect to any Person, any other Person directly or indirectly Controlling, Controlled by or under common Control with, such Person;

"Agreement" shall mean this Trust Agreement and all amendments or supplements hereto;

"Applicant" shall mean the Person who shall duly accomplish the Application as defined herein and who shall deliver the same to the Lead Underwriter in accordance with the Underwriting Agreement;

"Application" or **"Application to Purchase"** shall mean the form actually accomplished and submitted by the Applicant for the purchase of the Bonds, together with all other requirements set forth substantially in the form attached hereto as **Annex "B"**;

"Authorization" means any authorization, consent, approval, license, exemption, filing, registration or other similar action;

"Banking Day" means a day other than Saturday, Sunday and public holidays on which commercial banks and the Philippine Clearing House Corporation are generally open for the transaction of business in Makati City, Taguig City and the City of Manila; *provided*, that all other days unless otherwise specified herein shall mean calendar days which shall be construed as successive periods of twenty-four (24) hours each;

"BIR" shall mean the Bureau of Internal Revenue of the Republic of the Philippines;

"Bona Fide Bondholder" shall have the meaning ascribed to it in Section 3.09(a) hereof;

"Bondholders" shall mean the registered owners of the Bonds;

"Bonds" shall mean the Bonds with an aggregate principal amount of up to PHILIPPINE PESOS: FIVE BILLION (PhP5,000,000,000.00), with an

Trust Agreement No. 1720-5161

additional Over-Subscription Option, which the Issuer shall simultaneously issue for distribution and sale on Issue Date in Series A Bonds and Series B Bonds series;

"Competitor" shall have the meaning ascribed to it in Section 3.8(c)(v) hereof;

"Control" means the possession, directly or indirectly, by a Person of the power to direct or cause the direction of the management and policies of another Person whether through the ownership of voting securities or otherwise; provided, however, that the direct or indirect ownership of over fifty percent (50%) of the voting capital stock, registered capital or other equity interest of a Person is deemed to constitute control of that Person, and "Controlling" and "Controlled" have corresponding meanings;

"Event of Default" shall have the meaning set forth in Section 9 hereof;

"Fee Letter" means the letter of the Trustee to the Issuer dated June 13, 2014 and acknowledged by the Issuer on same date;

"Governmental Authority" means the Government of the Republic of the Philippines, or any political subdivision or agency thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the said government, and any national agency or body vested with jurisdiction or authority over any Person;

"GRT" means the gross receipts tax under Sections 121 and 122 of the National Internal Revenue Code of 1997, as amended;

"Indebtedness" means, with respect to the Issuer: (i) all indebtedness or other obligations of the Issuer for borrowed money or for the deferred purchase price of property or services and similar arrangements; (ii) all indebtedness or other obligations of any other Person, the payment or collection of which is guaranteed by the Issuer (except by reason of endorsement for collection in the ordinary course of business) or in respect of which the Issuer is liable, contingently or otherwise, including without limitation, any agreement to purchase, to provide funds for payment, to supply funds to or otherwise invest in such Person; and (iii) capitalized lease obligations of the Issuer;

"Interest Payment Date" shall mean the dates indicated in the interest coupon of the Bonds as provided in **Annex "A"**;

"Issue Date" shall be on September 10, 2014, or such later date as may be mutually determined by the Issuer and the Lead Underwriter for the issuance of the Bonds;

"Issue Price" shall mean one hundred percent (100%) of the face value of the Bonds;

"Law" means: (i) any statute, decree, constitution, regulation, rule, order or any directive of any Governmental Authority; (ii) any treaty, pact, compact

or other agreement to which any Governmental Authority is a signatory or party; (iii) any judicial or administrative interpretation or application of any Law described in clause (i) or (ii) above; and (iv) any amendment or revision of any Law described in clause (i), (ii) or (iii) above;

"Lead Underwriter" shall refer to BPI Capital Corporation;

"Lien" means, with respect to any Person, any lien, pledge, mortgage, charge, hypothecation, encumbrance, or other security interest or preferential arrangement on or with respect to any asset or revenue of such Person;

"Majority Bondholders" shall mean, at any time, the Bondholders who hold, represent or account for more than fifty percent (50%) of the aggregate outstanding principal amount of the Bonds;

"Master Certificates of Indebtedness" means for each of the Series A Bonds and Series B Bonds, the certificates to be issued by the Issuer in the name of the Trustee for the benefit of the Bondholders evidencing and covering the aggregate principal amount of each of such series of Bonds purchased during the Offer Period for such Bonds, substantially in the form set forth in Annex "C" hereof.

"Material Adverse Effect" means, in relation to the Issuer, a material adverse effect on the ability of the Issuer to perform or comply with any of its obligations, or to exercise any of its rights, under this Agreement, the Underwriting Agreement or the Bonds;

"Maturity Date" shall mean, with respect to the Series A Bonds, the date seven (7) years from Issue Date or on September 10, 2021, and, with respect to the Series B Bonds, the date twelve (12) years from Issue Date or on September 10, 2026;

"Net Debt to Consolidated Equity Ratio" shall mean with respect to the Bonds, the ratio of Net Debt, which is computed as the total of interest-bearing debt less cash, cash equivalents, and short-term investments, to Consolidated Equity, which is computed as the total stockholders' equity of the Issuer as recognized and measured in its fiscal year-end audited consolidated financial statements in conformity with PFRS.

"Offer" or **"Issue"** as the context may require, shall mean the Bonds or the offering, issuance, distribution and sale of the Bonds;

"Offer Period" shall mean the period commencing at 9:00 a.m. on August 29, 2014 and ending at 12:00 p.m. on September 3, 2014 or such other date as may be mutually agreed between the Issuer and the Lead Underwriter;

"Optional Redemption Date" shall have the meaning ascribed to it under Section 6.04;

Trust Agreement No. 1720-5161

"Optional Redemption Price" shall have the meaning ascribed to it under Section 6.04;

"Over-Subscription Option" shall mean the over-subscription option exercisable by the Lead Underwriter of up to PHILIPPINE PESOS: FIVE BILLION (PhP5,000,000,000.00).

"Paying Agent" shall mean the Philippine Depository & Trust Corporation acting as paying agent in accordance with the Registry and Paying Agency Agreement;

"Payment Date" shall mean the Interest Payment Date and/or the Principal Payment Date, as the case may be;

"Penalty Interest" shall mean the penalty interest at the rate of two percent (2%) per annum payable by the Issuer pursuant to Section 6.06 hereof.

"Person" means an individual, corporation, partnership, joint venture, unincorporated association, trust, or other juridical entity, or any Governmental Authority;

"PFRS" means Philippine Financial Reporting Standards;

"Philippine Peso" or **"PhP"** means the legal currency of the Republic of the Philippines;

"Philippines" means the Republic of the Philippines;

"Principal Payment Date" shall mean the Maturity Date or the Optional Redemption Date;

"Prospectus" means the selling material including any amendment or supplement thereto duly filed by the Issuer with, and duly approved by, the SEC for the purpose of the offering, distribution and sale of the Bonds;

"Record Date" as used with respect to any Payment Date shall mean the day which is two (2) days Banking Days prior to the relevant Interest Payment Date; provided that if such day falls on a non-Banking Day, the Record Date shall be the next Banking Day immediately preceding said date;

"Registrar" shall mean the Philippine Depository & Trust Corporation acting as the registrar in accordance with the Registry and Paying Agreement;

"Registration Statement" shall mean the registration statement filed by the Issuer with the SEC in accordance with the Securities Regulation Code relating to the registration and issuance of the Bonds;

"Registry and Paying Agency Agreement" shall mean the agreement dated August 27, 2014 by and between the Issuer and Philippine

Depository & Trust Corporation, as the Paying Agent and Registrar for the Issue;

"SEC" shall mean the Securities and Exchange Commission of the Philippines;

"Securities Regulation Code" shall refer to Republic Act No. 8799 and its implementing rules and regulations, as the same may be amended and supplemented from time to time;

"Series A Bonds" shall mean the fixed rate bonds having a term ending seven (7) years from the Issue Date;

"Series B Bonds" shall mean the fixed rate bonds having a term ending twelve (12) years from the Issue Date;

"Subsidiary" means in respect of any Person, any entity: (i) over fifty percent (50%) of whose capital is owned directly by that Person; or (ii) for which that Person may nominate or appoint a majority of the members of the board of directors or such other body performing similar functions;

"Taxes" or **"Tax"** means any present or future taxes, levies, imposts, duties, filing, registration and other fees or charges imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof, including but not limited to GRT, VAT, final withholding taxes and documentary stamp tax, should it be imposed on banks and other financial institutions, but excluding: (i) taxes on the overall income of any Bondholder, whether or not subject to withholding; (ii) income taxes on any amount payable to any Bondholder; and (iii) any withholding tax on any amount due on the Bonds and payable to any Person who is a non-resident alien or a non-resident foreign corporation as defined under Section 22 of the National Internal Revenue Code;

"Total Liabilities" shall mean the total economic obligations of the Issuer that are recognized and measured in its audited parent financial statements in accordance with PFRS;

"Treasury Transaction" means any currency, commodity, or interest rate purchase, cap or collar agreement, forward rate agreement, future or option contract, swap or other similar agreement, in relation to the Issuer's treasury management; and

"Trustee" shall mean BPI-AMTG or any other successor trustee acting as trustee pursuant to this Agreement.

1.02 **Other Terms.** Any reference in this Agreement to:

a **"company"** shall be construed so as to include any company, corporation or any association or partnership (whether or not having separate legal personality) of any two or more Persons;

"Lead Underwriter," "Registrar," "Paying Agent," "Trustee" and "Bondholders" shall be construed so as to include their respective successors, transferees and assigns in accordance with their respective interests to the extent permitted under the terms hereof and, in the case of the **"Issuer,"** its respective successors, transferees and assigns, to the extent permitted under the terms hereof;

a **"month"** is the period commencing on a specified day in a calendar month and ending on the numerically corresponding day in the relevant subsequent calendar month (or if there is no day so corresponding in the calendar month in which such period ends, such period shall end on the last day of such calendar month);

an **"Annex"** shall, subject to any contrary indication, be construed as a reference to a schedule hereto;

a **"Section"** shall, subject to any contrary indication, be construed as a reference to a section hereof; and

the **"winding-up," "dissolution" or "administration"** of a company shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or any jurisdiction in which such company carries on business.

1.03 **Accounting Terms.** All accounting terms not specifically defined in this Agreement shall be construed in accordance with PFRS.

1.04 **Rules of Construction.** Save where the contrary is indicated, any reference in this Agreement to:

(a) this Agreement, the Bonds or any other agreement or document shall be construed as a reference to this Agreement or, as the case may be, the Bonds, other agreement or document as the same may have been, or may from time to time be (subject to any restrictions herein), amended, varied, novated, supplemented, replaced or substituted;

(b) a statute shall be construed as a reference to such statute as the same may have been, or may from time to time be, amended or re-enacted; and

(c) a day shall be construed as a reference to a calendar day.

- 1.05 **Headings.** Section, Annex, Exhibit and Schedule headings are for ease of reference only and shall not affect the interpretation of this Agreement and the Bonds.

**SECTION 2
ISSUANCE OF BONDS AND DELIVERY OF
MASTER CERTIFICATES OF INDEBTEDNESS**

2.01 ***Issuance of the Bonds***

The Bonds shall be issued by the Issuer in accordance with the terms of this Agreement.

2.02 ***Delivery of Executed Master Certificates of Indebtedness***

The Issuer shall, not later than 9:00 a.m. on Issue Date, deliver the duly executed Master Certificates of Indebtedness for each of the Series A Bonds and Series B Bonds, covering the entire principal amount of each such series of Bonds, to the Trustee, with a copy to the Registrar. The Trustee shall, upon its receipt of the duly executed Master Certificates of Indebtedness, immediately notify the Lead Underwriter of such fact in writing (including, without limitation, by facsimile transmission, telex or telecopier, or electronic mail).

**SECTION 3
THE TRUSTEE**

3.01 ***Duties and Responsibilities of the Trustee***

- (a) The Trustee is hereby appointed as trustee for and in behalf of the Bondholders and shall perform such responsibilities as provided in this Agreement.
- (b) The Trustee shall act as trustee for and in behalf of the Bondholders and as such shall, in accordance with the terms and conditions of this Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the Issuer's observance of all its covenants and performance of all its obligations, under and pursuant to this Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under this Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters to be taken up with the Issuer.
- (c) The Trustee shall have custody of and hold in its name, for and in behalf of the Bondholders, the Master Certificates of Indebtedness for the total issuance of the Bonds.

Trust Agreement No. 1720-5161

- (d) The Trustee shall promptly and faithfully carry out the instructions or decisions of the Majority Bondholders issued or reached in accordance with Section 11.
- (e) The Trustee may, from time to time, request the Issuer to submit such certification of its officers, reports of its external auditors, and other documents relating to the Issuer's ability to comply with its obligations under the Bonds and this Agreement, as well as to examine such records of the Issuer as may be related to the Issuer's obligations under the Bonds and this Agreement.

The request shall be reasonable, made not less than seventy-two (72) hours prior to the intended date of examination and shall be in writing to the Issuer which shall include, in reasonable detail, the purpose for such request and the intended use of the requested documents or information. The Issuer may require the Trustee, its directors, officers, employees, representatives, agents, partners, consultants and advisors to hold in confidence such documents and information furnished to the Trustee pursuant to said request or to limit the use thereof for the purpose intended as stated in the request provided such limitation shall not apply if it is in conflict with the duties and responsibilities of the Trustee under any provision of this Agreement.

- (f) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in this Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by this Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs under similar circumstances.
- (g) The Trustee shall inform the Bondholders of any event which has a Material Adverse Effect on the ability of the Issuer to comply with its obligations to the Bondholders, breach of representations and warranties, and Events of Default within a reasonable period from the time that the Trustee learns of such events.
- (h) The Trustee shall perform such other powers and functions as provided for elsewhere under this Agreement.

3.02 Corporate Form

The Trustee shall at all times be a financial institution organized and doing business under the laws of the Republic of the Philippines duly authorized to exercise corporate trust powers, having its principal office and place of business in Metro Manila, Philippines.

3.03 Custody, Segregation and Deposit of Funds

All moneys and funds received by the Trustee in connection with this Agreement shall be held in trust for the purpose for which they were received, and any and all such sums and assets shall be segregated from all other funds and assets of the Trustee.

3.04 Compensation, Reimbursement and Indemnification

- (a) In consideration for the faithful compliance and performance by the Trustee of its duties and obligations under this Agreement, the Issuer shall pay to the Trustee the amount of fees to be stipulated in a separate Fee Letter which is made an integral part hereof. The Issuer will pay or reimburse the Trustee for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Agreement (including reasonable compensation and expenses and disbursements of its counsel and of all Persons not regularly in its employ). If any property other than cash shall at any time be subject to any Lien created for the benefit of the Trustee, on account of the Issuer's obligations to the Trustee under the Agreement, or the Bondholders by operation of Law or as a result of any execution, receivership, bankruptcy, dissolution or similar proceedings, if and to the extent authorized by any agency or court of competent jurisdiction subjecting such property to such Lien, the Trustee may, but without legal obligation to do so, make advances for the purpose of preserving such property or of discharging tax Liens or other prior Liens or encumbrances thereon previously disclosed to the Lead Underwriter.
- (b) The Issuer also covenants to indemnify the Trustee for, and to hold it free and harmless against, any loss, liability or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the administration of this trust, including the cost and expenses of defending itself against any claim of liability in the premises.
- (c) The obligations of the Issuer to the Trustee under this Section shall constitute additional indebtedness of the former hereunder.

3.05 Liability of the Trustee

- (a) No provision of this Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its willful misconduct, or that of its directors, officers or employees, provided that:
 - (i) Prior to the occurrence of an Event of Default or after the curing or the waiver of all Events of Default which may have occurred, in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely upon, as to the truth of the statements and the correctness of the

Trust Agreement No. 1720-5161

opinion expressed in, any certificate or opinion furnished to the Trustee conforming to the requirements of this Agreement.

- (ii) The Trustee shall not be liable for any error of judgment made in good faith by its responsible officer or officers, unless it shall be proved that the Trustee was grossly negligent in ascertaining the pertinent fact.
 - (iii) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Majority Bondholders, relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under this Agreement.
- (b) None of the provisions contained in this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.
 - (c) The Trustee or successor Trustee shall be exempt from giving any surety or bond in the performance of its duties under this Agreement.

3.06 *Ability to Consult with Counsel*

- (a) The Trustee may consult with counsel upon due notice to Issuer, and any reasonable opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or omitted to be taken by the Trustee hereunder in good faith and in accordance with such opinion; provided that, prior to taking or not taking such action for which the opinion of counsel is sought, the Trustee shall inform the Issuer of the relevant opinion of counsel.
- (b) Notwithstanding any provision of this Agreement authorizing the Trustee conclusively to rely upon any certificate or opinion, the Trustee may, before taking or refraining from taking any action in reliance thereon, require any further evidence or make any further investigation as to the facts or matters stated therein which it may in good faith deem reasonable in the circumstances; and the Trustee shall require such further evidence or make such further investigation as may reasonably be requested in writing by the Majority Bondholders.

3.07 *Trustee as Owner or Pledgee of Bonds*

The Trustee, in its individual or any other capacity, may become the owner or pledgee of Bonds with the same rights it would have if it were not Trustee, and subject to the provisions of Section 3.09(b), the Trustee

may otherwise deal with the Issuer in the same manner and to the same extent as though it were not the Trustee hereunder.

3.08 Conflict of Interest

- (a) If the Trustee has or acquires any conflicting interest, as defined in Section 3.08(c), the Trustee shall, within sixty (60) days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign as Trustee in the manner and with the effect specified in Section 3.09.
- (b) In the event that the Trustee shall fail to comply with the provisions of Section 3.08(a), the Trustee shall within ten (10) days after the expiration of the aforesaid sixty (60)-day period transmit notice of such failure to the Bondholders and the Issuer.
- (c) For the purpose of this Section, the Trustee shall be deemed to have a conflicting interest if:
 - (i) The Trustee directly or indirectly Controls or is directly or indirectly Controlled by or is under direct or indirect common Control of the Issuer; or
 - (ii) Twenty percent (20%) or more of the voting securities of the Trustee is beneficially owned either by the Issuer or by any director, partner or executive officer thereof, or thirty percent (30%) or more of such voting securities is beneficially owned, collectively, by any two (2) or more of such Persons; or
 - (iii) The Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, five percent (5%) or more of the voting securities, or ten percent (10%) or more of any other class of security, of the Issuer, not including the bonds of the Issuer issued under any other agreement under which the Trustee is also a trustee; or
 - (iv) The Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, five percent (5%) or more of the voting securities of any Person who, to the knowledge of the Trustee, owns ten percent (10%) or more of the voting securities of, or controls directly or indirectly or is under direct or indirect common control of, the Issuer; or

- (v) The Trustee is or becomes a Competitor.

For this purpose, a "Competitor" is:

- i. any Person which is: (a) engaged in, (b) has a direct or indirect beneficial interest of at least thirty percent (30%) of the outstanding capital stock of, (c) has the power to nominate, appoint or elect a director or executive officer of, or (d) has the power to propose, direct or Control (whether by contract, the ownership of shares or otherwise) the management policy or affairs of, any business which is in competition with the business of the Issuer or, in any event, any Person which has the ability or power to disclose, use or otherwise exploit information relating to the Issuer in furtherance of or in connection with such competitive business; or
- ii. any Person, twenty percent (20%) or more of the voting securities of which is legally and beneficially, directly or indirectly, owned by a Person referred to in Section 3.08(c)(v)(i) above; or
- iii. any Person which is the legal and beneficial, direct or indirect, owner of at least twenty percent (20%) of the voting securities of a Person referred to in Section 3.08(c)(v)(i) above; or
- iv. any Person any whose directors, partners or executive officers is a director, partner or executive officer of any of the Persons referred to in Section 3.08(c)(v)(i), (ii), and (iii) above; or
- v. any Person, thirty percent (30%) or more of the voting securities of which is legally and beneficially, directly or indirectly, owned by a director, partner, or executive officer, or any two (2) or more of such directors, partners or executive officers, of a Person referred to in Section 3.08(c)(v)(i).

3.09 Change of Trustee

- (a) The Trustee may at any time resign by giving thirty (30) days prior written notice to the Issuer and to the Bondholders of such resignation. Upon receiving such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor Trustee by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the successor Trustee. If no successor Trustee shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any

Trust Agreement No. 1720-5161

court of competent jurisdiction for the appointment of a successor Trustee, or any Bondholder who has been a bona fide holder of the Bonds for at least six (6) months (the "Bona Fide Bondholder") may, for and on behalf of the Bondholders, petition any such court for the appointment of a successor Trustee. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor Trustee.

- (b) In case at any time any of the following shall occur -
- (i) The Trustee shall fail to comply with the provisions of Section 3.08(a) after written request therefor by the Issuer or by the Majority Bondholders; or
 - (ii) The Trustee shall cease to be eligible in accordance with the provisions of Section 3.02 and shall fail to resign after written request therefor by the Issuer or by any Bona Fide Bondholder; or
 - (iii) The Trustee shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation; or
 - (iv) Provided there is no Event of Default, the successor Trustee, pursuant to Section 3.11, is not acceptable to the Issuer, for any reason;

then the Issuer may, within thirty (30) days therefrom remove the Trustee and appoint a successor Trustee, by written instrument in duplicate, executed by the Issuer's duly authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the successor Trustee. If the Issuer fails to remove the Trustee and appoint a successor Trustee, any Bona Fide Bondholder may, on behalf of himself and all other Bondholders, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor Trustee.

- (c) The Majority Bondholders may at any time remove for cause the Trustee and appoint a successor Trustee by the delivery to the Trustee so removed, to the successor Trustee and to the Issuer of the evidence provided for in Section 11.09 of the action in that regard taken by the Majority Bondholders. This is without prejudice to whatever remedies may be available to the Majority Bondholders under the Law or in equity.
- (d) Any resignation or removal of the Trustee and appointment of a successor Trustee pursuant to any of the provisions of this

Section shall become effective upon the earlier of: (i) acceptance of appointment by the successor Trustee as provided in this Agreement; or (ii) the effectivity of the resignation notice sent by the Trustee under this Agreement provided, however, that after such effectivity of the resignation notice and, as relevant, until such successor Trustee is qualified and appointed, the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by the Issuer.

- (e) Within ten (10) days from the Resignation Effective Date, the Trustee shall transfer and turn over to the successor Trustee, and shall make an accounting of, all the assets, documents or instruments which are in the custody of the Trustee pursuant to this Agreement, if any.

3.10 *Successor Trustee*

- (a) Any successor Trustee appointed as provided in Section 3.09 shall execute, acknowledge and deliver to the Issuer and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder with like effect as if originally named as Trustee herein. The foregoing notwithstanding, on the written request of the Issuer or of the successor Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor Trustee, upon the trust herein expressed, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor Trustee all such rights, powers and duties.
- (b) No successor Trustee shall accept appointment as provided in this Section unless at the time of acceptance such successor Trustee shall be qualified and eligible under the provisions of Section 3.02 and has none of the conflict of interest under Section 3.08.
- (c) Upon acceptance of appointment by a successor Trustee as provided in this Section, the Issuer shall notify the Bondholders in writing of the succession of such Trustee to the trust herein. If the Issuer fails to notify the Bondholders within ten (10) days after acceptance of appointment by the successor Trustee, the latter shall cause the Bondholders to be so notified at the expense of the Issuer.

3.11 *Merger or Consolidation*

Without prejudice to Section 3.09 (b), any corporation into which the Trustee may be merged or with which it may be consolidated or any corporation resulting from any merger or consolidation to which the Trustee shall be a party or any corporation succeeding to the business of the Trustee shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such successor Trustee shall be eligible under Section 3.02 and has none of the conflict of interest under Section 3.08, and that, if such successor Trustee shall not be qualified under Section 3.08, such successor Trustee shall, within ninety (90) days after becoming such successor Trustee, either become qualified under Section 3.08 or resign in the manner and with the effect specified in Section 3.09. The Trustee shall immediately inform the Issuer of the occurrence of such merger, consolidation or such succession to the business of the Trustee.

3.12 *Representations and Warranties of the Trustee*

The Trustee represents to the Issuer and to the Bondholders as follows:

- (a) It is a corporation duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines, and has its business address at the place indicated in this Agreement, and is registered or qualified to do business as now being conducted in every jurisdiction where registration or qualification is necessary;
- (b) It has full power and authority to enter into this Agreement and to perform its obligations hereunder and execute the trust hereby created, and hereby accepts the trust in this Agreement and provided upon the terms and conditions herein set forth;
- (c) The obligations of the Trustee under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with its terms;
- (d) All consents, approvals and authorizations necessary on its part for the due execution, delivery and performance of this Agreement have been obtained or effected by it and remain in full force and effect as of the date hereof; and
- (e) The execution and delivery of this Agreement, and the performance of its obligations hereunder, do not and will not violate any applicable Laws or regulations of the Philippines or judgments, orders or issuances of Philippine courts and will not conflict with or result in a breach of its constitutive documents, any contract, agreement or other obligation to which it is a party or for which it may be bound.

The aforesaid representations and warranties are true and correct as of the date of this Agreement and shall remain to be true and correct as long as the Bonds or any portion thereof remain outstanding.

The representations and warranties of the Trustee shall survive the issuance of the Bonds and may be enforced at any time while the Bonds or any portion thereof remains outstanding.

Any breach of the foregoing representations of the Trustee entitles the Majority Bondholders to remove the Trustee pursuant to and in accordance with Section 3.09(c).

3.13 *Declarations by the Trustee and the Issuer*

The recitals contained herein and in the Bonds, except the Trustee's representations provided in Section 3.12, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity of the Bonds. The Trustee shall not be accountable for the use or application by the Issuer of any of the Bonds or of the proceeds of such Bonds. Similarly, the Issuer takes no responsibility for the correctness of the representations made by the Trustee under Section 3.12.

3.14 *Reports to the Bondholders*

- (a) Only upon the occurrence of either (i) or (ii), the Trustee shall submit to the Bondholders on or before March 31 of each year from the relevant Issue Date until full payment of the Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:
 - (i) The property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report (as reported by the Paying Agent to the Trustee); and
 - (ii) Any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it in accordance with the provisions of Section 10.02.
- (b) Upon the written request of any Bona Fide Bondholder, the Trustee shall likewise transmit to the requesting Bondholder, a brief report with respect to the character, amount and the circumstances surrounding the making of any advance by the Trustee for the reimbursement of which the Trustee claims or may claim a Lien or charge which is prior to that of the Bondholders on the trust estate or property or funds held or collected by the Paying Agent and which it has not previously reported pursuant to this paragraph, if such advance remaining unpaid at any time aggregates more than ten percent (10%) of the aggregate principal amount of Bonds outstanding at such time, such report to be transmitted within ninety (90) days from the making of such advance.

- (c) Only upon a written request at least five (5) business days before, the following pertinent documents may be inspected during regular business hours on any Banking Day at the principal office of the Trustee:
 - (i) This Agreement;
 - (ii) The Registry and Paying Agency Agreement;
 - (iii) The latest Articles of Incorporation and By-Laws of the Issuer; and
 - (iv) The Permit to Sell the Bonds.

SECTION 4

REPRESENTATIONS AND WARRANTIES OF THE ISSUER

4.01 *Representations and Warranties*

The Issuer hereby represents and warrants to the Trustee and the Bondholders as follows:

- (a) **Organization and Existence.** It is a corporation duly incorporated, validly existing and in good standing under the Laws of the Republic of the Philippines, and has its business address at the place indicated in this Agreement, and is registered or qualified to do business as now being conducted in every jurisdiction where registration or qualification is necessary;
- (b) **Authorization.** It has full legal right, power and authority to carry on its present business, to own its properties and assets, to incur the Indebtedness and other obligations provided for in the Bonds and this Agreement, and has taken all appropriate and necessary corporate and legal actions to authorize the offer, issuance, distribution and sale of the Bonds, for the circulation of the Prospectus and the execution and delivery of this Agreement, and to comply, perform and observe the terms and conditions hereof and thereof;
- (c) **Binding Obligation.** The obligations of the Issuer under the Bonds, this Agreement and all accepted Applications to Purchase will constitute its legal, valid and binding obligations, enforceable in accordance with their terms and conditions;
- (d) **No Breach.** The execution and delivery by the Issuer of this Agreement, the issuance of the Bonds, the performance by it of any provision, condition, covenant or other terms herein or therein

and its payment of all amounts due on the dates and in the currency provided for therein will not violate in any respect any provision of its Articles of Incorporation, By-Laws, or other constitutive documents, or violate, conflict with or result in the breach of or constitute a default (or which, with the giving of notice or passing of time or both, would constitute a default) under: (i) any Law presently in effect; or (ii) any indenture, agreement, mortgage, contract or other undertaking or instrument to which it is a party or which is binding upon it or any of its properties or assets, and do not and will not result in the creation or imposition of any Lien in or any security interest on any of its properties or assets pursuant to the provisions of such indenture, agreement, contract or other undertaking or instrument;

- (e) **No Event of Default.** No event has occurred and is continuing or would result from the making of this Agreement or the issuance of the Bonds which constitutes an Event of Default under Section 9 hereof or which, upon a lapse of time or notice or both, would become such an Event of Default;
- (f) **No Declared Event of Default in Other Agreements.** No declared event of default which would have a Material Adverse Effect has occurred which constitutes a default by the Issuer under or in respect of any agreement, undertaking or instrument to which it is a party or by which it or its ownership in any of its assets or properties may be bound. Neither has an event which would have a Material Adverse Effect occurred which with giving of notice, lapse of time or other conditions would constitute a declared event of default by it under or in respect of any such agreement, undertaking or instrument;
- (g) **Consents, Approvals and Registrations.** All consents, licenses, approvals and authorizations of, and all filings and registrations with any Government Authority, bureau or agency or other entity or Person legally necessary for the issuance as well as the offering, distribution and sale of the Bonds, for the circulation of the Prospectus, and for the Issuer to enter into and comply with its obligations under this Agreement, the Bonds and all accepted Applications to Purchase, will have been obtained or effected on or before the commencement of the Offer Period;
- (h) **Compliance with Conditions.** All conditions imposed under the Securities Regulation Code and the pertinent rules and regulations of the SEC with respect to the offer, issuance, distribution and sale of the Bonds, have been or will have been complied with by the Issuer as of the date or time that they are required to be complied with;
- (i) **Litigation.** Except as otherwise disclosed by the Issuer to the Bondholders, through the Trustee, in writing on or prior to the date of this Agreement, there is no litigation, arbitration or other

proceeding pending, or to its knowledge threatened against or affecting it or its assets and properties, before any court or governmental department, commission, board, bureau, agency or instrumentality of the Republic of the Philippines or any other jurisdiction which, if determined adversely could have a material adverse effect on the business, properties, assets or financial conditions of the Issuer, or have a Material Adverse Effect or which might enjoin the execution and delivery of or might affect in any manner the validity and enforceability of this Agreement or the Bonds;

- (j) **Immunity.** Neither it nor any of its properties or assets enjoy any right of immunity from suit, jurisdiction of any competent court, attachment prior to judgment, attachment in aid of execution, execution of judgment or set-off in respect of its obligations under this Agreement or the Bonds;
- (k) **Equal Rank.** Its obligations under this Agreement and the Bonds shall constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to Section 5.02 (a) or as may be allowed by this Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the Issue Date.
- (l) **Material Adverse Event.** No event has occurred which might materially and adversely affect its condition (financial or otherwise), results of operation, business or prospects or which makes it improbable that it will be able to fulfill any of its obligations under this Agreement or the Bonds;
- (m) **Financial Statements.** Its unaudited financial statements as of June 30, 2014 and March 31, 2014 and audited financial statements as of December 31, 2012 and December 31, 2013 fairly represent in all material respects the financial conditions of the Issuer as of such date and results of its operations for such period based on PFRS, and since such date, there has been no material adverse change in such condition or operations. There are no substantial liabilities of the Issuer, direct, contingent or otherwise as of the Issue Date, which are not reflected in such balance sheet except for those which have been previously disclosed in writing;
- (n) **Compliance with Laws/Taxes.** The Issuer is conducting its business and operations in compliance with the applicable Laws and directives of any Governmental Authority having the force of Law. The Issuer has filed timely tax returns with the appropriate

Governmental Authority, which are required to be filed by it, and has paid all Taxes shown to be due on such tax returns and on all assessments received by it, to the extent that such Taxes and assessments have become due, except to the extent that the payment of such Taxes and assessments is being contested in good faith and by appropriate proceedings diligently conducted, and adequate reserves have been provided for payment thereof;

- (o) **Material Disclosure.** All information heretofore or hereinafter given by the Issuer to the Bondholders, through the Trustee, for and in connection with this Agreement and the Bonds are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made; reasonable inquiries have been made to verify the facts contained therein; and, there are no other facts the omission of which would make any fact or statement therein misleading;
- (p) **Registration Statement and Prospectus.** The Registration Statement and the Prospectus are not violative of any statute or any rule or regulation of any governmental agency or office, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made; reasonable inquiries have been made to verify the facts contained therein; and there are no other facts the omission of which would make any fact of statement therein misleading. The Registration Statement and the Prospectus contain a reasonably complete description of the business, properties, operations, financial condition, affairs and assets of the Issuer, its capitalization, the Bonds, and the terms of the Offer;
- (q) **Title to Properties.** It has valid, good, indefeasible and marketable title to all its properties appearing in its financial statements, free and clear of Liens, restrictions, or charges, except as provided under Section 5.02(a) hereof;
- (r) **Concession, Trade Names and Patents.** It has the right to all concessions, trade names, patents and license agreements necessary for the conduct of its business as now conducted, without any known conflict with the rights of others, except to the extent that such rights may be subject to conflicts with third parties which would not have a Material Adverse Effect; and
- (s) **Solvency.** The Issuer is solvent to operate and engage in business, and specifically that: (i) it is able to meet its obligations as they mature; (ii) the fair value of its assets exceeds its liabilities; and (iii) it has sufficient capital to carry on its business.

4.02 ***Survival of Representations and Warranties***

Each of the representations and warranties set forth in Section 4.01 hereof are made as of the date of this Agreement and, except for Section 4.01(p), will be true and accurate throughout the continuance of this Agreement and for as long as the Bonds or any portion thereof remains outstanding, with reference to the facts and circumstances existing from time to time.

SECTION 5

COVENANTS

5.01 ***Affirmative Covenants***

The Issuer covenants that during the term of the Bonds and until payment in full and performance of all its obligations thereunder and under this Agreement, the Issuer shall act as follows and shall perform the following obligations:

- (a) ***Maintenance and Continuity of Business/Insurance.*** The Issuer shall maintain and preserve its corporate existence, rights, privileges and franchises necessary or desirable in the normal conduct of its business (including, without limitation, any governmental approval, license or certification necessary or advisable for the legality, validity and enforceability of this Agreement and the Bonds); carry out and conduct its business in an orderly, diligent, efficient, and customary manner and in accordance with sound financial and business practices; keep all its properties in good working order and condition, and from time to time make all needful and proper repairs, renewals, replacements and improvements thereto and thereof so that business carried on in connection therewith may be properly and advantageously conducted at all times; and maintain insurance with reputable insurers on all of its properties and assets to such extent and against such risk as is customary with companies in the same or similar business and maintain such other insurance as may be required by Law;
- (b) ***Compliance with Law/ Taxes.*** The Issuer shall comply in all respects with all applicable Laws. It shall at all times comply with all orders, directives, judgments, indentures, mortgages, deeds of trust, agreements and other instruments, arrangements, obligations and duties to which it is subject or by which it is legally bound where non-compliance would materially and adversely affect the Issuer's ability to duly perform and observe its obligations and duties under this Agreement and the Bonds. The Issuer shall duly pay and discharge all Taxes assessments and governmental charges of whatsoever nature and by whomsoever levied upon it or against its properties prior to the date on which

penalties attach thereto, unless and to the extent only that the same shall be contested in good faith and by appropriate proceedings diligently conducted by the Issuer and adequate reserves have been provided for the payment thereof or where penalties and consequences for a delay in the payment thereof will not result in a Material Adverse Effect;

- (c) ***Indebtedness and Contractual and Other Obligations.*** The Issuer shall duly pay and discharge all Indebtedness and perform all contractual obligations promptly and in accordance with their terms; duly pay and discharge all lawful claims of labor, materials, supplies, services or otherwise which might or could, if unpaid become a Lien or charge upon the properties or assets of the Issuer, unless and to the extent only that the same shall be contested in good faith and by appropriate proceedings diligently conducted by the Issuer, and take such steps as may be necessary in order to prevent its properties or any part thereof from being subjected to the possibilities of loss, forfeiture or sale;
- (d) ***Notice of Legal Proceeding and Adverse Action.*** The Issuer shall give the Bondholders through the Trustee prompt written notice of:
 - (i) any litigation or proceeding before any court, tribunal, arbitrator or Governmental Authority affecting it or any of its assets, including provisional relief such as attachments and garnishments, that could materially impair the ability of the Issuer to carry on its business substantially as now conducted, or materially and adversely affect its operations or financial condition, or would have a Material Adverse Effect;
 - (ii) any dispute which may exist between it and any Governmental Authority or any proposal by any Governmental Authority to acquire its business or any of its assets which could materially and adversely affect its operations and financial condition, or would have a Material Adverse Effect;
 - (iii) any litigation or proceeding relating to environmental matters concerning the Issuer that may materially and adversely affect its operations and financial condition, or would have a Material Adverse Effect;
 - (iv) any notice of strike filed with the Department of Labor and Employment against the Issuer which may materially and adversely disrupt the Issuer's business operations or have a Material Adverse Effect;

Trust Agreement No. 1720-5161

- (v) any Event of Default or any event which, upon a lapse of time or giving of a notice or both, would become an Event of Default;
 - (vi) any damage, destruction or loss which might materially and adversely affect the assets, business operations, prospects or financial condition of the Issuer or have a Material Adverse Effect; or
 - (vii) any other event or matter of any nature whatsoever which has Material Adverse Effect;
- (e) **Additional Agreements.** The Issuer shall promptly execute and deliver to the Bondholders, through the Trustee, such additional reports, documents, and other information respecting the business, properties, condition or operations, financial or otherwise of the Issuer, as the Bondholders may reasonably require from time to time to perfect and confirm to the Bondholders all their rights, powers and remedies hereunder;
- (f) **Continuing Consents and Approvals.** The Issuer shall at its own cost and expense, continue and maintain in full force and effect any and all Authorizations, approvals, licenses or consents obtained in connection with or necessary for the carrying out of its business and its obligations under this Agreement and the Bonds; perform and observe all the conditions and restrictions contained in, or imposed on the Issuer by, any and all such Authorizations; and, obtain any new or additional Authorizations, approvals, licenses or consents, effect any and all registrations or filings and take such additional actions as are, or which may become, necessary for its business and the performance by the Issuer of its obligations under this Agreement and the Bonds or the enforceability of this Agreement and the Bonds;
- (g) **Books of Account and Records.** The Issuer shall maintain true, materially complete and adequate books of accounts and records and prepare all financial statements required hereunder to reflect fairly its financial condition and results of operation in accordance with PFRS and in compliance with the regulations of any Governmental Authority having jurisdiction thereof; appoint and maintain as auditors a firm of independent public accountants of recognized standing acceptable to the Trustee;
- (h) **Reports.** The Issuer will furnish the Trustee:
- (i) within ninety (90) days after the close of each semestral period of the fiscal year of the Issuer, unaudited consolidated financial statements of the Issuer, as of the end of such semester, certified by an authorized officer of the Issuer, each prepared in accordance with PFRS; and

- (ii) within one hundred twenty (120) days after the close of the fiscal year of the Issuer, copies of the annual consolidated audited reports of the Issuer, certified by independent accountants of recognized standing accredited by the SEC including consolidated balance sheets as of the end of such fiscal year and consolidated earnings and surplus statements of the Issuer for such fiscal year, prepared in accordance with PFRS;
- (i) **Certificate of No Default, Compliance and Notice of Default.** The Issuer shall furnish the Trustee, substantially in the form of **Exhibit 1:**
 - (i) simultaneous with the audited consolidated financial statements, a certificate signed by the Chief Finance Officer or a duly designated officer, dated not more than ten (10) days prior to the delivery thereof, stating that no event has occurred and is continuing which constitutes or which, with the giving of notice or lapse of time or both, would constitute an Event of Default; and
 - (ii) within five (5) Banking Days after the occurrence of any event which constitutes or which, with the giving of notice or lapse of time or both, would constitute an Event of Default, notice of such occurrence, together with a detailed statement by the Chief Finance Officer or a duly designated officer of the Issuer as to the nature thereof and the steps taken and/or being taken by the Issuer to cure such event;
- (j) **Notice of Change of Address.** The Issuer shall give the Bondholders, through the Trustee, written notice of any change of address at least five (5) Banking Days prior to such change;
- (k) **Title.** The Issuer shall maintain, warrant and defend the rights, title and interests of the Bondholders hereunder and under the Bonds;
- (l) **Use of Proceeds.** The Issuer shall ensure that the proceeds of the Bonds shall be used for the purpose stated in the Prospectus. Notwithstanding this Section, the Issuer may reallocate the proceeds of the Bonds to other purposes subject to compliance with the applicable Law.
- (m) **Subsidiaries.** The Issuer shall cause its Subsidiaries, so far as is permitted by Law, or by loan covenants, or by the financial conditions of, or other relevant agreements of the Issuer or Subsidiary, to pay such dividends to the Issuer as are necessary to meet the Issuer's obligations under the Finance Documents;

- (n) **Ranking of the Bonds.** If the Issuer incurs Indebtedness embodied in public instruments providing priority or preference under Article 2244(14) of the Civil Code of the Philippines, the Issuer shall at the Issuer's option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds;
- (o) **Submission of Reports/Information Documents to Trustee.** The Issuer shall submit to the SEC copies of the reports, information and documents which the Issuer may be required to file with the SEC in connection with the offering of the Bonds pursuant to the Securities Regulation Code, and submit the same to the Trustee (other than those documents which are already required to be submitted to the Trustee under this Agreement), within ten (10) Banking Days after the Issuer has filed the same with the SEC;
- (p) **Further Assurances.** The Issuer shall: (i) comply with all the terms and conditions of this Agreement and the Bonds; (ii) maintain satisfactory accounting, cost control and management information systems; and (iii) ensure that all transactions with Subsidiaries and Material Affiliates in the ordinary course of business shall be executed on arm's length basis; and
- (q) **Services of a Credit Rating Agency.** The Issuer shall maintain the services of an independent credit rating agency accredited by the SEC to monitor the Bonds rating.

5.02 **Negative Covenants**

During the term of this Agreement and until payment in full of all the outstanding Bonds and performance of all other obligations of the Issuer hereunder, the Issuer hereby covenants that the Issuer shall not permit any of the following occurrences without the prior consent of the Majority Bondholders:

(a) **Encumbrances.**

The Issuer shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; *Provided*, however that this shall not prohibit the following:

- (i) any Lien over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for

Trust Agreement No. 1720-5161

the purpose of financing the purchase, lease or development of such asset;

- (ii) Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;
- (iii) any Lien constituted over the investment of the Issuer in any of its affiliates, for any obligation or credit facility incurred for the purpose of pursuing any power generation, distribution, or retailing project or investment therein, whether such power generation, distribution, or retailing project is undertaken by the Issuer itself, by its affiliates, and/or by the Issuer or its affiliates with third parties;
- (iv) any Lien to secure, in the normal course of the business of the Issuer or its affiliates: (x) statutory or regulatory obligations; or (y) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases;
- (v) any Lien to secure, in relation to a pending judicial, administrative, or arbitral proceeding, the Issuer or its affiliates' (x) surety or appeal bonds; or (y) bonds for release of attachment, stay of execution or injunction;
- (vi) any Lien constituted for the purpose of guaranteeing an affiliate's obligation in connection with any contract or agreement that has been assigned to such affiliate by the Issuer;
- (vii) any Lien constituted for the purpose of guaranteeing an obligation in connection with any contract or agreement of sale of any asset by the Issuer, provided that the Lien is removed or discharged within twelve (12) months of the date of the sale of the asset;
- (viii) any Lien created over (i) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("foreign currency"); or (ii) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purposes of raising an equivalent amount of Peso denominated indebtedness
- (ix) any Lien created over or affecting any asset acquired by any affiliate after the date of the Trust Agreement, if:
 - a. the Lien was not created in contemplation of the acquisition of that asset by such affiliate;

Trust Agreement No. 1720-5161

- b. the principal amount secured has not been increased in contemplation of, or since the acquisition of that asset by such affiliate; and
 - c. the Lien is removed or discharged within twelve (12) months of the date of the acquisition of such asset;
- (x) any Lien on the properties and assets of the Issuer: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;
 - (xi) any Lien in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty Five percent (35%) of the Issuer's total assets;
 - (xii) any Lien over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US\$10,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;
 - (xiii) other Liens: (i) created solely by operation of law; and (ii) on such other assets, whether constituted before or after the Issue Date, as may be disclosed in writing by the Issuer to the Trustee on or before the execution of this Agreement; and
 - (xiv) any Lien constituted over the investment of the Issuer in any of its affiliate, and whether such investment is in the form of shares, deposits or advances to guarantee or secure the obligations of the said affiliates;

Provided that for purposes of "affiliate" as used in Section 5.02 (a) (iii), (iv), (v), (viii), and (xiii) of this Agreement, it shall refer to any

Person in which the Issuer has investment, whether direct or indirect, in.

- (b) **Nature of Business.** Except as required by Law or any Governmental Authority, the Issuer shall not: (i) make or permit any material change in the nature of its business from that being carried on as of the date hereof; or (ii) engage in any business operation or activity other than that for which it is presently authorized, expressly or impliedly, by its Articles of Incorporation or by Law;
- (c) **Merger or Consolidation.** The Issuer shall not enter into any merger or consolidation except where (i) the Issuer is, or the Aboitiz Group retains Control of, the surviving corporation; (ii) such merger or consolidation is required by law, regulation or decree; or (iii) such merger or consolidation does not result in a Material Adverse Effect;
- (d) **Amendment of Articles of Incorporation and By-laws: Quasi-reorganization.** Except as required by Law, the Issuer shall not amend its Articles of Incorporation and/or By-laws or reorganize or reduce its capital where such amendment, reorganization, or reduction of capital results in a Material Adverse Effect;
- (e) **Declaration and Payment of Cash Dividends/Issuance of Share.** The Issuer shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the Bonds are current and updated;
- (f) **Sale or Lease of Assets.** The Issuer shall not sell, assign, lease, transfer, dispose, or subject all and/or substantially all of its properties and assets (whether in a single transaction or in a series of transactions, related or otherwise), divest any of its existing investments, or acquire all or substantially all of the properties or assets of any other Person except when such sale, assignment, lease, transfer, disposition, divestment, or acquisition: (i) is made in the ordinary course of business; (ii) is required by Law or any Governmental Authority; or (iii) does not result in a Material Adverse Effect;
- (g) **Assignment of Revenues/Income.** The Issuer shall not assign, transfer or otherwise convey any right to receive any of its income or revenues except when such assignment, transfer, or conveyance: (i) is allowed under Section 5.02(a) above; (ii) is made in the ordinary course of day-to-day operations; (iii) is required by Law or any Governmental Authority; or (iv) does not result in a Material Adverse Effect;

- (h) **Guarantee.** The Issuer shall not purchase or repurchase (or agree contingently or otherwise to do so) the Indebtedness, or assume, guarantee, endorse, or otherwise become directly or contingently liable (including without limitation, to become liable by way of agreement, contingent or otherwise, to purchase, use facilities, provide funds for payment, supply funds or otherwise invest in the debtor or otherwise to assure the creditor against loss) for or in connection with any obligation or Indebtedness of any other Person, other than obligations of its Subsidiaries or Affiliates or any Person which the Issuer has investments in, whether such investment is in the form of shares, deposits or advances ;
- (i) **Suspension of Business.** The Issuer shall not voluntarily suspend its business operations in a manner that will result in a Material Adverse Effect, or dissolve its affairs;
- (j) **Loans and Advances to any Person.** The Issuer shall not extend any loan, advance or subsidy to any person (other than to its Subsidiaries or Affiliates or any Person which the Issuer has investments in, whether such investment is in the form of shares, deposits or advances, or transactions in the ordinary course of business) which will have a Material Adverse Effect. Neither shall the Issuer make any deposit, credit to, or investment in, any Person which will have a Material Adverse Effect, except for bank deposits, money market placements, and other transactions in the ordinary course of business;
- (k) **Maintenance of Financial Ratios.** The Issuer shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the Issuer's year-end audited financial statements;
- (l) **Incurrence of Additional Loans.** The Issuer shall not contract any loan obligation with a maturity of more than one (1) year if such obligation will result in a violation of the Net Debt to Consolidated Equity Ratio set forth in Section 5.02(k) hereof;
- (m) **Acceleration of Outstanding Credit Obligations.** The Issuer shall not, after the occurrence of an Event of Default, voluntarily prepay any Indebtedness unless it shall contemporaneously make a proportionate prepayment of the Bonds; and
- (n) **Material Adverse Effect.** The Issuer shall not, in any case, execute, perform or do any other act which shall have a Material Adverse Effect.

5.03 **Survival**

The covenants of the Issuer mentioned in Sections 5.01 and 5.02 shall survive the issuance of the Bonds and shall be performed fully and

faithfully by the Issuer at all times while the Bonds or any portion thereof remain outstanding.

SECTION 6

PAYMENT OF THE BONDS

6.01 *Remittance of Payment by the Issuer*

- (a) No later than three (3) Banking Days prior to a Payment Date, the Paying Agent shall notify Issuer in writing of the amount required to be remitted on such relevant Payment Date in accordance with the Registry and Paying Agency Agreement. On Payment Date, the Issuer shall remit to the Paying Agent in good and cleared funds the amount required for all interest and principal payments of the Bonds, net of any withholding tax, which tax shall be remitted to the BIR by the Issuer in accordance with BIR rules and regulations. Principal, interest and any other payment shall be considered paid and the Issuer's obligation to pay discharged at the time it is due if: (i) at such time the Paying Agent holds money sufficient to pay all principal, interest or other payments then due, and (ii) the Paying Agent pays out such monies to the Bondholders or the Issuer causes payment to be made directly to the Bondholders to discharge the interest or principal payments due on the Bonds in accordance with the Registry and Paying Agency Agreement.
- (b) In the event that the Issuer will be unable to remit the full amount sufficient to cover the principal and the interest on the Bonds on the Payment Date, the Issuer shall remit the amount available for payment to the Paying Agent; provided, that such remitted amount shall be proportionately applied towards the satisfaction of the amounts due on the Bonds, and without prejudice to the right of action of the Trustee and the Bondholders because of such failure to remit in full such amount.

6.02 *Interest Payment*

- (a) The interest on the outstanding principal sum of the Bonds shall be paid at a rate and in the manner provided in **Annex "A"** hereof, accrued and payable on the dates indicated in the interest coupon of the Bonds (the "Interest Payment Dates"). The Interest Payment Dates shall be automatically adjusted to fall on the immediately succeeding Banking Day if the Interest Payment Dates fall on a non-Banking Day, but there shall be no adjustment in the amount of interest as originally computed. Interest on the first Interest Payment Date will cover the period from Issue Date up to such Interest Payment Date. Subsequent interest payments shall be reckoned from the last Interest Payment Date up to the next Interest Payment Date. The last Interest Payment Date on the Series A Bonds shall fall on the Maturity Date thereof. The last

Interest Payment Date on the Series B Bonds shall fall on the Maturity Date thereof.

- (b) The Person in whose name the Bonds is registered at the close of business on the Record Date preceding any Interest Payment Date shall be entitled to receive payment of the interest accruing up to such Interest Payment Date. In case of default in the payment of interest, such defaulted interest payment shall pertain to and be paid to the Person in whose name the Bonds are registered as of Record Date immediately preceding the relevant Interest Payment Date. In all cases, interest payments shall be remitted to the Bondholders only upon proper presentation to, and authentication by, the Paying Agent of proper authorization and identification papers.

6.03 ***Principal Repayment***

- (a) Unless previously redeemed, purchased and cancelled, the principal amount of the Series A Bonds and Series B Bonds shall be payable on the respective Maturity Dates of the Series A Bonds and Series B Bonds at its face value.
- (b) The Maturity Date shall be automatically adjusted to fall on the immediately succeeding Banking Day if the Maturity Date is on or otherwise falls on a non-Banking Day; provided, that no adjustment on the principal or interest accruing on such Maturity Date shall be made.

6.04 ***Optional Redemption***

Prior to Maturity Date, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), any series of the outstanding Bonds on the following dates or the immediately succeeding Banking Day if such date is not a Banking Day: (i) For Series A Bonds – on the fifth (5th) year and one quarter and on the sixth (6th) year from the Issue Date; and (ii) For the Series B Bonds – on the seventh (7th) year, on the eighth (8th) year, on the ninth (9th) year, on the ten (10th) year and on the eleventh (11th) year from Issue Date (collectively, the relevant “Optional Redemption Dates”).

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Bonds on the Optional Redemption Date stated in such notice.

The amount payable to the Bondholders in respect of the Optional Redemption exercise (the “Optional Redemption Price”) shall be calculated based on the principal amount of the Bonds being redeemed as the aggregate of the: (i) accrued interest computed up to the relevant Optional Redemption Date; and (ii) the product of the principal amount

and the applicable Optional Redemption Price in accordance with the following schedule:

	Early Redemption Option Dates	Early Redemption Price
Series A Bonds	5.25 years from Issue Date	101.00%
	6.00 years from Issue Date	100.50%

	Early Redemption Option Dates	Early Redemption Price
Series B Bonds	7.00 years from Issue Date	102.00%
	8.00 years from Issue Date	101.75%
	9.00 years from Issue Date	101.50%
	10.00 years from Issue Date	101.00%
	11.00 years from Issue Date	100.25%

6.05 *Redemption for Taxation Reasons*

If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on Issue Date as a result of certain changes in Law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days' notice to the Trustee) at par plus accrued interest, subject to the requirements of applicable Law.

The Trustee, upon receipt of written notice of redemption delivered by the Issuer, shall declare the principal of the Bonds, including all accrued interest, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty under an optional redemption, anything in this Agreement or in the Bonds contained to the contrary notwithstanding.

For avoidance of doubt, the Issuer shall not be liable for the payment of the additional or increased taxes, which shall be for the account of the Bondholders.

The following events shall be considered as changes in Law or circumstances as it refers to the obligations of the Issuer and to the rights and interests of the Bondholders under the Trust Agreement and the Bonds:

- (i) Any law, government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Bonds which shall be modified in a manner which, in the reasonable opinion of the Trustee, while not

constituting an Event of Default, will materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld;

- (ii) Any provision of the Trust Agreement or any of the related documents is or becomes, for any reason, invalid, illegal or unenforceable to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law is introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents; and
- (iii) Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial condition or operations of the Issuer.

6.06 *Penalty Interest*

In case any amount payable by the Issuer under the Bonds, whether for principal, interest, fees due to the Trustee, Registrar or Paying Agent or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty fee on the defaulted amount(s) at the rate of two percent (2%) per annum (the "Penalty Interest") from the time the amount fell due until it is fully paid.

SECTION 7

DISCHARGE OF OBLIGATION

The obligations of the Issuer under the Bonds and this Agreement shall cease to be of further effect if the Issuer shall have paid or remitted or caused to be paid the principal of, and all accrued interest on, all the Bonds issued and outstanding, including Penalty Interest, if any, at the time and in the manner therein provided.

In the event that the obligations of the Issuer under the Bonds and this Agreement shall cease to be of further effect as provided in this Section, the Trustee shall, on demand of the Issuer and at the latter's cost and expense, execute proper instruments acknowledging the satisfaction and discharge of the obligations of the Issuer under the Bonds and this Agreement. The Issuer agrees to reimburse the Trustee for any cost or expense thereafter reasonably and properly incurred by the Trustee in connection with the Bonds or this Agreement.

SECTION 8

UNCLAIMED PAYMENTS

The Paying Agent shall be responsible for any money remitted to it for the payment of principal and interest on any Bonds including Penalty Interest, if any, but not actually applied to such payment because the same have not been collected or claimed by the Bondholders. The Bondholders concerned shall make the necessary request for payment to the Paying Agent for any such sums unclaimed in accordance with the Registry and Paying Agency Agreement. Any unclaimed payments shall not bear any interest.

Six (6) months after the Maturity Date or Optional Redemption Date or date of early redemption other than the Optional Redemption Date, the Paying Agent shall return any balance remaining in such payment account. Such amount of unclaimed interests and principal payments shall be held for the benefit of the Bondholders. Upon payment of all amounts due to the Bondholders or return of the balance to the Issuer as provided in this Section, the responsibility of the Paying Agent to effect payments to the Bondholders as provided for in this Agreement shall cease.

SECTION 9

EVENTS OF DEFAULT

9.01 **Events of Default.** A Bondholder upon receipt of information of an occurrence of any of the events enumerated in Section 9.01(a) to (i) below, or the Issuer pursuant to Section 5.01(d), shall promptly notify the Trustee in writing of the occurrence of such event.

Each of the following events constitutes an Event of Default ("Event of Default") under this Agreement:

- (a) **Payment Default.** The Issuer fails to pay when due and payable any amount of principal which the Issuer is obligated to pay the Bondholders under this Agreement and the Bonds, provided that such non-payment shall not constitute an Event of Default if it is solely due to an administrative or technical error not attributable to Issuer's fault or negligence affecting the transfer of funds despite timely payment instruction having been given by the Issuer and such payment is made two (2) Banking Days after its due date.;

The Issuer fails to pay when due and payable any amount of interest on any of the Bonds within seven (7) days from the due date for payment.

The Issuer fails to pay when due and payable any other amount payable by the Issuer in respect of the Bonds and under the Trust Agreement in the manner, at the place, and in the currency in which it is expressed to be payable, and such non-payment continues for thirty (30) days from the date such payment is due.

Trust Agreement No. 1720-5161

These other amounts include: (i) Penalty Interest, insofar as the payment of such interest is concerned; and, (ii) any gross up payments, if there is a Redemption for Taxation Reasons as indicated in Section 6.05 hereof.

- (b) **Representation Default.** Except for clerical or typographical error, any representation or warranty made by the Issuer in this Agreement or in any certification, financial statement or document issued pursuant thereto or otherwise in connection therewith shall prove to have been untrue, incorrect or misleading in any material respect as of the time it was made or deemed to have been made or is violated or not complied with, and such breach or violation, is not remediable or if remediable, continues unremedied for a period of fifteen (15) days from date after receipt of written notice from the Bondholders to that effect, unless such longer period is approved by the Majority Bondholders;
- (c) **Other Provisions Default.** The Issuer fails to perform or comply with any other term, obligation or covenant contained in this Agreement or in any other document or instruments related or otherwise in connection therewith and any such failure, violation, non-compliance is not remediable or if remediable, continues unremedied for a period of ninety (90) days for financial covenants and sixty (60) days for all other covenants from the date after written notice thereof shall have been given by any of the Bondholders; *Provided*, however, that for the avoidance of doubt, no grace period shall apply to the Events of Default specified in Section 9.01 (d) (Cross-Default), (e) (Insolvency Default), (f) (Closure Default) and (j) (Judgment Default);
- (d) **Cross-Default.** The Issuer violates any other material obligation by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any, law or regulation which violation, if remediable, is not remedied by the Issuer within thirty (30) Banking Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation will, further, in the reasonable opinion of the Trustee, adversely and materially affect the performance by the Issuer of its obligations under this Agreement and the Bonds. *Provided*, however, that no event of default will occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or exceeds One Billion Five Hundred Million Pesos (PhP1,500,000,000.00) or its foreign currency equivalent;

Trust Agreement No. 1720-5161

- (e) ***Insolvency Default.*** The Issuer becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, which act shall include: (i) the filing of a petition in any bankruptcy, reorganization, winding up or liquidation of the Issuer, or any other proceeding analogous in purpose and effect: Provided, however, that in case the foregoing petition is filed by any other party, other than the Issuer, such event shall be considered a declared Event of Default only upon the issuance of a final order by the court of competent authority; (ii) the making of an assignment by the Issuer of substantially all or all of its assets, or in fraud of creditors; (iii) the admission in writing by the Issuer of its inability to pay its debts; (iv) the entry of any final order or judgment of any court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization, winding up or liquidation of the Issuer; or (v) the appointment of a receiver, liquidator, assignee, trustee, or sequestrator of the Issuer, or a substantial part of its property or assets or a substantial part of its capital stock or to assume custody or control of the Issuer, or the ordering of its dissolution, winding-up or liquidation of its affairs;
- (f) ***Closure Default.*** The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days except in the case of strikes or lockouts or when necessary to prevent business losses or when due to fortuitous events or force majeure;
- (g) ***Expropriation Default.*** Any Government Authority or any competent authority condemns, seizes, or expropriates all or substantially all of the assets or properties of the Issuer, unless such act is contested in good faith by the Issuer or unless such act is suspended or restrained by an order of a court of competent jurisdiction;
- (h) ***Judgment Default.*** Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of 20% of the Issuer's Total Consolidated Assets or its equivalent in any other currency is entered against the Issuer and any relevant period specified for payment in such judgment, decree, order, or agreement, shall have expired without being satisfied, discharged, or stayed; and
- (i) ***Writ and Similar Process Default.*** Any writ, warrant of attachment or execution, or similar process shall be issued or levied against all or substantially all of the Issuer's assets, and such writ, warrant, or similar process shall not be released, vacated, or fully bonded within sixty (60) days after its issue or levy.

SECTION 10

CONSEQUENCES OF DEFAULT

10.01 Declaration by the Trustee or the Majority Bondholders

- (a) If any one or more of the Events of Default shall occur and be continuing, the Trustee, upon the written direction of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the Bonds, by notice in writing delivered to the Issuer, may declare the principal of the Bonds then outstanding, including all interest accrued and unpaid thereon and all amounts due thereunder, to be due and payable immediately, anything contained in this Agreement or in the Bonds to the contrary notwithstanding.
- (b) The provision in Section 10.01(a), however, is subject to the condition that except in the case of a Writ and Similar Process Default under Section 9.01(i), the Majority Bondholders, by written notice to the Issuer and to the Trustee, may rescind and annul such declaration made by the Trustee pursuant to a consequence of default and its consequences, upon such terms, conditions and agreements, if any, as they may determine, including, in connection with a Cross Default, the fact that the non-payment of the obligation is contested in good faith by the Issuer; provided, that, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereto. Any such waiver shall be conclusive and binding upon all the Bondholders and upon all future holders and owners of such Bonds, or of any Bond issued in lieu thereof or in exchange therefor, irrespective of whether or not notation of such waiver is made upon the Bonds.
- (c) At any time after an Event of Default shall have occurred, the Trustee may:
 - (i) by notice in writing to the Issuer, the Paying Agent and the Registrar, require the Paying Agent and Registrar to:
 - (x) act thereafter as agents of the Bondholders represented by the Trustee on the terms provided in the Registry and Paying Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability under the provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agent and the Registrar shall be limited to amounts for the time being held by the Trustee on the trusts of this Agreement in relation to the Bonds and available to the Trustee for such purpose) and thereafter to hold all sums, documents and records held by them in respect of the Bonds on behalf of the Trustee; and/or

- (y) deliver all evidence of the Bonds and all sums, documents and records held by them in respect of the Bonds to the Trustee or as the Trustee shall direct in such notice; provided, that, such notice shall be deemed not to apply to any document or record which the Paying Agent or Registrar is not obliged to release by any Law or regulation; and
 - (ii) by notice in writing to the Issuer, require the Issuer to make all subsequent payments in respect of the Bonds to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn.
- (d) If any one or more of the following events shall occur, in the reasonable opinion of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the Bonds, and be continuing for a period of fifteen (15) Banking Days with respect to the events contemplated in (i) or (iii) below:
- i. Any law, government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Bonds which shall be modified in a manner which while not constituting an Event of Default, will materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld;
 - ii. Any provision of the Trust Agreement or any of the related documents is or becomes, for any reason, invalid, illegal or unenforceable to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law is introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents; and
 - iii. Any concessions, permits, rights, franchise or privileges required for the conduct of the ordinary business of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the conduct of the ordinary business of the Issuer.

the Trustee, by notice in writing delivered to Aboitiz Power, after the lapse of the said fifteen (15) Banking Day period, may declare the principal of the Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty under an optional

redemption, anything in this Agreement or in the Bonds contained to the contrary notwithstanding, subject to the notice requirements under Section 10.02 (Notice of Default), provided that, such notice shall not be deemed either caused by a default under Section 9.01 (Events of Default), or a notice of default under Section 10.02 (Notice of Default).

10.02 *Notice of Default*

The Trustee shall, within ten (10) days after the occurrence of an Event of Default give to the Bondholders written notice of any such Event of Default known to it unless the same shall have been cured before the giving of such notice; provided, that, in the case of a Payment Default under Section 9.01(a), the Trustee shall immediately notify the Bondholders upon the occurrence of such Payment Default. The existence of a written notice required to be given to the Bondholders under this Section shall be published in two (2) newspapers of general circulation in Metro Manila, Philippines for two (2) consecutive days, indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Bonds at the principal office of the Trustee as indicated in this Agreement upon presentation of sufficient and acceptable identification to the Trustee.

10.03 *Payments in the Event of Default*

The Issuer covenants that upon the occurrence of any Event of Default, the Issuer will pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal and with Penalty Interest, where applicable, and in addition thereto the Issuer will pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee hereunder.

Upon the occurrence of an Event of Default and in accordance with the requirements of this Agreement, the Bondholders shall have the right, but not the obligation, to require the Issuer to redeem the Bonds in full, by payment of the amounts stated above, plus the principal amount, by delivery of the relevant evidence of the Bonds to the Trustee.

10.04 *Application of Payments*

Any money collected by the Trustee under this Section and any other funds held by it, subject to any other provision of this Agreement relating to the disposition of such money and funds, shall be applied by the Trustee in the order of preference as follows:

First: To the payment of the costs, expenses, fees and other charges of collection, including reasonable compensation to the

Trust Agreement No. 1720-5161

Trustee, Paying Agent, Registrar, and each such Person's agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursement made by them without negligence or bad faith.

Second: To the payment of Penalty Interest.

Third: To the payment of the interest, in the order of the maturity of such interest.

Fourth: To the payment of the principal amount of the outstanding Bonds due and payable.

Fifth: The remainder, if any, shall be paid to the Issuer, its successors or assigns, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the Bonds shall require the conformity of the Trustee. The Paying Agent shall render a monthly account of such funds under its control.

10.05 Remedies

- (a) All remedies conferred by this Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extrajudicial proceedings appropriate to enforce the conditions and covenants of this Agreement, subject to Section 10.06.
- (b) No delay or omission by the Trustee or by any Bondholder to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto, and every power and remedy given by this Agreement to the Trustee or to the Bondholder may be exercised from time to time and as often as may be necessary or expedient.

10.06 Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of this Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless all of the following conditions have been fulfilled: (1) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Bonds, and (2) the Majority Bondholders shall have decided and made a written request upon the Trustee to institute such

suit, action or proceeding in its own name, and (3) the Trustee for sixty (60) days after receipt of such notice and request shall have neglected or refused to institute any such suit, action or proceeding, and (4) no directions inconsistent with such written request or waiver of default by the Bondholders pursuant to Section 10.07 shall have been made, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholder shall have any right in any manner whatsoever by virtue of or by availing of any provision of this Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under this Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all Bondholders. For the protection and enforcement of the provisions of this Section, each and every Bondholder and the Trustee shall be entitled to such relief as can be given under the Law.

10.07 *Waiver of Default by Bondholders*

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Bondholders may decide for and in behalf of the Bondholders waive any past default except the Events of Default specified in Section 9 (a) (Payment Default), (d) (Cross Default), (e) (Insolvency Default), (f) (Closure Default), and (g) Expropriation Default) and its consequences. In case of any such waiver, written notice of which shall be given to the Issuer by the Trustee, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

10.08 *Prescription*

Claims in respect of principal and interest or other sums payable hereunder will be prescribed unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

SECTION 11

MEETINGS OF BONDHOLDERS

11.01 *Meetings*

A meeting of Bondholders may be called at any time and from time to time pursuant to the provisions of this Section for the purpose of taking any action authorized to be taken by or on behalf of the holders of any

specified aggregate principal amount of Bonds under any other provisions of this Agreement or under applicable Law and such other matters related to the rights and interests of the Bondholders under the Bonds.

11.02 *Notice of Meetings*

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of Bonds may direct in writing the Trustee to call a meeting of the Bondholders, to take any action specified in Section 11.01, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Issuer and to each of the registered Bondholders and published in two (2) newspapers of general circulation in Metro Manila, Philippines not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the notices for the requested meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported statement of account.

11.03 *Failure of Trustee to Call a Meeting*

In case at any time the Issuer, pursuant to a resolution of its board of directors, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with Section 11.02, the notice of such meeting within twenty (20) days after receipt of such request, then the Issuer or the holders of Bonds in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof as provided in Section 11.02, and the costs thereof shall be chargeable to the Trustee.

11.04 *Quorum*

The presence of the Majority Bondholders personally or by proxy shall be necessary to constitute a quorum to do business at any meeting of the Bondholders. The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy.

11.05 *Procedure for Meetings*

The Trustee shall preside at all the meetings of the Bondholders unless the meeting shall have been called by the Issuer or by the Bondholders as provided in Section 11.03, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall move for the election of the chairman and secretary of the meeting from among the Bondholders then present or represented during the meeting.

Any meeting of the Bondholders duly called pursuant to the provisions of this Section may be adjourned from time to time for a period or periods not to exceed in the aggregate one (1) year from the date for which the meeting shall originally have been called, and the meeting so adjourned may be held on another date without further notice. Any such adjournment may be ordered by Persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

11.06 *Voting Rights*

To be entitled to vote at any meeting of the Bondholders, a Person shall be a registered holder of the Bonds or a Person appointed by an instrument in writing as proxy by any such holder as of the date of such meeting. Bondholders shall be entitled to one vote for every Ten Thousand Pesos (PhP10,000.00) interest. The only Persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the Persons entitled to vote at such meeting and any representative of the Issuer and its legal counsel.

11.07 *Voting Requirement*

All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the majority of the Bondholders present or represented in a meeting at which there is a quorum, except as otherwise provided in this Agreement.

Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Trustee as if the votes were unanimous.

11.08 *Role of the Trustee in Meetings of Bondholders*

Notwithstanding any other provisions of this Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of Bonds, the appointment of proxies by registered holders of Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem fit. The minutes of each meeting and any resolution made thereat shall be taken by the Trustee.

11.09 *Evidence Supporting Bondholders' Action*

Wherever in this Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of Bonds may take any action (including the making of any demand or request, the giving of any notice or consent, or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument

executed by the Bondholders in person or by the agent or proxy appointed in writing; (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith; or (iii) a combination of such instruments and any such record of meeting of the Bondholders.

SECTION 12

AMENDMENT OR SUPPLEMENTAL AGREEMENTS

With the consent of the Majority Bondholders, the Issuer, when authorized by a resolution of its board of directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental hereto for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of this Agreement; provided, however, that no such supplemental agreement shall -

- (a) Without the consent of each Bondholder affected thereby:
 - (i) extend the fixed maturity of the Bonds, or
 - (ii) reduce the principal amount of the Bonds, or
 - (iii) reduce the rate or extend the time of payment of interest and principal thereon;
- (b) Affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders; or
- (c) Reduce the percentage required to be obtained of the Bondholders to consent to or approve any supplemental agreement or any waiver provided for in this Agreement without the consent of all the Bondholders.

It shall not be necessary to obtain the consent of the Bondholders under this Section for the purpose of approving the particular form of any proposed supplemental agreement but such consent shall be necessary for the purpose of approving the substance thereof.

Any consent given pursuant to this Section shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof or of any Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the Bonds.

Promptly after the execution by the Issuer and the Trustee of any supplemental agreement pursuant to the provisions of this Section, the Issuer shall send a notice to the Bondholders setting forth in general terms the substance of such supplemental agreement. Any failure of the Issuer to send such notice or any defect therein shall not, however, in any way impair or affect the validity of any supplemental agreement.

SECTION 13

MISCELLANEOUS PROVISIONS

13.01 *Common Independent Director*

The Issuer and the Trustee confirms that they have one (1) common independent director, and in respect of the foregoing, the Trustee further confirms that the said independent director has consistently refrained from participating (or voting) in any trust committee meeting of the Trustee whenever the agenda relates to the Issuer and the Bonds, and he has indicated in writing that he will continue to adopt the above practice and refrain from participating (or voting) in the trust committee whenever the agenda relates to the Issuer and the Bonds.

13.02 *Waiver of Preference*

In the event that a primary obligation for payment shall arise out of this Agreement, such as to constitute this Agreement as a contract for the payment of an indebtedness or a loan, then it is understood and expressly agreed by the parties hereto that the obligation created under this Agreement shall not enjoy any priority, preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that this Agreement may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced.

13.03 *Notice*

Any notice or demand authorized by this Agreement to be given to the Issuer and the Trustee shall be sufficiently given for all purposes hereof, if delivered or mailed at their respective addresses mentioned herein or at such address designated by them subsequently in writing.

For the purpose of this Agreement, any notice or request to the Trustee shall be through the following details:

To the Trustee: BANK OF THE PHILIPPINE ISLANDS, acting through
its Asset Management and Trust Group
Attention: Trust Account Officer (IAM6)
Subject: Aboitiz Power Corporation Retail Bonds due 2021 and
2026
Address: 17th Floor, BPI Building, 6768 Ayala Avenue corner
Paseo de Roxas, Makati City
Facsimile: (632) 8169042

of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) surface mail; (iii) by one-time publication in a newspaper of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Register of Bondholders. The Trustee shall rely on the Register of Bondholders in determining the Bondholders entitled to notice.

All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on date of publication or (iv) on date of delivery, for personal delivery.

13.04 *Binding and Conclusive Nature*

Except as provided in this Agreement, all notifications, opinion, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of this Agreement, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all Bondholders and (in the absence of willful default, bad faith or manifest error) no liability to the Issuer, the Registrar, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Agreement, resulting from the Trustee's reliance on the foregoing.

13.05 *Successors and Assigns*

This Agreement shall be binding upon and shall be enforceable against the Issuer, the Trustee and the Bondholders and their respective successors and assigns; provided, however, that the Issuer shall not have the right to transfer or assign any and all of its rights or obligations herein without the prior written consent of the Bondholders representing at least two-thirds (2/3) of the aggregate outstanding principal amount of the Bonds.

13.06 *Exclusive Nature of Agreement*

Nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon or give to any Person or corporation, other than the parties hereto and the Bondholders, any right, remedy or claim under or by reason of this Agreement or any covenant, condition or stipulation hereof; and except as aforesaid all the covenants, stipulations, promises and agreements herein contained are and shall be for the sole and exclusive benefit of the parties hereto, their successors and assigns, and the Bondholders.

13.07 *Validity of Provisions*

If any provision, term or condition of this Agreement or the application hereof to any Person or circumstance is declared invalid, the other provisions, terms or conditions hereof or the application hereof to any

Person or circumstance shall not be affected and shall continue to be in full force and effect.

13.08 Venue

Any legal action or proceeding arising out of, or in connection with, this Agreement and the Bonds and any and all related documents and papers, shall be brought in the proper courts of Makati City, Metro Manila, Philippines, to the exclusion of any other court.

13.09 Dispute Settlement

In case any dispute shall arise between the Issuer, the Trustee or any of the Bondholders in respect of this Agreement, or other related agreements or arrangements, the Issuer, the Trustee or any of the Bondholders shall attempt to resolve the same amicably by agreement which shall be in writing. However, if no such agreement is concluded within thirty (30) Banking Days from the time the dispute arose, or such period as may be reasonable under the circumstances, the parties may have recourse to the usual judicial action obtaining under the circumstances.

13.10 No Right to Set-Off

The Trustee shall have no right to apply funds or money of the Issuer on deposit with or in the custody of the Trustee or any of its branches, subsidiaries, or affiliates on reduction of amounts past due under this Agreement.

13.11 Governing Law

This Agreement and the Bonds issued hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the Republic of the Philippines.

13.12 Termination

The Trustee shall automatically be discharged from its duties and responsibilities under this Agreement within three (3) days from full payment of the Bonds on the relevant Maturity Date absent any written notice of payment default.

13.13 Counterparts

This Agreement may be executed and delivered in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

[The remainder of this page is left intentionally blank.]

IN WITNESS WHEREOF, the parties hereto have signed this Agreement on the date and at the place first abovementioned.

By affixing our signature on this signature page, we are deemed to have agreed to and confirmed the terms and conditions contained in all the other pages of this Trust Indenture.

ABOITIZ POWER CORPORATION

By:



Gabriel T. Mañalac
Senior Vice President and Group Treasurer



Handwritten mark resembling a checkmark or a hook, located below the redacted signature area.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement on the date and at the place first abovementioned.

BANK OF THE PHILIPPINE ISLANDS, acting through its Asset Management and Trust Group

By:

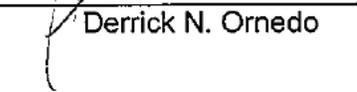

Paul Joseph M. Garcia
Senior Vice President


Ruth B. Bandera
Vice President

SIGNED IN THE PRESENCE OF:



Kim G. Chua

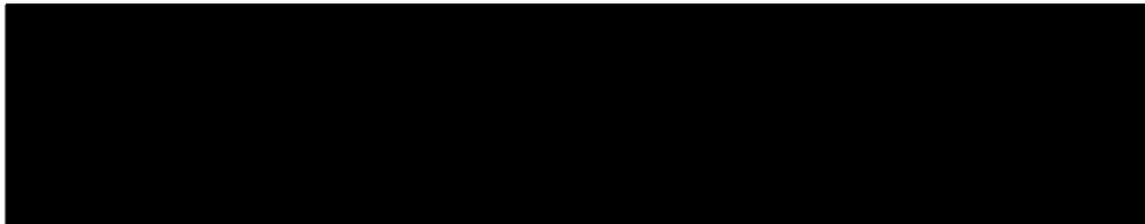


Derrick N. Ornedo

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY) S. S.

I certify that on this AUG 27 2014, a Notary Public duly authorized in the city named above to take acknowledgements, personally appeared the following who are identified by me through their competent evidence of identity by exhibiting to me:



to be the same persons described in the foregoing instrument, who acknowledged before me that their signatures on the instrument were voluntarily affixed by them for purposes stated therein, and who declared to me that they executed the instrument as their free and voluntary act and deed.

This instrument consisting of _____ () pages, including the page on which this Acknowledgment is written and the annexes hereto, is signed on each and every page thereof by the parties and their instrumental witnesses and sealed with my notarial seal.

WITNESS MY HAND AND SEAL on the date and at the place first above-written.

Doc. No. 162
Page No. 34
Book No. 1



JANETTE R. ANCOG
Notary Public for Taguig City
Notarial Commission No. 247
Until December 31, 2015

NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. 3A2115802; 3-31-2014; Taguig City
IBP No. 948765; 02-03-2014; Davao City
Roll No. 58877, IBP Davao City Chapter
MCLE No. IV-0023412; 04-14-2016

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S. S.

I certify that on this 27 AUG 2014 a Notary Public duly authorized in the city named above to take acknowledgements, personally appeared the following who are identified by me through their competent evidence of identity by exhibiting to me:

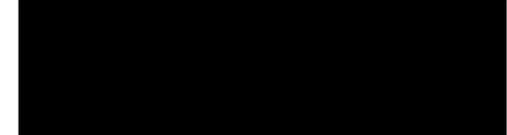


to be the same persons described in the foregoing instrument, who acknowledged before me that their signatures on the instrument were voluntarily affixed by them for purposes stated therein, and who declared to me that they executed the instrument as their free and voluntary act and deed.

This instrument consisting of ____ () pages, including the page on which this Acknowledgment is written and the annexes hereto, is signed on each and every page thereof by the parties and their instrumental witnesses and sealed with my notarial seal.

WITNESS MY HAND AND SEAL on the date and at the place first above-written.

Doc. No. 379
Page No. 37
Book No. 1
Series of 2014



FRANCIS ALVIN V. ASILO
NOTARY PUBLIC FOR MAKATI CITY
Appointment No. M-482 (2013-2014)
Commission expires on December 31, 2014
Roll No. 61419
IBP No. 954162/1-08-14/Makati City
PTR No. 4239579/1-15-14/Makati City
12th Floor VGP Center, 6772 Ayala Avenue, Makati City

ANNEX A

TERMS AND CONDITIONS OF THE BOND

Issuer	:	Aboitiz Power Corporation
Issue Manager and Lead Underwriter	:	BPI Capital Corporation
Trustee	:	BPI Asset Management and Trust Group
Registrar and Paying Agent	:	Philippine Depository & Trust Corporation
Issue / Issue Amount	:	SEC-registered fixed rate, Peso-denominated bonds constituting the direct, unconditional, unsecured and general obligations of the Issuer (the "Bonds") in the aggregate amount of fixed rate bonds of up to Php5,000,000,000.00
Over-Subscription	:	In the event of over-subscription, the Issue Manager, in consultation with the Issuer, reserves the right to increase the aggregate size of the Issue by up to Php5,000,000,000.00
Use of Proceeds	:	Proceeds of the Offer will be used by AboitizPower to replenish working capital, for other general corporate purposes , and to partially fund any or all of the projects enumerated and described in the section entitled "Use of Proceeds" on page 38 of the Prospectus
Issue Price	:	100% face value
Manner of Distribution	:	Public Offering
Offer Period	:	The Offer shall commence on August 29, 2014 and end on September 3, 2014.
Issue Date	:	September 10, 2014
Maturity Date or Redemption Date	:	Series A Bonds: Seven (7) years from Issue Date Series B Bonds: Twelve (12) years from Issue Date. Except when an Early Redemption Option is exercised, the Bonds will be redeemed at par (or 100%) on Maturity Date.
Interest Rate	:	Series A Bonds: Fixed interest rate of 5.2050% p.a. Series B Bonds: Fixed interest rate of 6.10% p.a.
Interest Payment Date	:	The Interest shall be paid quarterly in arrears on September 10, December 10, March 10, and June 10, or the next Banking Day if such dates fall on a non-Banking Day, of each year commencing on December 10, 2014, until and including the

Trust Agreement No. 1720-5161

Maturity Date (each, a "Interest Payment Date").

Interest on the Bonds shall be calculated on a 30/360-day basis.

Form and Denomination : The Bonds shall be issued in scripless form in minimum denominations of Php50,000.00 each, and in multiples of Php10,000.00 thereafter.

Early Redemption : The Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), the outstanding Bonds on the following relevant dates. The amount payable to the Bondholders upon the exercise of the Early Redemption Option by the Issuer shall be calculated, based on the principal amount of Bonds being redeemed, as the sum of: (i) accrued interest computed from the last Interest Payment Date up to the relevant Early Redemption Option Date; and (ii) the product of the principal amount of the Bonds being redeemed and the Early Redemption Price in accordance with the following schedule:

	Early Redemption Option Dates	Early Redemption Price
Series A Bonds	5.25 years from Issue Date	101.00%
	6.00 years from Issue Date	100.50%

	Early Redemption Option Dates	Early Redemption Price
Series B Bonds	7.00 years from Issue Date	102.00%
	8.00 years from Issue Date	101.75%
	9.00 years from Issue Date	101.50%
	10.00 years from Issue Date	101.00%
	11.00 years from Issue Date	100.25%

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Bonds on the Early Redemption Date stated in such notice.

Redemption for Taxation Reasons : If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, (having given not more than sixty (60) nor less than thirty (30) days prior written notice to the Trustee) at par or 100% face value plus accrued interest.

Trust Agreement No. 1720-5161

- Negative Pledge : The Bonds shall have the benefit of a negative pledge on all existing and future assets of the Issuer, subject to certain permitted liens, as provided under Section 5.02 (a) of the Trust Agreement.
- Purchase and Cancellation : The Issuer may at any time purchase any of the Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase (and the Bondholders shall not be obliged to sell) Bonds pro-rata from all Bondholders. Upon listing of the Bonds on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.
- Status of the Bonds : The Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Issuer and shall rank pari passu and rateably without any preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to Section 5.02 (a) of the Trust Agreement or as may be allowed by the Trust Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of Issue Date.
- Rating : The Bonds are rated PRS Aaa by PhilRatings.
- Listing : The Issuer intends to list the Bonds in the PDEX on Issue Date.
- Non-Reliance : Each Bondholder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations hereunder, except for its gross negligence or wilful misconduct.
- Own Risk : Bondholders understood and acknowledge that investment in the Bonds is not covered by the Philippine Deposit Insurance Corporation ("PDIC") and that any loss or depreciation in the value of the assets of the Bondholders, resulting from the investments or reinvestment in the Bonds and the regular conduct of the Trustee's trust business shall be for the account of the Bondholder.

Trust Agreement No. 1720-5161

**ANNEX B
FORM OF THE APPLICATION TO PURCHASE**



APPLICATION TO PURCHASE

5.2050% 7-Year Fixed Rate Series
A Bonds Due 2021

Underwriter's Control #

1 st Copy	Registrar
2 nd Copy	Underwriter
3 rd Copy	Applicant

This is an application to purchase Aboitiz Power Corporation ("AP") Fixed Rate Series A Bonds Due 2021 (the "Application"). Any Application submitted by a prospective purchaser must be for a minimum principal amount (face value) of P50,000 and in multiples of P10,000 thereafter. The AP Fixed Rate Bonds will be recorded in electronic book-entry (scripless) form in the system of the Philippine Depository & Trust Corporation (the "Registrar") and shall be subject to the rules and regulations of the Registrar. Duly completed Applications and all supporting documents must be received by the Underwriters not later than 5:00 pm of [August 4], 2013, which is the end of the Offer Period, unless otherwise extended or earlier terminated. Applications and payments received after the Offer Period will be rejected. Any Application improperly or incompletely accomplished may likewise be rejected. This Application is irrevocable and, once submitted, may not be withdrawn by the Applicant. Payment in full, through one of the three methods set forth below, must accompany this Application. AP and the Underwriters reserve the right to accept or reject, in whole or in part, this Application, and in case of oversubscription, allocate the AP Fixed Rate Series A Bonds Due 2021 available to the applicants in a manner they deem appropriate.

Name of Applicant: (Last, First, M.I. / Business Name)*		Type of Investor: <input type="checkbox"/> Individual <input type="checkbox"/> Corporate	
I/We (the "Applicant") hereby apply to purchase the following principal amount of the AP Fixed Rate Series A Bonds Due 2021 (the "Total Purchase Amount"), subject to the Terms and Conditions and the Prospectus distributed or made available by AP and the Underwriters in relation to the offer and sale of AP Fixed Rate Series A Bonds Due 2021.			
Amount in Words (PhP)		Amount in Figures (PhP)	
Total Purchase Amount		PhP	
Mode of Payment for the Bonds: I/We hereby pay for my/our purchase of the AP Fixed Rate Series A Bonds Due 2021 as indicated below:			
<input type="checkbox"/> Real Time Gross Settlement We have caused the crediting of the Total Purchase Amount (as stated above) in cleared funds, covering full payment for the AP Fixed Rate Series A Bonds Due 2021 covered by this Application to the Underwriter named below, for the account of Aboitiz Power Corporation	<input type="checkbox"/> Regular Bank Check Attached herewith is a check for Total Purchase Amount (as stated above) in cleared funds, covering full payment for the AP Fixed Rate Series A Bonds Due 2021 covered by this Application in favor of the Underwriter for the account of Aboitiz Power Corporation Drawee Bank: _____ Check #: _____	<input type="checkbox"/> Direct Debit I/we hereby authorize the debiting of my/our account with the Drawee Bank named below, with the corresponding account number, of Total Purchase Amount (as stated above) in cleared funds, in favor of the Underwriter named below, covering full payment for the AP Fixed Rate Series A Bonds Due 2021 covered by this Application. Debit Peso Current/Savings Account Number: _____ with _____ bank, _____ branch.	
Permanent Address:*		Present Mailing Address (if different from Permanent Address):*	
Telephone Number/s: Fax Number/s:		e-Mail Address (Please fill-in only if you specifically consent to e-mail communications. Provisions on Communications under the Application and in the Terms & Conditions will apply):	
Primary Contact Person (if other than Applicant):		Relationship to Applicant:	
Date of Birth / Incorporation (mm/dd/yyyy):*		Place of Birth / Incorporation:*	
Nationality:*		Tax Identification Number:*	
Nature of Work or Business:*		Name of Employer/ Business:*	
Sources of Income:*			
Mode of Collection of Interest and Principal Payments: I/we hereby unconditionally instruct and authorize the Paying Agent to cause the payments of interest and principal on the AP Fixed Rate Series A Bonds Due 2021 net of applicable taxes, fees and cost to be purchased via: <input type="checkbox"/> Credit PISO current/savings account number _____ with _____ branch <input type="checkbox"/> Credit Demand Deposit Account		Tax Status: <input type="checkbox"/> Individual (Taxable) <input type="checkbox"/> Domestic Corporate <input type="checkbox"/> Tax Exempt** Corporate <input type="checkbox"/> If a foreign investor, tax rate below will apply (subject to application of preferential rates) ** <input type="checkbox"/> Non-resident individual not engaged in business: 25% <input type="checkbox"/> Resident foreign corporate: 20% <input type="checkbox"/> Non-resident foreign corporate: 30% ** Subject to submission of documentary proof of exemption	
N.B.: All payments under the Bonds shall be credited to Bondholders' designated account.			
Statement, Notices & Correspondence Delivery Mode:			

- Send to email address indicated above
 Delivery via courier (Metro Manila area only) or registered mail to mailing address indicated above

If a Corporation, please fill up Additional Required Information: (Please use additional sheets if necessary):

Name of Parent Company, if Any:

Names of Directors:*

Name of Stockholders Owning at Least 2% of the Authorized Capital Stock:*

Name of Beneficial Owners of Applicant, if any:*

Address of Beneficial Owner:

* Required to be filled up under Republic Act No. 9160, Republic Act No. 9194 and BSP Circular Nos. 251, 253 and 279, and all other amendatory and implementing law, regulation, jurisprudence, notice or order of any Philippine governmental body relating thereto.

* Communications (E-mail Indemnity) By indicating the e-mail address, I/we consent to receive all notices and communications via e-mail, and such consent shall operate as a waiver of my/our right and privilege to the secrecy of bank deposits in respect of such statements or notices. I/We acknowledge that security of any statement, notice or communication sent through electronic means is not guaranteed and I/we assume all risks in relations to its transmission. I/We are responsible for keeping such email access active and existing during the term of the AP Fixed Rate Series A Bonds Due 2021, otherwise, I/we shall be liable for any fees or charges that may be imposed or incurred in transmitting or re-transmitting such communication via electronic means.

REQUIRED ATTACHMENTS TO THIS APPLICATION

The Applicant understands that the Registrar will not issue a Registry Confirmation nor will any Bondholder be allowed to sell or transfer AP Fixed Rate Bonds Series A Due 2021 until such Bondholder shall have submitted to the Registrar all the documents required for the issuance of such AP Fixed Rate Series A Bonds Due 2021.

IF THE APPLICANT IS A CORPORATION:

- An original notarized Certificate of the Corporate Secretary of the Applicant setting forth resolutions of the Applicant's Board of Directors authorizing the purchase of the AP Fixed Rate Series A Bonds Due 2021 and designating the signatories, with their specimen signatures, for the said purposes;
- Certified true copies of its Articles of Incorporation and By-laws, or such other relevant organizational documents, and latest amendments thereof, together with the Certificate of Registration, or such relevant other registration documents, issued by the Securities and Exchange Commission (SEC) or equivalent government institution, stamped and signed as certified as true copies by the SEC or by the Applicant's Corporate Secretary, or by an equivalent officer/s who is/are authorized signatory/ies; and
- Two (2) duly accomplished signature cards containing the specimen signatures of the Applicant's authorized signatories, validated by its Corporate Secretary or by an equivalent officer/s who is/are authorized signatory/ies

IF THE APPLICANT IS A NATURAL PERSON:

- Copies of valid identification documents of the Applicant;
- Two (2) duly accomplished signature cards containing the specimen signature of the Applicant; and
- Such other documents as may be reasonably required by the Underwriter/Selling Agent in implementation of its internal policies regarding "knowing your customer" and anti-money laundering.

IDENTIFICATION DOCUMENTS SHALL CONSIST OF:

Any one (1) of the following valid identification documents bearing a signature and recent photo, and which is not expired: Passport, Driver's License, Tax Identification (TIN) ID, Professional Regulation Commission (PRC) ID, National Bureau of Investigation (NBI) Clearance, Police Clearance, Postal ID, Voter's ID, Barangay Certification, Government Service Insurance System (GSIS) e-Card, Social Security System (SSS) Card, Senior Citizen Card, Overseas Workers Welfare Administration (OWWA) ID, OFW ID, Seaman's Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and GOCC ID, e.g. Armed forces of the Philippines (AFP ID), Home Development Mutual Fund (HDMF ID), National Council for the Welfare of Disabled Persons (NCWDP) Certification, Department of Social Welfare and Development (DSWD) Certification, Integrated Bar of the Philippines ID, Company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or IC, or school ID duly signed by the principal or head of the school (for Students who are beneficiaries of remittances/fund transferees who are under 18 years of age)

Applicants claiming exemption or preferential rate from any applicable tax shall also be required to submit the following documentary proof of its tax-exempt or preferential status together with this Application to Purchase:

- A copy of the original tax exemption certificate, ruling or opinion issued by the BIR addressed to the Applicant confirming the exemption or preferential rate, and certified by an authorized officer of the Applicant as being a true copy of the original on file with the Applicant;
- In the case of tax treaty relief, a certified true copy of the tax treaty relief application accompanied by the mandatory attachments required under prevailing revenue regulations;
- A duly notarized undertaking (in the prescribed form by AP) declaring and warranting its tax-exempt status or preferential rate entitlement, and undertaking to immediately notify AP and the Registrar of any suspension or revocation of its tax exemption certificates or preferential privilege and agreeing to indemnify and hold AP, the Registrar and the Paying Agent free and harmless against any claims, actions, suits and liabilities resulting from the non-withholding of the required tax; and
- Such other documentary requirements as may be reasonably required by AP, the Registrar or the Paying Agent under the applicable regulations of the relevant taxing or other authorities, which for purposes of claiming tax treaty withholding rate benefits shall include evidence of the applicability of a tax treaty and consularized proof of the Applicant's legal domicile in the relevant treaty state, and confirmation from the SEC that the entity is not doing business in the Philippines.

Unless properly provided with satisfactory proof of the tax-exempt status of a Bondholder, the Registrar and Paying Agent may assume that said Bondholder is taxable and proceed to apply the tax due on the Bonds. Notwithstanding the submission by the Bondholder, or the receipt by AP or any of its agents, of documentary proof of the tax-exempt status of a Bondholder, AP may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Bonds. Any question on such determination shall be referred to AP.

REPRESENTATIONS, WARRANTIES AND AUTHORIZATION

In executing this Application, the Applicant represents and warrants, that all information contained herein (including its tax status) and the required attachments are true and correct and that the signatures thereon are genuine, properly authorized, and obtained without use of fraud, coercion or any other vice of consent. The Applicant agrees to immediately notify AP and the Registrar, either directly or through the Underwriter/Selling Agent, if anything occurs which renders or may render untrue or incorrect in any respect any of the information given herein (including information given with respect to the Applicant's tax status) or any of its representations or warranties. The Applicant understands that the Underwriter, the Selling Agent, the Registrar, the Paying Agent and AP will rely on the Applicant's representations and warranties set forth herein including, without limit, its declaration of its tax-exempt status in processing payments due to it under the Bonds. The Applicant agrees to indemnify and hold the Underwriter, the Selling Agent, the Registrar, the Paying Agent and AP free and harmless against any and all claims, actions, suits, damages, and liabilities resulting from the non-withholding of the required tax due to the representations as indicated in this Application to Purchase, any misrepresentation contained herein or any reliance on the confirmations contained herein. The Applicant warrants that the Applicant (or its authorized signatory) has read and understood the Terms and Conditions and the terms and conditions stated in this Application to Purchase as well as the Rules and Procedures of the Registrar and unconditionally accepts the same. The Applicant further agrees that completion of this Application to Purchase constitutes an instruction and authority from the Applicant to AP and/or Underwriter to execute any application form or other documents and generally to do all such other things and acts as AP and/or Underwriter may consider

necessary or desirable to effect registration of the AP Fixed Rate Series A Bonds Due 2021 in the name of the Applicant.

APPLICANT'S FULL NAME (IN PRINT):

APPLICANT'S AUTHORIZED SIGNATURE/S :

ACKNOWLEDGEMENT AND ACCEPTANCE

Underwriter's Acceptance:

Acceptance

Rejection due to

Underwriter's Certification/Endorsement:

We received this Application, with all the required attachments below, at _____ a.m. / p.m. on _____.

We hereby warrant that:

- (a) The necessary know-your-client process was conducted on the Applicant pursuant to the Anti-Money Laundering Act and the amendments thereto ("AML") as well as its implementing rules and regulations ("IRR") and our own internal policies;
- (b) The identity of the Applicant was duly established pursuant to the AMLA and its IRR;
- (c) To the best of the undersigned's knowledge, all information provided to AP and the Registrar regarding the Applicant are true, complete, current and correct; and
- (d) The Applicant's signature appearing herein is genuine and authentic and was herein affixed freely and voluntarily.

Underwriter

Underwriter's Authorized Signatory
Signature over printed name

Underwriter's Authorized Signatory
Signature over printed name



APPLICATION TO PURCHASE

6.1000% 12-Year Fixed Rate Series B Bonds Due 2026

Underwriter's Control #

1 st Copy	Registrar
2 nd Copy	Underwriter
3 rd Copy	Applicant

This is an application to purchase Aboitiz Power Corporation ("AP") Fixed Rate Series B Bonds Due 2026 (the "Application"). Any Application submitted by a prospective purchaser must be for a minimum principal amount (face value) of P50,000 and in multiples of P10,000 thereafter. The AP Fixed Rate Bonds will be recorded in electronic book-entry (scripless) form in the system of the Philippine Depository & Trust Corporation (the "Registrar") and shall be subject to the rules and regulations of the Registrar. Duly completed Applications and all supporting documents must be received by the Underwriters not later than 5:00 pm of [August 4], 2013, which is the end of the Offer Period, unless otherwise extended or earlier terminated. Applications and payments received after the Offer Period will be rejected. Any Application improperly or incompletely accomplished may likewise be rejected. This Application is irrevocable and, once submitted, may not be withdrawn by the Applicant. Payment in full, through one of the three methods set forth below, must accompany this Application. AP and the Underwriters reserve the right to accept or reject, in whole or in part, this Application, and in case of oversubscription, allocate the AP Fixed Rate Series B Bonds Due 2026 available to the applicants in a manner they deem appropriate.

Name of Applicant: (Last, First, M.I. / Business Name)*		Type of Investor: <input type="checkbox"/> Individual <input type="checkbox"/> Corporate	
I/We (the "Applicant") hereby apply to purchase the following principal amount of the AP Fixed Rate Series B Bonds Due 2026 (the "Total Purchase Amount"), subject to the Terms and Conditions and the Prospectus distributed or made available by AP and the Underwriters in relation to the offer and sale of AP Fixed Rate Series B Bonds Due 2026.			
Amount in Words (PhP)		Amount in Figures (PhP)	
Total Purchase Amount		PhP	
Mode of Payment for the Bonds: I/We hereby pay for my/our purchase of the AP Fixed Rate Series B Bonds Due 2026 as indicated below:			
<input type="checkbox"/> Real Time Gross Settlement We have caused the crediting of the Total Purchase Amount (as stated above) in cleared funds, covering full payment for the AP Fixed Rate Series B Bonds Due 2026 covered by this Application to the Underwriter named below, for the account of Aboitiz Power Corporation	<input type="checkbox"/> Regular Bank Check Attached herewith is a check for Total Purchase Amount (as stated above) in cleared funds, covering full payment for the AP Fixed Rate Series B Bonds Due 2026 covered by this Application in favor of the Underwriter for the account of Aboitiz Power Corporation Drawee Bank: _____ Check #: _____	<input type="checkbox"/> Direct Debit I/we hereby authorize the debiting of my/our account with the Drawee Bank named below, with the corresponding account number, of Total Purchase Amount (as stated above) in cleared funds, in favor of the Underwriter named below, covering full payment for the AP Fixed Rate Series B Bonds Due 2026 covered by this Application. Debit Peso Current/Savings Account Number: _____ with _____ bank, _____ branch.	
Permanent Address:*		Present Mailing Address (if different from Permanent Address):*	
Telephone Number/s: Fax Number/s:		e-Mail Address (Please fill-in only if you specifically consent to e-mail communications. Provisions on Communications under the Application and in the Terms & Conditions will apply):	
Primary Contact Person (if other than Applicant):		Relationship to Applicant:	
Date of Birth / Incorporation (mm/dd/yyyy):*		Place of Birth / Incorporation:*	
Nationality:*		Tax Identification Number:*	
Nature of Work or Business:*		Name of Employer/ Business:*	
Sources of Income:*			
Mode of Collection of Interest and Principal Payments: I/we hereby unconditionally instruct and authorize the Paying Agent to cause the payments of interest and principal on the AP Fixed Rate Series B Bonds Due 2026 net of applicable taxes, fees and cost to be purchased via: <input type="checkbox"/> Credit PISO current/savings account number _____ with _____ _____ branch _____ <input type="checkbox"/> Credit Demand Deposit Account _____ N.B.: All payments under the Bonds shall be credited to Bondholders' designated account.		Tax Status: <input type="checkbox"/> Individual (Taxable) <input type="checkbox"/> Domestic Corporate <input type="checkbox"/> Tax Exempt** Corporate <input type="checkbox"/> If a foreign investor, tax rate below will apply (subject to application of preferential rates) ** <input type="checkbox"/> Non-resident individual not engaged in business: 25% <input type="checkbox"/> Resident foreign corporate: 20% <input type="checkbox"/> Non-resident foreign corporate: 30% ** Subject to submission of documentary proof of exemption	
Statement, Notices & Correspondence Delivery Mode:			

- Send to email address indicated above
- Delivery via courier (Metro Manila area only) or registered mail to mailing address indicated above

If a Corporation, please fill up Additional Required Information: (Please use additional sheets if necessary):

Name of Parent Company, if Any:

Names of Directors:*

Name of Stockholders Owning at Least 2% of the Authorized Capital Stock:*

Name of Beneficial Owners of Applicant, if any:*

Address of Beneficial Owner:

* Required to be filled up under Republic Act No. 9160, Republic Act No. 9194 and BSP Circular Nos. 251, 253 and 279, and all other amendatory and implementing law, regulation, jurisprudence, notice or order of any Philippine governmental body relating thereto.

* Communications (E-mail Indemnity) By indicating the e-mail address, I/we consent to receive all notices and communications via e-mail, and such consent shall operate as a waiver of my/our right and privilege to the secrecy of bank deposits in respect of such statements or notices. I/we acknowledge that security of any statement, notice or communication sent through electronic means is not guaranteed and I/we assume all risks in relations to its transmission. I/we are responsible for keeping such email access active and existing during the term of the AP Fixed Rate Series B Bonds Due 2026, otherwise, I/we shall be liable for any fees or charges that may be imposed or incurred in transmitting or re-transmitting such communication via electronic means.

REQUIRED ATTACHMENTS TO THIS APPLICATION

The Applicant understands that the Registrar will not issue a Registry Confirmation nor will any Bondholder be allowed to sell or transfer AP Fixed Rate Bonds Series B Due 2026 until such Bondholder shall have submitted to the Registrar all the documents required for the issuance of such AP Fixed Rate Series B Bonds Due 2026.

IF THE APPLICANT IS A CORPORATION:

- (a) An original notarized Certificate of the Corporate Secretary of the Applicant setting forth resolutions of the Applicant's Board of Directors authorizing the purchase of the AP Fixed Rate Series B Bonds Due 2026 and designating the signatories, with their specimen signatures, for the said purposes;
- (b) Certified true copies of its Articles of Incorporation and By-laws, or such other relevant organizational documents, and latest amendments thereof, together with the Certificate of Registration, or such relevant other relevant registration documents, issued by the Securities and Exchange Commission (SEC) or equivalent government institution, stamped and signed as certified as true copies by the SEC or by the Applicant's Corporate Secretary, or by an equivalent officer/s who is/are authorized signatory/ies; and
- (c) Two (2) duly accomplished signature cards containing the specimen signatures of the Applicant's authorized signatories, validated by its Corporate Secretary or by an equivalent officer/s who is/are authorized signatory/ies

IF THE APPLICANT IS A NATURAL PERSON:

- (a) Copies of valid identification documents of the Applicant;
- (b) Two (2) duly accomplished signature cards containing the specimen signature of the Applicant; and
- (c) Such other documents as may be reasonably required by the Underwriter/Selling Agent in implementation of its internal policies regarding "knowing your customer" and anti-money laundering.

IDENTIFICATION DOCUMENTS SHALL CONSIST OF:

Any one (1) of the following valid identification documents bearing a signature and recent photo, and which is not expired: Passport, Driver's License, Tax Identification (TIN) ID, Professional Regulation Commission (PRC) ID, National Bureau of Investigation (NBI) Clearance, Police Clearance, Postal ID, Voter's ID, Barangay Certification, Government Service Insurance System (GSIS) e-Card, Social Security System (SSS) Card, Senior Citizen Card, Overseas Workers Welfare Administration (OWWA) ID, OFW ID, Seaman's Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and GOCC ID, e.g. Armed forces of the Philippines (AFP ID), Home Development Mutual Fund (HDMF ID), National Council for the Welfare of Disabled Persons (NCWDP) Certification, Department of Social Welfare and Development (DSWD) Certification, Integrated Bar of the Philippines ID, Company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or IC, or school ID duly signed by the principal or head of the school (for Students who are beneficiaries of remittances/fund transferees who are under 18 years of age)

Applicants claiming exemption or preferential rate from any applicable tax shall also be required to submit the following documentary proof of its tax-exempt or preferential status together with this Application to Purchase:

- (a) A copy of the original tax exemption certificate, ruling or opinion issued by the BIR addressed to the Applicant confirming the exemption or preferential rate, and certified by an authorized officer of the Applicant as being a true copy of the original on file with the Applicant;
- (b) In the case of tax treaty relief, a certified true copy of the tax treaty relief application accompanied by the mandatory attachments required under prevailing revenue regulations;
- (c) A duly notarized undertaking (in the prescribed form by AP) declaring and warranting its tax-exempt status or preferential rate entitlement, and undertaking to immediately notify AP and the Registrar of any suspension or revocation of its tax exemption certificates or preferential privilege and agreeing to indemnify and hold AP, the Registrar and the Paying Agent free and harmless against any claims, actions, suits and liabilities resulting from the non-withholding of the required tax; and
- (d) Such other documentary requirements as may be reasonably required by AP, the Registrar or the Paying Agent under the applicable regulations of the relevant taxing or other authorities, which for purposes of claiming tax treaty withholding rate benefits shall include evidence of the applicability of a tax treaty and consularized proof of the Applicant's legal domicile in the relevant treaty state, and confirmation from the SEC that the entity is not doing business in the Philippines.

Unless properly provided with satisfactory proof of the tax-exempt status of a Bondholder, the Registrar and Paying Agent may assume that said Bondholder is taxable and proceed to apply the tax due on the Bonds. Notwithstanding the submission by the Bondholder, or the receipt by AP or any of its agents, of documentary proof of the tax-exempt status of a Bondholder, AP may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Bonds. Any question on such determination shall be referred to AP.

REPRESENTATIONS, WARRANTIES AND AUTHORIZATION

In executing this Application, the Applicant represents and warrants, that all information contained herein (including its tax status) and the required attachments are true and correct and that the signatures thereon are genuine, properly authorized, and obtained without use of fraud, coercion or any other vice of consent. The Applicant agrees to immediately notify AP and the Registrar, either directly or through the Underwriter/Selling Agent, if anything occurs which renders or may render untrue or incorrect in any respect any of the information given herein (including information given with respect to the Applicant's tax status) or any of its representations or warranties. The Applicant understands that the Underwriter, the Selling Agent, the Registrar, the Paying Agent and AP will rely on the Applicant's representations and warranties set forth herein including, without limit, its declaration of its tax-exempt status in processing payments due to it under the Bonds. The Applicant agrees to indemnify and hold the Underwriter, the Selling Agent, the Registrar, the Paying Agent and AP free and harmless against any and all claims, actions, suits, damages, and liabilities resulting from the non-withholding of the required tax due to the representations as indicated in this Application to Purchase, any misrepresentation contained herein or any reliance on the confirmations contained herein. The Applicant warrants that the Applicant (or its authorized signatory) has read and understood the Terms and Conditions and the terms and conditions stated in this Application to Purchase as well as the Rules and Procedures of the Registrar and unconditionally accepts the same. The Applicant further agrees that completion of this Application to Purchase constitutes an instruction and authority from the Applicant to AP and/or Underwriter to execute any application form or other documents and generally to do all such other things and acts as AP and/or Underwriter may consider

necessary or desirable to effect registration of the AP Fixed Rate Series B Bonds Due 2026 in the name of the Applicant.

APPLICANT'S FULL NAME (IN PRINT):

APPLICANT'S AUTHORIZED SIGNATURE/S :

ACKNOWLEDGEMENT AND ACCEPTANCE

Underwriter's Acceptance:

Acceptance

Rejection due to

Underwriter's Certification/Endorsement:

We received this Application, with all the required attachments below, at _____ a.m. / p.m. on _____.

We hereby warrant that:

- (a) The necessary know-your-client process was conducted on the Applicant pursuant to the Anti-Money Laundering Act and the amendments thereto ("AML") as well as its implementing rules and regulations ("IRR") and our own internal policies;
- (b) The identity of the Applicant was duly established pursuant to the AMLA and its IRR;
- (c) To the best of the undersigned's knowledge, all information provided to AP and the Registrar regarding the Applicant are true, complete, current and correct; and
- (d) The Applicant's signature appearing herein is genuine and authentic and was herein affixed freely and voluntarily.

Underwriter

Underwriter's Authorized Signatory
Signature over printed name

Underwriter's Authorized Signatory
Signature over printed name

ANNEX C

MASTER CERTIFICATES OF INDEBTEDNESS

ANNEX C

MASTER CERTIFICATES OF INDEBTEDNESS

<p>[LOGO]</p> <p>ABOITIZ POWER CORPORATION MASTER CERTIFICATE OF INDEBTEDNESS Series A Bonds</p>	<p>Bond Certificate No. 0001 Issue Date: September 10, 2014 Maturity Date: September 10, 2021</p>
<p>₱ 6,600,000,000.00</p>	
<p>For and in consideration of the sum of PESOS: SIX BILLION SIX HUNDRED MILLION PESOS ₱ 6,600,000,000.00, ABOITIZ POWER CORPORATION (the "Company"), promises to pay the sum of PESOS: SIX BILLION SIX HUNDRED MILLION PESOS ₱ 6,600,000,000.00, together with interest, to the Bondholders appearing in the Registry Book, pursuant to, and subject to the terms and conditions set forth in: (i) the Trust Agreement dated 27 August 2014, and (ii) Annex A hereto and thereto.</p>	
<p>This Master Certificate of Indebtedness is being issued by the Company, acting by the authority of its Board of Directors, to the [*], in its capacity as Trustee, in acknowledgement of the Company's obligations in respect of the seven year Philippine Peso fixed rate bonds (the "Series A Bonds") duly registered with the Philippine Securities and Exchange Commission.</p>	
<p>The Series A Bonds shall bear interest, subject to the terms and conditions contained in the Trust Agreement dated [*], and Annex A attached hereto and thereto.</p>	
<p>Annex A provides for the mode and manner of the payment and prepayment of the Series A Bonds under the terms and conditions set forth and specified therein as well as for the acceleration of the maturity of the Series A Bonds under certain conditions.</p>	
<p>The Series A Bonds shall be governed by, and construed in accordance with, the laws of the Republic of the Philippines.</p>	
<p>ABOITIZ POWER CORPORATION By:</p>	
<p>THE SERIES A BONDS ARE NOT INSURED WITH THE PHILIPPINE DEPOSIT INSURANCE CORPORATION</p>	

[LOGO]

ABOITIZ POWER CORPORATION
MASTER CERTIFICATE OF INDEBTEDNESS
Series B Bonds

₱ 3,400,000,000.00

Bond Certificate No. 0001
Issue Date: September 10, 2014
Maturity Date: September 10, 2026

For and in consideration of the sum of PESOS: THREE BILLION FOUR HUNDRED MILLION PESOS ₱ 3,400,000,000.00, ABOITIZ POWER CORPORATION (the "Company"), promises to pay the sum of PESOS: THREE BILLION FOUR HUNDRED MILLION PESOS ₱ 3,400,000,000.00, together with interest, to the Bondholders appearing in the Registry Book, pursuant to, and subject to the terms and conditions set forth in: (i) the Trust Agreement dated 27 August 2014 and (ii) Annex A hereto and thereto.

This Master Certificate of Indebtedness is being issued by the Company, acting by the authority of its Board of Directors, to the [*] in its capacity as Trustee, in acknowledgement of the Company's obligations in respect of the twelve year Philippine Peso fixed rate bonds (the "Series B Bonds") duly registered with the Philippine Securities and Exchange Commission.

The Series B Bonds shall bear interest, subject to the terms and conditions contained in the Trust Agreement dated [*] and Annex A attached hereto and thereto.

Annex A provides for the mode and manner of the payment and prepayment of the Series B Bonds under the terms and conditions set forth and specified therein as well as for the acceleration of the maturity of the Series B Bonds under certain conditions.

The Series B Bonds shall be governed by, and construed in accordance with, the laws of the Republic of the Philippines.

ABOITIZ POWER CORPORATION

By:

THE SERIES B BONDS ARE NOT INSURED WITH THE PHILIPPINE DEPOSIT INSURANCE CORPORATION

EXHIBIT 1

FORM OF CERTIFICATE OF NO DEFAULT,
COMPLIANCE AND NOTICE OF DEFAULT

To: [•]
(the "Trustee")
[•]Fax: [•]
Attn: [•]
From: Aboitiz Power Corporation
Date: [•]

Re: Trust Agreement dated [•] (the "Agreement") between Aboitiz Power Corporation (the "Issuer"), and the Trustee

1. We refer to the Agreement. Words and expressions defined in the Agreement have the same meanings in this certificate. This is a Certificate of No Default and Compliance.
2. We confirm the following:
 - i. that [no/the following] Events of Default were outstanding as at [relevant date];
 - ii. all the representations and warranties of the Issuer contained in the Agreement remain true and correct;
 - iii. all of the covenants of the Issuer set forth in the Agreement have been fully met and performed; and
3. We confirm that as of [relevant date] the **Maximum Net Debt to Consolidated Equity Ratio:** Net Debt was [•] and Consolidated Equity was [•], so the ratio of Net Debt to Consolidated Equity was [•]:1.]

For and on behalf of Aboitiz Power Corporation

By:
Name:
Title:

TRUST AGREEMENT

This **TRUST AGREEMENT** (this "**Agreement**") is made and executed this 16 June 2017, by and between:

ABOITIZ POWER CORPORATION, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal offices at the 32nd Street, Bonifacio Global City, 1634 Taguig City, Metro Manila (hereinafter referred to as the "**Issuer**");

– and –

BPI ASSET MANAGEMENT AND TRUST CORPORATION, a trust corporation duly organized and validly existing under the laws of the Republic of the Philippines, duly authorized to perform trust and investment management functions and other fiduciary business, with principal offices at the 2nd Floor, BPI Building, 6768 Ayala Avenue corner Paseo de Roxas, Makati City, (hereinafter referred to as "**BPI AMTC**" or the "**Trustee**").

RECITALS

WHEREAS, the Issuer is authorized to issue Fixed Rate Peso-Denominated Bonds for offering, distribution and sale to the general public of up to the aggregate principal amount of PHILIPPINE PESOS: THIRTY BILLION (Php30,000,000,000.00) to be issued in one or several tranches within three years from the date of effectivity of its registration (the "**Fixed Rate Peso-Denominated Bonds**"). The first tranche shall comprise of 5.3367% fixed rate bonds due 3 July 2027, for a total of PHILIPPINE PESOS: TWO BILLION (Php2,000,000,000.00) with an over-subscription option of PHILIPPINE PESOS: ONE BILLION (Php1,000,000,000.00) (the "**Offer**");

WHEREAS, the Offer and the terms thereof are more fully described in **Annex "A"** hereof and in the Prospectus and Offer Supplement to be issued and circulated for the Offer, which is made an integral part hereof by reference;

WHEREAS, the Issuer expects to obtain a Permit to Sell from the SEC in respect of a public distribution and sale of the Bonds prior to the start of the Offer Period;

WHEREAS, to achieve the foregoing objectives, the Issuer has appointed, and hereby confirms the appointment of, BPI AMTC as the Trustee on the basis of the representations and warranties of the Issuer and under the terms and conditions hereinafter set forth, has consented to the appointment;

NOW, THEREFORE, for and in consideration of the foregoing premises, the parties hereto agree as follows:

Section 1 DEFINITIONS AND INTERPRETATION

1.1. Definitions

The following terms shall have the respective meanings set forth below except as otherwise expressly provided or unless the context otherwise requires:

"Aboitiz Group" means Aboitiz & Co., Inc. and Aboitiz Equity Ventures, Inc., each a corporation organized under Philippine law, together with their respective Subsidiaries and Affiliates, related persons and related interests, whether or not stockholders of record of the Issuer as of the Issue Date;

"Affiliate" means with respect to any Person, any other Person directly or indirectly Controlling, Controlled by or under common Control with, such Person;

"Agreement" shall mean this Trust Agreement and all amendments or supplements hereto;

"Applicable Law" means: (i) any statute, decree, constitution, regulation, rule, order or any directive of any Governmental Authority; (ii) any treaty, pact, compact or other agreement to which any Governmental Authority is a signatory or party; (iii) any judicial or administrative interpretation or application of any law described in clause (i) or (ii) above; and (iv) any amendment or revision of any law described in clause (i), (ii) or (iii) above;

"Applicant" shall mean the Person who shall duly accomplish the Application as defined herein and who shall deliver the same to the Issue Manager and/or the Underwriter in accordance with the Underwriting Agreement;

"Application" or **"Application to Purchase"** shall mean the form actually accomplished and submitted by the Applicant for the purchase of the Bonds, together with all other requirements set forth substantially in the form attached hereto as Annex "B";

"Authorization" means any authorization, consent, approval, license, exemption, filing, registration, or other similar action;

"Banking Day" means a day other than Saturday, Sunday and public holidays on which commercial banks and the Philippine Clearing House Corporation are generally open for the transaction of business in Makati City, Taguig City and the City of Manila; *provided*, that all other days unless otherwise specified herein shall mean calendar days which shall be construed as successive periods of twenty-four (24) hours each;

"BIR" shall mean the Bureau of Internal Revenue of the Republic of the Philippines;

"Bona Fide Bondholder" shall have the meaning ascribed to it in Section 3.10.a hereof;

"Bondholders" shall mean the registered owners of the Bonds;

"Bonds" shall mean the Bonds with an aggregate amount of up to PHILIPPINE PESOS: TWO BILLION (PhP2,000,000,000.00) with an over-subscription option of PHILIPPINE

PESOS: ONE BILLION (PhP1,000,000,000.00), which the Issuer shall issue for distribution and sale on Issue Date;

"Competitor" shall have the meaning ascribed to it in Section 3.9.c hereof;

"Control" means the possession, directly or indirectly, by a Person of the power to direct or cause the direction of the management and policies of another Person whether through the ownership of voting securities or otherwise; provided, however, that the direct or indirect ownership of over fifty percent (50%) of the voting capital stock, registered capital or other equity interest of a Person is deemed to constitute control of that Person, and **"Controlling"** and **"Controlled"** have corresponding meanings;

"Event of Default" shall have the meaning set forth in Section 9.1 hereof;

"Fair Market Value of Assets" means at any particular time, the aggregate of the total current assets and the total non-current assets of the Issuer as shown in the balance sheet of its latest audited financial statements on a consolidated basis.

"Fee Letter" means the letter of the Trustee to the Issuer dated 14 March 2017 and acknowledged by the Issuer on same date;

"Government Authority" means the Government of the Republic of the Philippines, or any political subdivision or agency thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the said government, and any national agency or body vested with jurisdiction or authority over any Person;

"GRT" means the gross receipts tax under Sections 121 and 122 of the National Internal Revenue Code of 1997, as amended;

"Indebtedness" means, with respect to the Issuer: (i) all indebtedness or other obligations of the Issuer for borrowed money or for the deferred purchase price of property or services and similar arrangements; (ii) all indebtedness or other obligations of any other Person, the payment or collection of which is guaranteed by the Issuer (except by reason of endorsement for collection in the ordinary course of business) or in respect of which the issuer is liable, contingently or otherwise, including without limitation, any agreement to purchase, to provide funds for payment, to supply funds to or otherwise invest in such Person; and (iii) capitalized lease obligations of the Issuer;

"Interest Payment Date" shall mean the dates indicated in the interest coupon of the Bonds as provided in Annex "A";

"Issue Date" shall be on 3 July 2017, or such later date as may be mutually determined by the Issuer and the Issue Manager for the issuance of the Bonds;

"Issue Manager" means BPI Capital Corporation;

"Issue Price" shall mean one hundred percent (100%) of the face value of the Bonds;

"Lien" means, with respect to any Person, any lien, pledge, mortgage, charge, hypothecation, encumbrance, or other security interest or preferential arrangement on or with respect to any asset or revenue of such Person;

"Majority Bondholders" shall mean, at any time, the Bondholders who hold, represent or account for more than fifty percent (50%) of the aggregate outstanding principal amount of the Bonds;

"Master Certificate of Indebtedness" means the certificate to be issued by the Issuer in the name of the Trustee for the benefit of the Bondholders evidencing and covering the aggregate principal amount of Bonds purchased during the Offer Period for such Bonds, substantially in the form set forth in Annex "C" hereof.

"Material Adverse Effect" means, in relation to the Issuer, a material adverse effect on the ability of the Issuer to perform or comply with any of its obligations, or to exercise any of its rights, under this Agreement, the Underwriting Agreement or the Bonds;

"Maturity Date" shall mean, the date ten (10) years from Issue Date or on 3 July 2027;

"Net Debt to Consolidated Equity Ratio" shall mean the ratio of Net Debt, which is computed as the total of interest-bearing debt less cash, cash equivalents, and short-term investments of the Issuer, to Consolidated Equity, which is computed as the total stockholders' equity of the Issuer as recognized and measured in its fiscal year-end audited consolidated financial statements and quarter-end unaudited consolidated financial statements, as may be applicable and available in accordance with Applicable Law, both in conformity with PFRS;

"Offer" or **"Issue"** as the context may require, shall mean the Bonds or the offering, issuance, distribution and sale of the Bonds;

"Offer Period" shall mean the period commencing on 20 June 2017 and ending on 23 June 2017 or such other date as may be mutually agreed between the Issuer and the Underwriter;

"Optional Redemption Date" shall have the meaning ascribed to it under Section 6.4;

"Optional Redemption Price" shall have the meaning ascribed to it under Section 6.4;

"Paying Agent" shall mean the Philippine Depository & Trust Corporation acting as paying agent in accordance with the Registry and Paying Agency Agreement;

"Payment Date" shall mean the Interest Payment Date and/or the Principal Payment Date, as the case may be;

"Penalty Interest" shall mean the penalty interest at the rate of two percent (2%) per annum payable by the Issuer pursuant to Section 6.7 hereof.

"Person" means an individual, corporation, partnership, joint venture, unincorporated association, trust, or other juridical entity, or any Governmental Authority;

"PFRS" means Philippine Financial Reporting Standards;

"Philippine Peso" or **"PhP"** means the legal currency of the Republic of the Philippines;

"Philippines" means the Republic of the Philippines;

"Principal Payment Date" shall mean the Maturity Date or the Optional Redemption Date;

"Prospectus" means the selling material including any amendment or supplement thereto duly filed by the Issuer with, and duly approved by, the SEC for the purpose of the offering, distribution, and sale of the Bonds;

"Record Date" as used with respect to any Payment Date shall mean the day which is two (2) days Banking Days prior to the relevant Interest Payment Date; provided that if such day falls on a non-Banking Day, the Record Date shall be the next Banking Day immediately preceding said date;

"Registrar" shall mean the Philippine Depository & Trust Corporation acting as the registrar in accordance with the Registry and Paying Agreement;

"Registration Statement" shall mean the registration statement filed by the Issuer with the SEC on 19 April 2017 in accordance with the Securities Regulation Code relating to the registration and issuance of the Bonds;

"Registry and Paying Agency Agreement" shall mean the agreement dated 16 June 2017 by and between the Issuer and Philippine Depository & Trust Corporation, as the Paying Agent and Registrar for the Issue;

"Relevant Period" shall mean a period of 12 calendar months ending on the last day of any quarter of any of the Issuer's fiscal years;

"SEC" shall mean the Securities and Exchange Commission of the Philippines;

"Securities Regulation Code" shall refer to Republic Act No. 8799 and its implementing rules and regulations, as the same may be amended and supplemented from time to time;

"Subsidiary" means in respect of any Person, any entity: (i) over fifty percent (50%) of whose capital is owned directly by that Person; or (ii) for which that Person may nominate or appoint a majority of the members of the board of directors or such other body performing similar functions;

"Taxes" or **"Tax"** means any present or future taxes, levies, imposts, duties, filing, registration and other fees or charges imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof;

"Total Liabilities" shall mean the total economic obligations of the Issuer that are recognized and measured in its audited parent financial statements in accordance with PFRS;

"Transaction Date" shall mean with respect to the incurrence of any loan obligation with a maturity of more than one (1) year, the date such loan obligation is incurred;

"Treasury Transaction" means any currency, commodity, or interest rate purchase, cap or collar agreement, forward rate agreement, future or option contract, swap or other similar agreement, in relation to the Issuer's treasury management;

"Trustee" shall mean BPI AMTC or any other successor trustee acting as trustee pursuant to this Agreement; and

"Underwriter" shall mean BPI Capital Corporation;

"Underwriting Agreement" shall mean the underwriting agreement dated 16 June 2017, executed by and between the Issuer, the Issue Manager, and the Underwriter.

1.2. Other Terms.

Any reference in this Agreement to:

a **"company"** shall be construed so as to include any company, corporation or any association or partnership (whether or not having separate legal personality) of any two or more Persons;

"Issue Manager," "Underwriter," "Registrar," "Paying Agent," "Trustee" and "Bondholders" shall be construed so as to include their respective successors, transferees and assigns in accordance with their respective interests to the extent permitted under the terms hereof and, in the case of the **"Issuer,"** its respective successors, transferees and assigns, to the extent permitted under the terms hereof;

a **"month"** is the period commencing on a specified day in a calendar month and ending on the numerically corresponding day in the relevant subsequent calendar month (or if there is no day so corresponding in the calendar month in which such period ends, such period shall end on the last day of such calendar month);

an **"Annex"** shall, subject to any contrary indication, be construed as a reference to a schedule hereto;

a **"Section"** shall, subject to any contrary indication, be construed as a reference to a section hereof; and

the **"winding-up," "dissolution" or "administration"** of a company shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or any jurisdiction in which such company carries on business.

1.3. Accounting Terms.

All accounting terms not specifically defined in this Agreement shall be construed in accordance with PFRS.

1.4. Rules of Construction.

Save where the contrary is indicated, any reference in this Agreement to this Agreement:

- a. the Bonds or any other agreement or document shall be construed as a reference to this Agreement or, as the case may be, the Bonds, other agreement or document as the same may have been, or may from time to time be (subject to any restrictions herein), amended, varied, novated, supplemented, replaced or substituted;
- b. a statute shall be construed as a reference to such statute as the same may have been, or may from time to time be, amended or re-enacted; and
- c. a day shall be construed as a reference to a calendar day.

1.5. Headings.

Section, Annex, Exhibit and Schedule headings are for ease of reference only and shall not affect the interpretation of this Agreement and the Bonds.

1.6. Interpretation.

The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole, and not to any particular Section, subsection or clause hereof. Any reference herein to any Person shall include its successors and permitted assigns and, in the case of any Governmental Authority, any Person succeeding to its functions and capacities. All accounting terms used herein and not otherwise defined will have the meanings accorded them under the PFRS and, except as expressly provided herein, all accounting determinations will be made in accordance with such accounting principles in effect from time to time. Any reference to "include" or "including" shall be treated as "including, without limitation". Defined terms in the singular shall include the plural and vice versa, and the masculine, feminine or neuter gender shall include all genders.

Section 2 ISSUANCE OF BONDS AND DELIVERY OF MASTER CERTIFICATES OF INDEBTEDNESS

2.1. Issuance of the Bonds

The Bonds shall be issued by the Issuer in accordance with the terms of this Agreement. The obligations of the Issuer in connection with the Bonds shall consist of all its obligations under this Agreement, including the full and prompt payment of all accrued interests and redemption amounts due on the Bonds, as well as any and all reasonable and documented expenses that may be incurred by the Trustee in enforcing any of its and/or the Bondholders' rights, powers, and remedies under and in accordance with this Agreement.

2.2. Delivery of Executed Master Certificates of Indebtedness

The Issuer shall, not later than 9:00 a.m. on Issue Date, deliver the duly executed Master Certificates of Indebtedness covering the entire principal amount of the Bonds purchased during the Offer Period, to the Trustee, with a copy to the Registrar. The Trustee shall, upon its receipt of the duly executed Master Certificates of Indebtedness, immediately notify the Issue Manager and the Underwriter of such fact in writing (including, without limitation, by facsimile transmission, telex or telecopier, or electronic mail).

Section 3 THE TRUSTEE

3.1. Appointment

- a. The Issuer hereby appoints BPI AMTC as the Trustee, and BPI AMTC hereby accepts its appointment as Trustee for and on behalf and benefit of the Bondholders, in connection with the distribution, sale and issuance of the Bonds by the Issuer.
- b. The foregoing appointment shall commence on the Issue Date and shall subsist for so long as any amount of the Bonds is outstanding, unless the services of the Trustee are otherwise terminated pursuant to this Agreement.

3.2. Duties and Responsibilities of the Trustee

- a. Coordinate with the Issuer, the Issue Manager, the Underwriter, and the Registrar and the Paying Agent in relation to the performance of their respective responsibilities under the relevant Transaction Documents.
- b. The Trustee shall act as trustee for and in behalf of the Bondholders and as such shall, in accordance with the terms and conditions of this Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the Issuer's observance of all its covenants and performance of all its obligations, under and pursuant to this Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under this Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters to be taken up with the Issuer.
- c. Report regularly to the Bondholders any non-compliance by the Issuer with this Agreement and, to the best of Trustee's knowledge, any development with respect to the issuer based on official disclosures to the PDEX, SEC, or other regulatory agencies and that adversely affects the interest of the Bondholders, including any default by the Issuer on any of its obligations of which the Trustee may have knowledge based on official disclosures to the PDEX, SEC, or other regulatory agencies, and inform the Bondholders of the alternative courses of action that they may take to protect their interests; provided, that for purposes hereof, the Trustee shall, without need of any further act or notice to the Issuer, publish a notice once in a newspaper of general circulation, binding upon all the Bondholders wherever situated or located, that the Bondholders or their duly authorized representatives may

obtain a report regarding the Bonds at the principal office of the Trustee upon presentation of sufficient and acceptable identification and Registrar's confirmation;

- d. The Trustee shall have custody of and hold in its name, for and in behalf of the Bondholders, the Master Certificates of Indebtedness for the total issuance of the Bonds.
- e. The Trustee shall promptly and faithfully carry out the instructions or decisions of the Majority Bondholders issued or reached in accordance with Section 11.
- f. The Trustee may, from time to time, request the Issuer to submit such certification of its officers, reports of its external auditors, and other documents relating to the Issuer's ability to comply with its obligations under the Bonds and this Agreement, as well as to examine such records of the Issuer as may be related to the Issuer's obligations under the Bonds and this Agreement.

The request shall be reasonable, made not less than seventy-two (72) hours prior to the intended date of examination and shall be in writing to the Issuer which shall include, in reasonable detail, the purpose for such request and the intended use of the requested documents or information. The Issuer may require the Trustee, its directors, officers, employees, representatives, agents, partners, consultants and advisors to hold in confidence such documents and information furnished to the Trustee pursuant to said request or to limit the use thereof for the purpose intended as stated in the request provided such limitation shall not apply if it is in conflict with the duties and responsibilities of the Trustee under any provision of this Agreement.

- g. The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in this Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by this Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs under similar circumstances.
- h. The Trustee shall inform the Bondholders of any event, breach of representations and warranties, and Events of Default within a reasonable period from the time that the Trustee learns or is informed of such events.
- i. Upon written request by the Issuer no later than 11:30 a.m. on a Business Day, send notice of any matter to the Bondholders, other than those matters notice of which is specifically required to be given to the Bondholders by another party under the Agreement. If required, a copy of such notice shall be sent to the Registrar.
- j. Except as may be necessary to perform its duties under this Agreement and as required by Applicable Law, the Trustee (i) shall permanently keep privileged and confidential, separate and distinct, any information, data,

documents, files, properties, funds, or any other matter which it may acquire pursuant to this Agreement or obtained in the course of the performance of its duties and functions as a Trustee, (ii) shall refrain from disclosing any such information or item in any manner, whether written, verbal, telegraphic, coded, or encrypted, whether in physical, electronic, or any other form or media, and (iii) hereby undertakes not to use any such information or item for its own benefit or for the benefit of any of its clients regardless of whether or not such use can be shown to cause disadvantage, injury, or damage to the Issuer; provided, that where any disclosure of the foregoing information is required by Applicable Law, the Trustee shall properly apprise the Issuer of such disclosure and give reasonable opportunity to the Issuer to consider the same. This Section shall survive termination of this Agreement.

- k. The Trustee shall perform such other powers and functions as provided for elsewhere under this Agreement.

3.3. Corporate Form

The Trustee shall at all times be a financial institution organized and doing business under the laws of the Republic of the Philippines duly authorized to exercise corporate trust powers, having its principal office and place of business in Metro Manila, Philippines.

3.4. Custody, Segregation, and Deposit of Funds

All moneys and funds received by the Trustee in connection with this Agreement shall be held in trust for the purpose for which they were received, and any and all such sums and assets shall be segregated from all other funds and assets of the Trustee.

3.5. Compensation, Reimbursement, and Indemnification

- a. In consideration for the faithful compliance and performance by the Trustee of its duties and obligations under this Agreement, the Issuer shall pay to the Trustee the amount of fees to be stipulated in a separate Fee Letter which is made an integral part hereof. The Issuer will pay or reimburse the Trustee for all expenses, disbursements, and advances incurred or made by the Trustee in accordance with any of the provisions of this Agreement (including reasonable compensation and expenses and disbursements of its counsel and of all Persons not regularly in its employ). If any property other than cash shall at any time be subject to any Lien created for the benefit of the Trustee, on account of the Issuer's obligations to the Trustee under the Agreement, or the Bondholders by operation of Applicable Law or as a result of any execution, receivership, bankruptcy, dissolution or similar proceedings, if and to the extent authorized by any agency or court of competent jurisdiction subjecting such property to such Lien, the Trustee may, but without legal obligation to do so, make advances for the purpose of preserving such property or of discharging tax Liens or other prior Liens or encumbrances thereon previously disclosed to the Issue Manager and the Underwriter.
- b. The Issuer also covenants to indemnify the Trustee for, and to hold it free and harmless against, any loss, liability or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the

stated therein which it may in good faith deem reasonable in the circumstances; and the Trustee shall require such further evidence or make such further investigation as may reasonably be requested in writing by the Majority Bondholders:

3.8. Trustee as Owner or Pledgee of Bonds

The Trustee, in its individual or any other capacity, may become the owner or pledgee of Bonds with the same rights it would have if it were not Trustee, and subject to the provisions of Section 3.9, the Trustee may otherwise deal with the Issuer in the same manner and to the same extent as though it were not the Trustee hereunder.

3.9. Conflict of Interest

- a. If the Trustee has or acquires any conflicting interest, as defined in Section 3.9c, the Trustee shall, within sixty (60) days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign as Trustee in the manner and with the effect specified in this Section 3.9, or obtain a written waiver from the issuer in relation to such conflicting interest, which waiver shall not be unreasonably withheld or delayed. In the event of a resignation by the Trustee under this Section 3.10 **Error! Reference source not found.**, the Trustee shall resign in the manner and with the effect specified in Section 3.11.
- b. In the event that the Trustee shall fail to comply with the provisions of Section 3.9a, the Trustee shall within ten (10) days after the expiration of the aforesaid sixty (60)-day period transmit notice of such failure to the Bondholders and the Issuer.
- c. For the purpose of this Section, the Trustee shall be deemed to have a conflicting interest if:
 - i. The Trustee directly or indirectly Controls or is directly or indirectly Controlled by or is under direct or indirect common Control of the Issuer; or
 - ii. Twenty percent (20%) or more of the voting securities of the Trustee is beneficially owned either by the Issuer or by any director, partner or executive officer thereof, or thirty percent (30%) or more of such voting securities is beneficially owned, collectively, by any two (2) or more of such Persons; or
 - iii. The Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, five percent (5%) or more of the voting securities, or ten percent (10%) or more of any other class of security, of the Issuer, not including the bonds of the Issuer issued under any other agreement under which the Trustee is also a trustee; or
 - iv. The Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, five percent (5%) or more of the voting securities of any Person who, to the knowledge of the Trustee,

owns ten percent (10%) or more of the voting securities of, or controls directly or indirectly or is under direct or indirect common control of, the Issuer; or

v. The Trustee is or becomes a Competitor.

For this purpose, a "Competitor" is:

- vi. any Person which is: (a) engaged in, (b) has a direct or indirect beneficial interest of at least thirty percent (30%) of the outstanding capital stock of, (c) has the power to nominate, appoint or elect a director or executive officer of, or (d) has the power to propose, direct or Control (whether by contract, the ownership of shares or otherwise) the management policy or affairs of, any business which is in competition with the business of the Issuer or, in any event, any Person which has the ability or power to disclose, use or otherwise exploit information relating to the Issuer in furtherance of or in connection with such competitive business; or
- vii. any Person, twenty percent (20%) or more of the voting securities of which is legally and beneficially, directly or indirectly, owned by a Person referred to in Section 3.9c(vi) above; or
- viii. any Person which is the legal and beneficial, direct or indirect, owner of at least twenty percent (20%) of the voting securities of a Person referred to in Section 3.9c(vi) above; or
- ix. any Person whose directors, partners or executive officers is a director, partner or executive officer of any of the Persons referred to in Section 3.9c(vi), (vii), and (viii) above; or
- x. any Person, thirty percent (30%) or more of the voting securities of which is legally and beneficially, directly or indirectly, owned by a director, partner, or executive officer, or any two (2) or more of such directors, partners or executive officers, of a Person referred to in Section 3.9c(vi).

3.10. Change of Trustee

- a. The Trustee may at any time resign by giving thirty (30) days prior written notice to the Issuer and to the Bondholders of such resignation. Upon receiving such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor Trustee by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the successor Trustee. If no successor Trustee shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, or any Bondholder who has been a bona fide holder of the Bonds for at least six (6) months (the "Bona Fide Bondholder") may, for and on behalf of the Bondholders, petition any such court for the appointment of a successor Trustee. Such court may

thereupon after notice, if any, as it may deem proper, appoint a successor Trustee, subject to Section 3.2 of this Agreement.

b. In case at any time any of the following shall occur -

- i. The Trustee shall fail to comply with the provisions of Section 3.9.a after written request therefor by the Issuer or by the Majority Bondholders; or
- ii. The Trustee shall cease to be eligible in accordance with the provisions of Section 3.2 and shall fail to resign after written request therefor by the Issuer or by any Bona Fide Bondholder; or
- iii. The Trustee shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation; or
- iv. Provided there is no Event of Default, the successor Trustee, pursuant to Section 3.11, is not acceptable to the Issuer, for any reason;

then the Issuer may, within thirty (30) days therefrom remove the Trustee and appoint a successor Trustee, by written instrument in duplicate, executed by the Issuer's duly authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the successor Trustee. If the Issuer fails to remove the Trustee and appoint a successor Trustee, any Bona Fide Bondholder may, on behalf of himself and all other Bondholders, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor Trustee, subject to Section 3.2 of this Agreement.

- c. The Majority Bondholders may at any time remove for cause the Trustee and appoint a successor Trustee by the delivery to the Trustee so removed, to the successor Trustee and to the Issuer of the evidence provided for in Section 11.9 of the action in that regard taken by the Majority Bondholders. This is without prejudice to whatever remedies may be available to the Majority Bondholders under Applicable Law or in equity.
- d. Any resignation or removal of the Trustee and appointment of a successor Trustee pursuant to any of the provisions of this Section shall become effective upon the earlier of: (i) acceptance of appointment by the successor Trustee as provided in this Agreement; or (ii) the effectivity of the resignation notice sent by the Trustee under this Agreement provided, however, that after such effectivity of the resignation notice and, as relevant, until such successor Trustee is qualified and appointed, the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by the Issuer.

- e. Within ten (10) days from the effectivity of the resignation notice, the Trustee shall transfer and turn over to the successor Trustee, and shall make an accounting of, all the assets, documents or instruments which are in the custody of the Trustee pursuant to this Agreement, if any.

3.11. Successor Trustee

- a. Any successor Trustee appointed as provided in Section 3.10 shall execute, acknowledge and deliver to the Issuer and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder with like effect as if originally named as Trustee herein. The foregoing notwithstanding, on the written request of the Issuer or of the successor Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor Trustee, upon the trust herein expressed, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor Trustee all such rights, powers and duties.
- b. No successor Trustee shall accept appointment as provided in this Section unless at the time of acceptance such successor Trustee shall be qualified and eligible under the provisions of Section 3.2 and has none of the conflict of interest under Section 3.9.
- c. Upon acceptance of appointment by a successor Trustee as provided in this Section, the Issuer shall notify the Bondholders in writing of the succession of such Trustee to the trust herein. If the Issuer fails to notify the Bondholders within ten (10) days after acceptance of appointment by the successor Trustee, the latter shall cause the Bondholders to be so notified at the expense of the Issuer.

3.12. Merger or Consolidation

Without prejudice to Section 3.9.b, any corporation into which the Trustee may be merged or with which it may be consolidated or any corporation resulting from any merger or consolidation to which the Trustee shall be a party or any corporation succeeding to the business of the Trustee shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such successor Trustee shall be eligible under Section 3.2 and has none of the conflict of interest under Section 3.9, and that, if such successor Trustee shall not be qualified under Section 3.9, such successor Trustee shall, within ninety (90) days after becoming such successor Trustee, either become qualified under Section 3.9 or resign in the manner and with the effect specified in Section 3.10. The Trustee shall immediately inform the Issuer of the occurrence of such merger, consolidation or such succession to the business of the Trustee.

3.13. Representations and Warranties of the Trustee

The Trustee represents to the Issuer and to the Bondholders as follows:

- a. It is a corporation duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines, and has its business address at the place indicated in this Agreement, and is registered or qualified to do business as now being conducted in every jurisdiction where registration or qualification is necessary;
- b. It has full power and authority to enter into this Agreement and to perform its obligations hereunder and execute the trust hereby created, and hereby accepts the trust in this Agreement and provided upon the terms and conditions herein set forth;
- c. The obligations of the Trustee under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with its terms;
- d. All consents, approvals and authorizations necessary on its part for the due execution, delivery and performance of this Agreement have been obtained or effected by it and remain in full force and effect as of the date hereof; and
- e. The execution and delivery of this Agreement, and the performance of its obligations hereunder, do not and will not violate any Applicable Law or judgments, orders or issuances of Philippine courts and will not conflict with or result in a breach of its constitutive documents, any contract, agreement or other obligation to which it is a party or for which it may be bound.

The aforesaid representations and warranties are true and correct as of the date of this Agreement and shall remain to be true and correct as long as the Bonds or any portion thereof remain outstanding.

The representations and warranties of the Trustee shall survive the issuance of the Bonds and may be enforced at any time while the Bonds or any portion thereof remains outstanding.

Any breach of the foregoing representations of the Trustee entitles the Majority Bondholders to remove the Trustee pursuant to and in accordance with Section 3.10.c.

3.14. Declarations by the Trustee and the Issuer

The recitals contained herein and in the Bonds, except the Trustee's representations provided in Section 3.12, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity of the Bonds. The Trustee shall not be accountable for the use or application by the Issuer of any of the Bonds or of the proceeds of such Bonds. Similarly, the Issuer takes no responsibility for the correctness of the representations made by the Trustee under Section 3.13.

3.15. Reports to the Bondholders

- a. Only upon the occurrence of either (i) or (ii) below, the Trustee shall submit to the Bondholders on or before March 31 of each year from the relevant Issue Date until full payment of the Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:
 - i. The property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report (as reported by the Paying Agent to the Trustee); and
 - ii. Any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it in accordance with the provisions of Section 10.2.
- b. Upon the written request of any Bona Fide Bondholder, the Trustee shall likewise transmit to the requesting Bondholder, a brief report with respect to the character, amount and the circumstances surrounding the making of any advance by the Trustee for the reimbursement of which the Trustee claims or may claim a Lien or charge which is prior to that of the Bondholders on the trust estate or property or funds held or collected by the Paying Agent and which it has not previously reported pursuant to this paragraph, if such advance remaining unpaid at any time aggregates more than ten percent (10%) of the aggregate principal amount of Bonds outstanding at such time, such report to be transmitted within ninety (90) days from the making of such advance.
- c. Only upon a written request at least five (5) business days before, the following pertinent documents may be inspected during regular business hours on any Banking Day at the principal office of the Trustee:
 - i. This Agreement;
 - ii. The Registry and Paying Agency Agreement;
 - iii. The latest Articles of Incorporation and By-Laws of the Issuer; and
 - iv. The Permit to Sell the Bonds.
- d. Upon the written request of any Bona Fide Bondholder, the Trustee shall issue a certification as to the amount of Bonds held by such Bona Fide Bondholder. The Bondholder shall pay the Trustee an upfront certification fee of Five Thousand Pesos (PhP5,000.00) per certification in addition to any fees that may be imposed by the Registrar and Paying Agent for such certification.

3.16 Interlocking Position

Mr. Romeo L. Bernardo, who is an independent director of the Issuer and an independent director of the Trustee shall not participate in any vote pertaining to matters with respect to the Bonds.

Section 4 REPRESENTATIONS AND WARRANTIES OF THE ISSUER

4.1. Representations and Warranties

The Issuer hereby represents and warrants to the Trustee and the Bondholders as follows:

- a. **Organization and Existence.** It is a corporation duly incorporated, validly existing and in good standing under the Laws of the Republic of the Philippines, and has its business address at the place indicated in this Agreement, and is registered or qualified to do business as now being conducted in every jurisdiction where registration or qualification is necessary;
- b. **Authorization.** It has full legal right, power and authority to carry on its present business, to own its properties and assets, to incur the indebtedness and other obligations provided for in the Bonds and this Agreement, and has taken all appropriate and necessary corporate and legal actions to authorize the offer, issuance, distribution and sale of the Bonds, for the circulation of the Prospectus and the execution and delivery of this Agreement, and to comply, perform and observe the terms and conditions hereof and thereof;
- c. **Binding Obligation.** The obligations of the Issuer under the Bonds, this Agreement and all accepted Applications to Purchase will constitute its legal, valid and binding obligations, enforceable in accordance with their terms and conditions;
- d. **No Breach.** The execution and delivery by the Issuer of this Agreement, the issuance of the Bonds, the performance by it of any provision, condition, covenant or other terms herein or therein and its payment of all amounts due on the dates and in the currency provided for therein will not violate in any respect any provision of its Articles of Incorporation, By-Laws, or other constitutive documents, or violate, conflict with or result in the breach of or constitute a default (or which, with the giving of notice or passing of time or both, would constitute a default) under: (i) any Applicable Law presently in effect; or (ii) any indenture, agreement, mortgage, contract or other undertaking or instrument to which it is a party or which is binding upon it or any of its properties or assets, and do not and will not result in the creation or imposition of any Lien in or any security interest on any of its properties or assets pursuant to the provisions of such indenture, agreement, contract or other undertaking or instrument;
- e. **No Event of Default.** No event has occurred and is continuing or would result from the making of this Agreement or the issuance of the Bonds which constitutes an Event of Default under Section 9.1 hereof or which, upon a lapse of time or notice or both, would become such an Event of Default;
- f. **No Declared Event of Default in Other Agreements.** No declared event of default which would have a Material Adverse Effect has occurred which constitutes a default by the Issuer under or in respect of any agreement, undertaking or instrument to which it is a party or by which it or its ownership in any of its assets or properties may be bound. Neither has an event which

would have a Material Adverse Effect occurred which with giving of notice, lapse of time or other conditions would constitute a declared event of default by it under or in respect of any such agreement, undertaking or instrument;

- g. **Consents, Approvals and Registrations.** All consents, licenses, approvals and authorizations of, and all filings and registrations with any Governmental Authority, bureau or agency, or other entity or Person legally necessary for the issuance as well as the offering, distribution and sale of the Bonds, for the circulation of the Prospectus, and for the Issuer to enter into and comply with its obligations under this Agreement, the Bonds and all accepted Applications to Purchase, will have been obtained or effected on or before the commencement of the Offer Period;
- h. **Compliance with Conditions.** All conditions imposed under the Securities Regulation Code and the pertinent rules and regulations of the SEC with respect to the offer, issuance, distribution and sale of the Bonds, have been or will have been complied with by the Issuer as of the date or time that they are required to be complied with;
- i. **Litigation.** Except as otherwise disclosed by the Issuer to the Bondholders, through the Trustee, in writing on or prior to the date of this Agreement, there is no litigation, arbitration or other proceeding pending, or to its knowledge threatened against or affecting it or its assets and properties, before any court or governmental department, commission, board, bureau, agency or instrumentality of the Republic of the Philippines or any other jurisdiction which, if determined adversely could have a material adverse effect on the business, properties, assets or financial conditions of the Issuer, or have a Material Adverse Effect or which might enjoin the execution and delivery of or might affect in any manner the validity and enforceability of this Agreement or the Bonds;
- j. **Immunity.** Neither it nor any of its properties or assets enjoy any right of immunity from suit, jurisdiction of any competent court, attachment prior to judgment, attachment in aid of execution, execution of judgment or set-off in respect of its obligations under this Agreement or the Bonds;
- k. **Equal Rank.** Its obligations under this Agreement and the Bonds shall constitute direct, unconditional, unsecured, and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to Section 5.2.a or as may be allowed by this Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the Issue Date.
- l. **Material Adverse Event.** No event has occurred which might materially and adversely affect its condition (financial or otherwise), results of operation, business or prospects or which makes it improbable that it will be able to fulfill any of its obligations under this Agreement or the Bonds;

- m. **Financial Statements.** Its audited financial statements as of December 31, 2016, December 31, 2015, and December 31, 2014 fairly represent in all material respects the financial conditions of the Issuer as of such date and results of its operations for such period based on PFRS, and since such date, there has been no material adverse change in such condition or operations. There are no substantial liabilities of the Issuer, direct, contingent or otherwise as of the Issue Date, which are not reflected in such balance sheet except for those which have been previously disclosed in writing;
- n. **Compliance with Laws/Taxes.** The Issuer is conducting its business and operations in compliance with the Applicable Law. The Issuer has filed timely tax returns with the appropriate Governmental Authority, which are required to be filed by it, and has paid all Taxes shown to be due on such tax returns and on all assessments received by it, to the extent that such Taxes and assessments have become due, except to the extent that the payment of such Taxes and assessments is being contested in good faith and by appropriate proceedings diligently conducted, and adequate reserves have been provided for payment thereof;
- o. **Material Disclosure.** All information heretofore or hereinafter given by the Issuer to the Bondholders, through the Trustee, for and in connection with this Agreement and the Bonds are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made; reasonable inquiries have been made to verify the facts contained therein; and, there are no other facts the omission of which would make any fact or statement therein misleading;
- p. **Registration Statement and Prospectus.** The Registration Statement and the Prospectus are not violative of any statute or any rule or regulation of any governmental agency or office, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made; reasonable inquiries have been made to verify the facts contained therein; and there are no other facts the omission of which would make any fact or statement therein misleading. The Registration Statement and the Prospectus contain a reasonably complete description of the business, properties, operations, financial condition, affairs and assets of the Issuer, its capitalization, the Bonds, and the terms of the Offer;
- q. **Title to Properties.** It has valid, good, indefeasible, and marketable title to all its properties appearing in its financial statements, free and clear of Liens, restrictions, or charges, except as provided under Section 5.2.a hereof;
- r. **Concession, Trade Names and Patents.** It has the right to all concessions, trade names, patents and license agreements necessary for the conduct of its business as now conducted, without any known conflict with the rights of others, except to the extent that such rights may be subject to conflicts with third parties which would not have a Material Adverse Effect; and

- s. **Solvency.** The Issuer is solvent to operate and engage in business, and specifically that: (i) it is able to meet its obligations as they mature; (ii) the fair value of its assets exceeds its liabilities; and (iii) it has sufficient capital to carry on its business.
- t. On Issue Date and on the issue date of each subsequent tranche of the Fixed Rate Peso-Denominated Bonds, the Net Debt to Consolidated Equity Ratio shall not exceed 3:1. At least two (2) Business Days prior to such Issue date, the Issuer shall furnish the Trustee, substantially in the form of **Exhibit 2** a certificate signed by the Chief Finance Officer or a duly designated officer of the Issuer stating the Net Debt, Consolidated Equity and Net Debt to Consolidated Equity Ratio of the Issuer, dated on the date of delivery thereof, together with the relevant supporting documents to enable the validation of such calculation.

4.2. Survival of Representations and Warranties

Each of the representations and warranties set forth in Section 4.1 hereof are made as of the date of this Agreement and, except for Section 4.1.p, will be true and accurate throughout the continuance of this Agreement and for as long as the Bonds or any portion thereof remains outstanding, with reference to the facts and circumstances existing from time to time.

Section 5 COVENANTS

5.1. Affirmative Covenants

The Issuer covenants that during the term of the Bonds and until payment in full and performance of all its obligations thereunder and under this Agreement, the Issuer shall act as follows and shall perform the following obligations:

- a. **Maintenance and Continuity of Business/Insurance.** The Issuer shall maintain and preserve its corporate existence, rights, privileges and franchises necessary or desirable in the normal conduct of its business (including, without limitation, any governmental approval, license or certification necessary or advisable for the legality, validity and enforceability of this Agreement and the Bonds); carry out and conduct its business in an orderly, diligent, efficient, and customary manner and in accordance with sound financial and business practices; keep all its properties in good working order and condition, and from time to time make all needful and proper repairs, renewals, replacements and improvements thereto and thereof so that business carried on in connection therewith may be properly and advantageously conducted at all times; and maintain insurance with reputable insurers on all of its properties and assets to such extent and against such risk as is customary with companies in the same or similar business and maintain such other insurance as may be required by Applicable Law;
- b. **Compliance with Law/ Taxes.** The Issuer shall comply in all respects with all Applicable Law. It shall at all times comply with all orders, directives, judgments, indentures, mortgages, deeds of trust, agreements and other

instruments, arrangements, obligations and duties to which it is subject or by which it is legally bound where non-compliance would materially and adversely affect the Issuer's ability to duly perform and observe its obligations and duties under this Agreement and the Bonds. The Issuer shall duly pay and discharge all Taxes assessments and governmental charges of whatsoever nature and by whomsoever levied upon it or against its properties prior to the date on which penalties attach thereto, unless and to the extent only that the same shall be contested in good faith and by appropriate proceedings diligently conducted by the Issuer and adequate reserves have been provided for the payment thereof or where penalties and consequences for a delay in the payment thereof will not result in a Material Adverse Effect;

- c. **Indebtedness and Contractual and Other Obligations.** The Issuer shall duly pay and discharge all Indebtedness and perform all contractual obligations promptly and in accordance with their terms; duly pay and discharge all lawful claims of labor, materials, supplies, services or otherwise which might or could, if unpaid become a Lien or charge upon the properties or assets of the Issuer, unless and to the extent only that the same shall be contested in good faith and by appropriate proceedings diligently conducted by the Issuer, and take such steps as may be necessary in order to prevent its properties or any part thereof from being subjected to the possibilities of loss, forfeiture or sale;
- d. **Notice of Legal Proceeding and Adverse Action.** The Issuer shall give the Bondholders through the Trustee prompt written notice of:
 - i. any litigation or proceeding before any court, tribunal, arbitrator or Governmental Authority affecting it or any of its assets, including provisional relief such as attachments and garnishments, that could materially impair the ability of the Issuer to carry on its business substantially as now conducted, or materially and adversely affect its operations or financial condition, or would have a Material Adverse Effect;
 - ii. any dispute which may exist between it and any Governmental Authority or any proposal by any Governmental Authority to acquire its business or any of its assets which could materially and adversely affect its operations and financial condition, or would have a Material Adverse Effect;
 - iii. any litigation or proceeding relating to environmental matters concerning the Issuer that may materially and adversely affect its operations and financial condition, or would have a Material Adverse Effect;
 - iv. any notice of strike filed with the Department of Labor and Employment against the Issuer which may materially and adversely disrupt the Issuer's business operations or have a Material Adverse Effect;
 - v. any Event of Default or any event which, upon a lapse of time or giving of a notice or both, would become an Event of Default;

- vi. any damage, destruction or loss which might materially and adversely affect the assets, business operations, prospects or financial condition of the Issuer or have a Material Adverse Effect; or
 - vii. any other event or matter of any nature whatsoever which has Material Adverse Effect;
- e. **Additional Agreements.** The Issuer shall promptly execute and deliver to the Bondholders, through the Trustee, such additional reports, documents, and other information respecting the business, properties, condition or operations, financial or otherwise of the Issuer, as the Bondholders may reasonably require from time to time to perfect and confirm to the Bondholders all their rights, powers and remedies hereunder;
- f. **Continuing Consents and Approvals.** The Issuer shall at its own cost and expense, continue and maintain in full force and effect any and all Authorizations, approvals, licenses or consents obtained in connection with or necessary for the carrying out of its business and its obligations under this Agreement and the Bonds; perform and observe all the conditions and restrictions contained in, or imposed on the Issuer by, any and all such Authorizations; and, obtain any new or additional Authorizations, approvals, licenses or consents, effect any and all registrations or filings and take such additional actions as are, or which may become, necessary for its business and the performance by the Issuer of its obligations under this Agreement and the Bonds or the enforceability of this Agreement and the Bonds;
- g. **Books of Account and Records.** The Issuer shall maintain true, materially complete and adequate books of accounts and records and prepare all financial statements required hereunder to reflect fairly its financial condition and results of operation in accordance with PFRS and in compliance with the regulations of any Governmental Authority having jurisdiction thereof; appoint and maintain as auditors a firm of independent public accountants of recognized standing acceptable to the Trustee;
- h. **Reports.** The Issuer will furnish the Trustee:
 - i. within ninety (90) days after the close of each semestral period of the fiscal year of the Issuer, unaudited consolidated financial statements of the Issuer, as of the end of such semester, certified by an authorized officer of the Issuer, each prepared in accordance with PFRS; and
 - ii. within one hundred twenty (120) days after the close of the fiscal year of the Issuer, copies of the annual consolidated audited reports of the Issuer, certified by independent accountants of recognized standing accredited by the SEC including consolidated balance sheets as of the end of such fiscal year and consolidated earnings and surplus statements of the Issuer for such fiscal year, prepared in accordance with PFRS;

- i. **Certificate of No Default, Compliance and Notice of Default.** The Issuer shall furnish the Trustee, substantially in the form of **Exhibit 1**:
 - i. simultaneous with the audited consolidated financial statements, a certificate signed by the Chief Finance Officer or a duly designated officer of the Issuer, dated not more than ten (10) days prior to the delivery thereof, stating that no event has occurred and is continuing which constitutes or which, with the giving of notice or lapse of time or both, would constitute an Event of Default; and
 - ii. within five (5) Banking Days after the occurrence of any event which constitutes or which, with the giving of notice or lapse of time or both, would constitute an Event of Default, notice of such occurrence, together with a detailed statement by the Chief Finance Officer or a duly designated officer of the Issuer as to the nature thereof and the steps taken and/or being taken by the Issuer to cure such event;
- j. **Notice of Change of Address.** The Issuer shall give the Bondholders, through the Trustee, written notice of any change of address at least five (5) Banking Days prior to such change;
- k. **Title.** The Issuer shall maintain, warrant and defend the rights, title and interests of the Bondholders hereunder and under the Bonds;
- l. **Use of Proceeds.** The Issuer shall ensure that the proceeds of the Bonds shall be used for the purpose stated in the Prospectus. Notwithstanding this Section, the Issuer may reallocate the proceeds of the Bonds to other purposes subject to compliance with the Applicable Law;
- m. **Subsidiaries.** The Issuer shall cause its Subsidiaries, so far as is permitted by Applicable Law, or by loan covenants, or by the financial conditions of, or other relevant agreements of the Issuer or Subsidiary, to pay such dividends to the Issuer as are necessary to meet the Issuer's obligations under this Agreement and the Bonds;
- n. **Ranking of the Bonds.** If the Issuer incurs Indebtedness embodied in public instruments providing priority or preference under Article 2244(14) of the Civil Code of the Philippines, the Issuer shall, at its option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds;
- o. **Submission of Reports/Information Documents to Trustee.** The Issuer shall submit to the SEC copies of the reports, information and documents which the Issuer may be required to file with the SEC in connection with the offering of the Bonds pursuant to the Securities Regulation Code, and submit the same to the Trustee (other than those documents which are already required to be submitted to the Trustee under this Agreement), within ten (10) Banking Days after the Issuer has filed the same with the SEC;
- p. **Further Assurances.** The Issuer shall: (i) comply with all the terms and conditions of this Agreement and the Bonds; (ii) maintain satisfactory

accounting, cost control, and management information systems; and (iii) ensure that all transactions with Subsidiaries and material Affiliates in the ordinary course of business shall be executed on arm's length basis; and

- q. **Services of a Credit Rating Agency.** The Issuer shall maintain the services of an independent credit rating agency accredited by the SEC to monitor the Bonds rating.

5.2. Negative Covenants

During the term of this Agreement and until payment in full of all the outstanding Bonds and performance of all other obligations of the Issuer hereunder, the Issuer hereby covenants that it shall not permit any of the following occurrences without the prior consent of the Majority Bondholders:

- a. **Encumbrances.** The Issuer shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; *Provided*, however that this shall not prohibit the following:
- i. any Lien over any asset to secure: (x) payment of the purchase price or cost of leasehold rights of such asset; or (y) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (z) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
 - ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;
 - iii. any Lien to secure, in the normal course of the business of the Issuer or its affiliates: (x) statutory or regulatory obligations; or (y) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases;
 - iv. any Lien to secure, in relation to a pending judicial, administrative, or arbitral proceeding, the Issuer or its affiliates' (x) surety or appeal bonds; or (y) bonds for release of attachment, stay of execution or injunction;
 - v. any Lien constituted for the purpose of guaranteeing an affiliate's obligation in connection with any contract or agreement that has been assigned to such affiliate by the Issuer;
 - vi. any Lien constituted for the purpose of guaranteeing an obligation in connection with any contract or agreement of sale of any asset by the

Issuer, provided that the Lien is removed or discharged within twelve (12) months of the date of the sale of the asset;

- vii. any Lien created over (x) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("foreign currency"); or (y) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purposes of raising an equivalent amount of Peso denominated indebtedness;
- viii. any Lien on the properties and assets of the Issuer: (x) imposed by Applicable Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (y) arising out of pledges or deposits under workmen's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (z) arising out of the set-off provision on other agreements of the Issuer relating to indebtedness;
- ix. any Lien in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty Five percent (35%) of the Issuer's total assets;
- x. any Lien over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Forty Million (US\$40,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;
- xi. other Liens: (x) created solely by operation of law; and (y) on such other assets, whether constituted before or after the Issue Date, as may be disclosed in writing by the Issuer to the Trustee on or before the execution of this Agreement; and
- xii. any Lien constituted over the investment of the Issuer in any of its affiliate, and whether such investment is in the form of shares, deposits or advances to guarantee or secure the obligations of the said affiliates;

Provided that for purposes of "affiliate" as used in Section 5.2a(iii), (iv), (v), and (xii) of this Agreement, it shall refer to any Person in which the Issuer has investment, whether direct or indirect, in.

- b. **Nature of Business.** Except as required by Applicable Law or any Governmental Authority, the Issuer shall not: (i) make or permit any material change in the nature of its business from that being carried on as of the date hereof; or (ii) engage in any business operation or activity other than that for which it is presently authorized, expressly or impliedly, by its Articles of Incorporation or by Applicable Law;
- c. **Merger or Consolidation.** The Issuer shall not enter into any merger or consolidation except where (i) the Issuer is, or the Aboitiz Group retains Control of, the surviving corporation; (ii) such merger or consolidation is required by law, regulation, or decree; or (iii) such merger or consolidation does not result in a Material Adverse Effect;
- d. **Amendment of Articles of Incorporation and By-laws: Quasi-reorganization.** Except as required by Applicable Law, the Issuer shall not amend its Articles of Incorporation and/or By-laws or reorganize or reduce its capital where such amendment, reorganization, or reduction of capital results in a Material Adverse Effect;
- e. **Declaration and Payment of Cash Dividends/Issuance of Share.** The Issuer shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the Bonds are current and updated;
- f. **Sale or Lease of Assets.** The Issuer shall not sell, assign, lease, transfer, dispose, or subject all and/or substantially all of its properties and assets (whether in a single transaction or in a series of transactions, related or otherwise), divest any of its existing investments, or acquire all or substantially all of the properties or assets of any other Person except when such sale, assignment, lease, transfer, disposition, divestment, or acquisition: (i) is made in the ordinary course of business; (ii) is required by Applicable Law or any Governmental Authority; or (iii) does not result in a Material Adverse Effect;
- g. **Assignment of Revenues/Income.** The Issuer shall not assign, transfer or otherwise convey any right to receive any of its income or revenues except when such assignment, transfer, or conveyance: (i) is allowed under Section 5.2a above; (ii) is made in the ordinary course of day-to-day operations; (iii) is required by Applicable Law or any Governmental Authority; or (iv) does not result in a Material Adverse Effect;
- h. **Guarantee.** The Issuer shall not purchase or repurchase (or agree contingently or otherwise to do so) the indebtedness, or assume, guarantee, endorse, or otherwise become directly or contingently liable (including

without limitation, to become liable by way of agreement, contingent or otherwise, to purchase, use facilities, provide funds for payment, supply funds or otherwise invest in the debtor or otherwise to assure the creditor against loss) for or in connection with any obligation or Indebtedness of any other Person, other than obligations of its Subsidiaries or Affiliates or any Person which the Issuer has investments in, whether such investment is in the form of shares, deposits or advances ;

- i. **Suspension of Business.** The Issuer shall not voluntarily suspend its business operations in a manner that will result in a Material Adverse Effect, or dissolve its affairs;
- j. **Loans and Advances to any Person.** The Issuer shall not extend any loan, advance or subsidy to any person (other than to its Subsidiaries or Affiliates or any Person which the Issuer has investments in, whether such investment is in the form of shares, deposits or advances, or transactions in the ordinary course of business) which will have a Material Adverse Effect. Neither shall the Issuer make any deposit, credit to, or investment in, any Person which will have a Material Adverse Effect, except for bank deposits, money market placements, and other transactions in the ordinary course of business;
- k. **Incurrence of Additional Loans.** The Issuer shall not incur any loan obligation with a maturity of more than one (1) year, if on the Transaction Date, after giving effect to the incurrence of such loan obligation and any other such cumulative obligations, but not giving any effect to the receipt or application of proceeds therefrom, the Net Debt to Consolidated Equity Ratio, as at the last day of the Relevant Period immediately preceding the Transaction Date (and giving effect to the incurrence of such loan obligation and any other such cumulative obligations), will exceed 3:1. At least two (2) Business Days prior to the Transaction Date, the Issuer shall furnish the Trustee, substantially in the form of **Exhibit 2** a certificate signed by the Chief Finance Officer or a duly designated officer of the Issuer stating the Net Debt, Consolidated Equity and Net Debt to Consolidated Equity Ratio of the Issuer, dated on the date of delivery thereof, together with the relevant supporting documents to enable the validation of such calculation.
- l. **Acceleration of Outstanding Credit Obligations.** The Issuer shall not, after the occurrence of an Event of Default, voluntarily prepay any Indebtedness unless it shall contemporaneously make a proportionate prepayment of the Bonds; and
- m. **Material Adverse Effect.** The Issuer shall not, in any case, execute, perform or do any other act which shall have a Material Adverse Effect.

5.3. Survival

The covenants of the Issuer mentioned in Sections 5.1 and 5.2 shall survive the issuance of the Bonds and shall be performed fully and faithfully by the Issuer at all times while the Bonds or any portion thereof remain outstanding.

Section 6 PAYMENT OF THE BONDS

6.1. Remittance of Payment by the Issuer

- a. No later than three (3) Banking Days prior to a Payment Date, the Paying Agent shall notify Issuer in writing of the amount required to be remitted on such relevant Payment Date in accordance with the Registry and Paying Agency Agreement. On Payment Date, the Issuer shall remit to the Paying Agent in good and cleared funds the amount required for all interest and principal payments of the Bonds, net of any withholding tax, which tax shall be remitted to the BIR by the Issuer in accordance with BIR rules and regulations. Principal, interest, and any other payment shall be considered paid and the Issuer's obligation to pay discharged at the time it is due if: (i) at such time the Paying Agent holds money sufficient to pay all principal, interest, or other payments then due, and (ii) the Paying Agent pays out such monies to the Bondholders or the Issuer causes payment to be made directly to the Bondholders to discharge the interest or principal payments due on the Bonds in accordance with the Registry and Paying Agency Agreement.
- b. In the event that the Issuer will be unable to remit the full amount sufficient to cover the principal and the interest on the Bonds on the Payment Date, the Issuer shall remit the amount available for payment to the Paying Agent; provided, that such remitted amount shall be proportionately applied towards the satisfaction of the amounts due on the Bonds, and without prejudice to the right of action of the Trustee and the Bondholders because of such failure to remit in full such amount.

6.2. Interest Payment

- a. The interest on the outstanding principal sum of the Bonds shall be paid at a rate and in the manner provided in **Annex "A"** hereof, accrued and payable on the dates indicated in the interest coupon of the Bonds (the "Interest Payment Dates"). The Interest Payment Dates shall be automatically adjusted to fall on the immediately succeeding Banking Day if the Interest Payment Dates fall on a non-Banking Day, but there shall be no adjustment in the amount of interest as originally computed. Interest on the first Interest Payment Date will cover the period from Issue Date up to such Interest Payment Date. Subsequent interest payments shall be reckoned from the last Interest Payment Date up to the next Interest Payment Date. The last Interest Payment Date on the Bonds shall fall on the Maturity Date.
- b. The Person in whose name the Bonds is registered at the close of business on the Record Date preceding any Interest Payment Date shall be entitled to receive payment of the interest accruing up to such Interest Payment Date. In case of default in the payment of interest, such defaulted interest payment shall pertain to and be paid to the Person in whose name the Bonds are registered as of Record Date immediately preceding the relevant Interest Payment Date. In all cases, interest payments shall be remitted to the Bondholders only upon proper presentation to, and authentication by, the Paying Agent of proper authorization and identification papers.

6.3. Principal Repayment

- a. Unless previously redeemed, purchased, and cancelled, the principal amount of the Bonds shall be payable on the Maturity Date at its face value.
- b. The Maturity Date shall be automatically adjusted to fall on the immediately succeeding Banking Day if the Maturity Date is on or otherwise falls on a non-Banking Day; provided, that no adjustment on the principal or interest accruing on such Maturity Date shall be made.

6.4. Optional Redemption

Prior to Maturity Date, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), the outstanding Bonds on the Optional Redemption Dates, as provided below, or the immediately succeeding Banking Day if such date is not a Banking Day (the "Optional Redemption Date").

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Bonds on the Optional Redemption Date stated in such notice.

The amount payable to the Bondholders in respect of the Optional Redemption exercise (the "Optional Redemption Price") shall be calculated based on the principal amount of the Bonds being redeemed as the aggregate of the: (i) accrued interest computed from the last Interest Payment Date up to the relevant Optional Redemption Date; and (ii) the product of the principal amount and the applicable Optional Redemption Price in accordance with the following schedule:

Optional Redemption Dates	Optional Redemption Price
7.00 years from Issue Date	102.00%
8.00 years from Issue Date	101.00%
9.00 years from Issue Date	100.25%

6.5. Redemption for Taxation Reasons

The Issuer may redeem the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days' notice to the Trustee) at par plus accrued interest, subject to the requirements of Applicable Law, if payments under the Bonds become subject to additional or increased taxes for the Issuer, other than the taxes and rates of such taxes prevailing on Issue Date as a result of certain changes in Applicable Law, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer.

For avoidance of doubt, the Issuer shall not be liable for the payment of the additional or increased taxes on the income of the Bondholders, which shall be for the account of the Bondholders.

The Trustee, upon receipt of written notice of redemption delivered by the Issuer, shall declare the principal of the Bonds, including all accrued interest, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty that is imposed under

an optional redemption, anything in this Agreement or in the Bonds contained to the contrary notwithstanding.

6.6. Mandatory Redemption

if any one or more of the following events shall occur, in the reasonable opinion of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the Bonds for the events contemplated in (a), (b) or (c) below or the Majority Bondholders for the events contemplated in (d) below (and with written notice to the Trustee), and be continuing for a period of fifteen (15) Banking Days with respect to the events contemplated in (a) or (c) below:

- a. Any law, government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Bonds which shall be modified in a manner which, in the reasonable opinion of the Trustee, while not constituting an Event of Default, will materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld;
- b. Any provision of the Trust Agreement or any of the related documents is or becomes invalid, illegal or unenforceable by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law is introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents;
- c. Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation, in such a manner as to materially and adversely affect the financial condition or operations of the Issuer; and
- d. Any Government Authority or any competent authority condemns, seizes, or expropriates all or substantially all of the assets or properties of the Issuer, unless such act is contested in good faith by the Issuer or unless such act is suspended or restrained by an order of a court of competent jurisdiction;

then, the Trustee, by notice in writing delivered to the Issuer may declare the principal of the Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty that is imposed under an optional redemption, anything in this Agreement or in the Bonds contained to the

contrary notwithstanding, subject to the notice requirements under Section 10.2, provided that, such notice shall not be deemed either caused by a default under Section 9.1, or a notice of default under Section 10.2.

6.7. Penalty Interest

In case any amount payable by the Issuer under the Bonds, whether for principal, interest, fees due to the Trustee, Registrar or Paying Agent or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty fee on the defaulted amount(s) at the rate of two percent (2%) per annum (the "Penalty Interest") from the time the amount fell due until it is fully paid.

Section 7 DISCHARGE OF OBLIGATION

The obligations of the Issuer under the Bonds and this Agreement shall cease to be of further effect if the Issuer shall have paid or remitted or caused to be paid the principal of, and all accrued interest on, all the Bonds issued and outstanding, including Penalty Interest, if any, at the time and in the manner therein provided.

In the event that the obligations of the Issuer under the Bonds and this Agreement shall cease to be of further effect as provided in this Section, the Trustee shall, on demand of the Issuer and at the latter's cost and expense, execute proper instruments acknowledging the satisfaction and discharge of the obligations of the Issuer under the Bonds and this Agreement. The Issuer agrees to reimburse the Trustee for any cost or expense thereafter reasonably and properly incurred by the Trustee in connection with the Bonds or this Agreement.

Section 8 UNCLAIMED PAYMENTS

The Paying Agent shall be responsible for any money remitted to it for the payment of principal and interest on any Bonds including Penalty Interest, if any, but not actually applied to such payment because the same have not been collected or claimed by the Bondholders. The Bondholders concerned shall make the necessary request for payment to the Paying Agent for any such sums unclaimed in accordance with the Registry and Paying Agency Agreement. Any unclaimed payments shall not bear any interest.

Six (6) months after the Maturity Date or Optional Redemption Date or date of early redemption other than the Optional Redemption Date, the Paying Agent shall return any balance remaining in such payment account. Such amount of unclaimed interests and principal payments shall be held for the benefit of the Bondholders. Upon payment of all amounts due to the Bondholders or return of the balance to the issuer as provided in this Section, the responsibility of the Paying Agent to effect payments to the Bondholders as provided for in this Agreement shall cease.

Section 9 EVENTS OF DEFAULT

9.1. Events of Default.

A Bondholder upon receipt of information of an occurrence of any of the events enumerated in this Section 9.1, or the Issuer pursuant to Section 5.1.d, shall promptly notify the Trustee in writing of the occurrence of such event.

Each of the following events constitutes an Event of Default ("Event of Default") under this Agreement:

- a. **Payment Default.** The Issuer fails to pay when due and payable any amount of principal or interest which the Issuer is obligated to pay the Bondholders under this Agreement and the Bonds, and such failure to pay is not remedied within seven (7) Banking Days from due date thereof.

The Issuer fails to pay when due and payable any other amount payable by the Issuer in respect of the Bonds and under the Trust Agreement in the manner, at the place, and in the currency in which it is expressed to be payable, and such non-payment continues for thirty (30) days from the date such payment is due. These other amounts include Penalty Interest, insofar as the payment of such interest is concerned;

- b. **Representation Default.** Except for clerical or typographical error, any representation or warranty made by the Issuer in this Agreement or in any document issued pursuant thereto or otherwise in connection therewith shall prove to have been untrue, incorrect, or misleading in any material respect as at the time it was made or deemed to have been made or is violated or not complied with, and the circumstances which cause such representation or warranty to be incorrect or misleading continue for not less than thirty (30) days (or such longer period as the Majority Bondholders shall approve) after receipt of written notice from the Trustee to that effect;

- c. **Other Provisions Default.** The Issuer fails to perform or comply with any other term, obligation, or covenant contained in this Agreement or in any other document or instruments related or otherwise in connection therewith and any such failure, violation, non-compliance is not remediable or if remediable, continues unremedied for a period of ninety (90) days for financial covenants and sixty (60) days for all other covenants from the date after written notice thereof shall have been given by the Trustee; *Provided*, however, that for the avoidance of doubt, no additional grace period shall apply to the Events of Default specified in this Section 9.1;

- d. **Cross-Default.** The Issuer violates any other material obligation by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any, law or regulation which violation, if remediable, is not remedied by the Issuer within thirty (30) Banking Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation will, further, in the reasonable opinion of the Trustee, adversely and materially affect the performance by the Issuer of its obligations under this Agreement and the Bonds. *Provided*, however, that no event of default will

occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or is in excess of five percent (5%) of the fair market value of assets of the Issuer, based on the relevant parent-only financial statements of the Issuer;

- e. **Insolvency Default.** The Issuer becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, which act shall include: (i) the filing of a petition in any bankruptcy, reorganization, winding up or liquidation of the Issuer, or any other proceeding analogous in purpose and effect: Provided, however, that in case the foregoing petition is filed by any other party, other than the Issuer, such event shall be considered a declared Event of Default only upon the issuance of a final order by the court of competent authority; (ii) the making of an assignment by the Issuer of substantially all or all of its assets, or in fraud of creditors; (iii) the admission in writing by the Issuer of its inability to pay its debts; (iv) the entry of any final order or judgment of any court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization, winding up or liquidation of the Issuer; or (v) the appointment of a receiver, liquidator, assignee, trustee, or sequestrator of the Issuer, or a substantial part of its property or assets or a substantial part of its capital stock or to assume custody or control of the Issuer, or the ordering of its dissolution, winding-up or liquidation of its affairs;
- f. **Closure Default.** The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days except that if the closure is: (i) due to strikes or lockouts; or (ii) necessary to prevent business losses; or (iii) due to fortuitous events or force majeure, then such closure shall not be deemed a Closure Default;
- g. **Judgment Default.** Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of 20% of the Issuer's Fair Market Value of Assets or its equivalent in any other currency is entered against the Issuer and any relevant period specified for payment in such judgment, decree, order, or agreement, shall have expired without being satisfied, discharged, or stayed; and
- h. **Writ and Similar Process Default.** Any writ, warrant of attachment or execution, or similar process shall be issued or levied against all or substantially all of the Issuer's assets, and such writ, warrant, or similar process shall not be released, vacated, or fully bonded within sixty (60) days after its issue or levy (or such longer period as the Issuer satisfies the Majority Bondholders as appropriate under the circumstances).

Section 10 CONSEQUENCES OF DEFAULT

10.1. Declaration by the Trustee or the Majority Bondholders

- a. If any one or more of the Events of Default shall occur and be continuing, the Trustee, upon the written direction of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the Bonds, by notice in writing delivered to the Issuer, may declare the principal of the Bonds then

outstanding, including all interest accrued and unpaid thereon and all amounts due thereunder, to be due and payable immediately, anything contained in this Agreement or in the Bonds to the contrary notwithstanding.

- b. The provision in Section 10.1a, however, is subject to the condition that, except in the case of a Writ and Similar Process Default under Section 9.01(h), the Majority Bondholders, by written notice to the Issuer and to the Trustee, may rescind and annul such declaration made by the Trustee pursuant to a consequence of default and its consequences, upon such terms, conditions and agreements, if any, as they may determine, including, in connection with a Cross Default, the fact that the non-payment of the obligation is contested in good faith by the Issuer; provided, that, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereto. Any such waiver shall be conclusive and binding upon all the Bondholders and upon all future holders and owners of such Bonds, or of any Bond issued in lieu thereof or in exchange therefor, irrespective of whether or not notation of such waiver is made upon the Bonds.
- c. At any time after an Event of Default shall have occurred, the Trustee may:
 - i. by notice in writing to the Issuer, the Registrar, and the Paying Agent, require the Registrar and Paying Agent to:
 - x. act thereafter as agents of the Bondholders represented by the Trustee on the terms provided in the Registry and Paying Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability under the provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agent and the Registrar shall be limited to amounts for the time being held by the Trustee on the trusts of this Agreement in relation to the Bonds and available to the Trustee for such purpose) and thereafter to hold all sums, documents and records held by them in respect of the Bonds on behalf of the Trustee; and/or
 - y. deliver all evidence of the Bonds and all sums, documents and records held by them in respect of the Bonds to the Trustee or as the Trustee shall direct in such notice; provided, that, such notice shall be deemed not to apply to any document or record which the Paying Agent or Registrar is not obliged to release by any Applicable Law; and
 - ii. by notice in writing to the Issuer, require the Issuer to make all subsequent payments in respect of the Bonds to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn.

10.2. Notice of Default

The Trustee shall, within ten (10) days after the occurrence of an Event of Default give to the Bondholders written notice of any such Event of Default known to it unless the same shall have been cured before the giving of such notice; provided, that, in the

case of a Payment Default under Section 9.1.a, the Trustee shall, upon written notice from the Paying Agent of the Issuer's failure to pay any amount of principal or interest which the Issuer is obligated to pay the Bondholders under this Agreement and the Bonds, immediately notify the Bondholders upon the occurrence of such Payment Default; provided further, that such written notice from the Paying Agent shall not be required if the Issuer's failure to pay was caused by a technical error or by reasons beyond the control of the Issuer. The existence of a written notice required to be given to the Bondholders under this Section shall be published in two (2) newspapers of general circulation in Metro Manila, Philippines for two (2) consecutive days, indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Bonds at the principal office of the Trustee as indicated in this Agreement upon presentation of sufficient and acceptable identification to the Trustee.

Subject to Applicable Law, in case of the occurrence of an Event of Default, the Issuer shall authorize the Registrar to provide the Trustee with the list of Bondholders containing the names, addresses, tax identification number (TIN), tax status, and account details of the Bondholders, the amount of the Bonds held by them, the Cash Settlement Account numbers where payment to them shall be credited and such other information as may be agreed upon between the Registrar and the Issuer.

10.3. Payments in the Event of Default

The Issuer covenants that upon the occurrence of any Event of Default, the Issuer will pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal and with Penalty Interest, where applicable, and in addition thereto the Issuer will pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee hereunder.

Upon the occurrence of an Event of Default and in accordance with the requirements of this Agreement, the Bondholders shall have the right, but not the obligation, to require the Issuer to redeem the Bonds in full, by payment of the amounts stated above, plus the principal amount, by delivery of the relevant evidence of the Bonds to the Trustee.

10.4. Application of Payments

Any money collected by the Trustee under this Section and any other funds held by it, subject to any other provision of this Agreement relating to the disposition of such money and funds, shall be applied by the Trustee in the order of preference as follows:

- a. First: To the payment of the costs, expenses, fees and other charges of collection, including reasonable compensation to the Trustee, Paying Agent, Registrar, and each such Person's agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursement made by them without negligence or bad faith.

- b. Second: To the payment of Penalty Interest.
- c. Third: To the payment of the interest, in the order of the maturity of such interest.
- d. Fourth: To the payment of the principal amount of the outstanding Bonds due and payable.
- e. Fifth: The remainder, if any, shall be paid to the issuer, its successors or assigns, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the Bonds shall require the conformity of the Trustee. The Paying Agent shall render a monthly account of such funds under its control.

10.5. Remedies

- a. All remedies conferred by this Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extrajudicial proceedings appropriate to enforce the conditions and covenants of this Agreement, subject to Section 10.6.
- b. No delay or omission by the Trustee or by any Bondholder to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto, and every power and remedy given by this Agreement to the Trustee or to the Bondholder may be exercised from time to time and as often as may be necessary or expedient.

10.6. Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of this Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless all of the following conditions have been fulfilled: (1) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Bonds, and (2) the Majority Bondholders shall have decided and made a written request upon the Trustee to institute such suit, action or proceeding in its own name, and (3) the Trustee for sixty (60) days after receipt of such notice and request shall have neglected or refused to institute any such suit, action or proceeding unless such failure was due to any circumstance beyond its control, and (4) no directions inconsistent with such written request or waiver of default by the Bondholders pursuant to Section 10.7 shall have been made, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholder shall have any right in any manner whatsoever by virtue of or by availing of any provision of this Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or

seek to obtain priority over or preference to any other such holder or to enforce any right under this Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all Bondholders. For the protection and enforcement of the provisions of this Section, each and every Bondholder and the Trustee shall be entitled to such relief as can be given under the Applicable Law.

10.7. Waiver of Default by Bondholders

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Bondholders may decide for and in behalf of the Bondholders to waive any past default except the Events of Default specified in Sections 9.1.a, 9.1.d, 9.1.e, and 9.1.f and its consequences. In case of any such waiver, written notice of which shall be given to the issuer by the Trustee, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

10.8. Prescription

Claims in respect of principal and interest or other sums payable hereunder will be prescribed unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

Section 11 MEETINGS OF BONDHOLDERS

11.1. Meetings

A meeting of Bondholders may be called at any time and from time to time pursuant to the provisions of this Section for the purpose of taking any action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of Bonds under any other provisions of this Agreement or under Applicable Law and such other matters related to the rights and interests of the Bondholders under the Bonds.

11.2. Notice of Meetings

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Bonds may direct in writing the Trustee to call a meeting of the Bondholders, to take any action specified in Section 11.1, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Issuer and to each of the registered Bondholders and published in two (2) newspapers of general circulation in Metro Manila, Philippines not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the notices for the requested meeting including the cost of the venue and other related expenses for the meeting shall be

reimbursed by the Issuer within ten (10) days from receipt of the duly supported statement of account.

11.3. Failure of Trustee to Call a Meeting

In case at any time the Issuer, pursuant to a resolution of its board of directors, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Bonds shall have requested and funded the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with Section 11.2, the notice of such meeting within fifteen (15) Banking Days after receipt of such request, then the Issuer or the holders of Bonds in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof as provided in Section 11.2, and the costs thereof shall be chargeable to the Trustee except when such failure is beyond the control of the Trustee.

11.4. Quorum

The presence of the Majority Bondholders personally or by proxy shall be necessary to constitute a quorum to do business at any meeting of the Bondholders. The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy. The Trustee shall rely on the records provided by the Registrar and shall be held free and harmless for such reliance.

11.5. Procedure for Meetings

The Trustee shall preside at all the meetings of the Bondholders unless the meeting shall have been called by the Issuer or by the Bondholders as provided in Section 11.3, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall move for the election of the chairman and secretary of the meeting from among the Bondholders then present or represented during the meeting.

Any meeting of the Bondholders duly called pursuant to the provisions of this Section may be adjourned from time to time for a period or periods not to exceed in the aggregate one (1) year from the date for which the meeting shall originally have been called, and the meeting so adjourned may be held on another date without further notice. Any such adjournment may be ordered by Persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

In an event consent/s are requested from the Bondholders, the Bondholders' records with the Registrar as of the immediately preceding month-end prior to the date of the request shall be used by the Trustee until the results of the exercise is completed. Transfers or changes to ownership during any exercise shall be disregarded by the Trustee. Notwithstanding the foregoing, if the Registrar determines the record date of Bondholders according to its Agreements then such listing shall prevail and the Trustee shall rely on such records.

11.6. Voting Rights

To be entitled to vote at any meeting of the Bondholders, a Person shall be a registered holder of the Bonds or a Person appointed by an instrument in writing as proxy by any such holder as of the date of such meeting. Bondholders shall be entitled to one vote for every Ten Thousand Pesos (PhP10,000.00) interest. The only Persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the Persons entitled to vote at such meeting and any representative of the Issuer and its legal counsel.

11.7. Voting Requirement

All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the majority of the Bondholders present or represented in a meeting at which there is a quorum, except as otherwise provided in this Agreement.

Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Trustee as if the votes were unanimous.

11.8. Role of the Trustee in Meetings of Bondholders

Notwithstanding any other provisions of this Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of Bonds, the appointment of proxies by registered holders of Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem fit. The minutes of each meeting and any resolution made thereat shall be taken by the Trustee.

11.9. Evidence Supporting Bondholders' Action

Wherever in this Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of Bonds may take any action (including the making of any demand or request, the giving of any notice or consent, or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing; (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith; or (iii) a combination of such instruments and any such record of meeting of the Bondholders. The Trustee shall rely on the Registrar to authenticate all Bondholders' signature at all times.

Section 12 AMENDMENT OR SUPPLEMENTAL AGREEMENTS

With the written consent of the Majority Bondholders, the Issuer, when authorized by a resolution of its board of directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental hereto for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of this Agreement; provided, however, that no such supplemental agreement shall:

- a. Without the consent of each Bondholder affected thereby:
 - i. extend the fixed maturity of the Bonds, or
 - ii. reduce the principal amount of the Bonds, or
 - iii. reduce the rate or extend the time of payment of interest and principal thereon;
- b. Affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders; or
- c. Reduce the percentage required to be obtained of the Bondholders to consent to or approve any supplemental agreement or any waiver provided for in this Agreement without the consent of all the Bondholders.

It shall not be necessary to obtain the consent of the Bondholders under this Section for the purpose of approving the particular form of any proposed supplemental agreement but such consent shall be necessary for the purpose of approving the substance thereof.

Any consent given pursuant to this Section shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof or of any Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the Bonds.

Promptly after the execution by the Issuer and the Trustee of any supplemental agreement pursuant to the provisions of this Section, the Issuer shall send a notice to the Bondholders setting forth in general terms the substance of such supplemental agreement. Any failure of the Issuer to send such notice or any defect therein shall not, however, in any way impair or affect the validity of any supplemental agreement.

Section 13 MISCELLANEOUS PROVISIONS

13.1. Waiver of Preference

In the event that a primary obligation for payment shall arise out of this Agreement, such as to constitute this Agreement as a contract for the payment of an indebtedness or a loan, then it is understood and expressly agreed by the parties hereto that the obligation created under this Agreement shall not enjoy any priority, preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that this Agreement may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced.

13.2. Notice

Any notice or demand authorized by this Agreement to be given to the Issuer and the Trustee shall be sufficiently given for all purposes hereof, if delivered or mailed at

their respective addresses mentioned herein or at such address designated by them subsequently in writing.

For the purpose of this Agreement, any notice or request to the Trustee shall be through the following details:

To the Trustee: BPI Asset Management and Trust Corporation
Attention: Jericho J. Lagustan, Senior Account Officer
Subject: Aboitiz Power Corporation Retail Bonds due 2027
Address: 2nd Floor, BPI Building, 6768 Ayala Avenue corner
Paseo de Roxas, Makati City
Facsimile: (632) 845-5089
E-mail: jdlagustan@bpi.com.ph
rgdecastro@bpi.com.ph

The Trustee shall send all notices to Bondholders to their mailing address as set forth in the Register of Bondholders. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) surface mail; (iii) by one-time publication in a newspaper of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Register of Bondholders. The Trustee shall rely on the Register of Bondholders in determining the Bondholders entitled to notice.

All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on date of publication or (iv) on date of delivery, for personal delivery.

13.3. Binding and Conclusive Nature

Except as provided in this Agreement, all notifications, opinion, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of this Agreement, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all Bondholders and (in the absence of willful default, bad faith or manifest error) no liability to the Issuer, the Registrar, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Agreement, resulting from the Trustee's reliance on the foregoing.

13.4. Successors and Assigns

This Agreement shall be binding upon and shall be enforceable against the Issuer, the Trustee and the Bondholders and their respective successors and assigns; provided, however, that the Issuer shall not have the right to transfer or assign any and all of its rights or obligations herein without the prior written consent of the Bondholders representing at least two-thirds (2/3) of the aggregate outstanding principal amount of the Bonds.

13.5. Exclusive Nature of Agreement

Nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon or give to any Person or corporation, other than the parties hereto and the Bondholders, any right, remedy or claim under or by reason of this Agreement or any covenant, condition or stipulation hereof; and except as aforesaid all the covenants, stipulations, promises and agreements herein contained are and shall be for the sole and exclusive benefit of the parties hereto, their successors and assigns, and the Bondholders.

13.6. Validity of Provisions

If any provision, term or condition of this Agreement or the application hereof to any Person or circumstance is declared invalid, the other provisions, terms or conditions hereof or the application hereof to any Person or circumstance shall not be affected and shall continue to be in full force and effect.

13.7. Venue

Any legal action or proceeding arising out of, or in connection with, this Agreement and the Bonds and any and all related documents and papers, shall be brought in the proper courts of Makati City, Metro Manila, Philippines, to the exclusion of any other court.

13.8. Dispute Settlement

In case any dispute shall arise between the Issuer, the Trustee or any of the Bondholders in respect of this Agreement, or other related agreements or arrangements, the Issuer, the Trustee or any of the Bondholders shall attempt to resolve the same amicably by agreement which shall be in writing. However, if no such agreement is concluded within thirty (30) Banking Days from the time the dispute arose, or such period as may be reasonable under the circumstances, the parties may have recourse to the usual judicial action obtaining under the circumstances.

13.9. No Right to Set-Off

The Trustee shall have no right to apply funds or money of the Issuer on deposit with or in the custody of the Trustee or any of its branches, subsidiaries, or affiliates on reduction of amounts past due under this Agreement.

13.10. Governing Law

This Agreement and the Bonds issued hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the Republic of the Philippines.

13.11. Termination

The Trustee shall automatically be discharged from its duties and responsibilities under this Agreement within three (3) days from full payment of the Bonds on the relevant Maturity Date absent any written notice of payment default.

13.12. Counterparts

This Agreement may be executed and delivered in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

[The remainder of this page is left intentionally blank.]

IN WITNESS WHEREOF, the parties hereto have signed this Agreement on the date and at the place first abovementioned.

By affixing our signature on this signature page, we are deemed to have agreed to and confirmed the terms and conditions contained in all the other pages of this Trust Indenture.

ABOITIZ POWER CORPORATION



Gabriel T. Mañalac
Senior Vice President – Group Treasurer

SIGNED IN THE PRESENCE OF:



RINA M. FAJARDO

BPI ASSET MANAGEMENT AND TRUST CORPORATION

By:



Yvette Mafi V. De Peralta
Vice President

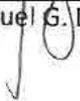


Jericho D. Lagusan
Senior Manager

SIGNED IN THE PRESENCE OF:



Raquel G. De Castro



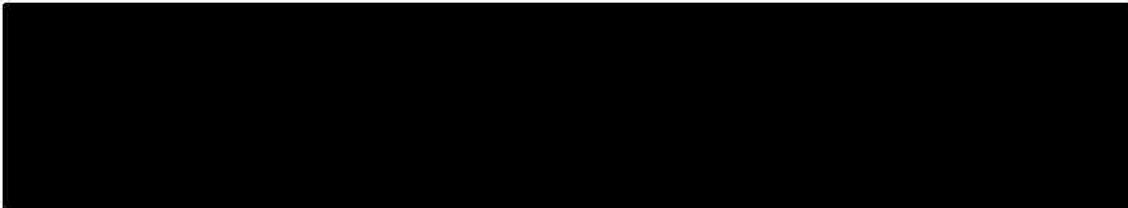
ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)

~~MAKATI CITY~~

) S. S.

I certify that on this JUN 16 2017, a Notary Public duly authorized in the city named above to take acknowledgements, personally appeared the following who are identified by me through their competent evidence of identity by exhibiting to me:

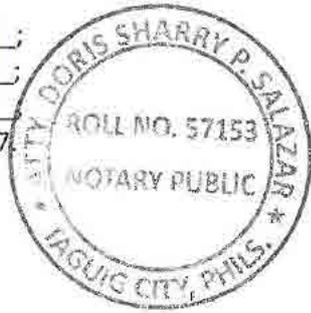


to be the same persons described in the foregoing instrument, who acknowledged before me that their signatures on the instrument were voluntarily affixed by them for purposes stated therein, and who declared to me that they executed the instrument as their free and voluntary act and deed.

This instrument consisting of ____ () pages, including the page on which this Acknowledgment is written and the annexes hereto, is signed on each and every page thereof by the parties and their instrumental witnesses and sealed with my notarial seal.

WITNESS MY HAND AND SEAL on the date and at the place first above-written.

Doc. No. 39 ;
Page No. 8 ;
Book No. 10 ;
Series of 2017



Atty. Doris Sharry P. Salazar
Notary Public for Taguig City
Notarial Commission No. 44
Until December 31, 2017
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A-3162297; Taguig City, January 05, 2017
IBP No. 1017213; January 04, 2016
Roll No. 57153
MCLE No. V-0014314

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S. S.

I certify that on this 16 June 2017, a Notary Public duly authorized in the city named above to take acknowledgements, personally appeared the following who are identified by me through their competent evidence of identity by exhibiting to me:



to be the same persons described in the foregoing instrument, who acknowledged before me that their signatures on the instrument were voluntarily affixed by them for purposes stated therein, and who declared to me that they executed the instrument as their free and voluntary act and deed.

This instrument consisting of ____ () pages, including the page on which this Acknowledgment is written and the annexes hereto, is signed on each and every page thereof by the parties and their instrumental witnesses and sealed with my notarial seal.

WITNESS MY HAND AND SEAL on the date and at the place first above-written.

Doc. No. 411 ;
Page No. 84 ;
Book No. I ;
Series of 2017.



JERIC ANGELO B. GALON
NOTARY PUBLIC FOR MAKATI CITY
Appointment No. M-222
Commission Expires on December 31, 2018
Roll No. 66664
IBP LRN 015165/06-14-2016/Negros Occidental
PTR No. 5918176/01-09-2017/Makati City
MCLE Exempt (Admitted to the Bar 2016)
10F 8 Rockwell, Hidalgo corner Plaza Drive
Rockwell Center, Makati City

ANNEX A
TERMS AND CONDITIONS OF THE BOND

Issuer	:	Aboitiz Power Corporation
Issue Manager and Underwriter	:	BPI Capital Corporation
Trustee	:	BPI Asset Management and Trust Corporation
Registrar and Paying Agent	:	Philippine Depository & Trust Corporation
Issue / Issue Amount	:	SEC-registered fixed rate, Peso-denominated bonds constituting the direct, unconditional, unsecured and general obligations of the Issuer (the "Series A Bonds") in the aggregate amount of fixed rate bonds of up to Php2,000,000,000.00, plus an Oversubscription Option of up to Php1,000,000,000.00
		The Oversubscription Option is exercisable by the Issuer, in consultation with the Issue Manager and Underwriter.
Use of Proceeds	:	Proceeds of the Offer will be used by AboitizPower to finance equity infusions into GNPower Dinginin Ltd. Co., as more described in the section entitled "Use of Proceeds" on page 51 of the Prospectus
Issue Price	:	100% face value
Manner of Distribution	:	Public Offering
Offer Period	:	The Offer shall commence on 20 June 2017 and end on 23 June 2017.
Issue Date	:	3 July 2017
Maturity Date or Redemption Date	:	Ten (10) years from Issue Date
		Except when an Early Redemption Option is exercised, the Series A Bonds will be redeemed at par (or 100%) on Maturity Date.
Interest Rate	:	5.3367%

Interest Payment Date : The Interest shall be paid quarterly in arrears on 3 October, 3 January, 3 April, and 3 July, or the next Banking Day if such dates fall on a non-Banking Day, of each year commencing on 3 October 2017, until and including the Maturity Date (each, an "Interest Payment Date").

Interest on the Series A Bonds shall be calculated on a 30/360-day basis.

Form and Denomination : The Series A Bonds shall be issued in scripless form in minimum denominations of Php50,000.00 each, and in multiples of Php10,000.00 thereafter.

Early Redemption : The Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), the outstanding Bonds on any Interest Payment Date, or the immediately succeeding Banking Day if such date is not a Banking Day, on the seventh, eighth, and ninth year from the Issue Date (any such date, the "Optional Redemption Date"). The amount payable to the Bondholders upon the exercise of the Early Redemption Option by the Issuer shall be calculated based on the principal amount of the Series A Bonds being redeemed as the aggregate of the: (i) accrued interest computed from the last Interest Payment Date up to the relevant Optional Redemption Date; and (ii) the product of the principal amount (total outstanding principal amount of the Series A Bonds) and the applicable Optional Redemption Price in accordance with the following schedule:

Optional Redemption Dates	Optional Redemption Price
7.00 years from Issue Date	102.00%
8.00 years from Issue Date	101.00%
9.00 years from Issue Date	100.25%

Effectively, the Prepayment Penalty (as included in the Optional Redemption Price) is as follows:

Optional Redemption Dates	Prepayment Penalty
7.00 years from Issue Date	2.00%
8.00 years from Issue Date	1.00%
9.00 years from Issue Date	0.25%

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Series A Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Series A Bonds on the Optional Redemption Date stated in such notice.

Redemption for Taxation Reasons : The Issuer may redeem the Series A Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days' notice to the Trustee) at par plus accrued interest, subject to the requirements of Applicable Law, if payments under the Series A Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on Issue Date as a result of certain changes in Applicable Law, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer.

For avoidance of doubt, the Issuer shall not be liable for the payment of the additional or increased taxes on the income of the Bondholders, which shall be for the account of the Bondholders.

Negative Pledge : The Series A Bonds shall have the benefit of a negative pledge on all existing and future assets of the Issuer, subject to certain permitted liens, as provided under Section 5.02 (a) of the Trust Agreement.

Purchase and Cancellation : The Issuer may at any time purchase any of the Series A Bonds at any price in the open market or by tender or by contract, in accordance with PDEX Rules, without any obligation to purchase (and the Bondholders shall not be obliged to sell) Bonds pro-rata

from all Bondholders. Bonds so purchased will be redeemed and cancelled, and may no longer be reissued.

Upon listing of the Series A Bonds on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

Status of the Series A Bonds : The Series A Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and rateably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to Section 5.02 (a) of the Trust Agreement or as may be allowed by the Trust Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of Issue Date. The Series A Bonds shall effectively be subordinated in right of payment to, among others, all of AboitizPower's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines.

Rating : The Series A Bonds are rated PRS Aaa by PhilRatings.

Listing : The Issuer intends to list the Series A Bonds in the PDEX on Issue Date.

Non-Reliance Each Bondholder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify

and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations hereunder, except for its gross negligence or wilful misconduct.

Own Risk

Bondholders understood and acknowledge that investment in the Series A Bonds is not covered by the Philippine Deposit Insurance Corporation ("PDIC") and that any loss or depreciation in the value of the assets of the Bondholders, resulting from the investments or reinvestment in the Series A Bonds and the regular conduct of the Trustee's trust business shall be for the account of the Bondholder.

Contact Details of the Trustee

BPI Asset Management and Trust Corporation
Attention: Jericho J. Lagustan, Senior Account Officer
Subject: Aboitiz Power Corporation Retail Bonds due 2027
Address: 2nd Floor, BPI Building, 6768 Ayala Avenue corner
Paseo de Roxas, Makati City
Facsimile: (632) 845-5089
E-mail: jdlagustan@bpi.com.ph
rgdecastro@bpi.com.ph

ANNEX B
FORM OF THE APPLICATION TO PURCHASE



Underwriter's Control # _____

APPLICATION TO PURCHASE

**5.3367% Fixed Rate Bonds
Due 2027**

1 st Copy	Registrar
2 nd Copy	Underwriter
3 rd Copy	Applicant

This is an application to purchase Aboitiz Power Corporation ("AP") Fixed Rate Bonds Due 2027 (the "Application"). Any Application submitted by a prospective purchaser must be for a minimum principal amount (face value) of ₱50,000 and in multiples of ₱15,000 thereafter. The AP Fixed Rate Bonds Due 2027 (the "AP Fixed Rate Bonds Due 2027") will be recorded in electronic book-entry (scripless) form in the custody of the Philippine Depository & Trust Corporation (the "Registrar"), and shall be subject to the rules and regulations of the Registrar. Fully completed Applications and all supporting documents must be received by the Underwriter not later than 12:00 noon of June 23, 2017, which is the end of the Offer Period, unless otherwise extended or earlier terminated. Applications and payments received after the Offer Period will be rejected. Any Application improperly or incompletely accomplished may likewise be rejected. This Application is irrevocable and, once submitted, may not be withdrawn by the Applicant. Payment in full, through one of the three methods set forth below, must accompany this Application. AP and the Underwriter reserves the right to accept or reject, in whole or in part, this Application, and in case of an under-subscription, allocate the AP Fixed Rate Bonds Due 2027 available to the applicants in a manner they deem appropriate.

Name of Applicant: (Last, First, M.I. / Business Name)*		Type of Investor:	
Nationality: 1. Are you a US Person? Yes <input type="checkbox"/> No <input type="checkbox"/> 2. Are you a US citizen? Yes <input type="checkbox"/> No <input type="checkbox"/> 3. Do you hold a US permanent resident card? (Green Card)? Yes <input type="checkbox"/> No <input type="checkbox"/> 4. Did you stay in the US for a total of 183 days or more in the last Thirty-six (36) months? If yes, please state the reason: _____ Yes <input type="checkbox"/> No <input type="checkbox"/> 5. For corporate investors, are any of your shareholders owning more than 10% of the shares in the company a US Resident, US Person or US Citizen? Yes <input type="checkbox"/> No <input type="checkbox"/>		<input type="checkbox"/> Individual <input checked="" type="checkbox"/> Corporate (For Corporate or juridical entities; check one) <input type="checkbox"/> Partnership or other Judicial Entity <input type="checkbox"/> Corporation under the laws of _____ <input type="checkbox"/> Trust Company/Trust Fund/Trust Department <input type="checkbox"/> Bank <input type="checkbox"/> Investment House <input type="checkbox"/> Insurance Company <input type="checkbox"/> Incorporated Mutual Fund <input type="checkbox"/> Others _____	

We (the "Applicant") hereby apply to purchase the following principal amount of the AP Fixed Rate Bonds Due 2027 (the "Total Purchase Amount") subject to the Terms and Conditions and the Prospectus distributed or made available by AP and the Underwriter in relation to the offer and sale of AP Fixed Rate Bonds Due 2027.

Amount in Words (Php)	Amount in Figures (Php)
Total Purchase Amount	Php

Mode of Payment for the Bonds:

I/We hereby pay for my/our purchase of the AP Fixed Rate Bonds Due 2027 as indicated below:

<input checked="" type="checkbox"/> Real Time Gross Settlement We have caused the transfer of cleared funds via RTGS to the Underwriter (named below) for the account of Aboitiz Power Corporation, for the Total Purchase Amount (as stated above) representing full payment of the AP Fixed Rate Bonds Due 2027 covered by this Application. NAME OF UNDERWRITER: _____	<input type="checkbox"/> Regular Bank Check or Manager's Check Attached herewith is a check in favor of the Underwriter (named below) for the account of Aboitiz Power Corporation, for the Total Purchase Amount (as stated above) representing full payment of the AP Fixed Rate Bonds Due 2027 covered by this Application. NAME OF UNDERWRITER: _____ DRAWEE BANK: _____ CHECK NUMBER: _____	<input type="checkbox"/> Direct Debit We have caused the transfer of cleared funds via debiting of my/our bank account with the Drawee Bank (named below) and crediting the bank account of the Underwriter (named below), for the Total Purchase Amount (as stated above), representing full payment for the AP Fixed Rate Bonds Due 2027 covered by this Application. NAME OF UNDERWRITER: _____ DRAWEE BANK & BRANCH: _____ ACCOUNT NUMBER: _____
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Permanent Address:*	Present Mailing Address (if different from Permanent Address):*
Telephone Number(s):	Fax Number(s):
Email Address:**	
Primary Contact Person (if other than Applicant):	Relationship to Applicant:
Date of Birth / Incorporation (mm/dd/yyyy):*	Place of Birth / Incorporation:*
Nationality:*	Tax Identification Number:*
Nature of Work or Business:*	Name of Employer/ Business:*

Sources of Income:* Mode of Collection of Interest and Principal Payments: We hereby unconditionally irrevocably and authorize the Paying Agent to cause the payments of interest and principal on the AP Fixed Rate Bonds Due 2027 net of applicable taxes, fees and cost to be via credit to my/our PSESO current or savings account (designated below). BANK OF ACCOUNT: _____ ACCOUNT TYPE: _____ ACCOUNT NUMBER: _____	Tax Status: <input type="checkbox"/> Individual (Taxable) <input type="checkbox"/> Domestic Corporate <input type="checkbox"/> Tax Exempt Corporate** <input checked="" type="checkbox"/> If a foreign investor, tax rate below will apply (subject to application of preferential rates)** <input type="checkbox"/> Non-resident individual not engaged in business: 25% <input type="checkbox"/> Resident foreign corporate: 20% <input type="checkbox"/> Non-resident foreign corporate: 30% <small>** Subject to submission of documentary proof if applicable.</small>
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Statement, Notices & Correspondence Delivery Mode:

Sent to email address indicated above
 Delivery via courier (Metro Manila area only) or registered mail to mailing address indicated above

If a Corporation, please fill out Additional Required Information: (Please use additional sheets if necessary):

Name of Parent Company, if Any	Name of Stockholders Owning at Least 2% of the Authorized Capital Stock*
Names of Directors*	Address of Beneficial Owner:
Name of Beneficial Owners of Applicant, if any	

* Required to be filed out under Republic Act No. 9160, Republic Act No. 9199 and BSP Circular No. 251, 272 and 276 and all other administrative and implementing law, regulation, jurisprudence, notice or order of any Philippine governmental body relating thereto.
 ** Communications (Email Inquiries) by indicating the e-mail address, I/we consent to receive all notices and communications via e-mail, and such consent shall operate as a waiver of my/our right and privilege to the security of bank deposits in respect of such statements or notices. I/We acknowledge that security of any statement, notice or communication sent through electronic means is not guaranteed and I/we assume all risks in relation to its transmission. We are responsible for keeping such email access active and existing during the term of the AP Fixed Rate Bonds Due 2027, otherwise, I/we shall be liable for any fees or charges that may be imposed or incurred in transmitting or retransmitting such communication via electronic means.

REQUIRED ATTACHMENTS TO THIS APPLICATION

The Applicant understands that the Registrar will not issue a Registry Confirmation nor will any Bondholder be allowed to sell or transfer AP Fixed Rate Bonds Due 2027 until such Bondholder shall have submitted to the Registrar all the documents required for the issuance of such AP Fixed Rate Bonds Due 2027.

IF THE APPLICANT IS A CORPORATION:

- (a) An original notarized Certificate of the Corporate Secretary of the Applicant setting forth resolutions of the Applicant's Board of Directors authorizing the purchase of the AP Fixed Rate Bonds Due 2027 and designating the signatories, with their specimen signatures, for the said purposes;
- (b) Copies of its Articles of Incorporation and latest amendments thereof, together with the Certificate of Incorporation issued by the Securities and Exchange Commission (SEC) or equivalent government institution, stamped and signed as certified true copies by the SEC or by the Applicant's Corporate Secretary, or by an equivalent officer(s) who is/are authorized signatory(ies);
- (c) Two (2) duly accomplished signature cards containing the specimen signatures of the Applicant's authorized signatories, validated by its Corporate Secretary or by an equivalent officer(s) who is/are authorized signatory(ies), and further validated/signed by the Underwriter's authorized signatory(ies) whose authority(ies) and specimen signatures have been submitted to the Registrar;
- (d) Identification document(s) of the authorized signatories of the Applicant, as specified below for a natural person; and
- (e) Such other documents as may be reasonably required by the Underwriter(s) in implementation of its internal policies regarding "knowing your customer" and anti-money laundering (and requirements related to the Foreign Account Tax Compliance Act ("FATCA").

IF THE APPLICANT IS A NATURAL PERSON:

- (a) Copies of valid identification documents of the Applicant;
- (b) Two (2) duly accomplished signature cards containing the specimen signature of the Applicant, validated / signed by the Underwriter's authorized signatory(ies), whose authority(ies) and specimen signatures have been submitted to the Registrar; and
- (c) Such other documents as may be reasonably required by the Underwriter(s) in implementation of its internal policies regarding "knowing your customer" and anti-money laundering and requirements related to the Foreign Account Tax Compliance Act ("FATCA").

IDENTIFICATION DOCUMENTS SHALL CONSIST OF:

Any one (1) of the following valid identification documents bearing a signature and recent photo, and which is not expired: Passport, Driver's License, Tax Identification (TIN) ID, Professional Regulation Commission (PRC) ID, National Bureau of Investigation (NBI) Clearance, Police Clearance, Postal ID, Voter's ID, Barangay Certification, Government Service Insurance System (GSIS) e-Card, Social Security System (SSS) Card, Senior Citizen Card, Overseas Workers Welfare Administration (OWWA) ID, OIW ID, Seaman's Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and GOCC ID, e.g. Armed forces of the Philippines (AFP ID), Home Development Mutual Fund (HDMF ID), National Council for the Welfare of Disabled Persons (NCOWDP) Certification, Department of Social Welfare and Development (DSWD) Certification, Integrated Bar of the Philippines ID, Company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or IC, or school ID duly signed by the principal or head of the school (for Students who are beneficiaries of remittances/fund transfers who are under 18 years of age).

Applicants claiming exemption or preferential rate from any applicable tax shall also be required to submit the following documentary proof of its tax-exempt or preferential status together with this Application to Purchase:

- (a) Proof of Tax Exemption or Entitlement to Preferential Tax Rates
 - i. For (a) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (b) cooperatives duly registered with the Cooperative Development Authority; and (c) BIR-approved pension fund and retirement plan - certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed "valid, current and subsisting" if it has not been more than 3 years since the date of issuance thereof;
 - ii. For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 - certified true copy of the Bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator;
 - iii. For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) government-owned or -controlled corporations; and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) - certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax; and
 - iv. For entities claiming tax treaty relief - (i) certificate of tax residence issued for the current year (whether using the form prescribed in their country of residence, or using Part I (D) of the Certificate of Tax Residence for Tax Treaty Relief ("CORTT") Form prescribed under Revenue Memorandum Order No. 8-2017), and (ii) duly accomplished CORTT Form (particularly Part I (A), (B) and (C), and Part II (A), (B), (C) and (D)).In addition, upon the request of the Underwriter, the Bondholder shall submit an updated Part II (A), (B), (C) and (D) of the CORTT Form.
Only the originals should be submitted to the Underwriter.
- (b) A duly notarized declaration (in the prescribed form) warranting that the Bondholder's tax-exemption certificate or ruling has not been revoked or cancelled and that there are no material changes in character, purpose or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or warranting the Bondholder's entitlement to preferential treaty rates, and undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities arising from the non-withholding or reduced withholding of the required tax; and
- (c) Such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or so may be required under applicable regulations of the relevant taxing or other authorities.

Unless properly provided with satisfactory proof of the tax-exempt status of a Bondholder, the Registrar and Paying Agent may assume that said Bondholder is taxable and proceed to apply the tax due on the AP Fixed Rate Bonds due 2027. Notwithstanding the submission by the Bondholder, or the receipt by AP or any of its agents, of documentary proof of the tax-exempt status of a Bondholder, AP may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the AP Fixed Rate Bonds due 2027. Any question on such determination shall be referred to AP.

REPRESENTATIONS, WARRANTIES AND AUTHORIZATION

In executing this Application, the Applicant represents and warrants that all information contained herein (including its tax status) and the required attachments are true and correct and that the signatures thereon are genuine, properly authorized, and obtained without use of fraud, coercion or any other vice of consent. The Applicant also represents and warrants that the investment in the Bonds will not violate the laws of the Applicant's jurisdiction and the Applicant is allowed to acquire or invest in the Bonds. The Applicant agrees to immediately notify AP and the Registrar, either directly or through the Underwriter, if anything occurs which renders or may render untrue or incorrect in any respect any of the information given herein (including information given with respect to the Applicant's tax status) or any of its representations or warranties. The Applicant understands that the Underwriter, the Registrar, the Paying Agent and AP will rely on the Applicant's representations and warranties set forth herein including, without limit, its declaration of its tax status, including, if applicable, its tax-exempt status in processing payments due to it under the Bonds. The Applicant agrees to indemnify and hold the Underwriter, the Registrar, the Paying Agent and AP free and harmless against any and all claims, actions, suits, damages, and liabilities resulting from the non-withholding of the required tax due to the representations as indicated in this Application to Purchase, any misrepresentation contained herein or any reliance on the confirmations contained herein. The Applicant likewise authorizes AP, the Registrar and the Paying Agent to verify the information stated in this Application from any and all sources and in any and all manner, including but not limited to, requesting information contained herein from the Underwriter regarding the Applicant's account(s) with the said Underwriter, and the Applicant authorizes the Underwriter to provide such information required by AP, the Registrar and the Paying Agent. By giving authority to AP, the Underwriter, the Trustee, the Registrar, and the Paying Agent and by signing this application, the Applicant hereby waives its right to privacy of information or confidentiality that may exist by law or by contract, solely and exclusively for the limited purpose of enabling AP, the Underwriter, the Trustee, the Registrar and the Paying Agent to update with respect to the information contained herein and perform their duties and function under the Bonds.

By giving authority to AP, the Underwriter, the Trustee, the Registrar and Paying Agent and by signing this application, the Applicant hereby (i) consents to the collection, processing or outsourcing of processing, retention, disposal, and further processing, as authorized by law, by AP, the Underwriter, the Trustee, the Registrar and Paying Agent of the information contained herein (the "Information") for the purpose of performing their functions under the transaction documents (in particular for the Registrar and Paying Agent, the Registry and Paying Agency Agreement, and for the Underwriter, its Client Agreement, account opening documents and "know your customer" documents) and (ii) acknowledges receipt of notice of and consents to the following:

- (a) AP, the Underwriter, the Trustee, the Registrar and Paying Agent shall implement security measures designed to protect the Information.
- (b) AP, the Underwriter, the Trustee, the Registrar and Paying Agent shall not sell, trade or otherwise share the Information for marketing purposes to third parties without the consent of the Applicant. AP, the Underwriter, the Trustee, the Registrar and Paying Agent may disclose the Information to:
 - (1) government or regulatory agencies if required by applicable law or by an order of government or regulatory agency or if reasonably determined by AP, the Underwriter, the Trustee, the Registrar and Paying Agent to be necessary in relation to the use of the Information in connection with the provision of any service related to this Applicant's registry account and for data processing and storage, anti-money laundering monitoring, review and reporting and for purposes of complying with any law or regulation (the "Purpose"), for law enforcement purposes, national security or public interest;
 - (2) its employees, directors, officers, representatives, agents and service providers if AP, the Underwriter, the Trustee, the Registrar and Paying Agent deem it reasonably necessary in relation to the Purpose;
 - (3) its subsidiaries and affiliates as well as employees, directors, officers, representatives, agents and service providers of such subsidiaries and affiliates if AP, the Underwriter, the Trustee, the Registrar and Paying Agent deem it reasonably necessary in relation to the Purpose; and
 - (4) each other.
- (c) The Applicant has rights and remedies relating to the processing of the Information under the Data Privacy Act of 2012, its implementing rules and regulations and under applicable laws, such as, but not limited to the right to access the Information consistent with the procedure of the Registry and the Underwriter, to have it corrected consistent with the procedure of the Registry and the Underwriter and to file a complaint with the appropriate government agency. Please refer to the National Privacy Commission for details of such rights and remedies.
- (d) The Applicant may address any concerns or questions regarding the processing of the Information to:

Name: Judd Salas
 Designation: AVP - Investor Relations
 Contact Details: +(63) 917 3013469 or judd.salas@abobiz.com

The Applicant warrants that the Applicant (or its authorized signatory) has read and understood the Terms and Conditions and the terms and conditions stated in this Application to Purchase as well as the Rules and Procedures of the Registrar and unconditionally accepts the same. The Applicant further agrees that completion of this Application to Purchase constitutes an instruction and authority from the Applicant to AP and/or Underwriter to execute any application form or other documents and generally to do all such other things and acts as AP, and/or Underwriter may consider necessary or desirable to effect registration of the AP Fixed Rate Bonds Due 2027 in the name of the Applicant.

The Applicant represents and warrants to the Trustee and to AP that it has independently and, without reliance on the Trustee or AP, made its own credit investigation and appraisal of the financial position and affairs of AP on the basis of such documents and information it has deemed appropriate and that it has subscribed to the Bonds on the basis of such independent appraisal, and that it shall continue to make its own credit appraisal without reliance on the Trustee or AP.

Unless otherwise expressly stated or the context provides otherwise, all terms used herein shall have the meaning ascribed to them in the Prospectus of the AP Fixed Rate Bonds due 2027 (the "Prospectus") and the Terms and Conditions of the AP Fixed Rate Bonds due 2027 described therein ("Terms and Conditions"). The AP Fixed Rate Bonds due 2027 are governed by and subject to a Registry and Paying Agency Agreement between AP and Philippine Depository & Trust Corp. as the Registrar and Paying Agent, and the rules and procedures of PDTC and a Trust Agreement between AP and BPI Asset Management and Trust Corporation. Applicants should read the Prospectus and its description of the Terms and Conditions.

APPLICANT'S FULL NAME (IN PRINT):	APPLICANT'S AUTHORIZED SIGNATURE(S):
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ACKNOWLEDGEMENT AND ACCEPTANCE

Underwriter's Acceptance: <input checked="" type="checkbox"/> Acceptance	<input type="checkbox"/> Rejection due to:
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Underwriter's Certification/Endorsement:
 We received this Application, with all the required attachments below, at _____ a.m. / p.m. on _____.

- We hereby warrant that:
- (a) The necessary know-your-client process was conducted on the Applicant pursuant to the Anti-Money Laundering Act and the amendments thereto ("AMLA") as well as its implementing rules and regulations ("IRR") and our own internal policies;
 - (b) The identity of the Applicant was duly established pursuant to the AMLA and its IRR;
 - (c) To the best of the undersigned's knowledge, all information provided to AP and the Registrar regarding the Applicant are true, complete, current and correct; and
 - (d) The Applicant's signature appearing herein is genuine and authentic and was herein affixed freely and voluntarily.

Underwriter	Underwriter's Authorized Signatory Signature over printed name	Underwriter's Authorized Signatory Signature over printed name
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ANNEX C
MASTER CERTIFICATE OF INDEBTEDNESS

[LOGO]

ABOITIZ POWER CORPORATION
MASTER CERTIFICATE OF INDEBTEDNESS
Series A Bonds

₱ [•] Bond Certificate No. 0001
Issue Date: [•]
Maturity Date: [•]

For and in consideration of the sum of PESOS: [•] PESOS ₱ [•], ABOITIZ POWER CORPORATION (the "Company"), promises to pay the sum of PESOS: [•] ₱ [•], together with interest, to the Bondholders appearing in the Registry Book, pursuant to, and subject to the terms and conditions set forth in: (i) the Trust Agreement dated 16 June 2017, and (ii) Annex A thereto.

This Master Certificate of Indebtedness is being issued by the Company, acting by the authority of its Board of Directors, to the BPI Asset Management and Trust Corporation, in its capacity as Trustee, in acknowledgement of the Company's obligations in respect of the ten year Philippine Peso fixed rate bonds (the "Series A Bonds") duly registered with the Philippine Securities and Exchange Commission.

The Series A Bonds shall bear interest, subject to the terms and conditions contained in the Trust Agreement dated 16 June 2017, and Annex A attached thereto.

Annex A provides for the mode and manner of the payment and prepayment of the Series A Bonds under the terms and conditions set forth and specified therein as well as for the acceleration of the maturity of the Series A Bonds under certain conditions.

The Series A Bonds shall be governed by, and construed in accordance with, the laws of the Republic of the Philippines.

ABOITIZ POWER CORPORATION
By:

EXHIBIT 1
FORM OF CERTIFICATE OF NO DEFAULT AND COMPLIANCE / NOTICE OF DEFAULT

To: [•]
(the "Trustee")
Fax: [•]
Attn: [•]
From: Aboitiz Power Corporation
Date: [•]

Re: Trust Agreement dated [•] (the "Agreement") between Aboitiz Equity Ventures, Inc. (the "Issuer"), and the Trustee

We refer to the Agreement. Words and expressions defined in the Agreement have the same meanings in this certificate. This is a Certificate of No Default and Compliance.

We confirm the following:

1. that [no/the following] Events of Default were outstanding as at [*relevant date*];
2. all the representations and warranties of the Issuer contained in the Agreement remain true and correct; and
3. all of the covenants of the Issuer set forth in the Agreement have been fully met and performed; .

For and on behalf of Aboitiz Power Corporation

By:

Name:

Title:

EXHIBIT 2
FORM OF CERTIFICATE ON NET DEBT TO CONSOLIDATED EQUITY RATIO

To: [*]
 (the "Trustee")
Fax: [*]
Attn: [*]
From: Aboitiz Power Corporation
Date: [*]

Re: Trust Agreement dated [*] (the "Agreement") between Aboitiz Equity Ventures, Inc. (the "Issuer"), and the Trustee

We refer to the Agreement. Words and expressions defined in the Agreement have the same meanings in this certificate. This is a Certificate on Net Debt to Consolidated Equity Ratio.

We confirm that as at [*relevant date*]:

Net Debt was [*] and Consolidated Equity was [*], so the ratio of Net Debt to Consolidated Equity was [*]:1.

For and on behalf of Aboitiz Power Corporation

By:
Name:
Title:

TRUST AGREEMENT

This **TRUST AGREEMENT** (this “**Agreement**”) is made and executed this October 10, 2018, by and between:

ABOITIZ POWER CORPORATION, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal offices at the 32nd Street, Bonifacio Global City, 1634 Taguig City, Metro Manila (hereinafter referred to as the “**Issuer**”);

– and –

BDO UNIBANK, INC. – TRUST AND INVESTMENTS GROUP, a trust corporation duly organized and validly existing under the laws of the Republic of the Philippines, duly authorized to perform trust and investment management functions and other fiduciary business, with principal offices at the 15th Floor, South Tower, BDO Corporate Center, 7899 Ayala Avenue, Makati City, (hereinafter referred to as “**BDO Trust**” or the “**Trustee**”).

RECITALS

WHEREAS, the Issuer is authorized by the Philippine Securities and Exchange Commission to issue Fixed Rate Peso-Denominated Bonds for offering, distribution and sale to the general public of up to the aggregate principal amount of PHILIPPINE PESOS: THIRTY BILLION (PhP30,000,000,000.00) to be issued in one or several tranches within three years from the date of effectivity of its shelf registration (the “**Bonds**”). The Issuer has previously issued the first tranche of the Bonds last July 3, 2017 and desires to issue the second tranche of the Bonds. The second tranche of the Bonds shall comprise of 7.5095% per annum fixed rate bonds due 2024 (the “**Series B Bonds**”) and 8.5091% per annum fixed rate bonds due 2028 (the “**Series C Bonds**”) (the Series B Bonds and the Series C Bonds, collectively, the “**Second Tranche Bonds**”), for a total of PHILIPPINE PESOS: TEN BILLION (PhP10,000,000,000.00) with an oversubscription option of PHILIPPINE PESOS: FIVE BILLION (PhP5,000,000,000.00) (the “**Offer**”);

WHEREAS, the Offer and the terms thereof are more fully described in **Annex “A”** hereof and in the Prospectus and Offer Supplement to be issued and circulated for the Offer, which is made an integral part hereof by reference;

WHEREAS, the Issuer expects to obtain a Permit to Sell from the SEC in respect of a public distribution and sale of the Second Tranche Bonds prior to the start of the Offer Period;

WHEREAS, to achieve the foregoing objectives, the Issuer has appointed, and hereby confirms the appointment of, BDO Trust as the Trustee on the basis of the representations and warranties of the Issuer and under the terms and conditions hereinafter set forth, has consented to the appointment;

NOW, THEREFORE, for and in consideration of the foregoing premises, the parties hereto agree as follows:

Section 1 DEFINITIONS AND INTERPRETATION

1.1. Definitions

The following terms shall have the respective meanings set forth below except as otherwise expressly provided or unless the context otherwise requires:

“Aboitiz Group” means Aboitiz & Co., Inc. and Aboitiz Equity Ventures, Inc., each a corporation organized under Philippine law, together with their respective Subsidiaries and Affiliates, related persons and related interests, whether or not stockholders of record of the Issuer as of the Issue Date;

“Affiliate” means with respect to any Person, any other Person directly or indirectly Controlling, Controlled by or under common Control with, such Person;

“Agreement” shall mean this Trust Agreement and all amendments or supplements hereto;

“Applicable Law” means: (i) any statute, decree, constitution, regulation, rule, order or any directive of any Governmental Authority; (ii) any treaty, pact, compact or other agreement to which any Governmental Authority is a signatory or party; (iii) any judicial or administrative interpretation or application of any law described in clause (i) or (ii) above; and (iv) any amendment or revision of any law described in clause (i), (ii) or (iii) above;

“Applicant” shall mean the Person who shall duly accomplish the Application as defined herein and who shall deliver the same to the Sole Issue Manager and/or the Joint Lead Underwriter in accordance with the Underwriting Agreement;

“Application” or **“Application to Purchase”** shall mean the form actually accomplished and submitted by the Applicant for the purchase of the Second Tranche Bonds, together with all other requirements set forth substantially in the form attached hereto as **Annex “B”**;

“Authorization” means any authorization, consent, approval, license, exemption, filing, registration, or other similar action;

“Banking Day” means a day other than Saturday, Sunday and public holidays on which commercial banks and the Philippine Clearing House Corporation are generally open for the transaction of business in Makati City and Taguig City, and the City of Manila; *provided*, that all other days unless otherwise specified herein shall mean calendar days which shall be construed as successive periods of twenty-four (24) hours each;

“BIR” shall mean the Bureau of Internal Revenue of the Republic of the Philippines;

“Bona Fide Bondholder” shall have the meaning ascribed to it in Section 3.10.a hereof;

"Bondholders" shall mean the registered owners of the Second Tranche Bonds;

"Competitor" shall have the meaning ascribed to it in Section 3.9.c hereof;

"Consolidated Equity" means the total stockholders' equity of the Issuer as recognized and measured in its fiscal year-end audited consolidated financial statements and quarter-end unaudited consolidated financial statements, as may be applicable and available in accordance with Applicable Law, both in conformity with PFRS;

"Control" means the possession, directly or indirectly, by a Person of the power to direct or cause the direction of the management and policies of another Person whether through the ownership of voting securities or otherwise; provided, however, that the direct or indirect ownership of over fifty percent (50%) of the voting capital stock, registered capital or other equity interest of a Person is deemed to constitute control of that Person, and **"Controlling"** and **"Controlled"** have corresponding meanings;

"Event of Default" shall have the meaning set forth in Section 9.1 hereof;

"Fair Market Value of Assets" means at any particular time, the aggregate of the total current assets and the total non-current assets of the Issuer as shown in the balance sheet of its latest audited financial statements on a consolidated basis.

"Fee Letter" means the letter of the Trustee to the Issuer dated on or about July 20, 2018 and acknowledged by the Issuer on a later date;

"Government Authority" means the Government of the Republic of the Philippines, or any political subdivision or agency thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the said government, and any national agency or body vested with jurisdiction or authority over any Person;

"GRT" means the gross receipts tax under Sections 121 and 122 of the National Internal Revenue Code of 1997, as amended;

"Indebtedness" means: (i) all indebtedness or other obligations of the Issuer for borrowed money or for the deferred purchase price of property or services and similar arrangements; (ii) all indebtedness or other obligations of any other Person, the payment or collection of which is guaranteed by the Issuer (except by reason of endorsement for collection in the ordinary course of business) or in respect of which the Issuer is liable, contingently or otherwise, including without limitation, any agreement to purchase, to provide funds for payment, to supply funds to or otherwise invest in such Person; and (iii) capitalized lease obligations of the Issuer;

"Interest Payment Date" shall mean the dates indicated in the interest coupon of the Series B Bonds and Series C Bonds as provided in **Annex "A"**;

“Issue Date” shall be on October 25, 2018, or such later date as may be mutually determined by the Issuer and the Sole Issue Manager for the issuance of the Second Tranche Bonds;

“Issue Price” shall mean one hundred percent (100%) of the face value of the Second Tranche Bonds;

“Lien” means, with respect to any Person, any lien, pledge, mortgage, charge, hypothecation, encumbrance, or other security interest or preferential arrangement on or with respect to any asset or revenue of such Person;

“Majority Bondholders” shall mean, at any time, the Bondholders who hold, represent or account for at least fifty percent (50%) plus one peso (₱1.00) of the aggregate outstanding principal amount of the Second Tranche Bonds, provided that, in respect of any matter presented for resolution at any meeting of Bondholders that affect the rights and interests of only the holders of the Series B Bonds, holders of Series B Bonds, exclusively, will be considered for quorum and approval purposes; and in respect of any matter presented for resolution at any meeting of Bondholders that affect the rights and interests of only the holders of the Series C Bonds, holders of Series C Bonds, exclusively, will be considered for quorum and approval purposes;

“Master Certificate of Indebtedness” means each of the certificates to be issued by the Issuer in the name of the Trustee for the benefit of the Bondholders evidencing and covering the aggregate principal amount of the Series B Bonds and Series C Bonds purchased during the Offer Period for such Second Tranche Bonds, substantially in the form set forth in **Annex “C-1”** and in **Annex “C-2”** hereof.

“Material Adverse Effect” means a material adverse effect on the ability of the Issuer to perform or comply with any of its obligations, or to exercise any of its material rights, under this Agreement, the Underwriting Agreement or the Second Tranche Bonds;

“Maturity Date” shall mean, for the Series B Bonds, the date that is five (5) years and one (1) quarter from Issue Date or on January 25, 2024 and, for the Series C Bonds, the date that is ten (10) years from Issue Date or on October 25, 2028;

“Net Debt” shall mean the interest-bearing debt less cash, cash equivalents, and short term investments of the Issuer;

“Net Debt to Consolidated Equity Ratio” shall mean the ratio of Net Debt to Consolidated Equity

“Offer” or **“Issue”** as the context may require, shall mean the Second Tranche Bonds or the offering, issuance, distribution and sale of the Second Tranche Bonds;

“Offer Period” shall mean the period commencing on October 12, 2018 and ending on October 18, 2018 or such other date as may be mutually agreed between the Issuer and the Joint Lead Underwriter;

“Optional Redemption Date” shall have the meaning ascribed to it under Section 6.4;

“Optional Redemption Price” shall have the meaning ascribed to it under Section 6.4;

“Paying Agent” shall mean the Philippine Depository & Trust Corporation acting as paying agent in accordance with the Registry and Paying Agency Agreement;

“Payment Date” shall mean the Interest Payment Date and/or the Principal Payment Date, as the case may be;

“Penalty Interest” shall mean the penalty interest at the rate of two percent (2%) per annum payable by the Issuer pursuant to Section 6.7 hereof.

“Person” means an individual, corporation, partnership, joint venture, unincorporated association, trust, or other juridical entity, or any Governmental Authority;

“PFRS” means Philippine Financial Reporting Standards;

“Philippine Peso” or **“PhP”** means the legal currency of the Republic of the Philippines;

“Philippines” means the Republic of the Philippines;

“Principal Payment Date” shall mean the Maturity Date or the Optional Redemption Date;

“Prospectus” means the selling material including any amendment or supplement thereto duly filed by the Issuer with, and duly approved by, the SEC for the purpose of the offering, distribution, and sale of the Second Tranche Bonds;

“Record Date” as used with respect to any Payment Date shall mean the day which is two (2) Banking Days prior to the relevant Interest Payment Date; provided that if such day falls on a non-Banking Day, the Record Date shall be the next Banking Day immediately preceding said date;

“Registrar” shall mean the Philippine Depository & Trust Corp. acting as the registrar in accordance with the Registry and Paying Agreement;

“Registration Statement” shall mean the registration statement filed by the Issuer with the SEC on 19 April 2017 and 29 August 2018 in accordance with the Securities Regulation Code relating to the registration and issuance of the Bonds;

“Registry and Paying Agency Agreement” shall mean the agreement dated October 10, 2018 by and between the Issuer and Philippine Depository & Trust Corp., as the Paying Agent and Registrar for the Issue;

“Relevant Period” shall mean a period of 12 calendar months ending on the last day of any quarter of any of the Issuer’s fiscal years;

“SEC” shall mean the Securities and Exchange Commission of the Philippines;

“Second Tranche Bonds” shall mean the Series B Bonds and the Series C Bonds with an aggregate amount of up to PHILIPPINE PESOS: TEN BILLION (PhP10,000,000,000.00) with an oversubscription option of PHILIPPINE PESOS: FIVE BILLION (PhP5,000,000,000.00), which the Issuer shall issue for distribution and sale on Issue Date;

“Securities Regulation Code” shall refer to Republic Act No. 8799 and its implementing rules and regulations, as the same may be amended and supplemented from time to time;

“Series B Bonds” shall mean the fixed rate bonds having a term ending five (5) years and one (1) quarter from the Issue Date, or on January 25, 2024, with a fixed interest rate of 7.5095% per annum;

“Series C Bonds” shall mean the fixed rate bonds having a term ending ten (10) years from the Issue Date, or on October 25, 2028, with a fixed interest rate of 8.5091% per annum;

“Sole Issue Manager” means BDO Capital & Investment Corporation;

“Subsidiary” means in respect of any Person, any entity: (i) over fifty percent (50%) of whose capital is owned directly by that Person; or (ii) for which that Person may nominate or appoint a majority of the members of the board of directors or such other body performing similar functions;

“Taxes” or **“Tax”** means any present or future taxes, levies, imposts, duties, filing, registration and other fees or charges imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof;

“Transaction Date” shall mean with respect the incurrence of any loan obligation with a maturity of more than one (1) year, the date such loan obligation is incurred;

“Treasury Transaction” means any currency, commodity, or interest rate purchase, cap or collar agreement, forward rate agreement, future or option contract, swap or other similar agreement, in relation to the Issuer’s treasury management;

“Trustee” shall mean BDO Unibank, Inc. – Trust and Investment Group or any other successor trustee acting as trustee pursuant to this Agreement; and

“Underwriting Agreement” shall mean the underwriting agreement dated October 10, 2018, executed by and between the Issuer, the Sole Issue Manager, and the Joint Lead Underwriters.

1.2. Other Terms.

Any reference in this Agreement to:

a **“company”** shall be construed so as to include any company, corporation or any association or partnership (whether or not having separate legal personality) of any two or more Persons;

“Sole Issue Manager,” “Joint Lead Underwriter,” “Registrar,” “Paying Agent,” “Trustee” and “Bondholders” shall be construed so as to include their respective successors, transferees and assigns in accordance with their respective interests to the extent permitted under the terms hereof and, in the case of the **“Issuer,”** its respective successors, transferees and assigns, to the extent permitted under the terms hereof;

a **“month”** is the period commencing on a specified day in a calendar month and ending on the numerically corresponding day in the relevant subsequent calendar month (or if there is no day so corresponding in the calendar month in which such period ends, such period shall end on the last day of such calendar month);

an **“Annex”** shall, subject to any contrary indication, be construed as a reference to a schedule hereto;

a **“Section”** shall, subject to any contrary indication, be construed as a reference to a section hereof; and

the **“winding-up,” “dissolution” or “administration”** of a company shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or any jurisdiction in which such company carries on business.

1.3. Accounting Terms.

All accounting terms not specifically defined in this Agreement shall be construed in accordance with PFRS.

1.4. Rules of Construction.

Save where the contrary is indicated, any reference in this Agreement to this Agreement:

- a. the Second Tranche Bonds or any other agreement or document shall be construed as a reference to this Agreement or, as the case may be, the Second Tranche Bonds, other agreement or document as the same may have been, or may from time to time be (subject to any restrictions herein), amended, varied, novated, supplemented, replaced or substituted;
- b. a statute shall be construed as a reference to such statute as the same may have been, or may from time to time be, amended or re-enacted; and
- c. a day shall be construed as a reference to a calendar day.

1.5. Headings.

Section, Annex, Exhibit and Schedule headings are for ease of reference only and shall not affect the interpretation of this Agreement and the Second Tranche Bonds.

1.6. Interpretation.

The words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole, and not to any particular Section, subsection or clause hereof. Any reference herein to any Person shall include its successors and permitted assigns and, in the case of any Governmental Authority, any Person succeeding to its functions and capacities. All accounting terms used herein and not otherwise defined will have the meanings accorded them under the PFRS and, except as expressly provided herein, all accounting determinations will be made in accordance with such accounting principles in effect from time to time. Any reference to “include” or “including” shall be treated as “including, without limitation”. Defined terms in the singular shall include the plural and vice versa, and the masculine, feminine or neuter gender shall include all genders.

Section 2 ISSUANCE OF SECOND TRANCHE BONDS AND DELIVERY OF MASTER CERTIFICATES OF INDEBTEDNESS

2.1. Issuance of the Second Tranche Bonds

The Second Tranche Bonds shall be issued by the Issuer in accordance with the terms of this Agreement. The obligations of the Issuer in connection with the Second Tranche Bonds shall consist of all its obligations under this Agreement, including the full and prompt payment of all accrued interests and redemption amounts due on the Second Tranche Bonds, as well as any and all reasonable and documented expenses that may be incurred by the Trustee in enforcing any of its and/or the Bondholders’ rights, powers, and remedies under and in accordance with this Agreement.

2.2. Delivery of Executed Master Certificates of Indebtedness

The Issuer shall, not later than 9:00 a.m. on Issue Date, deliver the duly executed Master Certificates of Indebtedness covering the entire principal amount of the Series B Bonds and Series C Bonds purchased during the Offer Period, to the Trustee, with a copy to the Registrar. The Trustee shall, upon its receipt of the duly executed Master Certificates of Indebtedness, immediately notify the Sole Issue Manager and the Joint Lead Underwriters of such fact in writing (including, without limitation, by facsimile transmission, telex or telecopier, or electronic mail).

Section 3 THE TRUSTEE

3.1. Appointment

- a. The Issuer hereby appoints BDO Unibank, Inc. – Trust and Investments Group as the Trustee, and the Trustee hereby accepts its appointment as Trustee for and on behalf and benefit of the Bondholders, in connection with the distribution, sale and issuance of the Second Tranche Bonds by the Issuer.

- b. The foregoing appointment shall commence on the Issue Date and shall subsist for so long as any amount of the Second Tranche Bonds is outstanding, unless the services of the Trustee are otherwise terminated pursuant to this Agreement.

3.2. Duties and Responsibilities of the Trustee

- a. Coordinate with the Issuer, the Sole Issue Manager, the Joint Lead Underwriters, and the Registrar and the Paying Agent in relation to the performance of their respective responsibilities under the relevant Transaction Documents.
- b. The Trustee shall act as trustee for and in behalf of the Bondholders and as such shall, in accordance with the terms and conditions of this Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the Issuer's observance of all its covenants and performance of all its obligations, under and pursuant to this Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under this Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party to whom the Bondholders shall communicate with in respect to any matters to be taken up with the Issuer.
- c. Report regularly to the Bondholders any non-compliance by the Issuer with this Agreement and, to the best of Trustee's knowledge, any development with respect to the Issuer based on official disclosures to the PDEX, the Philippine Stock Exchange, SEC, or other regulatory agencies and that adversely affects the interest of the Bondholders, including any default by the Issuer on any of its obligations of which the Trustee may have knowledge based on official disclosures to the PDEX, the Philippine Stock Exchange, SEC, or other regulatory agencies; provided, that for purposes hereof, the Trustee shall, without need of any further act or notice to the Issuer, publish a notice once in a newspaper of general circulation, binding upon all the Bondholders wherever situated or located, that the Bondholders or their duly authorized representatives may obtain a report regarding the Second Tranche Bonds at the principal office of the Trustee upon presentation of sufficient and acceptable identification and Registrar's confirmation;
- d. The Trustee shall have custody of and hold in its name, for and in behalf of the Bondholders, the Master Certificates of Indebtedness for the total issuance of the Second Tranche Bonds.
- e. The Trustee shall promptly and faithfully carry out the instructions or decisions of the Majority Bondholders issued or reached in accordance with Section 11.
- f. The Trustee may, from time to time, request the Issuer to submit such certification of its officers, reports of its external auditors, and other documents relating to the Issuer's ability to comply with its obligations

under the Second Tranche Bonds and this Agreement, as well as to examine such records of the Issuer as may be related to the Issuer's obligations under the Second Tranche Bonds and this Agreement.

The request shall be reasonable, made not less than seventy-two (72) hours prior to the intended date of examination and shall be in writing to the Issuer which shall include, in reasonable detail, the purpose for such request and the intended use of the requested documents or information. The Issuer may require the Trustee, its directors, officers, employees, representatives, agents, partners, consultants and advisors to hold in confidence such documents and information furnished to the Trustee pursuant to said request or to limit the use thereof for the purpose intended as stated in the request provided such limitation shall not apply if it is in conflict with the duties and responsibilities of the Trustee under any provision of this Agreement.

- g. The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in this Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by this Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs under similar circumstances. The Trustee may appoint agents to perform or institute the necessary actions in the exercise of such rights and powers.
- h. The Trustee shall inform the Bondholders of any event, breach of representations and warranties, and Events of Default within a reasonable period from the time that the Trustee learns or is informed of such events.

As to the Bondholders, the Trustee may presume that no Event of Default has occurred and the Issuer has complied with all its representations, warranties and covenants until it has received notice or has actual knowledge thereof.

- i. Upon written request by the Issuer no later than 11:30 a.m. on a Banking Day, send notice of any matter to the Bondholders, other than those matters notice of which is specifically required to be given to the Bondholders by another party under the Agreement. If required, a copy of such notice shall be sent to the Registrar.
- j. Except as may be necessary to perform its duties under this Agreement and as required by Applicable Law, the Trustee (i) shall permanently keep privileged and confidential, separate and distinct, any information, data, documents, files, properties, funds, or any other matter which it may acquire pursuant to this Agreement or obtained in the course of the performance of its duties and functions as a Trustee, (ii) shall refrain from disclosing any such information or item in any manner, whether written, verbal, telegraphic, coded, or encrypted, whether in physical, electronic, or any other form or media, and (iii) hereby undertakes not to use any such information or item for its own benefit or for the benefit of any of its clients

regardless of whether or not such use can be shown to cause disadvantage, injury, or damage to the Issuer; provided, that where any disclosure of the foregoing information is required by Applicable Law, the Trustee shall properly apprise the Issuer of such disclosure and give reasonable opportunity to the Issuer to consider the same. This Section shall survive termination of this Agreement.

- k. The Trustee shall perform such other powers and functions as provided for elsewhere under this Agreement.

3.3. Corporate Form

The Trustee shall at all times be a financial institution organized and doing business under the laws of the Republic of the Philippines duly authorized to exercise corporate trust powers, having its principal office and place of business in Metro Manila, Philippines.

3.4. Custody, Segregation, and Deposit of Funds

All moneys and funds received by the Trustee in connection with this Agreement shall be held in trust for the purpose for which they were received, and any and all such sums and assets shall be segregated from all other funds and assets of the Trustee.

3.5. Compensation, Reimbursement, and Indemnification

- a. In consideration for the faithful compliance and performance by the Trustee of its duties and obligations under this Agreement, the Issuer shall pay to the Trustee the amount of fees to be stipulated in a separate Fee Letter which is made an integral part hereof. The Issuer will pay or reimburse the Trustee for all expenses, disbursements, and advances incurred or made by the Trustee in accordance with any of the provisions of this Agreement (including reasonable compensation and expenses and disbursements of its counsel and of all Persons not regularly in its employ). If any property other than cash shall at any time be subject to any Lien created for the benefit of the Trustee, on account of the Issuer's obligations to the Trustee under the Agreement, or the Bondholders by operation of Applicable Law or as a result of any execution, receivership, bankruptcy, dissolution or similar proceedings, if and to the extent authorized by any agency or court of competent jurisdiction subjecting such property to such Lien, the Trustee may, but without legal obligation to do so, make advances for the purpose of preserving such property or of discharging tax Liens or other prior Liens or encumbrances thereon previously disclosed to the Sole Issue Manager and the Joint Lead Underwriters.
- b. The Issuer also covenants to indemnify the Trustee for, and to hold it free and harmless against, any loss, liability or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the administration of this trust and the performance of its obligations and functions under this Agreement, including the cost and expenses of defending itself against any claim of liability in the premises.

- c. The obligations of the Issuer to the Trustee under this Section shall constitute additional indebtedness of the former hereunder.

3.6. Liability of the Trustee

- a. No provision of this Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its willful misconduct, or that of its directors, officers or employees, provided that:
 - i. In the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely upon, as to the truth of the statements and the correctness of the opinion expressed in, any certificate or opinion furnished to the Trustee conforming to the requirements of this Agreement.
 - ii. The Trustee shall not be liable for any error of judgment made in good faith by its responsible officer or officers, unless it shall be proved that the Trustee was grossly negligent in ascertaining the pertinent fact.
 - iii. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written direction of the Majority Bondholders, relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under this Agreement.
 - iv. None of the provisions contained in this Agreement shall require the Trustee to expend, advance or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.
 - v. The Trustee shall have no duty or liability beyond its duty to perform the obligations under this Agreement.
 - vi. The Trustee or successor Trustee shall be exempt from giving any surety or bond in the performance of its duties under this Agreement.

3.7. Ability to Consult with Counsel

- a. The Trustee may consult with counsel upon due notice to Issuer, and any reasonable opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or omitted to be taken by the Trustee hereunder in good faith and in accordance with such opinion; provided that, prior to taking or not taking such action for which the opinion of counsel is sought, the Trustee shall inform the Issuer of the relevant opinion of counsel.

- b. Notwithstanding any provision of this Agreement authorizing the Trustee conclusively to rely upon any certificate or opinion, the Trustee may, before taking or refraining from taking any action in reliance thereon, require any further evidence or make any further investigation as to the facts or matters stated therein which it may in good faith deem reasonable in the circumstances; and the Trustee shall require such further evidence or make such further investigation as may reasonably be requested in writing by the Majority Bondholders.

3.8. Trustee as Owner or Pledgee of the Second Tranche Bonds

The Trustee, in its individual or any other capacity, may become the owner or pledgee of the Second Tranche Bonds with the same rights it would have if it were not Trustee, and subject to the provisions of Section 3.9, the Trustee may otherwise deal with the Issuer in the same manner and to the same extent as though it were not the Trustee hereunder.

3.9. Conflict of Interest

- a. If the Trustee has or acquires any conflicting interest, as defined in Section 3.9c, the Trustee shall, within sixty (60) days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign as Trustee in the manner and with the effect specified in this Section 3.9, or obtain a written waiver from the Issuer in relation to such conflicting interest, which waiver shall not be unreasonably withheld or delayed. In the event of a resignation by the Trustee under this Section 3.9, the Trustee shall resign in the manner and with the effect specified in Section 3.11.
- b. In the event that the Trustee shall fail to comply with the provisions of Section 3.9a, the Trustee shall within ten (10) days after the expiration of the aforesaid sixty (60)-day period transmit notice of such failure to the Bondholders and the Issuer.
- c. For the purpose of this Section, the Trustee shall be deemed to have a conflicting interest if:
 - i. The Trustee directly or indirectly Controls or is directly or indirectly Controlled by or is under direct or indirect common Control of the Issuer; or
 - ii. Twenty percent (20%) or more of the voting securities of the Trustee is beneficially owned either by the Issuer or by any director, partner or executive officer thereof, or thirty percent (30%) or more of such voting securities is beneficially owned, collectively, by any two (2) or more of such Persons; or
 - iii. The Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, five percent (5%) or more of the voting securities, or ten percent (10%) or more of any other class of security, of the Issuer, not including the bonds of the Issuer issued

under any other agreement under which the Trustee is also a trustee; or

- iv. The Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, five percent (5%) or more of the voting securities of any Person who, to the knowledge of the Trustee, owns ten percent (10%) or more of the voting securities of, or controls directly or indirectly or is under direct or indirect common control of, the Issuer; or
- v. The Trustee is or becomes a Competitor.

For this purpose, a "Competitor" is:

- vi. any Person which is: (a) engaged in, (b) has a direct or indirect beneficial interest of at least thirty percent (30%) of the outstanding capital stock of, (c) has the power to nominate, appoint or elect a director or executive officer of, or (d) has the power to propose, direct or Control (whether by contract, the ownership of shares or otherwise) the management policy or affairs of, any business which is in competition with the business of the Issuer or, in any event, any Person which has the ability or power to disclose, use or otherwise exploit information relating to the Issuer in furtherance of or in connection with such competitive business; or
- vii. any Person, twenty percent (20%) or more of the voting securities of which is legally and beneficially, directly or indirectly, owned by a Person referred to in Section 3.9c(vi) above; or
- viii. any Person which is the legal and beneficial, direct or indirect, owner of at least twenty percent (20%) of the voting securities of a Person referred to in Section 3.9c(vi) above; or
- ix. any Person whose directors, partners or executive officers is a director, partner or executive officer of any of the Persons referred to in Section 3.9c(vi), (vii), and (viii) above; or
- x. any Person, thirty percent (30%) or more of the voting securities of which is legally and beneficially, directly or indirectly, owned by a director, partner, or executive officer, or any two (2) or more of such directors, partners or executive officers, of a Person referred to in Section 3.9c(vi).

3.10. Change of Trustee

- a. The Trustee may at any time resign by giving thirty (30) days prior written notice to the Issuer and to the Bondholders of such resignation. Upon receiving such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor Trustee by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the successor

Trustee. If no successor Trustee shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, or any Bondholder who has been a bona fide holder of the Second Tranche Bonds for at least six (6) months (the "Bona Fide Bondholder") may, for and on behalf of the Bondholders, petition any such court for the appointment of a successor Trustee. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor Trustee, subject to Section 3.2 of this Agreement.

- b. In case at any time any of the following shall occur -
 - i. The Trustee shall fail to comply with the provisions of Section 3.9.a after written request therefor by the Issuer or by the Majority Bondholders; or
 - ii. The Trustee shall cease to be eligible in accordance with the provisions of Section 3.2 and shall fail to resign after written request therefor by the Issuer or by any Bona Fide Bondholder; or
 - iii. The Trustee shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation; or
 - iv. Provided there is no Event of Default, the successor Trustee, pursuant to Section 3.11, is not acceptable to the Issuer, for any reason;

then the Issuer may, within thirty (30) days therefrom remove the Trustee and appoint a successor Trustee, by written instrument in duplicate, executed by the Issuer's duly authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the successor Trustee. If the Issuer fails to remove the Trustee and appoint a successor Trustee, any Bona Fide Bondholder may, on behalf of himself and all other Bondholders, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor Trustee, subject to Section 3.2 of this Agreement.

- c. The Majority Bondholders may at any time remove for cause the Trustee and appoint a successor Trustee by the delivery to the Trustee so removed, to the successor Trustee and to the Issuer of the evidence provided for in Section 11.9 of the action in that regard taken by the Majority Bondholders. This is without prejudice to whatever remedies may be available to the Majority Bondholders under Applicable Law or in equity.

- d. Any resignation or removal of the Trustee and appointment of a successor Trustee pursuant to any of the provisions of this Section shall become effective upon the earlier of: (i) acceptance of appointment by the successor Trustee as provided in this Agreement; or (ii) the effectivity of the resignation notice sent by the Trustee under this Agreement provided, however, that after such effectivity of the resignation notice and, as relevant, until such successor Trustee is qualified and appointed, the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by the Issuer.
- e. Within ten (10) days from the effectivity of the resignation notice, the Trustee shall transfer and turn over to the successor Trustee, and shall make an accounting of, all the assets, documents or instruments which are in the custody of the Trustee pursuant to this Agreement, if any.

3.11. Successor Trustee

- a. Any successor Trustee appointed as provided in Section 3.10 shall execute, acknowledge and deliver to the Issuer and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder with like effect as if originally named as Trustee herein. The foregoing notwithstanding, on the written request of the Issuer or of the successor Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor Trustee, upon the trust herein expressed, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor Trustee all such rights, powers and duties.
- b. No successor Trustee shall accept appointment as provided in this Section unless at the time of acceptance such successor Trustee shall be qualified and eligible under the provisions of Section 3.2 and has none of the conflict of interest under Section 3.9.
- c. Upon acceptance of appointment by a successor Trustee as provided in this Section, the Issuer shall notify the Bondholders in writing of the succession of such Trustee to the trust herein. If the Issuer fails to notify the Bondholders within ten (10) days after acceptance of appointment by the successor Trustee, the latter shall cause the Bondholders to be so notified at the expense of the Issuer.

3.12. Merger or Consolidation

Without prejudice to Section 3.9.b, any corporation into which the Trustee may be merged or with which it may be consolidated or any corporation resulting from any merger or consolidation to which the Trustee shall be a party or any corporation

succeeding to the business of the Trustee shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such successor Trustee shall be eligible under Section 3.2 and has none of the conflict of interest under Section 3.9, and that, if such successor Trustee shall not be qualified under Section 3.9, such successor Trustee shall, within ninety (90) days after becoming such successor Trustee, either become qualified under Section 3.9 or resign in the manner and with the effect specified in Section 3.10. The Trustee shall immediately inform the Issuer of the occurrence of such merger, consolidation or such succession to the business of the Trustee.

3.13. Representations and Warranties of the Trustee

The Trustee represents to the Issuer and to the Bondholders as follows:

- a. It is a corporation duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines, and has its business address at the place indicated in this Agreement, and is registered or qualified to do business as now being conducted in every jurisdiction where registration or qualification is necessary;
- b. It has full power and authority to enter into this Agreement and to perform its obligations hereunder and execute the trust hereby created, and hereby accepts the trust in this Agreement and provided upon the terms and conditions herein set forth;
- c. The obligations of the Trustee under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with its terms;
- d. All consents, approvals and authorizations necessary on its part for the due execution, delivery and performance of this Agreement have been obtained or effected by it and remain in full force and effect as of the date hereof; and
- e. The execution and delivery of this Agreement, and the performance of its obligations hereunder, do not and will not violate any Applicable Law or judgments, orders or issuances of Philippine courts and will not conflict with or result in a breach of its constitutive documents, any contract, agreement or other obligation to which it is a party or for which it may be bound.

The aforesaid representations and warranties are true and correct as of the date of this Agreement and shall remain to be true and correct as long as the Second Tranche Bonds or any portion thereof remain outstanding.

The representations and warranties of the Trustee shall survive the issuance of the Second Tranche Bonds and may be enforced at any time while the Second Tranche Bonds or any portion thereof remains outstanding.

Any breach of the foregoing representations of the Trustee entitles the Majority Bondholders to remove the Trustee pursuant to and in accordance with Section 3.10.c.

3.14. Declarations by the Trustee and the Issuer

The recitals contained herein and in the Second Tranche Bonds, except the Trustee's representations provided in Section 3.12, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity of the Second Tranche Bonds. The Trustee shall not be accountable for the use or application by the Issuer of any of the Second Tranche Bonds or of the proceeds of such Second Tranche Bonds. Similarly, the Issuer takes no responsibility for the correctness of the representations made by the Trustee under Section 3.13.

3.15. Reports to the Bondholders

- a. Only upon the occurrence of either (i) or (ii) below, the Trustee shall submit to the Bondholders on or before March 31 of each year from the relevant Issue Date until full payment of the Second Tranche Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:
 - i. The property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report (as reported by the Paying Agent to the Trustee); and
 - ii. Any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Second Tranche Bonds, except action in respect of a default, notice of which has been or is to be withheld by it in accordance with the provisions of Section 10.2.
- b. Upon the written request of any Bona Fide Bondholder, the Trustee shall likewise transmit to the requesting Bondholder, a brief report with respect to the character, amount and the circumstances surrounding the making of any advance by the Trustee for the reimbursement of which the Trustee claims or may claim a Lien or charge which is prior to that of the Bondholders on the trust estate or property or funds held or collected by the Paying Agent and which it has not previously reported pursuant to this paragraph, if such advance remaining unpaid at any time aggregates more than ten percent (10%) of the aggregate principal amount of Second Tranche Bonds outstanding at such time, such report to be transmitted within ninety (90) days from the making of such advance.
- c. Only upon a written request at least five (5) Banking Days before, the following pertinent documents may be inspected during regular business hours on any Banking Day at the principal office of the Trustee:
 - i. This Agreement;
 - ii. The Registry and Paying Agency Agreement;
 - iii. The latest Articles of Incorporation and By-Laws of the Issuer; and

iv. The Permit to Sell the Second Tranche Bonds.

- d. Upon the written request of any Bona Fide Bondholder, the Trustee shall issue a certification as to the amount of Second Tranche Bonds held by such Bona Fide Bondholder. The Bondholder shall pay the Trustee an upfront certification fee of Five Thousand Pesos (PhP5,000.00) per certification in addition to any fees that may be imposed by the Registrar and Paying Agent for such certification.

Section 4 REPRESENTATIONS AND WARRANTIES OF THE ISSUER

4.1. Representations and Warranties

The Issuer hereby represents and warrants to the Trustee and the Bondholders as follows:

- a. **Organization and Existence.** It is a corporation duly incorporated, validly existing and in good standing under the Laws of the Republic of the Philippines, and has its business address at the place indicated in this Agreement, and is registered or qualified to do business as now being conducted in every jurisdiction where registration or qualification is necessary;
- b. **Authorization.** It has full legal right, power and authority to carry on its present business, to own its properties and assets, to incur the Indebtedness and other obligations provided for in the Second Tranche Bonds and this Agreement, and has taken all appropriate and necessary corporate and legal actions to authorize the offer, issuance, distribution and sale of the Second Tranche Bonds, for the circulation of the Prospectus and the execution and delivery of this Agreement, and to comply, perform and observe the terms and conditions hereof and thereof;
- c. **Binding Obligation.** The obligations of the Issuer under the Second Tranche Bonds, this Agreement and all accepted Applications to Purchase will constitute its legal, valid and binding obligations, enforceable in accordance with their terms and conditions;
- d. **No Breach.** The execution and delivery by the Issuer of this Agreement, the issuance of the Second Tranche Bonds, the performance by it of any provision, condition, covenant or other terms herein or therein and its payment of all amounts due on the dates and in the currency provided for therein will not violate in any respect any provision of its Articles of Incorporation, By-Laws, or other constitutive documents, or violate, conflict with or result in the breach of or constitute a default (or which, with the giving of notice or passing of time or both, would constitute a default) under: (i) any Applicable Law presently in effect; or (ii) any indenture, agreement, mortgage, contract or other undertaking or instrument to which it is a party or which is binding upon it or any of its properties or assets, and do not and will not result in the creation or imposition of any Lien in or any

security interest on any of its properties or assets pursuant to the provisions of such indenture, agreement, contract or other undertaking or instrument;

- e. **No Event of Default.** No event has occurred and is continuing or would result from the making of this Agreement or the issuance of the Second Tranche Bonds which constitutes an Event of Default under Section 9.1 hereof or which, upon a lapse of time or notice or both, would become such an Event of Default;
- f. **No Declared Event of Default in Other Agreements.** No declared event of default which would have a Material Adverse Effect has occurred which constitutes a default by the Issuer under or in respect of any agreement, undertaking or instrument to which it is a party or by which it or its ownership in any of its assets or properties may be bound. Neither has an event which would have a Material Adverse Effect occurred which with giving of notice, lapse of time or other conditions would constitute a declared event of default by it under or in respect of any such agreement, undertaking or instrument;
- g. **Consents, Approvals and Registrations.** All consents, licenses, approvals and authorizations of, and all filings and registrations with any Governmental Authority, bureau or agency, or other entity or Person legally necessary for the issuance as well as the offering, distribution and sale of the Second Tranche Bonds, for the circulation of the Prospectus, and for the Issuer to enter into and comply with its obligations under this Agreement, the Second Tranche Bonds and all accepted Applications to Purchase, will have been obtained or effected on or before the commencement of the Offer Period;
- h. **Compliance with Conditions.** All conditions imposed under the Securities Regulation Code and the pertinent rules and regulations of the SEC with respect to the offer, issuance, distribution and sale of the Second Tranche Bonds, have been or will have been complied with by the Issuer as of the date or time that they are required to be complied with;
- i. **Litigation.** Except as otherwise disclosed by the Issuer to the Bondholders, through the Trustee, in writing on or prior to the date of this Agreement, there is no litigation, arbitration or other proceeding pending, or to its knowledge threatened against or affecting it or its assets and properties, before any court or governmental department, commission, board, bureau, agency or instrumentality of the Republic of the Philippines or any other jurisdiction which, if determined adversely could have a material adverse effect on the business, properties, assets or financial conditions of the Issuer, or have a Material Adverse Effect or which might enjoin the execution and delivery of or might affect in any manner the validity and enforceability of this Agreement or the Second Tranche Bonds;
- j. **Immunity.** Neither it nor any of its properties or assets enjoy any right of immunity from suit, jurisdiction of any competent court, attachment prior to judgment, attachment in aid of execution, execution of judgment or set-off in respect of its obligations under this Agreement or the Second Tranche Bonds;

- k. **Equal Rank.** Its obligations under this Agreement and the Second Tranche Bonds shall constitute direct, unconditional, unsecured, and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to Section 5.2.a or as may be allowed by this Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the Issue Date.

- l. **Material Adverse Event.** No event has occurred which might materially and adversely affect its condition (financial or otherwise), results of operation, business or prospects or which makes it improbable that it will be able to fulfill any of its obligations under this Agreement or the Second Tranche Bonds;

- m. **Financial Statements.** Its audited financial statements as of December 31, 2017, December 31, 2016, and December 31, 2015 fairly represent in all material respects the financial conditions of the Issuer as of such date and results of its operations for such period based on PFRS, and since such date, there has been no material adverse change in such condition or operations. There are no substantial liabilities of the Issuer, direct, contingent or otherwise as of the Issue Date, which are not reflected in such balance sheet except for those which have been previously disclosed in writing;

- n. **Compliance with Laws/Taxes.** The Issuer is conducting its business and operations in compliance with the Applicable Law. The Issuer has filed timely tax returns with the appropriate Governmental Authority, which are required to be filed by it, and has paid all Taxes shown to be due on such tax returns and on all assessments received by it, to the extent that such Taxes and assessments have become due, except to the extent that the payment of such Taxes and assessments is being contested in good faith and by appropriate proceedings diligently conducted, and adequate reserves have been provided for payment thereof;

- o. **Material Disclosure.** All information heretofore or hereinafter given by the Issuer to the Joint Lead Underwriters (for the due diligence review of the Offer and for other purposes directly relating to the Offer), and to the Bondholders, through the Trustee, for and in connection with this Agreement and the Second Tranche Bonds are true, binding, complete and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made; reasonable inquiries have been made to verify the facts contained therein; and, there are no other facts the omission of which would make any fact or statement therein misleading;

- p. **Registration Statement and Prospectus.** The Registration Statement and the Prospectus are not violative of any statute or any rule or regulation of any governmental agency or office, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made; reasonable inquiries have been made to verify the facts contained therein; and there are no other facts the omission of which would make any fact of statement therein misleading. The Registration Statement and the Prospectus contain a reasonably complete description of the business, properties, operations, financial condition, affairs and assets of the Issuer, its capitalization, the Second Tranche Bonds, and the terms of the Offer;
- q. **Title to Properties.** It has valid, good, indefeasible, and marketable title to all its properties appearing in its financial statements, free and clear of Liens, restrictions, or charges, except as provided under Section 5.2.a hereof;
- r. **Concession, Trade Names and Patents.** It has the right to all concessions, trade names, patents and license agreements necessary for the conduct of its business as now conducted, without any known conflict with the rights of others, except to the extent that such rights may be subject to conflicts with third parties which would not have a Material Adverse Effect; and
- s. **Solvency.** The Issuer is solvent to operate and engage in business, and specifically that: (i) it is able to meet its obligations as they mature; (ii) the fair value of its assets exceeds its liabilities; and (iii) it has sufficient capital to carry on its business.
- t. On Issue Date and on the issue date of each subsequent tranche of the Bonds, the Net Debt to Consolidated Equity Ratio shall not exceed 3:1. At least two (2) Banking Days prior to such issue date, the Issuer shall furnish the Trustee, substantially in the form of **Exhibit 2** a certificate signed by the Chief Finance Officer or a duly designated officer of the Issuer stating the Net Debt, Consolidated Equity and Net Debt to Consolidated Equity Ratio of the Issuer, dated on the date of delivery thereof, together with the relevant supporting documents to enable the validation of such calculation.

4.2. Survival of Representations and Warranties

Each of the representations and warranties set forth in Section 4.1 hereof are made as of the date of this Agreement and, except for Section 4.1.p, will be true and accurate throughout the continuance of this Agreement and for as long as the Second Tranche Bonds or any portion thereof remains outstanding, with reference to the facts and circumstances existing from time to time.

Section 5 COVENANTS

5.1. Affirmative Covenants

The Issuer covenants that during the term of the Second Tranche Bonds and until payment in full and performance of all its obligations thereunder and under this Agreement, the Issuer shall act as follows and shall perform the following obligations:

- a. **Maintenance and Continuity of Business/Insurance.** The Issuer shall maintain and preserve its corporate existence, rights, privileges and franchises necessary or desirable in the normal conduct of its business (including, without limitation, any governmental approval, license or certification necessary or advisable for the legality, validity and enforceability of this Agreement and the Second Tranche Bonds); carry out and conduct its business in an orderly, diligent, efficient, and customary manner and in accordance with sound financial and business practices; keep all its properties in good working order and condition, and from time to time make all needful and proper repairs, renewals, replacements and improvements thereto and thereof so that business carried on in connection therewith may be properly and advantageously conducted at all times; and maintain insurance with reputable insurers on all of its properties and assets to such extent and against such risk as is customary with companies in the same or similar business and maintain such other insurance as may be required by Applicable Law;
- b. **Compliance with Law/ Taxes.** The Issuer shall comply in all respects with all Applicable Law. It shall at all times comply with all orders, directives, judgments, indentures, mortgages, deeds of trust, agreements and other instruments, arrangements, obligations and duties to which it is subject or by which it is legally bound where non-compliance would materially and adversely affect the Issuer's ability to duly perform and observe its obligations and duties under this Agreement and the Second Tranche Bonds. The Issuer shall duly pay and discharge all Taxes assessments and governmental charges of whatsoever nature and by whomsoever levied upon it or against its properties prior to the date on which penalties attach thereto, unless and to the extent only that the same shall be contested in good faith and by appropriate proceedings diligently conducted by the Issuer and adequate reserves have been provided for the payment thereof or where penalties and consequences for a delay in the payment thereof will not result in a Material Adverse Effect;
- c. **Indebtedness and Contractual and Other Obligations.** The Issuer shall promptly pay and discharge all Indebtedness and perform all contractual obligations promptly and in accordance with their terms; duly pay and discharge all lawful claims of labor, materials, supplies, services or otherwise which might or could, if unpaid become a Lien or charge upon the properties or assets of the Issuer, unless and to the extent only that the same shall be contested in good faith and by appropriate proceedings diligently conducted by the Issuer, and take such steps as may be necessary in order to prevent its properties or any part thereof from being subjected to the possibilities of loss, forfeiture or sale;
- d. **Notice of Legal Proceeding and Adverse Action.** The Issuer shall give the Bondholders through the Trustee prompt written notice of:

- i. any litigation or proceeding before any court, tribunal, arbitrator or Governmental Authority affecting it or any of its assets, including provisional relief such as attachments and garnishments, that could materially impair the ability of the Issuer to carry on its business substantially as now conducted, or materially and adversely affect its operations or financial condition, or would have a Material Adverse Effect;
 - ii. any dispute which may exist between it and any Governmental Authority or any proposal by any Governmental Authority to acquire its business or any of its assets which could materially and adversely affect its operations and financial condition, or would have a Material Adverse Effect;
 - iii. any litigation or proceeding relating to environmental matters concerning the Issuer that may materially and adversely affect its operations and financial condition, or would have a Material Adverse Effect;
 - iv. any notice of strike filed with the Department of Labor and Employment against the Issuer which may materially and adversely disrupt the Issuer's business operations or have a Material Adverse Effect;
 - v. any Event of Default or any event which, upon a lapse of time or giving of a notice or both, would become an Event of Default;
 - vi. any damage, destruction or loss which might materially and adversely affect the assets, business operations, prospects or financial condition of the Issuer or have a Material Adverse Effect; or
 - vii. any other event or matter of any nature whatsoever which has Material Adverse Effect;
- e. **Additional Agreements.** The Issuer shall promptly execute and deliver to the Bondholders, through the Trustee, such additional reports, documents, and other information respecting the business, properties, condition or operations, financial or otherwise of the Issuer, as the Bondholders may reasonably require from time to time to perfect and confirm to the Bondholders all their rights, powers and remedies hereunder;
- f. **Continuing Consents and Approvals.** The Issuer shall at its own cost and expense, continue and maintain in full force and effect any and all Authorizations, approvals, licenses or consents obtained in connection with or necessary for the carrying out of its business and its obligations under this Agreement and the Second Tranche Bonds; perform and observe all the conditions and restrictions contained in, or imposed on the Issuer by, any and all such Authorizations; and, obtain any new or additional Authorizations, approvals, licenses or consents, effect any and all registrations or filings and take such additional actions as are, or which may

become, necessary for its business and the performance by the Issuer of its obligations under this Agreement and the Second Tranche Bonds or the enforceability of this Agreement and the Second Tranche Bonds;

- g. **Books of Account and Records.** The Issuer shall maintain true, materially complete and adequate books of accounts and records and prepare all financial statements required hereunder to reflect fairly its financial condition and results of operation in accordance with PFRS and in compliance with the regulations of any Governmental Authority having jurisdiction thereof; appoint and maintain as auditors a firm of independent public accountants of recognized standing acceptable to the Trustee;
- h. **Reports.** The Issuer will furnish the Trustee:
 - i. within ninety (90) days after the close of each semestral period of the fiscal year of the Issuer, unaudited consolidated financial statements of the Issuer, as of the end of such semester, certified by an authorized officer of the Issuer, each prepared in accordance with PFRS; and
 - ii. within one hundred twenty (120) days after the close of the fiscal year of the Issuer, copies of the annual consolidated audited reports of the Issuer, certified by independent accountants of recognized standing accredited by the SEC including consolidated balance sheets as of the end of such fiscal year and consolidated earnings and surplus statements of the Issuer for such fiscal year, prepared in accordance with PFRS;
- i. **Certificate of No Default, Compliance and Notice of Default.** The Issuer shall furnish the Trustee, substantially in the form of **Exhibit 1**:
 - i. simultaneous with the audited consolidated financial statements, a certificate signed by the Chief Finance Officer or a duly designated officer of the Issuer, dated not more than ten (10) days prior to the delivery thereof, stating that no event has occurred and is continuing which constitutes or which, with the giving of notice or lapse of time or both, would constitute an Event of Default; and
 - ii. within five (5) Banking Days after the occurrence of any event which constitutes or which, with the giving of notice or lapse of time or both, would constitute an Event of Default, notice of such occurrence, together with a detailed statement by the Chief Finance Officer or a duly designated officer of the Issuer as to the nature thereof and the steps taken and/or being taken by the Issuer to cure such event;
- j. **Notice of Change of Address.** The Issuer shall give the Bondholders, through the Trustee, written notice of any change of address at least five (5) Banking Days prior to such change;

- k. **Title.** The Issuer shall maintain, warrant and defend the rights, title and interests of the Bondholders hereunder and under the Second Tranche Bonds;
- l. **Use of Proceeds.** The Issuer shall ensure that the proceeds of the Second Tranche Bonds shall be used for the purpose stated in the Prospectus. Notwithstanding this Section, the Issuer may reallocate the proceeds of the Second Tranche Bonds to other purposes subject to compliance with the Applicable Law;
- m. **Subsidiaries.** The Issuer shall cause its Subsidiaries, so far as is permitted by Applicable Law, or by loan covenants, or by the financial conditions of, or other relevant agreements of the Issuer or Subsidiary, to pay such dividends to the Issuer as are necessary to meet the Issuer's obligations under this Agreement and the Second Tranche Bonds;
- n. **Ranking of the Second Tranche Bonds.** If the Issuer incurs Indebtedness embodied in public instruments providing priority or preference under Article 2244(14) of the Civil Code of the Philippines, the Issuer shall, at its option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Second Tranche Bonds;
- o. **Submission of Reports/Information Documents to Trustee.** The Issuer shall submit to the SEC copies of the reports, information and documents which the Issuer may be required to file with the SEC in connection with the offering of the Second Tranche Bonds pursuant to the Securities Regulation Code, and submit the same to the Trustee (other than those documents which are already required to be submitted to the Trustee under this Agreement), within ten (10) Banking Days after the Issuer has filed the same with the SEC;
- p. **Further Assurances.** The Issuer shall: (i) comply with all the terms and conditions of this Agreement and the Second Tranche Bonds; (ii) maintain satisfactory accounting, cost control, and management information systems; and (iii) ensure that all transactions with Subsidiaries and material Affiliates in the ordinary course of business shall be executed on arm's length basis; and
- q. **Services of a Credit Rating Agency.** The Issuer shall maintain the services of an independent credit rating agency accredited by the SEC to monitor the Second Tranche Bonds rating.

5.2. Negative Covenants

During the term of this Agreement and until payment in full of all the outstanding Second Tranche Bonds and performance of all other obligations of the Issuer hereunder, the Issuer hereby covenants that it shall not permit any of the following occurrences without the prior consent of the Majority Bondholders:

- a. **Encumbrances.** The Issuer shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; *Provided*, however that this shall not prohibit the following:
- i. any Lien over any asset to secure: (x) payment of the purchase price or cost of leasehold rights of such asset; or (y) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (z) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
 - ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;
 - iii. any Lien to secure, in the normal course of the business of the Issuer or its affiliates: (x) statutory or regulatory obligations; or (y) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases;
 - iv. any Lien to secure, in relation to a pending judicial, administrative, or arbitral proceeding, the Issuer or its affiliates' (x) surety or appeal bonds; or (y) bonds for release of attachment, stay of execution or injunction;
 - v. any Lien constituted for the purpose of guaranteeing an affiliate's obligation in connection with any contract or agreement that has been assigned to such affiliate by the Issuer;
 - vi. any Lien constituted for the purpose of guaranteeing an obligation in connection with any contract or agreement of sale of any asset by the Issuer, provided that the Lien is removed or discharged within twelve (12) months of the date of the sale of the asset;
 - vii. any Lien created over (x) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("foreign currency"); or (y) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purposes of raising an equivalent amount of Peso denominated indebtedness;
 - viii. any Lien on the properties and assets of the Issuer: (x) imposed by Applicable Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens

arising in the ordinary course of business; (y) arising out of pledges or deposits under workmen's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (z) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;

- ix. any Lien in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty-Five percent (35%) of the Issuer's total assets;
- x. any Lien over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Forty Million (US\$40,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;
- xi. other Liens: (x) created solely by operation of law; and (y) on such other assets, whether constituted before or after the Issue Date, as may be disclosed in writing by the Issuer to the Trustee on or before the execution of this Agreement; and
- xii. any Lien constituted over the investment of the Issuer in any of its affiliate, and whether such investment is in the form of shares, deposits or advances to guarantee or secure the obligations of the said affiliates;

Provided that for purposes of "affiliate" as used in Section 5.2a(iii), (iv), (v), and (xii) of this Agreement, it shall refer to any Person in which the Issuer has investment, whether direct or indirect, in.

- b. **Nature of Business.** Except as required by Applicable Law or any Governmental Authority, the Issuer shall not: (i) make or permit any material change in the nature of its business from that being carried on as of the date hereof; or (ii) engage in any business operation or activity other than that for which it is presently authorized, expressly or impliedly, by its Articles of Incorporation or by Applicable Law;
- c. **Merger or Consolidation.** The Issuer shall not enter into any merger or consolidation except where (i) the Issuer is, or the Aboitiz Group retains Control of, the surviving corporation; (ii) such merger or consolidation is

required by law, regulation, or decree; or (iii) such merger or consolidation does not result in a Material Adverse Effect;

- d. **Amendment of Articles of Incorporation and By-laws: Quasi-reorganization.** Except as required by Applicable Law, the Issuer shall not amend its Articles of Incorporation and/or By-laws or reorganize or reduce its capital where such amendment, reorganization, or reduction of capital results in a Material Adverse Effect;
- e. **Declaration and Payment of Cash Dividends/Issuance of Share.** The Issuer shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the Second Tranche Bonds are current and updated;
- f. **Sale or Lease of Assets.** The Issuer shall not sell, assign, lease, transfer, dispose, or subject all and/or substantially all of its properties and assets (whether in a single transaction or in a series of transactions, related or otherwise), divest any of its existing investments, or acquire all or substantially all of the properties or assets of any other Person except when such sale, assignment, lease, transfer, disposition, divestment, or acquisition: (i) is made in the ordinary course of business; (ii) is required by Applicable Law or any Governmental Authority; or (iii) does not result in a Material Adverse Effect;
- g. **Assignment of Revenues/Income.** The Issuer shall not assign, transfer or otherwise convey any right to receive any of its income or revenues except when such assignment, transfer, or conveyance: (i) is allowed under Section 5.2a above; (ii) is made in the ordinary course of day-to-day operations; (iii) is required by Applicable Law or any Governmental Authority; or (iv) does not result in a Material Adverse Effect;
- h. **Guarantee.** The Issuer shall not purchase or repurchase (or agree contingently or otherwise to do so) the Indebtedness, or assume, guarantee, endorse, or otherwise become directly or contingently liable (including without limitation, to become liable by way of agreement, contingent or otherwise, to purchase, use facilities, provide funds for payment, supply funds or otherwise invest in the debtor or otherwise to assure the creditor against loss) for or in connection with any obligation or Indebtedness of any other Person, other than obligations of its Subsidiaries or Affiliates or any Person which the Issuer has investments in, whether such investment is in the form of shares, deposits or advances;
- i. **Suspension of Business.** The Issuer shall not voluntarily suspend its business operations in a manner that will result in a Material Adverse Effect, or dissolve its affairs;
- j. **Loans and Advances to any Person.** The Issuer shall not extend any loan, advance or subsidy to any person (other than to its Subsidiaries or Affiliates

or any Person which the Issuer has investments in, whether such investment is in the form of shares, deposits or advances, or transactions in the ordinary course of business) which will have a Material Adverse Effect. Neither shall the Issuer make any deposit, credit to, or investment in, any Person which will have a Material Adverse Effect, except for bank deposits, money market placements, and other transactions in the ordinary course of business;

- k. **Incurrence of Additional Loans.** The Issuer shall not incur any loan obligation with a maturity of more than one (1) year, if on the Transaction Date, after giving effect to the incurrence of such loan obligation and any other such cumulative obligations, but not giving any effect to the receipt or application of proceeds therefrom, the Net Debt to Consolidated Equity Ratio, as at the last day of the Relevant Period immediately preceding the Transaction Date (and giving effect to the incurrence of such loan obligation and any other such cumulative obligations), will exceed 3:1. At least two (2) Banking Days prior to the Transaction Date, the Issuer shall furnish the Trustee, substantially in the form of **Exhibit 2** a certificate signed by the Chief Finance Officer or a duly designated officer of the Issuer stating the Net Debt, Consolidated Equity and Net Debt to Consolidated Equity Ratio of the Issuer, dated on the date of delivery thereof, together with the relevant supporting documents to enable the validation of such calculation.
- l. **Acceleration of Outstanding Credit Obligations.** The Issuer shall not, after the occurrence of an Event of Default, voluntarily prepay any Indebtedness unless it shall contemporaneously make a proportionate prepayment of the Second Tranche Bonds; and
- m. **Material Adverse Effect.** The Issuer shall not, in any case, execute, perform or do any other act which shall have a Material Adverse Effect.

5.3. Survival

The covenants of the Issuer mentioned in Sections 5.1 and 5.2 shall survive the issuance of the Second Tranche Bonds and shall be performed fully and faithfully by the Issuer at all times while the Second Tranche Bonds or any portion thereof remain outstanding.

Section 6 PAYMENT OF THE SECOND TRANCHE BONDS

6.1. Remittance of Payment by the Issuer

- a. No later than three (3) Banking Days prior to a Payment Date, the Paying Agent shall notify Issuer in writing of the amount required to be remitted on such relevant Payment Date in accordance with the Registry and Paying Agency Agreement. On Payment Date, the Issuer shall remit to the Paying Agent in good and cleared funds the amount required for all interest and principal payments of the Second Tranche Bonds, net of any withholding tax, which tax shall be remitted to the BIR by the Issuer in accordance with BIR rules and regulations. Principal, interest, and any other payment shall be considered paid and the Issuer's obligation to pay discharged at the time it is

due if: (i) at such time the Paying Agent holds money sufficient to pay all principal, interest, or other payments then due, and (ii) the Paying Agent pays out such monies to the Bondholders or the Issuer causes payment to be made directly to the Bondholders to discharge the interest or principal payments due on the Second Tranche Bonds in accordance with the Registry and Paying Agency Agreement.

- b. In the event that the Issuer will be unable to remit the full amount sufficient to cover the principal and the interest on the Second Tranche Bonds on the Payment Date, the Issuer shall remit the amount available for payment to the Paying Agent; provided, that such remitted amount shall be proportionately applied towards the satisfaction of the amounts due on the Second Tranche Bonds, and without prejudice to the right of action of the Trustee and the Bondholders because of such failure to remit in full such amount.

6.2. Interest Payment

- a. The interest on the outstanding principal sum of the Second Tranche Bonds shall be paid at a rate and in the manner provided in **Annex "A"** hereof, accrued and payable on the dates indicated in the interest coupon of the Second Tranche Bonds (the "Interest Payment Dates"). The Interest Payment Dates shall be automatically adjusted to fall on the immediately succeeding Banking Day if the Interest Payment Dates fall on a non-Banking Day, but there shall be no adjustment in the amount of interest as originally computed. Interest on the first Interest Payment Date will cover the period from Issue Date up to such Interest Payment Date. Subsequent interest payments shall be reckoned from the last Interest Payment Date up to the next Interest Payment Date. The last Interest Payment Date on the Series B Bonds and Series C Bonds shall fall on their respective Maturity Dates.
- b. The Person in whose name the Second Tranche Bonds is registered at the close of business on the Record Date preceding any Interest Payment Date shall be entitled to receive payment of the interest accruing up to such Interest Payment Date. In case of default in the payment of interest, such defaulted interest payment shall pertain to and be paid to the Person in whose name the Second Tranche Bonds are registered as of Record Date immediately preceding the relevant Interest Payment Date. In all cases, interest payments shall be remitted to the Bondholders only upon proper presentation to, and authentication by, the Paying Agent of proper authorization and identification papers.

6.3. Principal Repayment

- a. Unless previously redeemed, purchased, and cancelled, the principal amount of the Series B Bonds and Series C Bonds shall be payable on their respective Maturity Dates at its face value.
- b. The Maturity Dates shall be automatically adjusted to fall on the immediately succeeding Banking Day if the relevant Maturity Date is on or

otherwise falls on a non-Banking Day; provided, that no adjustment on the principal or interest accruing on such Maturity Date shall be made.

6.4. Optional Redemption

Prior to the respective Maturity Dates of Series B Bonds and Series C Bonds, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), the outstanding Second Tranche Bonds on the Optional Redemption Dates, as provided below, or the immediately succeeding Banking Day if such date is not a Banking Day, without any adjustment on the principal or interest accruing (the "Optional Redemption Date").

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Second Tranche Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Second Tranche Bonds on the Optional Redemption Date stated in such notice.

The amount payable to the Bondholders in respect of the Optional Redemption exercise (the "Optional Redemption Price") shall be calculated based on the principal amount of the Second Tranche Bonds being redeemed as the aggregate of the: (i) accrued interest computed from the last Interest Payment Date up to the relevant Optional Redemption Date; and (ii) the product of the principal amount and the applicable Optional Redemption Price in accordance with the following schedule:

For the Series B Bonds:

Optional Redemption Date	Optional Redemption Price
4 years from Issue Date	100.25%

For the Series C Bonds:

Optional Redemption Dates	Optional Redemption Price
7 years from Issue Date	102.00%
8 years from Issue Date	101.00%
9 years from Issue Date	100.25%

6.5. Redemption for Taxation Reasons

The Issuer may redeem the Second Tranche Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days' notice to the Trustee) at par plus accrued interest, subject to the requirements of Applicable Law, if payments under the Second Tranche Bonds become subject to additional or increased taxes for the Issuer, other than the taxes and rates of such taxes prevailing on Issue Date as a result of certain changes in Applicable Law, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer.

For avoidance of doubt, the Issuer shall not be liable for the payment of the additional or increased taxes on the income of the Bondholders, which shall be for the account of the Bondholders.

The Trustee, upon receipt of written notice of redemption delivered by the Issuer, shall declare the principal of the Second Tranche Bonds, including all accrued interest, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty that is imposed under an optional redemption, anything in this Agreement or in the Second Tranche Bonds contained to the contrary notwithstanding.

6.6. Mandatory Redemption

If any one or more of the following events shall occur, in the reasonable opinion of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the Second Tranche Bonds for the events contemplated in (a), (b) or (c) below or the Majority Bondholders for the events contemplated in (d) below (and with written notice to the Trustee), and be continuing for a period of fifteen (15) Banking Days with respect to the events contemplated in (a) or (c) below:

- a. Any law, government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Second Tranche Bonds which shall be modified in a manner which, in the reasonable opinion of the Trustee, while not constituting an Event of Default, will materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld;
- b. Any provision of the Trust Agreement or any of the related documents is or becomes invalid, illegal or unenforceable by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law is introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents;
- c. Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation, in such a manner as to materially and adversely affect the financial condition or operations of the Issuer; and
- d. Any Government Authority or any competent authority condemns, seizes, or expropriates all or substantially all of the assets or properties of the Issuer, unless such act is contested in good faith by the Issuer or unless such act is suspended or restrained by an order of a court of competent jurisdiction;

then, the Trustee, by notice in writing delivered to the Issuer may declare the principal of the Second Tranche Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any prepayment penalty that is imposed under an optional redemption, anything in this Agreement or in the Second Tranche Bonds contained to the contrary notwithstanding, subject to the notice requirements under Section 10.2, provided that, such notice shall not be deemed either caused by a default under Section 9.1, or a notice of default under Section 10.2.

6.7. Penalty Interest

In case any amount payable by the Issuer under the Second Tranche Bonds, whether for principal, interest, fees due to the Trustee, Registrar or Paying Agent or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty fee on the defaulted amount(s) at the rate of two percent (2%) per annum (the "Penalty Interest") from the time the amount fell due until it is fully paid.

Section 7 DISCHARGE OF OBLIGATION

The obligations of the Issuer under the Second Tranche Bonds and this Agreement shall cease to be of further effect if the Issuer shall have paid or remitted or caused to be paid the principal of, and all accrued interest on, all the Second Tranche Bonds issued and outstanding, including Penalty Interest, if any, at the time and in the manner therein provided.

In the event that the obligations of the Issuer under the Second Tranche Bonds and this Agreement shall cease to be of further effect as provided in this Section, the Trustee shall, on demand of the Issuer and at the latter's cost and expense, execute proper instruments acknowledging the satisfaction and discharge of the obligations of the Issuer under the Second Tranche Bonds and this Agreement. The Issuer agrees to reimburse the Trustee for any cost or expense thereafter reasonably and properly incurred by the Trustee in connection with the Second Tranche Bonds or this Agreement.

Section 8 UNCLAIMED PAYMENTS

The Paying Agent shall be responsible for any money remitted to it for the payment of principal and interest on any Second Tranche Bonds including Penalty Interest, if any, but not actually applied to such payment because the same have not been collected or claimed by the Bondholders. The Bondholders concerned shall make the necessary request for payment to the Paying Agent for any such sums unclaimed in accordance with the Registry and Paying Agency Agreement. Any unclaimed payments shall not bear any interest.

Six (6) months after the respective Maturity Dates of the Series B Bonds and the Series C Bonds or Optional Redemption Date or date of early redemption other than the Optional Redemption Date, the Paying Agent shall return any balance remaining in such payment account. Such amount of unclaimed interests and principal

payments shall be held for the benefit of the Bondholders. Upon payment of all amounts due to the Bondholders or return of the balance to the Issuer as provided in this Section, the responsibility of the Paying Agent to effect payments to the Bondholders as provided for in this Agreement shall cease.

Section 9 EVENTS OF DEFAULT

9.1. Events of Default.

A Bondholder upon receipt of information of an occurrence of any of the events enumerated in this Section 9.1, or the Issuer pursuant to Section 5.1.d, shall promptly notify the Trustee in writing of the occurrence of such event.

Each of the following events constitutes an Event of Default (“Event of Default”) under this Agreement:

- a. **Payment Default.** The Issuer fails to pay when due and payable any amount of principal or interest which the Issuer is obligated to pay the Bondholders under this Agreement and the Second Tranche Bonds, and such failure to pay is not remedied within seven (7) Banking Days from due date thereof.

The Issuer fails to pay when due and payable any other amount payable by the Issuer in respect of the Second Tranche Bonds and under the Trust Agreement in the manner, at the place, and in the currency in which it is expressed to be payable, and such non-payment continues for thirty (30) days from the date such payment is due. These other amounts include Penalty Interest, insofar as the payment of such interest is concerned;

- b. **Representation Default.** Except for clerical or typographical error, any representation or warranty made by the Issuer in this Agreement or in any document issued pursuant thereto or otherwise in connection therewith shall prove to have been untrue, incorrect, or misleading in any material respect as at the time it was made or deemed to have been made or is violated or not complied with, and the circumstances which cause such representation or warranty to be incorrect or misleading continue for not less than thirty (30) days (or such longer period as the Majority Bondholders shall approve) after receipt of written notice from the Trustee to that effect;
- c. **Other Provisions Default.** The Issuer fails to perform or comply with any other term, obligation, or covenant contained in this Agreement or in any other document or instruments related or otherwise in connection therewith and any such failure, violation, non-compliance is not remediable or if remediable, continues unremedied for a period of ninety (90) days for financial covenants and sixty (60) days for all other covenants from the date after written notice thereof shall have been given by the Trustee; *Provided*, however, that for the avoidance of doubt, no additional grace period shall apply to the Events of Default specified in this Section 9.1;
- d. **Cross-Default.** The Issuer violates any other material obligation by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default

under said contract, or in general, violation of any, law or regulation which violation, if remediable, is not remedied by the Issuer within thirty (30) Banking Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation will, further, in the reasonable opinion of the Trustee, adversely and materially affect the performance by the Issuer of its obligations under this Agreement and the Second Tranche Bonds. Provided, however, that no event of default will occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or is in excess of five percent (5%) of the fair market value of Assets of the Issuer, based on the relevant parent-only financial statements of the Issuer;

- e. **Insolvency Default.** The Issuer becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, which act shall include: (i) the filing of a petition in any bankruptcy, reorganization, winding up or liquidation of the Issuer, or any other proceeding analogous in purpose and effect: Provided, however, that in case the foregoing petition is filed by any other party, other than the Issuer, such event shall be considered a declared Event of Default only upon the issuance of a final order by the court of competent authority; (ii) the making of an assignment by the Issuer of substantially all or all of its assets, or in fraud of creditors; (iii) the admission in writing by the Issuer of its inability to pay its debts; (iv) the entry of any final order or judgment of any court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization, winding up or liquidation of the Issuer; or (v) the appointment of a receiver, liquidator, assignee, trustee, or sequestrator of the Issuer, or a substantial part of its property or assets or a substantial part of its capital stock or to assume custody or control of the Issuer, or the ordering of its dissolution, winding-up or liquidation of its affairs;
- f. **Closure Default.** The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days except that if the closure is: (i) due to strikes or lockouts; or (ii) necessary to prevent business losses; or (iii) due to fortuitous events or force majeure, then such closure shall not be deemed a Closure Default;
- g. **Judgment Default.** Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of 20% of the Issuer's Fair Market Value of Assets or its equivalent in any other currency is entered against the Issuer and any relevant period specified for payment in such judgment, decree, order, or agreement, shall have expired without being satisfied, discharged, or stayed; and
- h. **Writ and Similar Process Default.** Any writ, warrant of attachment or execution, or similar process shall be issued or levied against all or substantially all of the Issuer's assets, and such writ, warrant, or similar process shall not be released, vacated, or fully bonded within sixty (60) days

after its issue or levy (or such longer period as the Issuer satisfies the Majority Bondholders as appropriate under the circumstances).

Section 10 CONSEQUENCES OF DEFAULT

10.1. Declaration by the Trustee or the Majority Bondholders

- a. If any one or more of the Events of Default shall occur and be continuing, the Trustee, upon the written direction of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the Second Tranche Bonds, by notice in writing delivered to the Issuer, may declare the principal of the Second Tranche Bonds then outstanding, including all interest accrued and unpaid thereon and all amounts due thereunder, to be due and payable immediately, anything contained in this Agreement or in the Second Tranche Bonds to the contrary notwithstanding.
- b. The provision in Section 10.1a, however, is subject to the condition that, except in the case of a Writ and Similar Process Default under Section 9.01(h), the Majority Bondholders, by written notice to the Issuer and to the Trustee, may rescind and annul such declaration made by the Trustee pursuant to a consequence of default and its consequences, upon such terms, conditions and agreements, if any, as they may determine, including, in connection with a Cross Default, the fact that the non-payment of the obligation is contested in good faith by the Issuer; provided, that, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereto. Any such waiver shall be conclusive and binding upon all the Bondholders and upon all future holders and owners of such Second Tranche Bonds, or of any Second Tranche Bond issued in lieu thereof or in exchange therefor, irrespective of whether or not notation of such waiver is made upon the Second Tranche Bonds.
- c. At any time after an Event of Default shall have occurred, the Trustee may:
 - i. by notice in writing to the Issuer, the Registrar, and the Paying Agent, require the Registrar and Paying Agent to:
 - x. act thereafter as agents of the Bondholders represented by the Trustee on the terms provided in the Registry and Paying Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability under the provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agent and the Registrar shall be limited to amounts for the time being held by the Trustee on the trusts of this Agreement in relation to the Second Tranche Bonds and available to the Trustee for such purpose) and thereafter to hold all sums, documents and records held by them in respect of the Second Tranche Bonds on behalf of the Trustee; and/or

- y. deliver all evidence of the Second Tranche Bonds and all sums, documents and records held by them in respect of the Second Tranche Bonds to the Trustee or as the Trustee shall direct in such notice; provided, that, such notice shall be deemed not to apply to any document or record which the Paying Agent or Registrar is not obliged to release by any Applicable Law; and
- ii. by notice in writing to the Issuer, require the Issuer to make all subsequent payments in respect of the Second Tranche Bonds to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn.

10.2. Notice of Default

The Trustee shall, within ten (10) days after the occurrence of an Event of Default give to the Bondholders written notice of any such Event of Default known to it unless the same shall have been cured before the giving of such notice; provided, that, in the case of a Payment Default under Section 9.1.a, the Trustee shall, upon written notice from the Paying Agent of the Issuer's failure to pay any amount of principal or interest which the Issuer is obligated to pay the Bondholders under this Agreement and the Second Tranche Bonds, immediately notify the Bondholders upon the occurrence of such Payment Default; provided further, that such written notice from the Paying Agent shall not be required if the Issuer's failure to pay was caused by a technical error or by reasons beyond the control of the Issuer. The existence of a written notice required to be given to the Bondholders under this Section shall be published in two (2) newspapers of general circulation in Metro Manila, Philippines for two (2) consecutive days, indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Second Tranche Bonds at the principal office of the Trustee as indicated in this Agreement upon presentation of sufficient and acceptable identification to the Trustee.

Subject to Applicable Law, in case of the occurrence of an Event of Default, the Issuer shall authorize the Registrar to provide the Trustee with the list of Bondholders containing the names, addresses, tax identification number (TIN), tax status, and account details of the Bondholders, the amount of the Second Tranche Bonds held by them, the Cash Settlement Account numbers where payment to them shall be credited and such other information as may be agreed upon between the Registrar and the Issuer.

10.3. Payments in the Event of Default

The Issuer covenants that upon the occurrence of any Event of Default, the Issuer will pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Second Tranche Bonds with interest at the rate borne by the Second Tranche Bonds on the overdue principal and with Penalty Interest, where applicable, and in addition thereto the Issuer will pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any

reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee hereunder.

Upon the occurrence of an Event of Default and in accordance with the requirements of this Agreement, the Bondholders shall have the right, but not the obligation, to require the Issuer to redeem the Second Tranche Bonds in full, by payment of the amounts stated above, plus the principal amount, by delivery of the relevant evidence of the Second Tranche Bonds to the Trustee.

10.4. Application of Payments

Any money collected by the Trustee under this Section and any other funds held by it, subject to any other provision of this Agreement relating to the disposition of such money and funds, shall be applied by the Trustee in the order of preference as follows:

- a. First: To the payment of the costs, expenses, fees and other charges of collection, including reasonable compensation to the Trustee, Paying Agent, Registrar, and each such Person's agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursement made by them without negligence or bad faith.
- b. Second: To the payment of Penalty Interest.
- c. Third: To the payment of the interest, in the order of the maturity of such interest.
- d. Fourth: To the payment of the principal amount of the outstanding Second Tranche Bonds due and payable.
- e. Fifth: The remainder, if any, shall be paid to the Issuer, its successors or assigns, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the Second Tranche Bonds shall require the conformity of the Trustee. The Paying Agent shall render a monthly account of such funds under its control.

10.5. Remedies

- a. All remedies conferred by this Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extrajudicial proceedings appropriate to enforce the conditions and covenants of this Agreement, subject to Section 10.6.
- b. No delay or omission by the Trustee or by any Bondholder to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto, and every power and remedy given

by this Agreement to the Trustee or to the Bondholder may be exercised from time to time and as often as may be necessary or expedient.

10.6. Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of this Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless all of the following conditions have been fulfilled: (1) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Second Tranche Bonds, and (2) the Majority Bondholders shall have decided and made a written request upon the Trustee to institute such suit, action or proceeding in its own name, and (3) the Trustee for sixty (60) days after receipt of such notice and request shall have neglected or refused to institute any such suit, action or proceeding unless such failure was due to any circumstance beyond its control, and (4) no directions inconsistent with such written request or waiver of default by the Bondholders pursuant to Section 10.7 shall have been made, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholder shall have any right in any manner whatsoever by virtue of or by availing of any provision of this Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under this Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all Bondholders. For the protection and enforcement of the provisions of this Section, each and every Bondholder and the Trustee shall be entitled to such relief as can be given under the Applicable Law.

10.7. Waiver of Default by Bondholders

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Bondholders may decide for and in behalf of the Bondholders to waive any past default except the Events of Default specified in Sections 9.1.a, 9.1.d, 9.1.e, and 9.1.f and its consequences. In case of any such waiver, written notice of which shall be given to the Issuer by the Trustee, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Second Tranche Bonds.

10.8. Prescription

Claims in respect of principal and interest or other sums payable hereunder shall prescribe unless made within ten (10) years (in the case of principal or other sums)

or five (5) years (in the case of interest) from the date on which payment becomes due.

Section 11 MEETINGS OF BONDHOLDERS

11.1. Meetings

A meeting of Bondholders may be called at any time and from time to time pursuant to the provisions of this Section for the purpose of taking any action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of Second Tranche Bonds under any other provisions of this Agreement or under Applicable Law and such other matters related to the rights and interests of the Bondholders under the Second Tranche Bonds.

11.2. Notice of Meetings

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Second Tranche Bonds may direct in writing the Trustee to call a meeting of the Bondholders, to take any action specified in Section 11.1, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Issuer and to each of the registered Bondholders and published in two (2) newspapers of general circulation in Metro Manila, Philippines not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the notices for the requested meeting including the cost of the venue and other related expenses for the meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported statement of account.

11.3. Failure of Trustee to Call a Meeting

In case at any time the Issuer, pursuant to a resolution of its board of directors, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Second Tranche Bonds shall have requested and funded the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with Section 11.2, the notice of such meeting within fifteen (15) Banking Days after receipt of such request, then the Issuer or the holders of Second Tranche Bonds in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof as provided in Section 11.2, and the costs thereof shall be chargeable to the Trustee except when such failure is beyond the control of the Trustee.

11.4. Quorum

The presence of the Majority Bondholders personally or by proxy shall be necessary to constitute a quorum to do business at any meeting of the Bondholders. The Trustee shall determine and record the presence of the Majority Bondholders,

personally or by proxy. The Trustee shall rely on the records provided by the Registrar and shall be held free and harmless for such reliance.

11.5. Procedure for Meetings

The Trustee shall preside at all the meetings of the Bondholders unless the meeting shall have been called by the Issuer or by the Bondholders as provided in Section 11.3, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall move for the election of the chairman and secretary of the meeting from among the Bondholders then present or represented during the meeting.

Any meeting of the Bondholders duly called pursuant to the provisions of this Section may be adjourned from time to time for a period or periods not to exceed in the aggregate one (1) year from the date for which the meeting shall originally have been called, and the meeting so adjourned may be held on another date without further notice. Any such adjournment may be ordered by Persons representing a majority of the aggregate principal amount of the Second Tranche Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

In an event consent/s are requested from the Bondholders, the Bondholders' records with the Registrar as of the immediately preceding month-end prior to the date of the request shall be used by the Trustee until the results of the exercise is completed. Transfers or changes to ownership during any exercise shall be disregarded by the Trustee. Notwithstanding the foregoing, if the Registrar determines the record date of Bondholders according to its Agreements then such listing shall prevail and the Trustee shall rely on such records.

11.6. Voting Rights

To be entitled to vote at any meeting of the Bondholders, a Person shall be a registered holder of the Second Tranche Bonds or a Person appointed by an instrument in writing as proxy by any such holder as of the date of such meeting. Bondholders shall be entitled to one vote for every Ten Thousand Pesos (PhP10,000.00) interest. The only Persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the Persons entitled to vote at such meeting and any representative of the Issuer and its legal counsel.

11.7. Voting Requirement

All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the majority of the Bondholders present or represented in a meeting at which there is a quorum, except as otherwise provided in this Agreement.

Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Trustee as if the votes were unanimous.

11.8. Role of the Trustee in Meetings of Bondholders

Notwithstanding any other provisions of this Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of Second Tranche Bonds, the appointment of proxies by registered holders of Second Tranche Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem fit. The minutes of each meeting and any resolution made thereat shall be taken by the Trustee.

11.9. Evidence Supporting Bondholders' Action

Wherever in this Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Second Tranche Bonds may take any action (including the making of any demand or request, the giving of any notice or consent, or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing; (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith; or (iii) a combination of such instruments and any such record of meeting of the Bondholders. The Trustee shall rely on the Registrar to authenticate all Bondholders' signature at all times.

Section 12 AMENDMENT OR SUPPLEMENTAL AGREEMENTS

With the written consent of the Majority Bondholders, the Issuer, when authorized by a resolution of its board of directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental hereto for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of this Agreement; provided, however, that no such supplemental agreement shall:

- a. Without the consent of each Bondholder affected thereby:
 - i. extend the fixed maturity of the Second Tranche Bonds, or
 - ii. reduce the principal amount of the Second Tranche Bonds, or
 - iii. reduce the rate or extend the time of payment of interest and principal thereon;
- b. Affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders; or
- c. Reduce the percentage required to be obtained of the Bondholders to consent to or approve any supplemental agreement or any waiver provided for in this Agreement without the consent of all the Bondholders.

It shall not be necessary to obtain the consent of the Bondholders under this Section for the purpose of approving the particular form of any proposed supplemental

agreement but such consent shall be necessary for the purpose of approving the substance thereof.

Any consent given pursuant to this Section shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof or of any Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the Second Tranche Bonds.

Promptly after the execution by the Issuer and the Trustee of any supplemental agreement pursuant to the provisions of this Section, the Issuer shall send a notice to the Bondholders setting forth in general terms the substance of such supplemental agreement. Any failure of the Issuer to send such notice or any defect therein shall not, however, in any way impair or affect the validity of any supplemental agreement.

Section 13 MISCELLANEOUS PROVISIONS

13.1. Waiver of Preference

In the event that a primary obligation for payment shall arise out of this Agreement, such as to constitute this Agreement as a contract for the payment of an indebtedness or a loan, then it is understood and expressly agreed by the parties hereto that the obligation created under this Agreement shall not enjoy any priority, preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that this Agreement may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced.

13.2. Notice

Any notice or demand authorized by this Agreement to be given to the Issuer and the Trustee shall be sufficiently given for all purposes hereof, if delivered or mailed at their respective addresses mentioned herein or at such address designated by them subsequently in writing.

For the purpose of this Agreement, any notice or request to the Trustee shall be through the following details:

To the Trustee:	BDO Unibank, Inc. – Trust and Investments Group
Attention:	Susan Marie J. Atienza
Subject:	Aboitiz Power Bonds Due 2024 and 2028
Address:	15 th Floor South Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City
Facsimile:	+6328784270
E-mail:	atienza.susan@bdo.com.ph

The Trustee shall send all notices to Bondholders to their mailing address as set forth in the Register of Bondholders. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) surface

mail; (iii) by one-time publication in a newspaper of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Register of Bondholders. The Trustee shall rely on the Register of Bondholders in determining the Bondholders entitled to notice.

All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on date of publication or (iv) on date of delivery, for personal delivery.

13.3. Binding and Conclusive Nature

Except as provided in this Agreement, all notifications, opinion, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of this Agreement, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all Bondholders and (in the absence of willful default, bad faith or manifest error) no liability to the Issuer, the Registrar, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Agreement, resulting from the Trustee's reliance on the foregoing.

13.4. Successors and Assigns

This Agreement shall be binding upon and shall be enforceable against the Issuer, the Trustee and the Bondholders and their respective successors and assigns; provided, however, that the Issuer shall not have the right to transfer or assign any and all of its rights or obligations herein without the prior written consent of the Bondholders representing at least two-thirds (2/3) of the aggregate outstanding principal amount of the Second Tranche Bonds.

13.5. Exclusive Nature of Agreement

Nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon or give to any Person or corporation, other than the parties hereto and the Bondholders, any right, remedy or claim under or by reason of this Agreement or any covenant, condition or stipulation hereof; and except as aforesaid all the covenants, stipulations, promises and agreements herein contained are and shall be for the sole and exclusive benefit of the parties hereto, their successors and assigns, and the Bondholders.

13.6. Validity of Provisions

If any provision, term or condition of this Agreement or the application hereof to any Person or circumstance is declared invalid, the other provisions, terms or conditions hereof or the application hereof to any Person or circumstance shall not be affected and shall continue to be in full force and effect.

13.7. No PDIC Coverage

This Trust Agreement is not covered by the Philippine Deposit Insurance Corporation. Any losses arising from this Agreement, if any, shall be for the account of the Issuer.

13.8. Venue

Any legal action or proceeding arising out of, or in connection with, this Agreement and the Second Tranche Bonds and any and all related documents and papers, shall be brought in the proper courts of Makati City, Metro Manila, Philippines, to the exclusion of any other court.

13.9 Dispute Settlement

In case any dispute shall arise between the Issuer, the Trustee or any of the Bondholders in respect of this Agreement, or other related agreements or arrangements, the Issuer, the Trustee or any of the Bondholders shall attempt to resolve the same amicably by agreement which shall be in writing. However, if no such agreement is concluded within thirty (30) Banking Days from the time the dispute arose, or such period as may be reasonable under the circumstances, the parties may have recourse to the usual judicial action obtaining under the circumstances.

13.10 No Right to Set-Off

The Trustee shall have no right to apply funds or money of the Issuer on deposit with or in the custody of the Trustee or any of its branches, subsidiaries, or affiliates on reduction of amounts past due under this Agreement.

13.11 Governing Law

This Agreement and the Second Tranche Bonds issued hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the Republic of the Philippines.

13.12 Termination

The Trustee shall automatically be discharged from its duties and responsibilities under this Agreement within three (3) days from full payment of the Second Tranche Bonds on the relevant Maturity Date absent any written notice of payment default.

13.13 Counterparts

This Agreement may be executed and delivered in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

[The remainder of this page is left intentionally blank.]

IN WITNESS WHEREOF, the parties hereto have signed this Agreement on the date and at the place first abovementioned.

By affixing our signature on this signature page, we are deemed to have agreed to and confirmed the terms and conditions contained in all the other pages of this Agreement.

ABOITIZ POWER CORPORATION



Gabriel T. Mañalac

Senior Vice President – Group Treasurer

BDO UNIBANK, INC. – TRUST AND INVESTMENTS GROUP

By:



Susan Marie J. Arenza
First Vice President



Rachelle Ann C. Mendiola
Assistant Vice President

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY) s. s.

I certify that on October 10, 2018, the following person personally appeared before me, a Notary Public duly authorized in the city named above to take acknowledgments, who is identified by me through his competent evidence of identity by exhibiting to me:



who was identified by me through competent evidence of identity to be the same person described in the foregoing instrument, who acknowledged before me that his signature on the instrument was voluntarily affixed by him for the purposes stated therein, and who declared to me that he has executed the instrument as his free and voluntary act and deed, and that he has the authority to sign on behalf of his principal.

WITNESS MY HAND AND SEAL, on the date and at the place first above written.

Doc. No. 139;
Page No. 29;
Book No. 11;
Series of 2018.



Atty. Francis Alvin V. Asilo
Notary Public for Taguig City
Notarial Commission No. 49 (2018-2019)
Until December 31, 2019
NAC Tower, 32nd Street, Pninitacio Global City, Taguig City
PTR No. A-3747885; Taguig City; January 08, 2018
IBP No. 023443; January 07, 2018
Roll No. 61419
MCLE No. V-00014039

ANNEX A
TERMS AND CONDITIONS OF THE BOND

The following does not purport to be a complete listing of all the rights, obligations, or privileges of the Second Tranche Bonds. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws and resolutions of the Board of Directors and Shareholders of the Company, the information contained in the Prospectus, the Trust Agreement, the Underwriting Agreement, the Registry and Paying Agency Agreement and other agreements relevant to the Offer.

The corresponding issue of the Second Tranche Bonds in an aggregate principal amount of ₱10,000,000,000, with an Oversubscription Option in the aggregate principal amount of up to ₱5,000,000,000, were authorized by a resolution of the Board of Directors of AboitizPower (the “Issuer”) dated 26 July 2018.

The Second Tranche Bonds shall be constituted by a Trust Agreement executed on October 10, 2018 (the “Trust Agreement”) entered into between the Issuer and BDO Unibank, Inc. – Trust and Investments Group (the “Trustee”), which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Agreement. The description of the terms and conditions of the Second Tranche Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Agreement.

A registry and paying agency agreement executed on October 10, 2018 (the “Registry and Paying Agency Agreement”) in relation to the Second Tranche Bonds among the Issuer, Philippine Depository & Trust Corp. as paying agent (the “Paying Agent”) and as registrar (the “Registrar”).

The Second Tranche Bonds shall be offered and sold through a general public offering in the Philippines, and issued and transferable in minimum principal amounts of Fifty Thousand Pesos (₱50,000.00) and in multiples of Ten Thousand Pesos (₱10,000.00) thereafter, and traded in denominations of Ten Thousand Pesos (₱10,000.00) in the secondary market.

The Series B Bonds shall mature on January 25, 2024, while the Series C Bonds shall mature on October 25, 2028 unless earlier redeemed by the Issuer pursuant to the terms thereof and subject to the provisions on redemption and payment below.

The Paying Agent and Registrar has no interest in or relation to AboitizPower which may conflict with its role as Registrar for the Offer. The Trustee has no interest in or relation to AboitizPower which may conflict with the performance of its functions as Trustee.

Copies of the Trust Agreement and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee. The holders of the Second Tranche Bonds (the “Bondholders”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Agreement and are deemed to have notice of those provisions of the Registry and Paying Agency Agreement applicable to them.

Form and Denomination

The Second Tranche Bonds are in scripless form, and shall be issued in denominations of Fifty Thousand Pesos (₱50,000.00) each as a minimum and in multiples of Ten Thousand Pesos (₱10,000.00) thereafter and traded in denominations of Ten Thousand Pesos (₱10,000.00) in the secondary market.

Title

Legal title to the Second Tranche Bonds shall be shown in the Registry Book maintained by the Registrar. A notice confirming the principal amount of the Second Tranche Bonds purchased by each applicant in the Offering shall be issued by the Registrar to all Bondholders following the Issue Date. Upon any assignment, title to the Second Tranche Bonds shall pass by recording of the transfer from the transferor to the transferee in the electronic Registry Book maintained by the Registrar. Settlement in respect of such transfer or change of title to the Second Tranche Bonds, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder.

Bond Rating

The Second Tranche Bonds have been rated PRS Aaa, with a Stable Outlook by PhilRatings on August 29, 2018. Obligations rated PRS Aaa are of the highest quality with minimal credit risk. The Company's capacity to meet its financial commitment on the Second Tranche Bonds is extremely strong. PRSAaa is the highest rating assigned by PhilRatings. The rating and outlook were assigned given the following key considerations: (1) significant levels of cash flows and financial flexibility in relation to debt service requirements; (2) adequate capital structure supported by healthy growth in retained earnings; (3) diversified portfolio, with good growth prospects and; (4) experienced management team.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

Transfer of Bonds

Registry Book

The Issuer shall cause the Registry to be kept by the Registrar, in electronic form. The names and addresses of the Bondholders and the particulars of the Second Tranche Bonds held by them and of all transfers of Second Tranche Bonds shall be entered into the Registry Book. As required by Circular No. 428-04 issued by the Bangko Sentral ng Pilipinas, the Registrar shall send each Bondholder, in the mode elected by such Bondholder in the Application to Purchase or the Registration Form, a written statement of registry holdings at least quarterly (at the cost of the Issuer) and a written advice confirming every receipt or transfer of the Second Tranche Bonds that is effected in the Registrar's system (at the cost of the relevant Bondholder). Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Any requests of Bondholders for certifications, reports or other documents from the Registrar,

except as provided herein, shall be for the account of the requesting Bondholder. No transfers of the Second Tranche Bonds may be made during the period commencing on a Record Date as defined in the section on "*Interest Payment Date.*"

Transfers; Tax Status

The Registrar shall ultimately and conclusively determine all matters regarding the evidence necessary to effect any such transfers. Settlement in respect of such transfers or change of title to the Second Tranche Bonds, including the settlement of any documentary stamps taxes, if any, arising from subsequent transfers, shall be settled directly between the transferee and/or the transferor Bondholders.

Transfers across tax categories shall not be allowed except on Interest Payment Dates that fall on a business day. Restricted transfers include, but are not limited to, transfers between taxable and non-taxable entities, between taxable entities of different tax categories (where tax-withheld entities with different final withholding tax rates (e.g. 20%, 25%, 30%) are considered as belonging to different tax categories), or between parties who claim the benefit of a tax treaty; provided, however, that transfers from a tax-exempt category to a taxable tax category on a non-Interest Payment Date shall be allowed using the applicable tax-withheld series name to ensure that the computation is based on the final withholding tax rate of the taxable party to the trade. For such transactions, the tax-exempt entity shall be treated as belonging to the same tax category as its taxable counterpart for the interest period within which such transfer occurred. A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under the Registry and Paying Agency Agreement upon submission of the account opening documents to Registrar. Transfers taking place in the Register of Bondholders after the Second Tranche Bonds are listed on PDEX shall be allowed between tax-exempt and non-tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions, and guidelines of PDEX and PDTC.

Secondary Trading of the Second Tranche Bonds

The Issuer intends to list the Second Tranche Bonds at PDEX for secondary market trading or such other securities exchange as may be licensed as such by the SEC. Secondary market trading in PDEX shall follow the applicable PDEX rules, conventions, and guidelines governing trading and settlement between bondholders of different tax status and shall be subject to the relevant fees of PDEX and PDTC. Upon listing of the Second Tranche Bonds with PDEX, investors shall course their secondary market trades through PDEX Brokering Participants for execution in the PDEX Trading Platform in accordance with PDEX Trading Rules, Conventions and Guidelines, and shall settle such trades on a Delivery versus Payment (DvP) basis in accordance with PDEX Settlement Rules and Guidelines. The PDEX rules and conventions are available in the PDEX website (www.pds.com.ph). An Investor Frequently Asked Questions (FAQ) discussion on the secondary market trading, settlement, documentation and estimated fees are also available in the PDEX website.

Ranking

The Second Tranche Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and rateably in priority of payment without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to Section 5.02 (a) of the Trust Agreement or as may be allowed by the Trust Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of Issue Date. The Second Tranche Bonds shall effectively be subordinated in right of payment to, among others, all of AbotizPower's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines, unless the Issuer procures a waiver of the preference created by such notarization or equally and ratably extend such preference to the Second Tranche Bonds.

Interest

Interest Payment Dates

The Second Tranche Bonds bear interest on its principal amount from and including Issue Date at the rate of 7.5095% p.a., for the Series B Bonds and 8.5091% p.a., for the Series C Bonds, payable quarterly starting on January 25, 2019 for the first interest payment date, and January 25, April 25, July 25, and October 25 of each year for each subsequent Interest Payment Date at which the Second Tranche Bonds are outstanding, or the subsequent Banking Day, without adjustment, if such Interest Payment Date is not a Banking Day. The last Interest Payment Date shall fall on the Maturity Date.

The cut-off date in determining the existing Bondholders entitled to receive interest or principal amount due shall be the day two (2) Banking Days prior to the relevant Interest Payment Date (the "Record Date"), which shall be the reckoning day in determining the Bondholders entitled to receive interest, principal or any other amount due under the Second Tranche Bonds, provided that if such day falls on a non-Banking Day, the Record Date shall be the next Banking Day immediately preceding said date. No transfers of the Second Tranche Bonds may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Date.

Interest Accrual

Each Series B Bond and Series C Bond shall cease to bear interest from and including the Maturity Date, as defined in the discussion on "*Final Redemption*," unless, upon due presentation, payment of the principal in respect of the Bond then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see "*Penalty Interest*") shall apply.

Determination of Interest Amount

The interest shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

Redemption and Purchase

Final Redemption

Unless previously purchased and cancelled, the Second Tranche Bonds shall be redeemed at par or 100% of face value on the respective Maturity Dates. However, payment of all amounts due on such date may be made by the Issuer through the Paying Agent, without adjustment, on the succeeding Banking Day if the Maturity Date is not a Banking Day.

Optional Redemption

Prior to the respective Maturity Dates, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), the outstanding Series B Bonds or Series C Bonds on the Optional Redemption Dates, as provided below, or the immediately succeeding Banking Day if such date is not a Banking Day (the "Optional Redemption Date"), without any adjustment on the principal or interest accruing.

The amount payable to the Bondholders in respect of the Optional Redemption exercise (the "Optional Redemption Price") shall be calculated based on the principal amount of the Series B Bonds or Series C Bonds being redeemed as the aggregate of the: (i) accrued interest computed from the last Interest Payment Date up to the relevant Optional Redemption Date; and (ii) the product of the principal amount and the applicable Optional Redemption Price in accordance with the following schedule:

Series B Bonds:

Optional Redemption Dates	Optional Redemption Price
4 years from Issue Date	100.25%

Series C Bonds:

Optional Redemption Dates	Optional Redemption Price
7 years from Issue Date	102.00%
8 years from Issue Date	101.00%
9 years from Issue Date	100.25%

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the relevant Series B Bonds or Series C Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption on the Optional Redemption Date stated in such notice.

Redemption for Taxation Reasons

The Issuer may redeem the Series B Bonds or the Series C Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days' notice to the Trustee) at par plus accrued interest, subject to the requirements of Applicable Law, if payments under the Series B Bonds or the Series C Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on Issue Date as a result of certain changes in Applicable Law, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer.

For avoidance of doubt, the Issuer shall not be liable for the payment of the additional or increased taxes, which shall be for the account of the Bondholders.

The Trustee, upon receipt of written notice of redemption delivered by the Issuer, shall declare the principal of the Series B Bonds or the Series C Bonds, including all accrued interest, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty that is imposed under an optional redemption, anything in this Agreement or in the Series B Bonds or the Series C Bonds contained to the contrary notwithstanding.

Mandatory Redemption

If any one or more of the following events shall occur, in the reasonable opinion of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the Second Tranche Bonds for the events contemplated in (a), (b) or (c) below or the Majority Bondholders for the events contemplated in (d) below (and with written notice to the Trustee), and be continuing for a period of fifteen (15) Banking Days with respect to the events contemplated in (a) or (c) below:

- a. Any law, government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Second Tranche Bonds which shall be modified in a manner which, in the reasonable opinion of the Trustee, while not constituting an Event of Default, will materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld;
- b. Any provision of the Trust Agreement or any of the related documents is or becomes invalid, illegal or unenforceable by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law is introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents;

- c. Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation, in such a manner as to materially and adversely affect the financial condition or operations of the Issuer; and
- d. Any Government Authority or any competent authority condemns, seizes, or expropriates all or substantially all of the assets or properties of the Issuer, unless such act is contested in good faith by the Issuer or unless such act is suspended or restrained by an order of a court of competent jurisdiction;

then, the Trustee, by notice in writing delivered to the Issuer, may declare the principal of the Second Tranche Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any prepayment penalty.

Purchase

The Issuer may at any time purchase any of the Second Tranche Bonds at any price in the open market or by tender or by contract in accordance with PDEX Rules, without any obligation to purchase Second Tranche Bonds pro-rata from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the Second Tranche Bonds on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

Payments

The principal of, interest on, and all other amounts payable on the Second Tranche Bonds shall be paid to the Bondholders by crediting of the settlement accounts designated by each of the Bondholders. The principal of, and interest on, the Second Tranche Bonds shall be payable in Philippine Pesos, net of final taxes and fees (if any). AboitizPower shall ensure that so long as any of the Second Tranche Bonds remains outstanding, there shall at all times be a Paying Agent for the purposes of the Second Tranche Bonds. AboitizPower may terminate the appointment of the Paying Agent, as provided in the Registry and Paying Agency Agreement. In the event the appointed office of any institution shall be unable or unwilling to continue to act as the Paying Agent, AboitizPower shall appoint the Makati City office of such other leading institution in the Philippines authorized to act in its place. The Paying Agent may not resign its duties or be removed without a successor having been appointed.

Payment of Additional Amounts - Taxation

Interest income on the Second Tranche Bonds is subject to final withholding tax at rates depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such final withholding tax and as otherwise provided below or in the Trust Agreement, and without prejudice to the right of the Issuer to exercise its option to redeem the Series B Bonds or the Series C Bonds for taxation reasons, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following:

1. The applicable final withholding tax applicable on interest earned on the Series B Bonds and the Series C Bonds prescribed under the Tax Code, as amended and its implementing rules and regulations as maybe in effect from time to time. An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance:
 - a. Proof of Tax Exemption or Entitlement to Preferential Tax Rates
 - i. For (a) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (b) cooperatives duly registered with the Cooperative Development Authority; and (c) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed “valid, current and subsisting” if it has not been more than 3 years since the date of issuance thereof;
 - ii. For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder’s current, valid and subsisting Certificate of Accreditation as PERA Administrator;
 - iii. For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) government-owned or -controlled corporations; and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax; and
 - iv. For entities claiming tax treaty relief – (i) certificate of tax residence issued for the current year (whether using the form

prescribed in their country of residence, or using Part I (D) of the Certificate of Tax Residence for Tax Treaty Relief ("CORTT") Form prescribed under Revenue Memorandum Order No. 8-2017), and (ii) duly accomplished CORTT Form (particularly Part I (A), (B) and (C), and Part II (A), (B), (C) and (D)).

In addition, upon the request of the Underwriter, the Bondholder shall submit an updated Part II (A), (B), (C) and (D) of the CORTT Form.

Only the originals should be submitted to the Underwriter.

- b. A duly notarized declaration (in the prescribed form) warranting that the Bondholder's tax-exemption certificate or ruling has not been revoked or cancelled and that there are no material changes in character, purpose or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or warranting the Bondholder's entitlement to preferential treaty rates, and undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities arising from the non-withholding or reduced withholding of the required tax; and Such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities.
- c. Such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities.

Failure to submit any of the documents provided under (a), (b), and (c) above, as may be applicable, will result in the application of the normal income tax rate provided under the Tax Code.

- 2. Any applicable taxes on other income due to any Bondholder arising from the Ser Bonds, including but not limited to the Prepayment Penalty, if and when applicable;
- 3. Gross Receipts Tax under the Tax Code;
- 4. Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and
- 5. Value Added Tax ("VAT") under the Tax Code, as amended. Documentary stamp tax for the primary issue of the Second Tranche Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.

Financial Ratios

The Issuer shall not incur any loan obligation with a maturity of more than one (1) year, if on the Transaction Date, after giving effect to the incurrence of such loan obligation, and any other such cumulative obligations, but not giving any effect to the receipt or application of proceeds therefrom, the Net Debt, as at the last day of the Relevant Period immediately preceding the Transaction Date, to Consolidated Equity, in respect of the Relevant Period immediately preceding the Transaction Date, will exceed 3:1.

With respect to the Second Tranche Bonds, there are no other regulatory ratios that the Issuer is required to comply with.

For the schedule of the Issuer's relevant financial ratios as of December 2017, December 2016, and December 2015, please refer to the section entitled "*Financial Ratios.*"

Events of Default

Each of the following events constitutes an Event of Default.

1. **Payment Default.** The Issuer fails to pay when due and payable any amount of principal or interest which the Issuer is obligated to pay the Bondholders under the Trust Agreement and the Second Tranche Bonds, and such failure to pay is not remedied within seven (7) Banking Days from due date thereof.

The Issuer fails to pay when due and payable any other amount payable by the Issuer in respect of the Second Tranche Bonds and under the Trust Agreement in the manner, at the place, and in the currency in which it is expressed to be payable, and such non-payment continues for thirty (30) days from the date such payment is due. These other amounts include Penalty Interest, insofar as the payment of such interest is concerned.

2. **Representation Default.** Except for clerical or typographical error, any representation or warranty made by the Issuer in the Trust Agreement or in any document issued pursuant thereto or otherwise in connection therewith shall prove to have been untrue, incorrect, or misleading in any material respect as at the time it was made or deemed to have been made or is violated or not complied with, and the circumstances which cause such representation or warranty to be incorrect or misleading continue for not less than thirty (30) days (or such longer period as the Majority Bondholders shall approve) after receipt of written notice from the Trustee to that effect.
3. **Other Provisions Default.** The Issuer fails to perform or comply with any other term, obligation, or covenant contained in the Trust Agreement or in any other document or instruments related or otherwise in connection therewith and any such failure, violation, non-compliance is not remediable or if remediable, continues unremedied for a period of ninety (90) days for financial covenants and sixty (60) days for all other covenants from the date after written notice thereof shall have been given by the Trustee; Provided,

however, that for the avoidance of doubt, no additional grace period shall apply to the Events of Default.

4. **Cross-Default.** The Issuer violates any other material obligation by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any, law or regulation which violation, if remediable, is not remedied by the Issuer within thirty (30) Banking Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation will, further, in the reasonable opinion of the Trustee, adversely and materially affect the performance by the Issuer of its obligations under this Agreement and the Second Tranche Bonds. Provided, however, that no event of default will occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or is in excess of five percent (5%) of the fair market value of Assets of the Issuer, based on the relevant parent-only financial statements of the Issuer.
5. **Insolvency Default.** The Issuer becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, which act shall include: (i) the filing of a petition in any bankruptcy, reorganization, winding up or liquidation of the Issuer, or any other proceeding analogous in purpose and effect: Provided, however, that in case the foregoing petition is filed by any other party, other than the Issuer, such event shall be considered a declared Event of Default only upon the issuance of a final order by the court of competent authority; (ii) the making of an assignment by the Issuer of substantially all or all of its assets, or in fraud of creditors; (iii) the admission in writing by the Issuer of its inability to pay its debts; (iv) the entry of any final order or judgment of any court, tribunal, or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization, winding up or liquidation of the Issuer; or (v) the appointment of a receiver, liquidator, assignee, trustee, or sequestrator of the Issuer, or a substantial part of its property or assets or a substantial part of its capital stock or to assume custody or control of the Issuer, or the ordering of its dissolution, winding-up or liquidation of its affairs.
6. **Closure Default.** The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days, except that if the closure is: (i) due to strikes or lockouts; or (ii) necessary to prevent business losses; or (iii) due to fortuitous events or force majeure, then such closure shall not be deemed a Closure Default.
7. **Judgment Default.** Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of 20% of the Issuer's Fair Market Value of Assets or its equivalent in any other currency is entered against the Issuer and any relevant period specified for payment in such

judgment, decree, order, or agreement, shall have expired without being satisfied, discharged, or stayed; and

8. **Writ and Similar Process Default.** Any writ, warrant of attachment or execution, or similar process shall be issued or levied against all or substantially all of the Issuer's assets, and such writ, warrant, or similar process shall not be released, vacated, or fully bonded within sixty (60) days after its issue or levy (or such longer period as the Issuer satisfies the Majority Bondholders as appropriate under the circumstances).

Consequences of Default

Declaration

1. If any one or more of the Events of Default shall occur and be continuing, the Trustee, upon the written direction of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the Second Tranche Bonds, by notice in writing delivered to the Issuer, may declare the principal of the Second Tranche Bonds then outstanding, including all interest accrued and unpaid thereon and all amounts due thereunder, to be due and payable immediately, anything contained in this Agreement or in the Second Tranche Bonds to the contrary notwithstanding.
2. The provision above, however, is subject to the condition that, except in the case of a Writ and Similar Process Default, the Majority Bondholders, by written notice to the Issuer and to the Trustee, may rescind and annul such declaration made by the Trustee pursuant to a consequence of default and its consequences, upon such terms, conditions and agreements, if any, as they may determine, including, in connection with a Cross Default, the fact that the non-payment of the obligation is contested in good faith by the Issuer; provided, that, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereto. Any such waiver shall be conclusive and binding upon all the Bondholders and upon all future holders and owners of such Second Tranche Bonds, or of any Second Tranche Bond issued in lieu thereof or in exchange therefor, irrespective of whether or not notation of such waiver is made upon the Second Tranche Bonds.
3. At any time after an Event of Default shall have occurred, the Trustee may:
 - a. by notice in writing to the Issuer, the Registrar, and the Paying Agent, require the Registrar and Paying Agent to:
 - i. act thereafter as agents of the Bondholders represented by the Trustee on the terms provided in the Registry and Paying Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability under the provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agent and the Registrar shall be limited to amounts for the time being held by the Trustee on the trusts of this Agreement in relation to the Second Tranche Bonds and available to

the Trustee for such purpose) and thereafter to hold all sums, documents and records held by them in respect of the Second Tranche Bonds on behalf of the Trustee; and/or

- ii. deliver all evidence of the Second Tranche Bonds and all sums, documents and records held by them in respect of the Second Tranche Bonds to the Trustee or as the Trustee shall direct in such notice; provided, that, such notice shall be deemed not to apply to any document or record which the Paying Agent or Registrar is not obliged to release by any Applicable Law; and
- b. by notice in writing to the Issuer, require the Issuer to make all subsequent payments in respect of the Second Tranche Bonds to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn.

Notice of Default

The Trustee shall, within ten (10) days after the occurrence of an Event of Default give to the Bondholders written notice of any such Event of Default known to it unless the same shall have been cured before the giving of such notice; provided, that, in the case of a Payment Default, the Trustee shall, upon written notice from the Paying Agent of the Issuer's failure to pay any amount of principal or interest which the Issuer is obligated to pay the Bondholders under the Trust Agreement and the Second Tranche Bonds, immediately notify the Bondholders upon the occurrence of such Payment Default; provided further, that such written notice from the Paying Agent shall not be required if the Issuer's failure to pay was caused by a technical error or by reasons beyond the control of the Issuer. The existence of a written notice required to be given to the Bondholders under this Section shall be published in two (2) newspapers of general circulation in Metro Manila, Philippines for two (2) consecutive days, indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Second Tranche Bonds at the principal office of the Trustee as indicated in this Agreement upon presentation of sufficient and acceptable identification to the Trustee.

Subject to Applicable Law, in case of the occurrence of an Event of Default, the Issuer shall authorize the Registrar to provide the Trustee with the list of Bondholders containing the names, addresses, tax identification number (TIN), tax status, and account details of the Bondholders, the amount of the Second Tranche Bonds held by them, the Cash Settlement Account numbers where payment to them shall be credited and such other information as may be agreed upon between the Registrar and the Issuer.

Penalty Interest

In case any amount payable by the Issuer under the Second Tranche Bonds, whether for principal, interest, fees due to the Trustee, Registrar or Paying Agent or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty fee on

the defaulted amount(s) at the rate of two percent (2.0%) per annum (the “Penalty Interest”) from the time the amount fell due until it is fully paid.

Payments in the Event of Default

The Issuer covenants that upon the occurrence of any Event of Default, the Issuer will pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Bonds with interest at the rate borne by the Second Tranche Bonds on the overdue principal and with Penalty Interest, where applicable, and in addition thereto the Issuer will pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee hereunder.

Upon the occurrence of an Event of Default and in accordance with the requirements of the Trust Agreement, the Bondholders shall have the right, but not the obligation, to require the Issuer to redeem the Second Tranche Bonds in full, by payment of the amounts stated above, plus the principal amount, by delivery of the relevant evidence of the Second Tranche Bonds to the Trustee.

Application of Payments

Any money collected by the Trustee and any other funds held by it, subject to any other provision of the Trust Agreement relating to the disposition of such money and funds, shall be applied by the Trustee in the order of preference as follows:

First: To the payment of the costs, expenses, fees and other charges of collection, including reasonable compensation to the Trustee, Paying Agent, Registrar, and each such person’s agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursement made by the Trustee, Paying Agent and Registrar without negligence or bad faith.

Second: To the payment of Penalty Interest.

Third: To the payment of the interest, in the order of the maturity of such interest.

Fourth: To the payment of the principal amount of the outstanding Bonds due and payable.

Fifth: The remainder, if any, shall be paid to the Issuer, its successors or assigns, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the Second Tranche Bonds shall require the conformity of the Trustee.

Remedies

All remedies conferred by the Trust Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extrajudicial proceedings appropriate to enforce the conditions and covenants of in the Trust Agreement.

No delay or omission by the Trustee or by any Bondholder to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto, and every power and remedy given in the Trust Agreement to the Trustee or to the Bondholder may be exercised from time to time and as often as may be necessary or expedient.

Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of this Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless all of the following conditions have been fulfilled: (1) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Second Tranche Bonds, and (2) the Majority Bondholders shall have decided and made a written request upon the Trustee to institute such suit, action or proceeding in its own name, and (3) the Trustee for sixty (60) days after receipt of such notice and request shall have neglected or refused to institute any such suit, action or proceeding, unless such failure was due to any circumstance beyond its control, and (4) no directions inconsistent with such written request or waiver of default by the Bondholders shall have been made, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholder shall have any right in any manner whatsoever by virtue of or by availing of any provision of this Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under this Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all Bondholders. For the protection and enforcement of the provisions of this Section, each and every Bondholder and the Trustee shall be entitled to such relief as can be given under the Applicable Law.

Waiver of Default by Bondholders

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Bondholders may decide for and in behalf of the Bondholders to waive any past default except the Payment Default, Cross-Default, Insolvency Default, and Closure Default, and its consequences. In case of any such waiver, the Issuer, the Trustee and the Bondholders shall be restored to

their former positions and rights hereunder, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Second Tranche Bonds.

Meetings of Bondholders

Meetings

A meeting of Bondholders may be called at any time and from time to time pursuant to the provisions of this Section for the purpose of taking any action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Agreement or under applicable law and such other matters related to the rights and interests of the Bondholders under the S Second Tranche Bonds.

Notice of Meetings

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Second Tranche Bonds may direct the Trustee to call a meeting of the Bondholders, to take any action specified herein, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Issuer and to each of the registered Bondholders and published in two (2) newspapers of general circulation in Metro Manila, Philippines not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the notices for the requested meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported statement of account.

Failure of Trustee to Call a Meeting

In case at any time the Issuer, pursuant to a resolution of its board of directors, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Second Tranche Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, the notice of such meeting within fifteen (15) Banking Days after receipt of such request, then the Issuer or the holders of the Second Tranche Bonds in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof, and the costs thereof shall be chargeable to the Trustee, except when such failure is beyond the control of the Trustee.

Quorum

The presence of the Majority Bondholders personally or by proxy shall be necessary to constitute a quorum to do business at any meeting of the Bondholders.

Procedure for Meetings

The Trustee shall preside at all the meetings of the Bondholders unless the meeting shall have been called by the Issuer or by the Bondholders, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall move for the election of the chairman and secretary of the meeting from among the Bondholders then present or represented during the meeting.

Any meeting of the Bondholders duly called pursuant to the provisions of this Section may be adjourned from time to time for a period or periods not to exceed in the aggregate one (1) year from the date for which the meeting shall originally have been called, and the meeting so adjourned may be held on another date without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Second Tranche Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

In an event consent/s are requested from the Bondholders, the Bondholders' records with the Registrar as of the immediately preceding month-end prior to the date of the request shall be used by the Trustee until the results of the exercise is completed. Transfers or changes to ownership during any exercise shall be disregarded by the Trustee. Notwithstanding the foregoing, if the Registrar determines the record date of Bondholders according to its Agreements then such listing shall prevail and the Trustee shall rely on such records

Voting Rights

To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of the Second Tranche Bonds or a person appointed by an instrument in writing as proxy by any such holder as of the date of such meeting. Bondholders shall be entitled to one vote for every Ten Thousand Pesos (₱10,000.00) interest. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the persons entitled to vote at such meeting and any representative of the Issuer and its legal counsel.

Voting Requirement

All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the majority of the Bondholders present or represented in a meeting at which there is a quorum, except as otherwise provided in the Trust Agreement.

Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Trustee as if the votes were unanimous.

Role of the Trustee in Meetings of Bondholders

Notwithstanding any other provisions of the Trust Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of Bonds, the appointment of proxies by registered holders of Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem fit. The minutes of each meeting and any resolution made thereat shall be taken by the Trustee.

Evidence Supporting Bondholders' Action

Wherever in the Trust Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of Bonds may take any action (including the making of any demand or request, the giving of any notice or consent, or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing; (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith; or (iii) a combination of such instruments and any such record of meeting of the Bondholders. The Trustee shall rely on the Registrar to authenticate all Bondholders' signature at all times.

Duties and Responsibilities of the Trustee

The Trustee shall act as trustee for and in behalf of the Bondholders and as such shall, in accordance with the terms and conditions of the Trust Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the Issuer's observance of all its covenants and performance of all its obligations, under and pursuant to the Trust Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters to be taken up with the Issuer.

The Trustee shall have custody of and hold in its name, for and in behalf of the Bondholders, the Master Certificates of Indebtedness for the total issuance of the Second Tranche Bonds.

The Trustee shall promptly and faithfully carry out the instructions or decisions of the Majority Bondholders issued or reached in accordance with the Trust Agreement.

The Trustee may, from time to time, request the Issuer to submit such certification of its officers, reports of its external auditors, and other documents relating to the Issuer's ability to comply with its obligations under the Second Tranche Bonds and the Trust Agreement, as well as to examine such records of the Issuer as may be

related to the Issuer's obligations under the Second Tranche Bonds and the Trust Agreement.

The request shall be reasonable, made not less than seventy-two (72) hours prior to the intended date of examination and shall be in writing to the Issuer which shall include, in reasonable detail, the purpose for such request and the intended use of the requested documents or information. The Issuer may require the Trustee, its directors, officers, employees, representatives, agents, partners, consultants and advisors to hold in confidence such documents and information furnished to the Trustee pursuant to said request or to limit the use thereof for the purpose intended as stated in the request, provided such limitation shall not apply if in conflict with the duties and responsibilities of the Trustee under any provision of the Trust Agreement.

The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs under similar circumstances.

The Trustee shall inform the Bondholders of any event, breach of representations and warranties, and Events of Default within a reasonable period from the time that the Trustee learns of such events.

The Trustee shall perform such other powers and functions as provided for elsewhere under the Trust Agreement.

Supplemental Agreements

With the written consent of the Majority Bondholders, the Issuer, when authorized by a resolution of its board of directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental hereto for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of the Trust Agreement; provided, however, that no such supplemental agreement shall:

1. Without the consent of each Bondholder affected thereby:
 - a. extend the fixed maturity of the Series B Bonds or Series C Bonds, or
 - b. reduce the principal amount of the Series B Bonds or Series C Bonds, or
 - c. reduce the rate or extend the time of payment of interest and principal thereon;
2. Affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders; or
3. Reduce the percentage required to be obtained of the Bondholders to consent to or approve any supplemental agreement or any waiver provided for in this Agreement without the consent of all the Bondholders.

It shall not be necessary to obtain the consent of the Bondholders for the purpose of approving the particular form of any proposed supplemental agreement but such consent shall be necessary for the purpose of approving the substance thereof.

Any consent given shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof or of any Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the Second Tranche Bonds.

Promptly after the execution by the Issuer and the Trustee of any supplemental agreement, the Issuer shall send a notice to the Bondholders setting forth in general terms the substance of such supplemental agreement. Any failure of the Issuer to send such notice or any defect therein shall not, however, in any way impair or affect the validity of any supplemental agreement.

Miscellaneous Provisions

Notice

Any notice or demand authorized by the Trust Agreement to be given to the Issuer and the Trustee shall be sufficiently given for all purposes hereof, if delivered or mailed at their respective addresses mentioned herein or at such address designated by them subsequently in writing.

Notices to the Bondholders shall be sent to their mailing address as set forth in the Registry Book. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any of the following modes: (i) registered mail; (ii) surface mail; (iii) by one-time publication in a newspaper of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Registry Book. The Trustee shall rely on the Registry Book provided by the Registrar, in determining the Bondholders entitled to notice.

All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on the date of publication, or (iv) on the date of delivery, for personal delivery.

Binding and Conclusive Nature

Except as provided under the Trust Agreement, all notifications, opinion, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of the Trust Agreement, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all Bondholders and (in the absence of willful default, bad faith or manifest error) no liability to the Issuer, the Registrar, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under the Trust Agreement, resulting from the Trustee's reliance on the foregoing.

Dispute Settlement

In case any dispute shall arise between the Issuer, the Trustee or any of the Bondholders in respect of the Trust Agreement, or other related agreements or arrangements, the Issuer, the Trustee or any of the Bondholders shall attempt to resolve the same amicably by agreement which shall be in writing. However, if no such agreement is concluded within thirty (30) Banking Days from the time the dispute arose, or such period as may be reasonable under the circumstances, the parties may have recourse to the usual judicial action obtaining under the circumstances.

No Right to Set-Off

The Trustee shall have no right to apply funds or money of the Issuer on deposit with or in the custody of the Trustee or any of its branches, subsidiaries, or affiliates on reduction of amounts past due under the Trust Agreement.

Governing Law

The Second Tranche Bonds issued hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the Republic of the Philippines.



1 st Copy	Registrar
2 nd Copy	Underwriter
3 rd Copy	Applicant

APPLICATION TO PURCHASE
Series B Bonds due 2024 and Series C Bonds due 2028
with an interest rate of 7.5095% per annum and 8.5091% per annum, respectively

This is an application to purchase (the "Application") Series B and/or C Bonds (the "Bonds") to be issued by Aboitiz Power Corporation ("AboitizPower"). Any Application submitted by a prospective purchaser (the "Applicant") must be for a minimum principal amount of P50,000 and in multiples of P10,000 thereafter. The Bonds shall be issued in scripless form, will be eligible for trading under the scripless book-entry system of the Philippine Depository & Trust Corp. ("PDTC", the "Registrar" or the "Paying Agent") and shall be subject to the rules and regulations of PDTC. Duly completed Applications and all supporting documents must be received by any of the joint lead underwriters (the "Underwriters") or selling agents not later than 12:00 p.m. on October 18, 2018, which is the end of the Offer Period, unless otherwise extended or earlier terminated. Applications and payments received after the Offer Period or submitted without the required attachments will be rejected. Any Application improperly or incompletely accomplished may likewise be rejected. Payment in full, through any one of the modes of payment set forth below, must accompany this Application. AboitizPower and the Underwriters reserve the right to accept or reject, in whole or in part, this Application, and in case of oversubscription, allocate the Bonds available to the applicants in a manner they deem appropriate. The Application shall be subject to the terms and conditions stated herein and in the Prospectus dated October 10, 2018 (the "Prospectus") and the Applicants are advised to read the Prospectus before subscribing to the Bonds.

This Application, once accepted, shall constitute the duly executed purchase agreement covering the amount of the Bonds so accepted and shall be valid and binding on the Issuer and the Applicant. Once accepted, an Application may not be unilaterally revoked or canceled by the Applicant, in full or in part, and the rights and privileges pertaining thereto shall be non-transferrable.

Name of Applicant: (Last, First, M.I. / Business Name)*		Type of Investor:													
Nationality: 1. Are you a US Person? 2. Are you a US citizen? 3. Do you hold a US permanent resident card? (Green Card)? 4. Did you stay in the US for a total of 183 days or more in the last thirty-six (36) months? If yes, please state the reason _____ 5. For corporate investors, are any of your shareholders owning more than 10% of the shares in the company a US Resident, US Person or US Citizen?		<input type="checkbox"/> Individual <input type="checkbox"/> Corporate (For Corporate or juridical entities, check one) <input type="checkbox"/> Partnership or other Judicial Entity <input type="checkbox"/> Corporation under the laws of _____ <input type="checkbox"/> Trust Company/Trust Fund/Trust Department <input type="checkbox"/> Bank <input type="checkbox"/> Investment House <input type="checkbox"/> Insurance Company <input type="checkbox"/> Incorporated Mutual Fund <input type="checkbox"/> Others _____													
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I/We (the "Applicant") hereby apply to purchase the following principal amount of the Bonds (the "Total Purchase Amount"), subject to the rules of the Registrar and Paying Agent, Terms and Conditions and the Prospectus distributed or made available by AboitizPower and the Underwriters in relation to the offer and sale of the Bonds.															
BONDS APPLIED FOR AND AMOUNT (NOTE: PLEASE USE A SEPARATE APPLICATION FOR EACH OF THE SERIES B BONDS AND SERIES C BONDS)															
Amount in Words (Php)		Amount in Figures (Php)													
<input type="checkbox"/> Series B Bonds due 2024 _____ <input type="checkbox"/> Series C Bonds due 2028 _____		_____ _____													
Mode of Payment for the Bonds: I/We hereby pay for my/our purchase of the Bonds as indicated below:															
<input type="checkbox"/> Real Time Gross Settlement We have caused the transfer of cleared funds via RTGS to the Underwriter (named below), for the account of AboitizPower, for the Total Purchase Amount (as stated above) representing full payment of the Bonds covered by this Application. _____ Name of Underwriter		<input type="checkbox"/> Regular Bank Check or Manager's Check Attached herewith is a check in favor of the Underwriter (named below), for the account of AboitizPower, for the Total Purchase Amount (as stated above) representing full payment of the Bonds covered by this Application. Name of Underwriter _____ Drawee Bank & Branch _____ Account Number _____													
		<input type="checkbox"/> Direct Debit We have caused the transfer of cleared funds via debiting of my/our bank account with the Drawee Bank (named below) and crediting the bank account of the Underwriter (named below), for the Total Purchase Amount (as stated above), representing full payment for the Bonds covered by this Application. Name of Underwriter _____ Drawee Bank & Branch _____ Account Number _____													
Permanent Address:*		Present Mailing Address (if different from Permanent Address):*													
Telephone Number(s):		Mobile / Fax Number(s):													
E-mail Address:**															
Primary Contact Person (if other than Applicant):		Relationship to Applicant:													
Date of Birth / Incorporation (mm/dd/yyyy):*		Place of Birth / Incorporation:*													
Nationality:*		Tax Identification Number:*													
Nature of Work or Business:*		Name of Employer/ Business:*													
Sources of Income:*															
Tax Status: <input type="checkbox"/> Individual (Taxable) <input type="checkbox"/> Domestic Corporate <input type="checkbox"/> Tax Exempt Corporate** If a foreign investor, tax rate below will apply (subject to application of referential rates) ** <input type="checkbox"/> Non-resident individual not engaged in business: 25% <input type="checkbox"/> Resident foreign corporate: 20% <input type="checkbox"/> Non-resident foreign corporate: 30% ** Subject to submission of documentary proof of exemption		Statement, Notices & Correspondence Delivery Mode: <input type="checkbox"/> Send to email address indicated above <input type="checkbox"/> Delivery via courier (Metro Manila area only) or registered mail to mailing address indicated above													

Mode of Collection of Interest and Principal Payments:	
I/we hereby unconditionally instruct and authorize the Paying Agent to cause the payments of interest and principal on the Bonds, net of applicable taxes, fees and cost to be made via credit to my/our PISO current or savings account (designated below) (the "Cash Settlement Account"):	
Name of Bank & Branch _____	(the "Cash Settlement Bank")
Account Type _____	
Account Number _____	
All payments under the Bonds shall be credited to the above designated account. I/We shall be responsible for ensuring that this account is open, active and existing, otherwise, I/we shall be liable for any fees or charges that may be imposed or incurred in crediting payments of interest or principal to my/our account. The Cash Settlement Bank must be a PDS-registered bank.	
In the event that the details of the Cash Settlement Account indicated in the Final Sales Report or the Application are incomplete or erroneous, or the Cash Settlement Account of the Bondholders has been closed, dormant, or inexistent, due to which payments to the Bondholders cannot be effected in a timely manner, and the Paying Agent does not receive any notice from the Bondholder as described herein, the Cash Settlement Bank shall handle the funds in accordance with its internal procedure until the correction of the Cash Settlement Account is effected and until credit of the relevant cash entitlement is completed. None of the Issuer, Registrar and Paying Agent or any of the Selling Agents or Trading Participants shall be liable for any failure or delay in effecting any payment due under the Bonds, where such failure or delay in payment arises from or in connection with any failure or delay attributable to the Bondholder in connection or updating the details of the mode of receiving payments. Fees and expenses which may have been incurred shall be for the account of the Bondholder.	
If a Corporation, please fill out Additional Required Information: (Please use additional sheets if necessary):	
Name of Parent Company, if Any:	
Names of Directors:*	Name of Stockholders Owning at Least 2% of the Authorized Capital Stock:*
Name of Beneficial Owners of Applicant, if any:	Address of Beneficial Owner:
* Required to be filled out under Republic Act No. 9160, Republic Act No. 9194 and BSP Circular Nos. 251, 253 and 279, and all other amendatory and implementing law, regulation, jurisprudence, notice or order of any Philippine governmental body relating thereto.	
** Communications (E-mail Indemnity). By indicating the e-mail address, I/we consent to receive all notices and communications via e-mail, and such consent shall operate as a waiver of my/our right and privilege to the secrecy of bank deposits in respect of such statements or notices. I/We acknowledge that security of any statement, notice or communication sent through electronic means is not guaranteed and I/we assume all risks in relations to its transmission. I/We are responsible for keeping such e-mail access active and existing during the term of the Bonds, otherwise, I/we shall be liable for any fees or charges that may be imposed or incurred in transmitting or re-transmitting such communication via electronic means.	
REQUIRED ATTACHMENTS TO THIS APPLICATION	
The Applicant understands that the Registrar will not issue a Registry Confirmation nor will any Bondholder be allowed to sell or transfer the Bonds until such Bondholder shall have submitted to the Registrar all the documents required for the issuance of such Bonds.	
IF THE APPLICANT IS A CORPORATION OR A PARTNERSHIP:	
(a) An original notarized Certificate of the Corporate Secretary (or the Managing Partner, if a partnership) of the Applicant setting forth resolutions of the Applicant's Board of Directors or equivalent body authorizing the purchase of the Bonds and designating the signatories, with their specimen signatures, for the said purposes;	
(b) Copies of its Articles of Incorporation and By-Laws and latest amendments thereof, together with the Certificate of Incorporation (or the Articles of Partnership, if a partnership) issued by the Securities and Exchange Commission ("SEC") or equivalent government institution, stamped and signed as certified true copies by the SEC or by the Applicant's Corporate Secretary or by an equivalent officer(s) who is/are authorized signatory(ies);	
(c) Two (2) duly accomplished signature cards containing the specimen signatures of the Applicant's authorized signatories, validated by its Corporate Secretary or by an equivalent officer(s) who is/are authorized signatory(ies), and further validated/signed by the Underwriter's authorized signatory(ies) whose authority(ies) and specimen signatures have been submitted to the Registrar;	
(d) Identification document(s) of the authorized signatories of the Applicant, as specified below; and	
(e) Such other documents as may be reasonably required by the Underwriter(s) in implementation of its internal policies regarding "knowing your customer" and anti-money laundering and requirements related to the Foreign Account Tax Compliance Act ("FATCA").	
IF THE APPLICANT IS A NATURAL PERSON:	
(a) Copies of valid identification documents of the Applicant;	
(b) Two (2) duly accomplished signature cards containing the specimen signature of the Applicant, validated / signed by the Underwriter's authorized signatory(ies), whose authority(ies) and specimen signatures have been submitted to the Registrar; and	
(c) Such other documents as may be reasonably required by the Underwriter(s) in implementation of its internal policies regarding "knowing your customer" and anti-money laundering and requirements related to the Foreign Account Tax Compliance Act ("FATCA").	
IDENTIFICATION DOCUMENTS SHALL CONSIST OF:	
Any one of the following valid identification documents bearing a recent photo, and which is not expired: Tax Identification Number (TIN) ID, Passport, Driver's License, Professional Regulation Commission ID, National Bureau of Investigation Clearance, Police Clearance, Postal ID, Voter's ID, Barangay Certification, Government Service Insurance System e-Card, Senior Citizen Card, Overseas Workers Welfare Administration ID, OFW ID, Seaman's Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and government-owned and controlled corporation ID, e.g., Armed Forces of the Philippines, Home Development Mutual Fund, Certification from the National Council for the Welfare of Disabled Persons, Department of Social Welfare and Development Certification, Integrated Bar of the Philippines ID, Maritime Industry Authority, Philippine Health Insurance Corporation company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or the Insurance Commission, or school ID duly signed by the principal or head of the school (for students who are beneficiaries of remittances/fund transfers who are not yet of voting age).	
Applicants claiming exemption or preferential rate from any applicable tax shall also be required to submit the following documentary proof of its tax-exempt or preferential status together with this Application:	
(a) Proof of Tax Exemption or Entitlement to Preferential Tax Rates	
i. For (a) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (b) cooperatives duly registered with the Cooperative Development Authority; and (c) BIR-approved pension fund and retirement plan - certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed "valid, current and subsisting" if it has not been more than 3 years since the date of issuance thereof;	
ii. For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 - certified true copy of the Bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator;	
iii. For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) government-owned or -controlled corporations; and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) - certified true copy of its current, valid, and subsisting tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income from investments is exempt from income tax and, consequently, withholding tax; and	
iv. For entities claiming tax treaty relief - (i) certificate of tax residence issued for the current year (whether using the form prescribed in their country of residence, or using Part I (D) of the Certificate of Tax Residence for Tax Treaty Relief ("CORTT") Form prescribed under Revenue Memorandum Order No. 8-2017), and (ii) duly accomplished CORTT Form (particularly Part I (A), (B) and (C), and Part II (A), (B), (C) and (D)).	
In addition, upon the request of the Underwriter, the Bondholder shall submit an updated Part II (A), (B), (C) and (D) of the CORTT Form. Only the originals should be submitted to the Underwriter.	
(b) A duly notarized declaration (in the prescribed form) warranting that the Bondholder's tax-exemption certificate or ruling has not been revoked or cancelled and that there are no material changes in character, purpose or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or warranting the Bondholder's entitlement to preferential treaty rates, and undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities arising from the non-withholding or reduced withholding of the required tax; and	
(c) Such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities.	
Unless properly provided with satisfactory proof of the tax-exempt status of a Bondholder, the Registrar and Paying Agent may assume that said Bondholder is taxable and proceed to apply the tax due on the Bonds. Notwithstanding the submission by the Bondholder, or the receipt by AboitizPower or any of its agents, of documentary proof of the tax-exempt status of a Bondholder, AboitizPower may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Bonds. Any question on such determination shall be referred to AboitizPower.	
REPRESENTATIONS, WARRANTIES AND AUTHORIZATION	

In executing this Application, the Applicant represents and warrants, that all information contained herein (including its tax status) and the required attachments are true and correct and that the signatures thereon are genuine, properly authorized, and obtained without use of fraud, coercion or any other vice of consent. The Applicant also represents and warrants that the investment in the Bonds will not violate the laws of the Applicant's jurisdiction and the Applicant is allowed to acquire or invest in the Bonds. The Applicant agrees to immediately notify AboitizPower and the Registrar or Paying Agent, either directly or through the Underwriter, if anything occurs which renders or may render untrue or incorrect in any respect any of the information given herein (including information given with respect to the Applicant's tax status) or any of its representations or warranties. The Applicant understands that the Underwriter, the Registrar, the Paying Agent and AboitizPower will rely on the Applicant's representations and warranties set forth herein including, without limit, its declaration of its tax status, including, if applicable, its tax-exempt status in processing payments due to it under the Bonds. The Applicant agrees to indemnify and hold the Underwriter, the Registrar, the Paying Agent and AboitizPower free and harmless against any and all claims, actions, suits, damages, and liabilities resulting from the non-withholding of the required tax or availing of the preferential tax treaty rates due to the representations as indicated in this Application, any misrepresentation contained herein or any reliance on the confirmations contained herein. The Applicant likewise authorizes AboitizPower, the Registrar and the Paying Agent to verify the information stated in this Application from any and all sources and in any and all manner, including but not limited to, requesting information contained herein from the Underwriter regarding the Applicant's account(s) with the said Underwriter, and the Applicant authorizes the Underwriter to provide such information required by AboitizPower, the Registrar and the Paying Agent. By giving authority to AboitizPower, the Underwriter, BDO Unibank, Inc. – Trust and Investments Group (the "Trustee"), the Registrar, and the Paying Agent and by signing this application, the Applicant hereby waives its right to privacy of information or confidentiality that may exist by law or by contract, solely and exclusively for the limited purpose of enabling AboitizPower, the Underwriter, the Trustee, the Registrar and the Paying Agent to update with respect to the information contained herein and perform their duties and function under the Bonds.

By giving authority to AboitizPower, the Underwriter, the Trustee, the Registrar and Paying Agent and by signing this application, the Applicant hereby (i) consents to the collection, processing or outsourcing of processing, retention, disposal, and further processing, as authorized by law, by AboitizPower, the Underwriter, the Trustee, the Registrar and Paying Agent of the information contained herein (the "Information") for the purpose of performing their functions under the transaction documents (in particular for the Registrar and Paying Agent, the Registry and Paying Agency Agreement, and for the Underwriter, its Client Agreement, account opening documents and "know your customer" documents) and (ii) acknowledges receipt of notice of and consents to the following:

- (a) AboitizPower, the Underwriter, the Trustee, the Registrar and Paying Agent shall implement security measures designed to protect the Information.
- (b) AboitizPower, the Underwriter, the Trustee, the Registrar and Paying Agent shall not sell, trade or otherwise share the Information for marketing purposes to third parties without the consent of the Applicant. AboitizPower, the Underwriter, the Trustee, the Registrar and Paying Agent may disclose the Information to:
 - i. government or regulatory agencies if required by applicable law or by an order of government or regulatory agency or if reasonably determined by AboitizPower, the Underwriter, the Trustee, the Registrar and Paying Agent to be necessary in relation to the use of the Information in connection with the provision of any service related to this Applicant's registry account and for data processing and storage, anti-money laundering monitoring, review and reporting and for purposes of complying with any law or regulation (the "Purpose"), for law enforcement purposes, national security or public interest;
 - ii. its employees, directors, officers, representatives, agents and service providers if AboitizPower, the Underwriter, the Trustee, the Registrar and Paying Agent deem it reasonably necessary in relation to the Purpose;
 - iii. its subsidiaries and affiliates as well as employees, directors, officers, representatives, agents and service providers of such subsidiaries and affiliates if AboitizPower, the Underwriter, the Trustee, the Registrar and Paying Agent deem it reasonably necessary in relation to the Purpose; and
 - iv. each other.
- (c) The Applicant has rights and remedies relating to the processing of the Information under the Data Privacy Act of 2012, its implementing rules and regulations and under applicable laws, such as, but not limited to the right to access the Information consistent with the procedure of the Registry and the Underwriter, to have it corrected consistent with the procedure of the Registry and the Underwriter and to file a complaint with the appropriate government agency. Please refer to the National Privacy Commission for details of such rights and remedies.
- (d) The Applicant may address any concerns or questions regarding the processing of the Information to:

Name: Judd Salas
 Designation: AVP - Investor Relations
 Contact Details: +(63) 917 3013469 or judd.salas@aboitiz.com

The Applicant warrants that the Applicant (or its authorized signatory) has read and understood the Terms and Conditions of the Bonds under the Prospectus ("Terms and Conditions"), the entirety of this Application, and the Rules and Procedures of the Registrar and unconditionally accepts the same. The Applicant further agrees that completion of this Application constitutes an instruction and authority from the Applicant to AboitizPower and/or Underwriter to execute any application form or other documents and generally to do all such other things and acts as AboitizPower, and/or Underwriter may consider necessary or desirable to effect registration of the Bonds in the name of the Applicant. The Applicant represents and warrants to the Trustee and to AboitizPower that it has independently and, without reliance on the Trustee or AboitizPower, made its own credit investigation and appraisal of the financial position and affairs of AboitizPower on the basis of such documents and information that it has deemed appropriate and that it has subscribed to the Bonds on the basis of such independent appraisal, and that it shall continue to make its own credit appraisal without reliance on the Trustee or AboitizPower.

Unless otherwise expressly stated or the context provides otherwise, all terms used herein shall have the meaning ascribed to them in the Prospectus and the Terms and Conditions of the Bonds described therein. The Bonds are governed by and subject to a Registry and Paying Agency Agreement between AboitizPower and Philippine Depository & Trust Corp. as the Registrar and Paying Agent, and the rules and procedures of PDTC and a Trust Agreement between AboitizPower and BDO Unibank, Inc. - Trust and Investments Group.

APPLICANT'S FULL NAME (IN PRINT):	APPLICANT'S AUTHORIZED SIGNATURE/S :
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ACKNOWLEDGEMENT AND ACCEPTANCE

<input type="checkbox"/> Underwriter's or Selling Agent's Acceptance	<input type="checkbox"/> Rejection due to _____
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Underwriter's or Selling Agent's Certification/Endorsement:
 We received this Application, with all the required attachments below, at _____ a.m. / p.m. on _____.

We hereby warrant that:

- (a) The necessary know-your-client process was conducted on the Applicant pursuant to the Anti-Money Laundering Act and the amendments thereto ("AMLA") as well as its implementing rules and regulations ("IRR") and our own internal policies;
- (b) The identity of the Applicant was duly established pursuant to the AMLA and its IRR;
- (c) To the best of the undersigned's knowledge, all information provided to AP and the Registrar regarding the Applicant are true, complete, current and correct; and
- (d) The Applicant's signature appearing herein is genuine and authentic and was herein affixed freely and voluntarily.

Underwriter / Selling Agent	Underwriter's / Selling Agent's Authorized Signatory Signature over printed name	Underwriter's / Selling Agent's Authorized Signatory Signature over printed name
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CERTAIN RELEVANT INFORMATION CONCERNING THE OFFERING OF THE BONDS

Unless otherwise expressly stated or the context provides otherwise, all terms used herein shall have the meaning ascribed to them in the Prospectus and the Terms and Conditions of the Bonds described therein. The information set forth below is an incomplete summary of certain terms of the Offer and are qualified by such terms and conditions set out in the Prospectus in every respect. Applicants wishing to purchase the Bonds should read the Prospectus and its description of such Terms and Conditions. The Issuer and the Underwriters have not provided any other information and do not make any representations in respect of the Offer except as contained in the Prospectus, the Registration Statement and the Terms and Conditions.

OFFER BONDS. Aboitiz Power Corporation ("AboitizPower" or the "Issuer" or the "Company") is offering fixed rate bonds in the aggregate principal amount of ₱10,000,000,000 (the "Bonds") with an oversubscription option of up to P5,000,000,000, under the Company's P30,000,000,000 Debt Securities Program. The Bonds will be issued on October 25, 2018 (the "Issue Date") and will be comprised of Series B and Series C Bonds. Series B Bonds shall have a term ending five (5) years and one (1) quarter from the Issue Date, or on January 25, 2024, with a fixed interest rate of 7.5095% per annum. Series C Bonds shall have a term ending ten (10) years from the Issue Date, or on October 25, 2028, with a fixed interest rate of 8.5091% per annum.

FORM AND DENOMINATION. The Bonds are in scripless form, and shall be issued in denominations of Fifty Thousand Pesos (P50,000.00) each as a minimum and in multiples of Ten Thousand Pesos (P10,000.00) thereafter and traded in denominations of Ten Thousand Pesos (P10,000.00) in the secondary market.

TRANSFERS; TAX STATUS. The Registrar shall ultimately and conclusively determine all matters regarding the evidence necessary to effect any such transfers. Settlement in respect of such transfers or change of title to the Bonds, including the settlement of any documentary stamps taxes, if any, arising from subsequent transfers, shall be settled directly between the transferee and/or the transferor Bondholders. Transfers across tax categories shall not be allowed except on Interest Payment Dates that fall on a business day. Restricted transfers include, but are not limited to, transfers between taxable and non-taxable entities, between taxable entities of different tax categories (where tax-withheld entities with different final withholding tax rates (e.g. 20%, 25%, 30%) are considered as belonging to different tax categories), or between parties who claim the benefit of a tax treaty; provided, however, that transfers from a tax-exempt category to a taxable tax category on a non-Interest Payment Date shall be allowed using the applicable tax-withheld series name to ensure that the computation is based on the final withholding tax rate of the taxable party to the trade. For such transactions, the tax-exempt entity shall be treated as belonging to the same tax category as its taxable counterpart for the interest period within which such transfer occurred. A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under the Registry and Paying Agency Agreement upon submission of the account opening documents to Registrar. Transfers taking place in the Register of Bondholders after the Bonds are listed on PDEX shall be allowed between tax-exempt and non-tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions, and guidelines of PDEX and PDTC.

OFFER PERIOD. The Offer shall commence at 9:00 a.m. on October 12, 2018 and end at 12:00 p.m. on October 18, 2018 or such other date as may be determined by the Issuer and the Underwriters.

ISSUE DATE. The Bonds will be issued on October 25, 2018 or on such other date as the Issuer and the Underwriters may agree in writing.

APPLICATION AND PAYMENT FOR THE BONDS. All applications to purchase the Bonds shall be evidenced by a duly completed and signed Application to Purchase, together with two (2) fully executed signature cards authenticated by the Corporate Secretary with respect to corporate and institutional investors, and shall be accompanied by the payment in full of the corresponding purchase price of the Bonds applied for, by check or by appropriate payment instruction, and the required documents which must be submitted to the Underwriters or Selling Agents. AboitizPower and the Underwriters reserve the right to accept or reject applications to subscribe in the Bonds, and in case of oversubscription, allocate the Bonds available to the applicants in a manner they deem appropriate.

REFUNDS. In the event an Application is rejected or the amount of the Bonds applied for is scaled down, the relevant Underwriter, upon receipt of such rejected and/or scaled down applications, shall notify the Applicant concerned that his application has been rejected or the amount of Bonds applied for is scaled down, and refund the amount paid by the Applicant with no interest thereon. With respect to an Applicant whose application was rejected, refund shall be made by the relevant Underwriter by making the check payment of the Applicant concerned available for his retrieval. With respect to an Applicant whose application has been scaled down, refund shall be made by the issuance by the Underwriter of its own check payable to the order of the Applicant and crossed "Payees' Account Only" corresponding to the amount in excess of the accepted Application. All checks shall be made available for pick up by the Applicant concerned at the office of the relevant Underwriter to whom the rejected or scaled down Application was submitted within ten (10) Banking Days after the last day of the Offer Period. The Issuer shall not be liable in any manner to the Applicant for any check payment corresponding to any rejected or scaled-down application which is not returned by the relevant Underwriter; in which case, the Underwriter shall be responsible directly to the Applicant for the return of the check or otherwise the refund of the payment.

BOND RATING. The Bonds have been rated PRS Aaa by PhilRatings. The rating is subject to regular annual review, or more frequently as market developments may dictate, for as long as the Bonds are outstanding.

REGISTRATION. The SEC has issued a Permit to Sell in respect of the Bonds.

PRINCIPAL REPAYMENT. The Bonds will be redeemed at par or 100 00% of their face value on their respective Maturity Dates, unless earlier redeemed by the Company.

INTEREST RATE. The Interest Rate is as stated at the front page of this Application to Purchase. Interest on the Bonds shall be calculated on a European 30/360-day count basis and shall be paid quarterly in arrears starting on January 25, 2019 for the first Interest Payment Date, and thereafter, every January 25, April 25, July 25 and October 25 of each year, until and including the Maturity Date (each, an "Interest Payment Date"), or the next Banking Day if such dates fall on a non-Banking Day without any adjustment in the amount of interest as originally computed.

TAXATION. Interest income on the Bonds is subject to final withholding tax at rates depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following:

- (a) The applicable final withholding tax applicable on interest earned on the Bonds prescribed under the Tax Code, as amended and its implementing rules and regulations as maybe in effect from time to time.
- (b) Gross Receipts Tax under the Tax Code;
- (c) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding;
- (d) Value-Added Tax under the Tax Code, as amended; and
- (e) Any applicable taxes on other income due to any Bondholder arising from the Bonds, including but not limited to the Prepayment Penalty, if and when applicable.

Documentary stamp tax for the primary issue of the Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.

Bondholders who are exempt from or are not subject to final withholding tax on interest income or are covered by a lower final withholding tax rate by virtue of a tax treaty may claim such exemption or lower rate, as the case may be, by submitting the necessary documents as required by under the applicable regulations of the relevant taxing or other authorities and/or the Issuer.

REDEMPTION.

- (1) **Final Redemption.** Unless otherwise earlier redeemed or previously purchased and cancelled, the Bonds shall be redeemed at par (or 100% of face value) and paid together with the accrued interest thereon on the relevant Maturity Dates of the Bonds. However, if the relevant Maturity Date is not a Business Day, payment of all amounts due on such date will be made by the Issuer through the Paying Agent, without adjustment for accrued interest, on the succeeding Business Day.
- (2) **Optional Redemption.** The Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), any series of the outstanding Bonds (the "Early Redemption Option"), on the Interest Payment Dates specified below (any such date, the "Optional Redemption Date") or the immediately succeeding Banking Day if such date is not a Banking Day, without any adjustment in the amount of interest as originally computed. The amount payable to the Bondholders upon the exercise of the Early Redemption Option by the Issuer shall be calculated based on the principal amount of the relevant Bonds being redeemed as the aggregate of the: (i) accrued interest computed from the last Interest Payment Date up to the relevant Optional Redemption Date; and (ii) the product of the principal amount (total outstanding principal amount of the relevant Bonds) and the applicable Optional Redemption Price (as set out below) in accordance with the following schedule:

Series B Bonds:

Optional Redemption Date	Optional Redemption Price (inclusive of Prepayment Penalty)
4 years from Issue Date	100.25%

Series C Bonds:

Optional Redemption Dates	Optional Redemption Price (inclusive of Prepayment Penalty)
7 years from Issue Date	102.00%
8 years from Issue Date	101.00%
9 years from Issue Date	100.25%

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the relevant Series B Bonds or Series C Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption on the Optional Redemption Date stated in such notice.

- (3) **Redemption for Taxation Reasons.** The Issuer may redeem any series of the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days' notice to the Trustee) at par plus accrued interest, subject to the requirements of Applicable Law, if payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on Issue Date as a result of certain changes in Applicable Law, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer. For avoidance of doubt, the Issuer shall not be liable for the payment of the additional or increased taxes on the income of the Bondholders, which shall be for the account of the Bondholders.
- (4) **Mandatory Redemption.** If any one or more of the following events shall occur, in the reasonable opinion of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the Bonds for the events contemplated in (a), (b) or (c) below or the Majority Bondholders for the events contemplated in (d) below (and with written notice to the Trustee), and be continuing for a period of fifteen (15) Banking Days with respect to the events contemplated in (a) or (c) below:
 - (a) Any law, government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Bonds which shall be modified in a manner which, in the reasonable opinion of the Trustee, while not constituting an Event

- of Default, will materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld;
- (b) Any provision of the Trust Agreement or any of the related documents is or becomes invalid, illegal or unenforceable by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law is introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents;
 - (c) Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation, in such a manner as to materially and adversely affect the financial condition or operations of the Issuer; and
 - (d) Any Government Authority or any competent authority condemns, seizes, or expropriates all or substantially all of the assets or properties of the Issuer, unless such act is contested in good faith by the Issuer or unless such act is suspended or restrained by an order of a court of competent jurisdiction;
- then, the Trustee, by notice in writing delivered to the Issuer, may declare the principal of the Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty.

PURCHASE AND CANCELLATION. The Issuer may purchase the Bonds at any time in the open market or by tender or by contract, in accordance with PDEX Rules, without any obligation to make pro rata purchases from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

COMMUNICATIONS. The Applicant acknowledges that the Registrar and Paying Agent do not guarantee the security of any notice, statement, instruction, or other communication transmitted by facsimile or through electronic means, and, thus, agrees that the Registrar and Paying Agent is not liable for the complete and timely transmission thereof. The Applicant assumes all risks in relation to any communication transmitted by or to the Applicant by facsimile or electronic means and agrees that it shall have no recourse to the Registrar and the Paying Agent for any liability or damage arising from or in connection therewith, unless said liability or damage was caused by the Registrar and Paying Agent's fraud, evident bad faith, gross negligence, or willful omission. The Applicant shall indemnify the Registrar and Paying Agent from and against all actions, claims, demands, liabilities, obligations, losses, damages, costs (including without limitation, interest and reasonable legal fees) and expenses of whatever nature (whether actual or contingent) suffered, incurred, or threatened against the Registrar and Paying Agent arising from or in connection with the act of the Registrar in accepting and acting on any notice, statement, or instructions transmitted by facsimile or electronic means. By indicating the email address/es in the Registration Form, the Applicant, including its successors or/assigns, consent to receive notices and communications via email; and such consent shall operate as a waiver of the Applicant's right and privilege to the secrecy of bank deposits in respect of such statements/notices. The Applicant assumes all risks in relation to the transmission of any electronic communication transmitted to the Applicant and agrees that it shall have no recourse to the Registrar and Paying Agent for any liability or damage arising from or in connection with electronic transmission of information in respect of the Bonds, unless said liability or damage was caused by the Registrar and Paying Agent's fraud, evident bad faith, gross negligence or willful omission. The Registrar and Paying Agent shall not responsible for monitoring and re-sending rejected electronically transmitted statements, notices, and communications. Requests for resending and/or for additional statements, notices, and/or advices shall be for the account of the Applicant. Transmittal of statements shall be in the frequency stipulated by the Issuer.

FEES. The Applicant understands and agrees that any transaction on the Bonds which utilizes the services of PDTC as the Registrar and the Paying Agent, underwriter/broker, Cash Settlement Bank, or PDEX, and/or any service provider, as the case may be, may be subject to such fees and charges for which the Applicant or its counterparty may be accountable. A copy of the schedule of such fees is available from the appropriate service provider. The Applicant understands that PDTC may increase its fees and charges at its sole discretion in order to maintain the quality of its service. The Issuer and the Bondholder shall be informed of changes in fees at least 30 days prior to the effective date of any such change.

PDTC Rules. Each Bondholder acknowledges and hereby agrees to be bound by the registry rules and procedures of the Registrar and Paying Agent as the same may be amended from time to time.

THE BONDS AND THIS APPLICATION TO PURCHASE ARE GOVERNED BY AND SUBJECT TO THE PROSPECTUS AND THE TRUST AGREEMENT. THE APPLICANT MAY OBTAIN COPIES OF THE PROSPECTUS AND THE TRUST AGREEMENT, WHICH SHALL BE MADE AVAILABLE AT THE OFFICES OF UNDERWRITERS AND THE OFFICE OF THE ISSUER AT NAC TOWER, 32ND STREET, BONIFACIO GLOBAL CITY 1634 TAGUIG CITY, METRO MANILA, PHILIPPINES THROUGHOUT THE OFFER PERIOD DURING REGULAR BUSINESS HOURS.

ANNEX C-1
MASTER CERTIFICATE OF INDEBTEDNESS FOR THE SERIES B BONDS

LOGO

ABOITIZ POWER CORPORATION
MASTER CERTIFICATE OF INDEBTEDNESS
Series B Bonds

P •

Bond Certificate No. 0001

Issue Date: October 25, 2018

Maturity Date: January 25, 2024

For and in consideration of the sum of PESOS: • PESOS P •], ABOITIZ POWER CORPORATION (the “Company”), promises to pay the sum of PESOS: • P •, together with interest, to the Bondholders appearing in the Registry Book, pursuant to, and subject to the terms and conditions set forth in: (i) the Trust Agreement dated October 10, 2018, and (ii) Annex A thereto.

This Master Certificate of Indebtedness is being issued by the Company, acting by the authority of its Board of Directors, to BDO UNIBAN , INC. – TRUST AND INVESTMENTS GROUP, in its capacity as Trustee, in acknowledgement of the Company’s obligations in respect of the five (5) and one (1) quarter Philippine Peso fixed rate bonds (the “Series B Bonds”) duly registered with the Philippine Securities and Exchange Commission.

The Series B Bonds shall bear interest, subject to the terms and conditions contained in the Trust Agreement dated October 10, 2018, and Annex A attached thereto.

Annex A provides for the mode and manner of the payment and prepayment of the Series B Bonds under the terms and conditions set forth and specified therein as well as for the acceleration of the maturity of the Series B Bonds under certain conditions.

The Series B Bonds shall be governed by, and construed in accordance with, the laws of the Republic of the Philippines.

ABOITIZ POWER CORPORATION
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ANNEX C-2
MASTER CERTIFICATE OF INDEBTEDNESS FOR THE SERIES C BONDS

LOGO

ABOITIZ POWER CORPORATION
MASTER CERTIFICATE OF INDEBTEDNESS
Series C Bonds

P •

Bond Certificate No. 0002

Issue Date: October 25, 2018

Maturity Date: October 25, 2028

For and in consideration of the sum of PESOS: • PESOS P •], ABOITIZ POWER CORPORATION (the “Company”), promises to pay the sum of PESOS: • P •, together with interest, to the Bondholders appearing in the Registry Book, pursuant to, and subject to the terms and conditions set forth in: (i) the Trust Agreement dated October 10, 2018, and (ii) Annex A thereto.

This Master Certificate of Indebtedness is being issued by the Company, acting by the authority of its Board of Directors, to BDO UNIBAN, INC. – TRUST AND INVESTMENTS GROUP, in its capacity as Trustee, in acknowledgement of the Company’s obligations in respect of the ten (10) year Philippine Peso fixed rate bonds (the “Series C Bonds”) duly registered with the Philippine Securities and Exchange Commission.

The Series B Bonds shall bear interest, subject to the terms and conditions contained in the Trust Agreement dated October 10, 2018, and Annex A attached thereto.

Annex A provides for the mode and manner of the payment and prepayment of the Series C Bonds under the terms and conditions set forth and specified therein as well as for the acceleration of the maturity of the Series C Bonds under certain conditions.

The Series C Bonds shall be governed by, and construed in accordance with, the laws of the Republic of the Philippines.

ABOITIZ POWER CORPORATION

EXHIBIT 1
FORM OF CERTIFICATE OF NO DEFAULT AND COMPLIANCE / NOTICE OF DEFAULT

To: BDO Unibank, Inc. – Trust and Investments Group
(the “Trustee”)
Fax: +6328784270
Attn: Susan Marie J. Atienza
From: Aboitiz Power Corporation
Date: [•]

Re: Trust Agreement dated October 10, 2018 (the “Agreement”)
between Aboitiz Power Corporation (the “Issuer”), and the Trustee

We refer to the Agreement. Words and expressions defined in the Agreement have the same meanings in this certificate. This is a Certificate of No Default and Compliance.

We confirm the following:

1. that [no/the following] Events of Default were outstanding as at [*relevant date*];
2. all the representations and warranties of the Issuer contained in the Agreement remain true and correct; and
3. all of the covenants of the Issuer set forth in the Agreement have been fully met and performed; .

For and on behalf of Aboitiz Power Corporation

By:
Name:
Title:

EXHIBIT 2
FORM OF CERTIFICATE ON NET DEBT TO CONSOLIDATED EQUITY RATIO

To: BDO Unibank, Inc. – Trust and Investments Group
(the “Trustee”)
Fax: +6328784270
Attn: Susan Marie J. Atienza
From: Aboitiz Power Corporation
Date: [•]

Re: Trust Agreement dated October 10, 2018 (the “Agreement”)
between Aboitiz Power Corporation (the “Issuer”), and the Trustee

We refer to the Agreement. Words and expressions defined in the Agreement have the same meanings in this certificate. This is a Certificate on Net Debt to Consolidated Equity Ratio.

We confirm that as at [*relevant date*]:

Net Debt was [•] and Consolidated Equity was [•], so the ratio of Net Debt to Consolidated Equity was [•]:1.

For and on behalf of Aboitiz Power Corporation

By:
Name:
Title:

TRUST AGREEMENT

This **TRUST AGREEMENT** (this “**Agreement**”) is made and executed this September 27, 2019, by and between:

ABOITIZ POWER CORPORATION, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal offices at the 32nd Street, Bonifacio Global City, 1634 Taguig City, Metro Manila (hereinafter referred to as the “**Issuer**”);

– and –

BDO UNIBANK, INC. – TRUST AND INVESTMENTS GROUP, a corporation duly organized and validly existing under the laws of the Republic of the Philippines, duly authorized to perform trust and investment management functions and other fiduciary business, with principal offices at the 15th Floor, South Tower, BDO Corporate Center, 7899 Ayala Avenue, Makati City, (hereinafter referred to as “**BDO Trust**” or the “**Trustee**”).

RECITALS

WHEREAS, the Issuer is authorized by the Philippine Securities and Exchange Commission to issue Fixed Rate Peso-Denominated Bonds for offering, distribution and sale to the general public of up to the aggregate principal amount of PHILIPPINE PESOS: THIRTY BILLION (Php30,000,000,000.00) to be issued in one or several tranches within three years from the date of effectivity of its shelf registration (the “**Bonds**”). The Issuer has previously issued the first tranche of the Bonds last July 3, 2017 and the second tranche of bonds last October 25, 2018, and desires to issue the third tranche of the Bonds. The third tranche of the Bonds shall comprise of 5.2757% per annum fixed rate bonds due 2026 (the “**Series D Bonds**” or the “**Third Tranche Bonds**”), for a total of PHILIPPINE PESOS: up to SEVEN BILLION (Php7,000,000,000.00) with an oversubscription option of up to PHILIPPINE PESOS: FIVE BILLION (Php5,000,000,000.00) (the “**Offer**”);

WHEREAS, the Offer and the terms thereof are more fully described in **Annex “A”** hereof and in the Prospectus to be issued and circulated for the Offer, which is made an integral part hereof by reference;

WHEREAS, the Issuer expects to obtain a Permit to Sell from the SEC in respect of a public distribution and sale of the Third Tranche Bonds prior to the start of the Offer Period;

WHEREAS, to achieve the foregoing objectives, the Issuer has appointed, and hereby confirms the appointment of, BDO Trust as the Trustee on the basis of the representations and warranties of the Issuer and under the terms and conditions hereinafter set forth, has consented to the appointment;

NOW, THEREFORE, for and in consideration of the foregoing premises, the parties hereto agree as follows:

Section 1 DEFINITIONS AND INTERPRETATION

1.1. Definitions

The following terms shall have the respective meanings set forth below except as otherwise expressly provided or unless the context otherwise requires:

“Aboitiz Group” means Aboitiz & Co., Inc. and Aboitiz Equity Ventures, Inc., each a corporation organized under Philippine law, together with their respective Subsidiaries and Affiliates, related persons and related interests, whether or not stockholders of record of the Issuer as of the Issue Date;

“Affiliate” means with respect to any Person, any other Person directly or indirectly Controlling, Controlled by or under common Control with, such Person;

“Agreement” shall mean this Trust Agreement and all amendments or supplements hereto;

“Applicable Law” means: (i) any statute, decree, constitution, regulation, rule, order or any directive of any Governmental Authority; (ii) any treaty, pact, compact or other agreement to which any Governmental Authority is a signatory or party; (iii) any judicial or administrative interpretation or application of any law described in clause (i) or (ii) above; and (iv) any amendment or revision of any law described in clause (i), (ii) or (iii) above;

“Applicant” shall mean the Person who shall duly accomplish the Application as defined herein and who shall deliver the same to the Joint Issue Managers and/or the Joint Lead Underwriters in accordance with the Underwriting Agreement;

“Application” or **“Application to Purchase”** shall mean the form actually accomplished and submitted by the Applicant for the purchase of the Third Tranche Bonds, together with all other requirements set forth substantially in the form attached hereto as **Annex “B”**;

“Authorization” means any authorization, consent, approval, license, exemption, filing, registration, or other similar action;

“Banking Day” means a day other than Saturday, Sunday and public holidays on which commercial banks and the Philippine Clearing House Corporation are generally open for the transaction of business in Makati City and Taguig City, and the City of Manila; *provided*, that all other days unless otherwise specified herein shall mean calendar days which shall be construed as successive periods of twenty-four (24) hours each;

“BIR” shall mean the Bureau of Internal Revenue of the Republic of the Philippines;

“Bona Fide Bondholder” shall have the meaning ascribed to it in Section 3.10.a hereof;

“Bondholders” shall mean the registered owners of the Third Tranche Bonds;

“Competitor” shall have the meaning ascribed to it in Section 3.9.c hereof;

“Consolidated Equity” means the total stockholders’ equity of the Issuer as recognized and measured in its fiscal year-end audited consolidated financial statements and quarter-end unaudited consolidated financial statements, as may be applicable and available in accordance with Applicable Law, both in conformity with PFRS;

“Control” means the possession, directly or indirectly, by a Person of the power to direct or cause the direction of the management and policies of another Person whether through the ownership of voting securities or otherwise; provided, however, that the direct or indirect ownership of over fifty percent (50%) of the voting capital stock, registered capital or other equity interest of a Person is deemed to constitute control of that Person, and **“Controlling”** and **“Controlled”** have corresponding meanings;

“Event of Default” shall have the meaning set forth in Section 9.1 hereof;

“Fair Market Value of Assets” means at any particular time, the aggregate of the total current assets and the total non-current assets of the Issuer as shown in the balance sheet of its latest audited financial statements on a consolidated basis.

“Fee Letter” means the letter of the Trustee to the Issuer dated on or about July 11, 2019 and acknowledged by the Issuer on a later date;

“Government Authority” means the Government of the Republic of the Philippines, or any political subdivision or agency thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the said government, and any national agency or body vested with jurisdiction or authority over any Person;

“GRT” means the gross receipts tax under Sections 121 and 122 of the National Internal Revenue Code of 1997, as amended;

“Indebtedness” means: (i) all indebtedness or other obligations of the Issuer for borrowed money or for the deferred purchase price of property or services and similar arrangements; (ii) all indebtedness or other obligations of any other Person, the payment or collection of which is guaranteed by the Issuer (except by reason of endorsement for collection in the ordinary course of business) or in respect of which the Issuer is liable, contingently or otherwise, including without limitation, any agreement to purchase, to provide funds for payment, to supply funds to or otherwise invest in such Person; and (iii) capitalized lease obligations of the Issuer;

“Interest Payment Date” shall mean the dates indicated in the interest coupon of the Series D Bonds as provided in **Annex “A”**;

“Issue Date” shall be on October 14, 2019, or such later date as may be mutually determined by the Issuer and the Joint Issue Managers for the issuance of the Third Tranche Bonds;

“Issue Price” shall mean one hundred percent (100%) of the face value of the Third Tranche Bonds;

“Joint Issue Managers” shall mean BDO Capital & Investment Corporation and First Metro Investment Corporation;

“Joint Lead Underwriters” shall mean BDO Capital & Investment Corporation, First Metro Investment Corporation, China Bank Capital Corporation, PNB Capital and Investment Corporation, and SB Capital Investment Corporation;

“Lien” means, with respect to any Person, any lien, pledge, mortgage, charge, hypothecation, encumbrance, or other security interest or preferential arrangement on or with respect to any asset or revenue of such Person;

“Majority Bondholders” shall mean, at any time, the Bondholders who hold, represent or account for at least fifty percent (50%) plus one peso (₱1.00) of the aggregate outstanding principal amount of the Third Tranche Bonds;

“Master Certificate of Indebtedness” means each of the certificates to be issued by the Issuer in the name of the Trustee for the benefit of the Bondholders evidencing and covering the aggregate principal amount of the Series D Bonds purchased during the Offer Period for such Third Tranche Bonds, substantially in the form set forth in Annex “C” hereof.

“Material Adverse Effect” means a material adverse effect on the ability of the Issuer to perform or comply with any of its obligations, or to exercise any of its material rights, under this Agreement, the Underwriting Agreement or the Third Tranche Bonds;

“Maturity Date” shall mean the date that is seven (7) years from Issue Date or on October 14, 2026;

“Net Debt” shall mean the interest-bearing debt less cash, cash equivalents, and short term investments of the Issuer;

“Net Debt to Consolidated Equity Ratio” shall mean the ratio of Net Debt to Consolidated Equity

“Offer” or **“Issue”** as the context may require, shall mean the Third Tranche Bonds or the offering, issuance, distribution and sale of the Third Tranche Bonds;

“Offer Period” shall mean the period commencing on September 30, 2019 and ending on October 4, 2019 or such other date as may be mutually agreed between the Issuer and the Joint Lead Underwriters;

“Optional Redemption Date” shall have the meaning ascribed to it under Section 6.4;

“Optional Redemption Price” shall have the meaning ascribed to it under Section 6.4;

“Paying Agent” shall mean the Philippine Depository & Trust Corporation acting as paying agent in accordance with the Registry and Paying Agency Agreement;

“Payment Date” shall mean the Interest Payment Date and/or the Principal Payment Date, as the case may be;

“Penalty Interest” shall mean the penalty interest at the rate of two percent (2%) per annum payable by the Issuer pursuant to Section 6.7 hereof.

“Person” means an individual, corporation, partnership, joint venture, unincorporated association, trust, or other juridical entity, or any Governmental Authority;

“PFRS” means Philippine Financial Reporting Standards;

“Philippine Peso” or **“PhP”** means the legal currency of the Republic of the Philippines;

“Philippines” means the Republic of the Philippines;

“Principal Payment Date” shall mean the Maturity Date or the Optional Redemption Date;

“Prospectus” means the selling material including any amendment or supplement thereto duly filed by the Issuer with, and duly approved by, the SEC for the purpose of the offering, distribution, and sale of the Third Tranche Bonds;

“Record Date” as used with respect to any Payment Date shall mean the day which is two (2) Banking Days prior to the relevant Interest Payment Date; provided that if such day falls on a non-Banking Day, the Record Date shall be the next Banking Day immediately preceding said date;

“Registrar” shall mean the Philippine Depository & Trust Corp. acting as the registrar in accordance with the Registry and Paying Agreement;

“Registration Statement” shall mean the registration statement filed by the Issuer with the SEC on August 23, 2019 in accordance with the Securities Regulation Code relating to the registration and issuance of the Bonds;

“Registry and Paying Agency Agreement” shall mean the agreement dated September 27, 2019 by and between the Issuer and Philippine Depository & Trust Corp., as the Paying Agent and Registrar for the Issue;

“Relevant Period” shall mean a period of 12 calendar months ending on the last day of any quarter of any of the Issuer’s fiscal years;

“SEC” shall mean the Securities and Exchange Commission of the Philippines;

“Third Tranche Bonds” shall mean the Series D Bonds with an aggregate amount of up to PHILIPPINE PESOS: SEVEN BILLION (PhP7,000,000,000.00) with an oversubscription option of up to PHILIPPINE PESOS: FIVE BILLION

(PhP5,000,000,000.00), which the Issuer shall issue for distribution and sale on Issue Date;

“Securities Regulation Code” shall refer to Republic Act No. 8799 and its implementing rules and regulations, as the same may be amended and supplemented from time to time;

“Series D Bonds” shall mean the fixed rate bonds having a term ending seven (7) years from the Issue Date, or on October 14, 2026, with a fixed interest rate of 5.2757% per annum;

“Subsidiary” means in respect of any Person, any entity: (i) over fifty percent (50%) of whose capital is owned directly by that Person; or (ii) for which that Person may nominate or appoint a majority of the members of the board of directors or such other body performing similar functions;

“Taxes” or **“Tax”** means any present or future taxes, levies, imposts, duties, filing, registration and other fees or charges imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof;

“Transaction Date” shall mean with respect the incurrence of any loan obligation with a maturity of more than one (1) year, the date such loan obligation is incurred;

“Treasury Transaction” means any currency, commodity, or interest rate purchase, cap or collar agreement, forward rate agreement, future or option contract, swap or other similar agreement, in relation to the Issuer’s treasury management;

“Trustee” shall mean BDO Unibank, Inc. – Trust and Investment Group or any other successor trustee acting as trustee pursuant to this Agreement; and

“Underwriting Agreement” shall mean the underwriting agreement dated September 27, 2019, executed by and between the Issuer, the Joint Issue Managers, and the Joint Lead Underwriters.

1.2. Other Terms.

Any reference in this Agreement to:

a **“company”** shall be construed so as to include any company, corporation or any association or partnership (whether or not having separate legal personality) of any two or more Persons;

“Joint Issue Managers,” “Joint Lead Underwriters,” “Registrar,” “Paying Agent,” “Trustee” and **“Bondholders”** shall be construed so as to include their respective successors, transferees and assigns in accordance with their respective interests to the extent permitted under the terms hereof and, in the case of the **“Issuer,”** its respective successors, transferees and assigns, to the extent permitted under the terms hereof;

a **“month”** is the period commencing on a specified day in a calendar month and ending on the numerically corresponding day in the relevant subsequent calendar

month (or if there is no day so corresponding in the calendar month in which such period ends, such period shall end on the last day of such calendar month);

an “**Annex**” shall, subject to any contrary indication, be construed as a reference to a schedule hereto;

a “**Section**” shall, subject to any contrary indication, be construed as a reference to a section hereof; and

the “**winding-up,**” “**dissolution**” or “**administration**” of a company shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or any jurisdiction in which such company carries on business.

1.3. Accounting Terms.

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1.4. Rules of Construction.

Save where the contrary is indicated, any reference in this Agreement to this Agreement:

- a. the Third Tranche Bonds or any other agreement or document shall be construed as a reference to this Agreement or, as the case may be, the Third Tranche Bonds, other agreement or document as the same may have been, or may from time to time be (subject to any restrictions herein), amended, varied, novated, supplemented, replaced or substituted;
- b. a statute shall be construed as a reference to such statute as the same may have been, or may from time to time be, amended or re-enacted; and
- c. a day shall be construed as a reference to a calendar day.

1.5. Headings.

Section, Annex, Exhibit and Schedule headings are for ease of reference only and shall not affect the interpretation of this Agreement and the Third Tranche Bonds.

1.6. Interpretation.

The words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole, and not to any particular Section, subsection or clause hereof. Any reference herein to any Person shall include its successors and permitted assigns and, in the case of any Governmental Authority, any Person succeeding to its functions and capacities. All accounting terms used herein and not otherwise defined will have the meanings accorded them under the PFRS and, except as expressly provided herein, all accounting determinations will be made in accordance with such accounting principles in effect from time to time. Any reference to “include” or “including” shall be treated as “including, without limitation”.

Defined terms in the singular shall include the plural and vice versa, and the masculine, feminine or neuter gender shall include all genders.

Section 2 ISSUANCE OF THIRD TRANCHE BONDS AND DELIVERY OF MASTER CERTIFICATE OF INDEBTEDNESS

2.1. Issuance of the Third Tranche Bonds

The Third Tranche Bonds shall be issued by the Issuer in accordance with the terms of this Agreement. The obligations of the Issuer in connection with the Third Tranche Bonds shall consist of all its obligations under this Agreement, including the full and prompt payment of all accrued interests and redemption amounts due on the Third Tranche Bonds, as well as any and all reasonable and documented expenses that may be incurred by the Trustee in enforcing any of its and/or the Bondholders' rights, powers, and remedies under and in accordance with this Agreement.

2.2. Delivery of Executed Master Certificate of Indebtedness

The Issuer shall, not later than 9:00 a.m. on Issue Date, deliver the duly executed Master Certificate of Indebtedness covering the entire principal amount of the Series D Bonds purchased during the Offer Period, to the Trustee, with a copy to the Registrar. The Trustee shall, upon its receipt of the duly executed Master Certificate of Indebtedness, immediately notify the Joint Issue Managers and the Joint Lead Underwriters of such fact in writing (including, without limitation, telex or telecopier, or electronic mail).

Section 3 THE TRUSTEE

3.1. Appointment

- a. The Issuer hereby appoints BDO Unibank, Inc. – Trust and Investments Group as the Trustee, and the Trustee hereby accepts its appointment as Trustee for and on behalf and benefit of the Bondholders, in connection with the distribution, sale and issuance of the Third Tranche Bonds by the Issuer.
- b. The foregoing appointment shall commence on the Issue Date and shall subsist for so long as any amount of the Third Tranche Bonds is outstanding, unless the services of the Trustee are otherwise terminated pursuant to this Agreement.

3.2. Duties and Responsibilities of the Trustee

- a. Coordinate with the Issuer, the Joint Issue Managers, the Joint Lead Underwriters, and the Registrar and the Paying Agent in relation to the performance of their respective responsibilities under the relevant Transaction Documents.
- b. The Trustee shall act as trustee for and in behalf of the Bondholders and as such shall, in accordance with the terms and conditions of this Agreement, monitor the compliance or non-compliance by the Issuer with all its

representations and warranties, and the Issuer's observance of all its covenants and performance of all its obligations, under and pursuant to this Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under this Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party to whom the Bondholders shall communicate with in respect to any matters to be taken up with the Issuer.

- c. Report regularly to the Bondholders any non-compliance by the Issuer with this Agreement and, to the best of Trustee's knowledge, any development with respect to the Issuer based on official disclosures to the PDEX, the Philippine Stock Exchange, SEC, or other regulatory agencies and that adversely affects the interest of the Bondholders, including any default by the Issuer on any of its obligations of which the Trustee may have knowledge based on official disclosures to the PDEX, the Philippine Stock Exchange, SEC, or other regulatory agencies; provided, that for purposes hereof, the Trustee shall, without need of any further act or notice to the Issuer, publish a notice once in a newspaper of general circulation, binding upon all the Bondholders wherever situated or located, that the Bondholders or their duly authorized representatives may obtain a report regarding the Third Tranche Bonds at the principal office of the Trustee upon presentation of sufficient and acceptable identification and Registrar's confirmation;
- d. The Trustee shall have custody of and hold in its name, for and in behalf of the Bondholders, the Master Certificate of Indebtedness for the total issuance of the Third Tranche Bonds.
- e. The Trustee shall promptly and faithfully carry out the instructions or decisions of the Majority Bondholders issued or reached in accordance with Section 11.
- f. The Trustee may, from time to time, request the Issuer to submit such certification of its officers, reports of its external auditors, and other documents relating to the Issuer's ability to comply with its obligations under the Third Tranche Bonds and this Agreement, as well as to examine such records of the Issuer as may be related to the Issuer's obligations under the Third Tranche Bonds and this Agreement.

The request shall be reasonable, made not less than seventy-two (72) hours prior to the intended date of examination and shall be in writing to the Issuer which shall include, in reasonable detail, the purpose for such request and the intended use of the requested documents or information. The Issuer may require the Trustee, its directors, officers, employees, representatives, agents, partners, consultants and advisors to hold in confidence such documents and information furnished to the Trustee pursuant to said request or to limit the use thereof for the purpose intended as stated in the request provided such limitation shall not apply if it is in conflict with the duties and responsibilities of the Trustee under any provision of this Agreement.

- g. The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in this Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by this Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs under similar circumstances. The Trustee may appoint agents to perform or institute the necessary actions in the exercise of such rights and powers.
- h. The Trustee shall inform the Bondholders of any event, breach of representations and warranties, and Events of Default within a reasonable period from the time that the Trustee learns or is informed of such events.

As to the Bondholders, the Trustee may presume that no Event of Default has occurred and the Issuer has complied with all its representations, warranties and covenants until it has received notice or has actual knowledge thereof.

- i. Upon written request by the Issuer no later than 11:30 a.m. on a Banking Day, send notice of any matter to the Bondholders, other than those matters notice of which is specifically required to be given to the Bondholders by another party under the Agreement. If required, a copy of such notice shall be sent to the Registrar.
- j. Except as may be necessary to perform its duties under this Agreement and as required by Applicable Law, the Trustee (i) shall permanently keep privileged and confidential, separate and distinct, any information, data, documents, files, properties, funds, or any other matter which it may acquire pursuant to this Agreement or obtained in the course of the performance of its duties and functions as a Trustee, (ii) shall refrain from disclosing any such information or item in any manner, whether written, verbal, telegraphic, coded, or encrypted, whether in physical, electronic, or any other form or media, and (iii) hereby undertakes not to use any such information or item for its own benefit or for the benefit of any of its clients regardless of whether or not such use can be shown to cause disadvantage, injury, or damage to the Issuer; provided, that where any disclosure of the foregoing information is required by Applicable Law, the Trustee shall properly apprise the Issuer of such disclosure and give reasonable opportunity to the Issuer to consider the same. This Section shall survive termination of this Agreement.
- k. The Trustee shall perform such other powers and functions as provided for elsewhere under this Agreement.

3.3. Corporate Form

The Trustee shall at all times be a financial institution organized and doing business under the laws of the Republic of the Philippines duly authorized to exercise corporate trust powers, having its principal office and place of business in Metro Manila, Philippines.

3.4. Custody, Segregation, and Deposit of Funds

All moneys and funds received by the Trustee in connection with this Agreement shall be held in trust for the purpose for which they were received, and any and all such sums and assets shall be segregated from all other funds and assets of the Trustee.

3.5. Compensation, Reimbursement, and Indemnification

- a. In consideration for the faithful compliance and performance by the Trustee of its duties and obligations under this Agreement, the Issuer shall pay to the Trustee the amount of fees to be stipulated in a separate Fee Letter which is made an integral part hereof. The Issuer will pay or reimburse the Trustee for all expenses, disbursements, and advances incurred or made by the Trustee in accordance with any of the provisions of this Agreement (including reasonable compensation and expenses and disbursements of its counsel and of all Persons not regularly in its employ). If any property other than cash shall at any time be subject to any Lien created for the benefit of the Trustee, on account of the Issuer's obligations to the Trustee under the Agreement, or the Bondholders by operation of Applicable Law or as a result of any execution, receivership, bankruptcy, dissolution or similar proceedings, if and to the extent authorized by any agency or court of competent jurisdiction subjecting such property to such Lien, the Trustee may, but without legal obligation to do so, make advances for the purpose of preserving such property or of discharging tax Liens or other prior Liens or encumbrances thereon previously disclosed to the Joint Issue Managers and the Joint Lead Underwriters.
- b. The Issuer also covenants to indemnify the Trustee for, and to hold it free and harmless against, any loss, liability or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the administration of this trust and the performance of its obligations and functions under this Agreement, including the cost and expenses of defending itself against any claim of liability in the premises.
- c. The obligations of the Issuer to the Trustee under this Section shall constitute additional indebtedness of the former hereunder.

3.6. Liability of the Trustee

- a. No provision of this Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its willful misconduct, or that of its directors, officers or employees, provided that:
 - i. In the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely upon, as to the truth of the statements and the correctness of the opinion expressed in, any certificate or opinion furnished to the Trustee conforming to the requirements of this Agreement.

- ii. The Trustee shall not be liable for any error of judgment made in good faith by its responsible officer or officers, unless it shall be proved that the Trustee was grossly negligent in ascertaining the pertinent fact.
- iii. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written direction of the Majority Bondholders, relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under this Agreement.
- iv. None of the provisions contained in this Agreement shall require the Trustee to expend, advance or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.
- v. The Trustee shall have no duty or liability beyond its duty to perform the obligations under this Agreement.
- vi. The Trustee or successor Trustee shall be exempt from giving any surety or bond in the performance of its duties under this Agreement.

3.7. Ability to Consult with Counsel

- a. The Trustee may consult with counsel upon due notice to Issuer, and any reasonable opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or omitted to be taken by the Trustee hereunder in good faith and in accordance with such opinion; provided that, prior to taking or not taking such action for which the opinion of counsel is sought, the Trustee shall inform the Issuer of the relevant opinion of counsel.
- b. Notwithstanding any provision of this Agreement authorizing the Trustee conclusively to rely upon any certificate or opinion, the Trustee may, before taking or refraining from taking any action in reliance thereon, require any further evidence or make any further investigation as to the facts or matters stated therein which it may in good faith deem reasonable in the circumstances; and the Trustee shall require such further evidence or make such further investigation as may reasonably be requested in writing by the Majority Bondholders.

3.8. Trustee as Owner or Pledgee of the Third Tranche Bonds

The Trustee, in its individual or any other capacity, may become the owner or pledgee of the Third Tranche Bonds with the same rights it would have if it were not Trustee, and subject to the provisions of Section 3.9, the Trustee may otherwise deal with the Issuer in the same manner and to the same extent as though it were not the Trustee hereunder.

3.9. Conflict of Interest

- a. If the Trustee has or acquires any conflicting interest, as defined in Section 3.9c, the Trustee shall, within sixty (60) days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign as Trustee in the manner and with the effect specified in this Section 3.9, or obtain a written waiver from the Issuer in relation to such conflicting interest, which waiver shall not be unreasonably withheld or delayed. In the event of a resignation by the Trustee under this Section 3.9, the Trustee shall resign in the manner and with the effect specified in Section 3.11.
- b. In the event that the Trustee shall fail to comply with the provisions of Section 3.9a, the Trustee shall within ten (10) days after the expiration of the aforesaid sixty (60)-day period transmit notice of such failure to the Bondholders and the Issuer.
- c. For the purpose of this Section, the Trustee shall be deemed to have a conflicting interest if:
 - i. The Trustee directly or indirectly Controls or is directly or indirectly Controlled by or is under direct or indirect common Control of the Issuer; or
 - ii. Twenty percent (20%) or more of the voting securities of the Trustee is beneficially owned either by the Issuer or by any director, partner or executive officer thereof, or thirty percent (30%) or more of such voting securities is beneficially owned, collectively, by any two (2) or more of such Persons; or
 - iii. The Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, five percent (5%) or more of the voting securities, or ten percent (10%) or more of any other class of security, of the Issuer, not including the bonds of the Issuer issued under any other agreement under which the Trustee is also a trustee; or
 - iv. The Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, five percent (5%) or more of the voting securities of any Person who, to the knowledge of the Trustee, owns ten percent (10%) or more of the voting securities of, or controls directly or indirectly or is under direct or indirect common control of, the Issuer; or
 - v. The Trustee is or becomes a Competitor.

For this purpose, a "Competitor" is:

- vi. any Person which is: (a) engaged in, (b) has a direct or indirect beneficial interest of at least thirty percent (30%) of the outstanding capital stock of, (c) has the power to nominate, appoint or elect a director or executive officer of, or (d) has the power to propose,

direct or Control (whether by contract, the ownership of shares or otherwise) the management policy or affairs of, any business which is in competition with the business of the Issuer or, in any event, any Person which has the ability or power to disclose, use or otherwise exploit information relating to the Issuer in furtherance of or in connection with such competitive business; or

- vii. any Person, twenty percent (20%) or more of the voting securities of which is legally and beneficially, directly or indirectly, owned by a Person referred to in Section 3.9c(vi) above; or
- viii. any Person which is the legal and beneficial, direct or indirect, owner of at least twenty percent (20%) of the voting securities of a Person referred to in Section 3.9c(vi) above; or
- ix. any Person whose directors, partners or executive officers is a director, partner or executive officer of any of the Persons referred to in Section 3.9c(vi), (vii), and (viii) above; or
- x. any Person, thirty percent (30%) or more of the voting securities of which is legally and beneficially, directly or indirectly, owned by a director, partner, or executive officer, or any two (2) or more of such directors, partners or executive officers, of a Person referred to in Section 3.9c(vi).

3.10. Change of Trustee

- a. The Trustee may at any time resign by giving thirty (30) days prior written notice to the Issuer and to the Bondholders of such resignation. Upon receiving such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor Trustee by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the successor Trustee. If no successor Trustee shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, or any Bondholder who has been a bona fide holder of the Third Tranche Bonds for at least six (6) months (the "Bona Fide Bondholder") may, for and on behalf of the Bondholders, petition any such court for the appointment of a successor Trustee. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor Trustee, subject to Section 3.2 of this Agreement.
- b. In case at any time any of the following shall occur -
 - i. The Trustee shall fail to comply with the provisions of Section 3.9.a after written request therefor by the Issuer or by the Majority Bondholders; or

- ii. The Trustee shall cease to be eligible in accordance with the provisions of Section 3.2 and shall fail to resign after written request therefor by the Issuer or by any Bona Fide Bondholder; or
- iii. The Trustee shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation; or
- iv. Provided there is no Event of Default, the successor Trustee, pursuant to Section 3.11, is not acceptable to the Issuer, for any reason;

then the Issuer may, within thirty (30) days therefrom remove the Trustee and appoint a successor Trustee, by written instrument in duplicate, executed by the Issuer's duly authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the successor Trustee. If the Issuer fails to remove the Trustee and appoint a successor Trustee, any Bona Fide Bondholder may, on behalf of himself and all other Bondholders, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor Trustee, subject to Section 3.2 of this Agreement.

- c. The Majority Bondholders may at any time remove for cause the Trustee and appoint a successor Trustee by the delivery to the Trustee so removed, to the successor Trustee and to the Issuer of the evidence provided for in Section 11.9 of the action in that regard taken by the Majority Bondholders. This is without prejudice to whatever remedies may be available to the Majority Bondholders under Applicable Law or in equity.
- d. Any resignation or removal of the Trustee and appointment of a successor Trustee pursuant to any of the provisions of this Section shall become effective upon the earlier of: (i) acceptance of appointment by the successor Trustee as provided in this Agreement; or (ii) the effectivity of the resignation notice sent by the Trustee under this Agreement provided, however, that after such effectivity of the resignation notice and, as relevant, until such successor Trustee is qualified and appointed, the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by the Issuer.
- e. Within ten (10) days from the effectivity of the resignation notice, the Trustee shall transfer and turn over to the successor Trustee, and shall make an accounting of, all the assets, documents or instruments which are in the custody of the Trustee pursuant to this Agreement, if any.

3.11. Successor Trustee

- a. Any successor Trustee appointed as provided in Section 3.10 shall execute, acknowledge and deliver to the Issuer and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder with like effect as if originally named as Trustee herein. The foregoing notwithstanding, on the written request of the Issuer or of the successor Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor Trustee, upon the trust herein expressed, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor Trustee all such rights, powers and duties.
- b. No successor Trustee shall accept appointment as provided in this Section unless at the time of acceptance such successor Trustee shall be qualified and eligible under the provisions of Section 3.2 and has none of the conflict of interest under Section 3.9.
- c. Upon acceptance of appointment by a successor Trustee as provided in this Section, the Issuer shall notify the Bondholders in writing of the succession of such Trustee to the trust herein. If the Issuer fails to notify the Bondholders within ten (10) days after acceptance of appointment by the successor Trustee, the latter shall cause the Bondholders to be so notified at the expense of the Issuer.

3.12. Merger or Consolidation

Without prejudice to Section 3.9.b, any corporation into which the Trustee may be merged or with which it may be consolidated or any corporation resulting from any merger or consolidation to which the Trustee shall be a party or any corporation succeeding to the business of the Trustee shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such successor Trustee shall be eligible under Section 3.2 and has none of the conflict of interest under Section 3.9, and that, if such successor Trustee shall not be qualified under Section 3.9, such successor Trustee shall, within ninety (90) days after becoming such successor Trustee, either become qualified under Section 3.9 or resign in the manner and with the effect specified in Section 3.10. The Trustee shall immediately inform the Issuer of the occurrence of such merger, consolidation or such succession to the business of the Trustee.

3.13. Representations and Warranties of the Trustee

The Trustee represents to the Issuer and to the Bondholders as follows:

- a. It is a corporation duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines, and has its business

address at the place indicated in this Agreement, and is registered or qualified to do business as now being conducted in every jurisdiction where registration or qualification is necessary;

- b. It has full power and authority to enter into this Agreement and to perform its obligations hereunder and execute the trust hereby created, and hereby accepts the trust in this Agreement and provided upon the terms and conditions herein set forth;
- c. The obligations of the Trustee under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with its terms;
- d. All consents, approvals and authorizations necessary on its part for the due execution, delivery and performance of this Agreement have been obtained or effected by it and remain in full force and effect as of the date hereof; and
- e. The execution and delivery of this Agreement, and the performance of its obligations hereunder, do not and will not violate any Applicable Law or judgments, orders or issuances of Philippine courts and will not conflict with or result in a breach of its constitutive documents, any contract, agreement or other obligation to which it is a party or for which it may be bound.

The aforesaid representations and warranties are true and correct as of the date of this Agreement and shall remain to be true and correct as long as the Third Tranche Bonds or any portion thereof remain outstanding.

The representations and warranties of the Trustee shall survive the issuance of the Third Tranche Bonds and may be enforced at any time while the Third Tranche Bonds or any portion thereof remains outstanding.

Any breach of the foregoing representations of the Trustee entitles the Majority Bondholders to remove the Trustee pursuant to and in accordance with Section 3.10.c.

3.14. Declarations by the Trustee and the Issuer

The recitals contained herein and in the Third Tranche Bonds, except the Trustee's representations provided in Section 3.12, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity of the Third Tranche Bonds. The Trustee shall not be accountable for the use or application by the Issuer of any of the Third Tranche Bonds or of the proceeds of such Third Tranche Bonds. Similarly, the Issuer takes no responsibility for the correctness of the representations made by the Trustee under Section 3.13.

3.15. Reports to the Bondholders

- a. Only upon the occurrence of either (i) or (ii) below, the Trustee shall submit to the Bondholders on or before March 31 of each year from the relevant Issue Date until full payment of the Third Tranche Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:

- i. The property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report (as reported by the Paying Agent to the Trustee); and
 - ii. Any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Third Tranche Bonds, except action in respect of a default, notice of which has been or is to be withheld by it in accordance with the provisions of Section 10.2.
- b. Upon the written request of any Bona Fide Bondholder, the Trustee shall likewise transmit to the requesting Bondholder, a brief report with respect to the character, amount and the circumstances surrounding the making of any advance by the Trustee for the reimbursement of which the Trustee claims or may claim a Lien or charge which is prior to that of the Bondholders on the trust estate or property or funds held or collected by the Paying Agent and which it has not previously reported pursuant to this paragraph, if such advance remaining unpaid at any time aggregates more than ten percent (10%) of the aggregate principal amount of Third Tranche Bonds outstanding at such time, such report to be transmitted within ninety (90) days from the making of such advance.
- c. Only upon a written request at least five (5) Banking Days before, the following pertinent documents may be inspected during regular business hours on any Banking Day at the principal office of the Trustee:
 - i. This Agreement;
 - ii. The Registry and Paying Agency Agreement;
 - iii. The latest Articles of Incorporation and By-Laws of the Issuer; and
 - iv. The Permit to Sell the Third Tranche Bonds.
- d. Upon the written request of any Bona Fide Bondholder, the Trustee shall issue a certification as to the amount of Third Tranche Bonds held by such Bona Fide Bondholder. The Bondholder shall pay the Trustee an upfront certification fee of Five Thousand Pesos (PhP5,000.00) per certification in addition to any fees that may be imposed by the Registrar and Paying Agent for such certification.

Section 4 REPRESENTATIONS AND WARRANTIES OF THE ISSUER

4.1. Representations and Warranties

The Issuer hereby represents and warrants to the Trustee and the Bondholders as follows:

- a. **Organization and Existence.** It is a corporation duly incorporated, validly existing and in good standing under the Laws of the Republic of the Philippines, and has its business address at the place indicated in this Agreement, and is registered or qualified to do business as now being conducted in every jurisdiction where registration or qualification is necessary;
- b. **Authorization.** It has full legal right, power and authority to carry on its present business, to own its properties and assets, to incur the Indebtedness and other obligations provided for in the Third Tranche Bonds and this Agreement, and has taken all appropriate and necessary corporate and legal actions to authorize the offer, issuance, distribution and sale of the Third Tranche Bonds, for the circulation of the Prospectus and the execution and delivery of this Agreement, and to comply, perform and observe the terms and conditions hereof and thereof;
- c. **Binding Obligation.** The obligations of the Issuer under the Third Tranche Bonds, this Agreement and all accepted Applications to Purchase will constitute its legal, valid and binding obligations, enforceable in accordance with their terms and conditions;
- d. **No Breach.** The execution and delivery by the Issuer of this Agreement, the issuance of the Third Tranche Bonds, the performance by it of any provision, condition, covenant or other terms herein or therein and its payment of all amounts due on the dates and in the currency provided for therein will not violate in any respect any provision of its Articles of Incorporation, By-Laws, or other constitutive documents, or violate, conflict with or result in the breach of or constitute a default (or which, with the giving of notice or passing of time or both, would constitute a default) under: (i) any Applicable Law presently in effect; or (ii) any indenture, agreement, mortgage, contract or other undertaking or instrument to which it is a party or which is binding upon it or any of its properties or assets, and do not and will not result in the creation or imposition of any Lien in or any security interest on any of its properties or assets pursuant to the provisions of such indenture, agreement, contract or other undertaking or instrument;
- e. **No Event of Default.** No event has occurred and is continuing or would result from the making of this Agreement or the issuance of the Third Tranche Bonds which constitutes an Event of Default under Section 9.1 hereof or which, upon a lapse of time or notice or both, would become such an Event of Default;
- f. **No Declared Event of Default in Other Agreements.** No declared event of default which would have a Material Adverse Effect has occurred which constitutes a default by the Issuer under or in respect of any agreement, undertaking or instrument to which it is a party or by which it or its ownership in any of its assets or properties may be bound. Neither has an event which would have a Material Adverse Effect occurred which with giving of notice, lapse of time or other conditions would constitute a declared event of default by it under or in respect of any such agreement, undertaking or instrument;

- g. **Consents, Approvals and Registrations.** All consents, licenses, approvals and authorizations of, and all filings and registrations with any Governmental Authority, bureau or agency, or other entity or Person legally necessary for the issuance as well as the offering, distribution and sale of the Third Tranche Bonds, for the circulation of the Prospectus, and for the Issuer to enter into and comply with its obligations under this Agreement, the Third Tranche Bonds and all accepted Applications to Purchase, will have been obtained or effected on or before the commencement of the Offer Period;
- h. **Compliance with Conditions.** All conditions imposed under the Securities Regulation Code and the pertinent rules and regulations of the SEC with respect to the offer, issuance, distribution and sale of the Third Tranche Bonds, have been or will have been complied with by the Issuer as of the date or time that they are required to be complied with;
- i. **Litigation.** Except as otherwise disclosed by the Issuer to the Bondholders, through the Trustee, in writing on or prior to the date of this Agreement, there is no litigation, arbitration or other proceeding pending, or to its knowledge threatened against or affecting it or its assets and properties, before any court or governmental department, commission, board, bureau, agency or instrumentality of the Republic of the Philippines or any other jurisdiction which, if determined adversely could have a material adverse effect on the business, properties, assets or financial conditions of the Issuer, or have a Material Adverse Effect or which might enjoin the execution and delivery of or might affect in any manner the validity and enforceability of this Agreement or the Third Tranche Bonds;
- j. **Immunity.** Neither it nor any of its properties or assets enjoy any right of immunity from suit, jurisdiction of any competent court, attachment prior to judgment, attachment in aid of execution, execution of judgment or set-off in respect of its obligations under this Agreement or the Third Tranche Bonds;
- k. **Equal Rank.** Its obligations under this Agreement and the Third Tranche Bonds shall constitute direct, unconditional, unsecured, and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to Section 5.2.a or as may be allowed by this Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the Issue Date.
- l. **Material Adverse Event.** No event has occurred which might materially and adversely affect its condition (financial or otherwise), results of operation, business or prospects or which makes it improbable that it will be able to fulfill any of its obligations under this Agreement or the Third Tranche Bonds;

- m. **Financial Statements.** Its audited financial statements as of December 31, 2018, December 31, 2017, and December 31, 2016 fairly represent in all material respects the financial conditions of the Issuer as of such date and results of its operations for such period based on PFRS, and since such date, there has been no material adverse change in such condition or operations. There are no substantial liabilities of the Issuer, direct, contingent or otherwise as of the Issue Date, which are not reflected in such balance sheet except for those which have been previously disclosed in writing;
- n. **Compliance with Laws/Taxes.** The Issuer is conducting its business and operations in compliance with the Applicable Law. The Issuer has filed timely tax returns with the appropriate Governmental Authority, which are required to be filed by it, and has paid all Taxes shown to be due on such tax returns and on all assessments received by it, to the extent that such Taxes and assessments have become due, except to the extent that the payment of such Taxes and assessments is being contested in good faith and by appropriate proceedings diligently conducted, and adequate reserves have been provided for payment thereof;
- o. **Material Disclosure.** All information heretofore or hereinafter given by the Issuer to the Joint Lead Underwriters (for the due diligence review of the Offer and for other purposes directly relating to the Offer), and to the Bondholders, through the Trustee, for and in connection with this Agreement and the Third Tranche Bonds are true, binding, complete and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made; reasonable inquiries have been made to verify the facts contained therein; and, there are no other facts the omission of which would make any fact or statement therein misleading;
- p. **Registration Statement and Prospectus.** The Registration Statement and the Prospectus are not violative of any statute or any rule or regulation of any governmental agency or office, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made; reasonable inquiries have been made to verify the facts contained therein; and there are no other facts the omission of which would make any fact of statement therein misleading. The Registration Statement and the Prospectus contain a reasonably complete description of the business, properties, operations, financial condition, affairs and assets of the Issuer, its capitalization, the Third Tranche Bonds, and the terms of the Offer;
- q. **Title to Properties.** It has valid, good, indefeasible, and marketable title to all its properties appearing in its financial statements, free and clear of Liens, restrictions, or charges, except as provided under Section 5.2.a hereof;

- r. **Concession, Trade Names and Patents.** It has the right to all concessions, trade names, patents and license agreements necessary for the conduct of its business as now conducted, without any known conflict with the rights of others, except to the extent that such rights may be subject to conflicts with third parties which would not have a Material Adverse Effect; and
- s. **Solvency.** The Issuer is solvent to operate and engage in business, and specifically that: (i) it is able to meet its obligations as they mature; (ii) the fair value of its assets exceeds its liabilities; and (iii) it has sufficient capital to carry on its business.
- t. On Issue Date and on the issue date of each subsequent tranche of the Bonds, the Net Debt to Consolidated Equity Ratio shall not exceed 3:1. At least two (2) Banking Days prior to such issue date, the Issuer shall furnish the Trustee, substantially in the form of **Exhibit 2** a certificate signed by the Chief Finance Officer or a duly designated officer of the Issuer stating the Net Debt, Consolidated Equity and Net Debt to Consolidated Equity Ratio of the Issuer, dated on the date of delivery thereof, together with the relevant supporting documents to enable the validation of such calculation.

4.2. Survival of Representations and Warranties

Each of the representations and warranties set forth in Section 4.1 hereof are made as of the date of this Agreement and, except for Section 4.1.p, will be true and accurate throughout the continuance of this Agreement and for as long as the Third Tranche Bonds or any portion thereof remains outstanding, with reference to the facts and circumstances existing from time to time.

Section 5 COVENANTS

5.1. Affirmative Covenants

The Issuer covenants that during the term of the Third Tranche Bonds and until payment in full and performance of all its obligations thereunder and under this Agreement, the Issuer shall act as follows and shall perform the following obligations:

- a. **Maintenance and Continuity of Business/Insurance.** The Issuer shall maintain and preserve its corporate existence, rights, privileges and franchises necessary or desirable in the normal conduct of its business (including, without limitation, any governmental approval, license or certification necessary or advisable for the legality, validity and enforceability of this Agreement and the Third Tranche Bonds); carry out and conduct its business in an orderly, diligent, efficient, and customary manner and in accordance with sound financial and business practices; keep all its properties in good working order and condition, and from time to time make all needful and proper repairs, renewals, replacements and improvements thereto and thereof so that business carried on in connection therewith may be properly and advantageously conducted at all times; and maintain insurance with reputable insurers on all of its properties and assets to such extent and against such risk as is customary with companies in the

same or similar business and maintain such other insurance as may be required by Applicable Law;

- b. **Compliance with Law/ Taxes.** The Issuer shall comply in all respects with all Applicable Law. It shall at all times comply with all orders, directives, judgments, indentures, mortgages, deeds of trust, agreements and other instruments, arrangements, obligations and duties to which it is subject or by which it is legally bound where non-compliance would materially and adversely affect the Issuer's ability to duly perform and observe its obligations and duties under this Agreement and the Third Tranche Bonds. The Issuer shall duly pay and discharge all Taxes assessments and governmental charges of whatsoever nature and by whomsoever levied upon it or against its properties prior to the date on which penalties attach thereto, unless and to the extent only that the same shall be contested in good faith and by appropriate proceedings diligently conducted by the Issuer and adequate reserves have been provided for the payment thereof or where penalties and consequences for a delay in the payment thereof will not result in a Material Adverse Effect;
- c. **Indebtedness and Contractual and Other Obligations.** The Issuer shall promptly pay and discharge all Indebtedness and perform all contractual obligations promptly and in accordance with their terms; duly pay and discharge all lawful claims of labor, materials, supplies, services or otherwise which might or could, if unpaid become a Lien or charge upon the properties or assets of the Issuer, unless and to the extent only that the same shall be contested in good faith and by appropriate proceedings diligently conducted by the Issuer, and take such steps as may be necessary in order to prevent its properties or any part thereof from being subjected to the possibilities of loss, forfeiture or sale;
- d. **Notice of Legal Proceeding and Adverse Action.** The Issuer shall give the Bondholders through the Trustee prompt written notice of:
 - i. any litigation or proceeding before any court, tribunal, arbitrator or Governmental Authority affecting it or any of its assets, including provisional relief such as attachments and garnishments, that could materially impair the ability of the Issuer to carry on its business substantially as now conducted, or materially and adversely affect its operations or financial condition, or would have a Material Adverse Effect;
 - ii. any dispute which may exist between it and any Governmental Authority or any proposal by any Governmental Authority to acquire its business or any of its assets which could materially and adversely affect its operations and financial condition, or would have a Material Adverse Effect;
 - iii. any litigation or proceeding relating to environmental matters concerning the Issuer that may materially and adversely affect its operations and financial condition, or would have a Material Adverse Effect;

- iv. any notice of strike filed with the Department of Labor and Employment against the Issuer which may materially and adversely disrupt the Issuer's business operations or have a Material Adverse Effect;
 - v. any Event of Default or any event which, upon a lapse of time or giving of a notice or both, would become an Event of Default;
 - vi. any damage, destruction or loss which might materially and adversely affect the assets, business operations, prospects or financial condition of the Issuer or have a Material Adverse Effect; or
 - vii. any other event or matter of any nature whatsoever which has Material Adverse Effect;
- e. **Additional Agreements.** The Issuer shall promptly execute and deliver to the Bondholders, through the Trustee, such additional reports, documents, and other information respecting the business, properties, condition or operations, financial or otherwise of the Issuer, as the Bondholders may reasonably require from time to time to perfect and confirm to the Bondholders all their rights, powers and remedies hereunder;
- f. **Continuing Consents and Approvals.** The Issuer shall at its own cost and expense, continue and maintain in full force and effect any and all Authorizations, approvals, licenses or consents obtained in connection with or necessary for the carrying out of its business and its obligations under this Agreement and the Third Tranche Bonds; perform and observe all the conditions and restrictions contained in, or imposed on the Issuer by, any and all such Authorizations; and, obtain any new or additional Authorizations, approvals, licenses or consents, effect any and all registrations or filings and take such additional actions as are, or which may become, necessary for its business and the performance by the Issuer of its obligations under this Agreement and the Third Tranche Bonds or the enforceability of this Agreement and the Third Tranche Bonds;
- g. **Books of Account and Records.** The Issuer shall maintain true, materially complete and adequate books of accounts and records and prepare all financial statements required hereunder to reflect fairly its financial condition and results of operation in accordance with PFRS and in compliance with the regulations of any Governmental Authority having jurisdiction thereof; appoint and maintain as auditors a firm of independent public accountants of recognized standing acceptable to the Trustee;
- h. **Reports.** The Issuer will furnish the Trustee:
- i. within ninety (90) days after the close of each semestral period of the fiscal year of the Issuer, unaudited consolidated financial statements of the Issuer, as of the end of such semester, certified by an authorized officer of the Issuer, each prepared in accordance with PFRS; and

- ii. within one hundred twenty (120) days after the close of the fiscal year of the Issuer, copies of the annual consolidated audited reports of the Issuer, certified by independent accountants of recognized standing accredited by the SEC including consolidated balance sheets as of the end of such fiscal year and consolidated earnings and surplus statements of the Issuer for such fiscal year, prepared in accordance with PFRS;
- i. **Certificate of No Default, Compliance and Notice of Default.** The Issuer shall furnish the Trustee, substantially in the form of **Exhibit 1**:
 - i. simultaneous with the audited consolidated financial statements, a certificate signed by the Chief Finance Officer or a duly designated officer of the Issuer, dated not more than ten (10) days prior to the delivery thereof, stating that no event has occurred and is continuing which constitutes or which, with the giving of notice or lapse of time or both, would constitute an Event of Default; and
 - ii. within five (5) Banking Days after the occurrence of any event which constitutes or which, with the giving of notice or lapse of time or both, would constitute an Event of Default, notice of such occurrence, together with a detailed statement by the Chief Finance Officer or a duly designated officer of the Issuer as to the nature thereof and the steps taken and/or being taken by the Issuer to cure such event;
- j. **Notice of Change of Address.** The Issuer shall give the Bondholders, through the Trustee, written notice of any change of address at least five (5) Banking Days prior to such change;
- k. **Title.** The Issuer shall maintain, warrant and defend the rights, title and interests of the Bondholders hereunder and under the Third Tranche Bonds;
- l. **Use of Proceeds.** The Issuer shall ensure that the proceeds of the Third Tranche Bonds shall be used for the purpose stated in the Prospectus. Notwithstanding this Section, the Issuer may reallocate the proceeds of the Third Tranche Bonds to other purposes subject to compliance with the Applicable Law;
- m. **Subsidiaries.** The Issuer shall cause its Subsidiaries, so far as is permitted by Applicable Law, or by loan covenants, or by the financial conditions of, or other relevant agreements of the Issuer or Subsidiary, to pay such dividends to the Issuer as are necessary to meet the Issuer's obligations under this Agreement and the Third Tranche Bonds;
- n. **Ranking of the Third Tranche Bonds.** If the Issuer incurs Indebtedness embodied in public instruments providing priority or preference under Article 2244(14) of the Civil Code of the Philippines, the Issuer shall, at its option, either procure a waiver of the preference created by such

notarization or equally and ratably extend such preference to the Third Tranche Bonds;

- o. **Submission of Reports/Information Documents to Trustee.** The Issuer shall submit to the SEC copies of the reports, information and documents which the Issuer may be required to file with the SEC in connection with the offering of the Third Tranche Bonds pursuant to the Securities Regulation Code, and submit the same to the Trustee (other than those documents which are already required to be submitted to the Trustee under this Agreement), within ten (10) Banking Days after the Issuer has filed the same with the SEC;
- p. **Further Assurances.** The Issuer shall: (i) comply with all the terms and conditions of this Agreement and the Third Tranche Bonds; (ii) maintain satisfactory accounting, cost control, and management information systems; and (iii) ensure that all transactions with Subsidiaries and material Affiliates in the ordinary course of business shall be executed on arm's length basis; and
- q. **Services of a Credit Rating Agency.** The Issuer shall maintain the services of an independent credit rating agency accredited by the SEC to monitor the Third Tranche Bonds rating.

5.2. Negative Covenants

During the term of this Agreement and until payment in full of all the outstanding Third Tranche Bonds and performance of all other obligations of the Issuer hereunder, the Issuer hereby covenants that it shall not permit any of the following occurrences without the prior consent of the Majority Bondholders:

- a. **Encumbrances.** The Issuer shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; *Provided*, however that this shall not prohibit the following:
 - i. any Lien over any asset to secure: (x) payment of the purchase price or cost of leasehold rights of such asset; or (y) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (z) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
 - ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;

- iii. any Lien to secure, in the normal course of the business of the Issuer or its affiliates: (x) statutory or regulatory obligations; or (y) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases;
- iv. any Lien to secure, in relation to a pending judicial, administrative, or arbitral proceeding, the Issuer or its affiliates' (x) surety or appeal bonds; or (y) bonds for release of attachment, stay of execution or injunction;
- v. any Lien constituted for the purpose of guaranteeing an affiliate's obligation in connection with any contract or agreement that has been assigned to such affiliate by the Issuer;
- vi. any Lien constituted for the purpose of guaranteeing an obligation in connection with any contract or agreement of sale of any asset by the Issuer, provided that the Lien is removed or discharged within twelve (12) months of the date of the sale of the asset;
- vii. any Lien created over (x) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("foreign currency"); or (y) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purposes of raising an equivalent amount of Peso denominated indebtedness;
- viii. any Lien on the properties and assets of the Issuer: (x) imposed by Applicable Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (y) arising out of pledges or deposits under workmen's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (z) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;
- ix. any Lien in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty-Five percent (35%) of the Issuer's total assets;
- x. any Lien over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Forty Million

(US\$40,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;

- xi. other Liens: (x) created solely by operation of law; and (y) on such other assets, whether constituted before or after the Issue Date, as may be disclosed in writing by the Issuer to the Trustee on or before the execution of this Agreement; and
- xii. any Lien constituted over the investment of the Issuer in any of its affiliate, and whether such investment is in the form of shares, deposits or advances to guarantee or secure the obligations of the said affiliates;

Provided that for purposes of "affiliate" as used in Section 5.2a(iii), (iv), (v), and (xii) of this Agreement, it shall refer to any Person in which the Issuer has investment, whether direct or indirect, in.

- b. **Nature of Business.** Except as required by Applicable Law or any Governmental Authority, the Issuer shall not: (i) make or permit any material change in the nature of its business from that being carried on as of the date hereof; or (ii) engage in any business operation or activity other than that for which it is presently authorized, expressly or impliedly, by its Articles of Incorporation or by Applicable Law;
- c. **Merger or Consolidation.** The Issuer shall not enter into any merger or consolidation except where (i) the Issuer is, or the Aboitiz Group retains Control of, the surviving corporation; (ii) such merger or consolidation is required by law, regulation, or decree; or (iii) such merger or consolidation does not result in a Material Adverse Effect;
- d. **Amendment of Articles of Incorporation and By-laws: Quasi-reorganization.** Except as required by Applicable Law, the Issuer shall not amend its Articles of Incorporation and/or By-laws or reorganize or reduce its capital where such amendment, reorganization, or reduction of capital results in a Material Adverse Effect;
- e. **Declaration and Payment of Cash Dividends/Issuance of Share.** The Issuer shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the Third Tranche Bonds are current and updated;
- f. **Sale or Lease of Assets.** The Issuer shall not sell, assign, lease, transfer, dispose, or subject all and/or substantially all of its properties and assets (whether in a single transaction or in a series of transactions, related or otherwise), divest any of its existing investments, or acquire all or substantially all of the properties or assets of any other Person except when

such sale, assignment, lease, transfer, disposition, divestment, or acquisition: (i) is made in the ordinary course of business; (ii) is required by Applicable Law or any Governmental Authority; or (iii) does not result in a Material Adverse Effect;

- g. **Assignment of Revenues/Income.** The Issuer shall not assign, transfer or otherwise convey any right to receive any of its income or revenues except when such assignment, transfer, or conveyance: (i) is allowed under Section 5.2a above; (ii) is made in the ordinary course of day-to-day operations; (iii) is required by Applicable Law or any Governmental Authority; or (iv) does not result in a Material Adverse Effect;
- h. **Guarantee.** The Issuer shall not purchase or repurchase (or agree contingently or otherwise to do so) the Indebtedness, or assume, guarantee, endorse, or otherwise become directly or contingently liable (including without limitation, to become liable by way of agreement, contingent or otherwise, to purchase, use facilities, provide funds for payment, supply funds or otherwise invest in the debtor or otherwise to assure the creditor against loss) for or in connection with any obligation or Indebtedness of any other Person, other than obligations of its Subsidiaries or Affiliates or any Person which the Issuer has investments in, whether such investment is in the form of shares, deposits or advances;
- i. **Suspension of Business.** The Issuer shall not voluntarily suspend its business operations in a manner that will result in a Material Adverse Effect, or dissolve its affairs;
- j. **Loans and Advances to any Person.** The Issuer shall not extend any loan, advance or subsidy to any person (other than to its Subsidiaries or Affiliates or any Person which the Issuer has investments in, whether such investment is in the form of shares, deposits or advances, or transactions in the ordinary course of business) which will have a Material Adverse Effect. Neither shall the Issuer make any deposit, credit to, or investment in, any Person which will have a Material Adverse Effect, except for bank deposits, money market placements, and other transactions in the ordinary course of business;
- k. **Incurrence of Additional Loans.** The Issuer shall not incur any loan obligation with a maturity of more than one (1) year, if on the Transaction Date, after giving effect to the incurrence of such loan obligation and any other such cumulative obligations, but not giving any effect to the receipt or application of proceeds therefrom, the Net Debt to Consolidated Equity Ratio, as at the last day of the Relevant Period immediately preceding the Transaction Date (and giving effect to the incurrence of such loan obligation and any other such cumulative obligations), will exceed 3:1. At least two (2) Banking Days prior to the Transaction Date, the Issuer shall furnish the Trustee, substantially in the form of **Exhibit 2** a certificate signed by the Chief Finance Officer or a duly designated officer of the Issuer stating the Net Debt, Consolidated Equity and Net Debt to Consolidated Equity Ratio of the Issuer, dated on the date of delivery thereof, together with the relevant supporting documents to enable the validation of such calculation.

- l. **Acceleration of Outstanding Credit Obligations.** The Issuer shall not, after the occurrence of an Event of Default, voluntarily prepay any Indebtedness unless it shall contemporaneously make a proportionate prepayment of the Third Tranche Bonds; and
- m. **Material Adverse Effect.** The Issuer shall not, in any case, execute, perform or do any other act which shall have a Material Adverse Effect.

5.3. Survival

The covenants of the Issuer mentioned in Sections 5.1 and 5.2 shall survive the issuance of the Third Tranche Bonds and shall be performed fully and faithfully by the Issuer at all times while the Third Tranche Bonds or any portion thereof remain outstanding.

Section 6 PAYMENT OF THE THIRD TRANCHE BONDS

6.1. Remittance of Payment by the Issuer

- a. No later than three (3) Banking Days prior to a Payment Date, the Paying Agent shall notify Issuer in writing of the amount required to be remitted on such relevant Payment Date in accordance with the Registry and Paying Agency Agreement. On Payment Date, the Issuer shall remit to the Paying Agent in good and cleared funds the amount required for all interest and principal payments of the Third Tranche Bonds, net of any withholding tax, which tax shall be remitted to the BIR by the Issuer in accordance with BIR rules and regulations. Principal, interest, and any other payment shall be considered paid and the Issuer's obligation to pay discharged at the time it is due if: (i) at such time the Paying Agent holds money sufficient to pay all principal, interest, or other payments then due, and (ii) the Paying Agent pays out such monies to the Bondholders or the Issuer causes payment to be made directly to the Bondholders to discharge the interest or principal payments due on the Third Tranche Bonds in accordance with the Registry and Paying Agency Agreement.
- b. In the event that the Issuer will be unable to remit the full amount sufficient to cover the principal and the interest on the Third Tranche Bonds on the Payment Date, the Issuer shall remit the amount available for payment to the Paying Agent; provided, that such remitted amount shall be proportionately applied towards the satisfaction of the amounts due on the Third Tranche Bonds, and without prejudice to the right of action of the Trustee and the Bondholders because of such failure to remit in full such amount.

6.2. Interest Payment

- a. The interest on the outstanding principal sum of the Third Tranche Bonds shall be paid at a rate and in the manner provided in **Annex "A"** hereof, accrued and payable on the dates indicated in the interest coupon of the Third Tranche Bonds (the "Interest Payment Dates"). The Interest Payment Dates shall be automatically adjusted to fall on the immediately succeeding Banking Day if the Interest Payment Dates fall on a non-Banking Day, but

there shall be no adjustment in the amount of interest as originally computed. Interest on the first Interest Payment Date will cover the period from Issue Date up to such Interest Payment Date. Subsequent interest payments shall be reckoned from the last Interest Payment Date up to the next Interest Payment Date. The last Interest Payment Date on the Series D Bonds shall fall on its Maturity Date.

- b. The Person in whose name the Third Tranche Bonds is registered at the close of business on the Record Date preceding any Interest Payment Date shall be entitled to receive payment of the interest accruing up to such Interest Payment Date. In case of default in the payment of interest, such defaulted interest payment shall pertain to and be paid to the Person in whose name the Third Tranche Bonds are registered as of Record Date immediately preceding the relevant Interest Payment Date. In all cases, interest payments shall be remitted to the Bondholders only upon proper presentation to, and authentication by, the Paying Agent of proper authorization and identification papers.

6.3. Principal Repayment

- a. Unless previously redeemed, purchased, and cancelled, the principal amount of the Series D Bonds shall be payable on its Maturity Date at its face value.
- b. The Maturity Date shall be automatically adjusted to fall on the immediately succeeding Banking Day if the Maturity Date is on or otherwise falls on a non-Banking Day; provided, that no adjustment on the principal or interest accruing on such Maturity Date shall be made.

6.4. Optional Redemption

Prior to the Maturity Date of Series D Bonds, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), the outstanding Third Tranche Bonds on the Optional Redemption Dates, as provided below, or the immediately succeeding Banking Day if such date is not a Banking Day, without any adjustment on the principal or interest accruing (the "Optional Redemption Date").

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Third Tranche Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Third Tranche Bonds on the Optional Redemption Date stated in such notice.

The amount payable to the Bondholders in respect of the Optional Redemption exercise (the "Optional Redemption Price") shall be calculated based on the principal amount of the Third Tranche Bonds being redeemed as the aggregate of the: (i) accrued interest computed from the last Interest Payment Date up to the relevant Optional Redemption Date; and (ii) the product of the principal amount and the applicable Optional Redemption Price in accordance with the following schedule:

Optional Redemption Dates	Optional Redemption Price (Inclusive of prepayment penalty)
5 years and one quarter from Issue Date	101.00%
6 years from Issue Date	100.25%

6.5. Redemption for Taxation Reasons

The Issuer may redeem the Third Tranche Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days' notice to the Trustee) at par plus accrued interest, subject to the requirements of Applicable Law, if payments under the Third Tranche Bonds become subject to additional or increased taxes for the Issuer, other than the taxes and rates of such taxes prevailing on Issue Date as a result of certain changes in Applicable Law, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer.

For avoidance of doubt, the Issuer shall not be liable for the payment of the additional or increased taxes on the income of the Bondholders, which shall be for the account of the Bondholders.

The Trustee, upon receipt of written notice of redemption delivered by the Issuer, shall declare the principal of the Third Tranche Bonds, including all accrued interest, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty that is imposed under an optional redemption, anything in this Agreement or in the Third Tranche Bonds contained to the contrary notwithstanding.

6.6. Mandatory Redemption

If any one or more of the following events shall occur, in the reasonable opinion of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the Third Tranche Bonds for the events contemplated in (a), (b) or (c) below or the Majority Bondholders for the events contemplated in (d) below (and with written notice to the Trustee), and be continuing for a period of fifteen (15) Banking Days with respect to the events contemplated in (a) or (c) below:

- a. Any law, government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Third Tranche Bonds which shall be modified in a manner which, in the reasonable opinion of the Trustee, while not constituting an Event of Default, will materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld;
- b. Any provision of the Trust Agreement or any of the related documents is or becomes invalid, illegal or unenforceable by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law,

rule, or regulation to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law is introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents;

- c. Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation, in such a manner as to materially and adversely affect the financial condition or operations of the Issuer; and
- d. Any Government Authority or any competent authority condemns, seizes, or expropriates all or substantially all of the assets or properties of the Issuer, unless such act is contested in good faith by the Issuer or unless such act is suspended or restrained by an order of a court of competent jurisdiction;

then, the Trustee, by notice in writing delivered to the Issuer may declare the principal of the Third Tranche Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any prepayment penalty that is imposed under an optional redemption, anything in this Agreement or in the Third Tranche Bonds contained to the contrary notwithstanding, subject to the notice requirements under Section 10.2, provided that, such notice shall not be deemed either caused by a default under Section 9.1, or a notice of default under Section 10.2.

6.7. Penalty Interest

In case any amount payable by the Issuer under the Third Tranche Bonds, whether for principal, interest, fees due to the Trustee, Registrar or Paying Agent or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty fee on the defaulted amount(s) at the rate of two percent (2%) per annum (the "Penalty Interest") from the time the amount fell due until it is fully paid.

Section 7 DISCHARGE OF OBLIGATION

The obligations of the Issuer under the Third Tranche Bonds and this Agreement shall cease to be of further effect if the Issuer shall have paid or remitted or caused to be paid the principal of, and all accrued interest on, all the Third Tranche Bonds issued and outstanding, including Penalty Interest, if any, at the time and in the manner therein provided.

In the event that the obligations of the Issuer under the Third Tranche Bonds and this Agreement shall cease to be of further effect as provided in this Section, the

Trustee shall, on demand of the Issuer and at the latter's cost and expense, execute proper instruments acknowledging the satisfaction and discharge of the obligations of the Issuer under the Third Tranche Bonds and this Agreement. The Issuer agrees to reimburse the Trustee for any cost or expense thereafter reasonably and properly incurred by the Trustee in connection with the Third Tranche Bonds or this Agreement.

Section 8 UNCLAIMED PAYMENTS

The Paying Agent shall be responsible for any money remitted to it for the payment of principal and interest on any Third Tranche Bonds including Penalty Interest, if any, but not actually applied to such payment because the same have not been collected or claimed by the Bondholders. The Bondholders concerned shall make the necessary request for payment to the Paying Agent for any such sums unclaimed in accordance with the Registry and Paying Agency Agreement. Any unclaimed payments shall not bear any interest.

Six (6) months after the Maturity Date of the Series D Bonds or Optional Redemption Date or date of early redemption other than the Optional Redemption Date, the Paying Agent shall return any balance remaining in such payment account. Such amount of unclaimed interests and principal payments shall be held for the benefit of the Bondholders. Upon payment of all amounts due to the Bondholders or return of the balance to the Issuer as provided in this Section, the responsibility of the Paying Agent to effect payments to the Bondholders as provided for in this Agreement shall cease.

Section 9 EVENTS OF DEFAULT

9.1. Events of Default.

A Bondholder upon receipt of information of an occurrence of any of the events enumerated in this Section 9.1, or the Issuer pursuant to Section 5.1.d, shall promptly notify the Trustee in writing of the occurrence of such event.

Each of the following events constitutes an Event of Default ("Event of Default") under this Agreement:

- a. **Payment Default.** The Issuer fails to pay when due and payable any amount of principal or interest which the Issuer is obligated to pay the Bondholders under this Agreement and the Third Tranche Bonds, and such failure to pay is not remedied within seven (7) Banking Days from due date thereof.

The Issuer fails to pay when due and payable any other amount payable by the Issuer in respect of the Third Tranche Bonds and under the Trust Agreement in the manner, at the place, and in the currency in which it is expressed to be payable, and such non-payment continues for thirty (30) days from the date such payment is due. These other amounts include Penalty Interest, insofar as the payment of such interest is concerned;

- b. **Representation Default.** Except for clerical or typographical error, any representation or warranty made by the Issuer in this Agreement or in any

document issued pursuant thereto or otherwise in connection therewith shall prove to have been untrue, incorrect, or misleading in any material respect as at the time it was made or deemed to have been made or is violated or not complied with, and the circumstances which cause such representation or warranty to be incorrect or misleading continue for not less than thirty (30) days (or such longer period as the Majority Bondholders shall approve) after receipt of written notice from the Trustee to that effect;

- c. **Other Provisions Default.** The Issuer fails to perform or comply with any other term, obligation, or covenant contained in this Agreement or in any other document or instruments related or otherwise in connection therewith in any material respect and any such failure, violation, non-compliance is not remediable or if remediable, continues unremedied for a period of ninety (90) days for financial covenants and sixty (60) days for all other covenants from the date after written notice thereof shall have been given by the Trustee; *Provided*, however, that for the avoidance of doubt, no additional grace period shall apply to the Events of Default specified in this Section 9.1;
- d. **Cross-Default.** The Issuer violates any other material obligation by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any, law or regulation which violation, if remediable, is not remedied by the Issuer within thirty (30) Banking Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation will, further, in the reasonable opinion of the Trustee, adversely and materially affect the performance by the Issuer of its obligations under this Agreement and the Third Tranche Bonds. *Provided*, however, that no event of default will occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or is in excess of five percent (5%) of the fair market value of Assets of the Issuer, based on the relevant parent-only financial statements of the Issuer;
- e. **Insolvency Default.** The Issuer becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, which act shall include: (i) the filing of a petition in any bankruptcy, reorganization, winding up or liquidation of the Issuer, or any other proceeding analogous in purpose and effect: *Provided*, however, that in case the foregoing petition is filed by any other party, other than the Issuer, such event shall be considered a declared Event of Default only upon the issuance of a final order by the court of competent authority; (ii) the making of an assignment by the Issuer of substantially all or all of its assets, or in fraud of creditors; (iii) the admission in writing by the Issuer of its inability to pay its debts; (iv) the entry of any final order or judgment of any court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization, winding up or liquidation of the Issuer; or (v) the appointment of a receiver, liquidator, assignee, trustee, or

sequestrator of the Issuer, or a substantial part of its property or assets or a substantial part of its capital stock or to assume custody or control of the Issuer, or the ordering of its dissolution, winding-up or liquidation of its affairs;

- f. **Closure Default.** The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days except that if the closure is: (i) due to strikes or lockouts; or (ii) necessary to prevent business losses; or (iii) due to fortuitous events or force majeure, then such closure shall not be deemed a Closure Default;
- g. **Judgment Default.** Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of 20% of the Issuer's Fair Market Value of Assets or its equivalent in any other currency is entered against the Issuer and any relevant period specified for payment in such judgment, decree, order, or agreement, and any extension thereof, shall have expired without being satisfied, discharged, or stayed; and
- h. **Writ and Similar Process Default.** Any writ, warrant of attachment or execution, or similar process shall be issued or levied against all or substantially all of the Issuer's assets, and such writ, warrant, or similar process shall not be released, vacated, or fully bonded within sixty (60) days after its issue or levy (or such longer period as the Issuer satisfies the Majority Bondholders as appropriate under the circumstances).

Section 10 CONSEQUENCES OF DEFAULT

10.1. Declaration by the Trustee or the Majority Bondholders

- a. If any one or more of the Events of Default shall occur and be continuing, the Trustee, upon the written direction of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the Third Tranche Bonds, by notice in writing delivered to the Issuer, may declare the principal of the Third Tranche Bonds then outstanding, including all interest accrued and unpaid thereon and all amounts due thereunder, to be due and payable immediately, anything contained in this Agreement or in the Third Tranche Bonds to the contrary notwithstanding.
- b. The provision in Section 10.1a, however, is subject to the condition that, except in the case of a Writ and Similar Process Default under Section 9.01(h), the Majority Bondholders, by written notice to the Issuer and to the Trustee, may rescind and annul such declaration made by the Trustee pursuant to a consequence of default and its consequences, upon such terms, conditions and agreements, if any, as they may determine, including, in connection with a Cross Default, the fact that the non-payment of the obligation is contested in good faith by the Issuer; provided, that, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereto. Any such waiver shall be conclusive and binding upon all the Bondholders and upon all future holders and owners of such Third Tranche Bonds, or of any Third Tranche

Bond issued in lieu thereof or in exchange therefor, irrespective of whether or not notation of such waiver is made upon the Third Tranche Bonds.

- c. At any time after an Event of Default shall have occurred, the Trustee may:
 - i. by notice in writing to the Issuer, the Registrar, and the Paying Agent, require the Registrar and Paying Agent to:
 - x. act thereafter as agents of the Bondholders represented by the Trustee on the terms provided in the Registry and Paying Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability under the provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agent and the Registrar shall be limited to amounts for the time being held by the Trustee on the trusts of this Agreement in relation to the Third Tranche Bonds and available to the Trustee for such purpose) and thereafter to hold all sums, documents and records held by them in respect of the Third Tranche Bonds on behalf of the Trustee; and/or
 - y. deliver all evidence of the Third Tranche Bonds and all sums, documents and records held by them in respect of the Third Tranche Bonds to the Trustee or as the Trustee shall direct in such notice; provided, that, such notice shall be deemed not to apply to any document or record which the Paying Agent or Registrar is not obliged to release by any Applicable Law; and
 - ii. by notice in writing to the Issuer, require the Issuer to make all subsequent payments in respect of the Third Tranche Bonds to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn.

10.2. Notice of Default

The Trustee shall, within ten (10) days after the occurrence of an Event of Default give to the Bondholders written notice of any such Event of Default known to it unless the same shall have been cured before the giving of such notice; provided, that, in the case of a Payment Default under Section 9.1.a, the Trustee shall, upon written notice from the Paying Agent of the Issuer's failure to pay any amount of principal or interest which the Issuer is obligated to pay the Bondholders under this Agreement and the Third Tranche Bonds, immediately notify the Bondholders upon the occurrence of such Payment Default; provided further, that such written notice from the Paying Agent shall not be required if the Issuer's failure to pay was caused by a technical error or by reasons beyond the control of the Issuer. The existence of a written notice required to be given to the Bondholders under this Section shall be published in two (2) newspapers of general circulation in Metro Manila, Philippines for two (2) consecutive days, indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Third Tranche Bonds at the principal office of the Trustee as indicated in this

Agreement upon presentation of sufficient and acceptable identification to the Trustee.

Subject to Applicable Law, in case of the occurrence of an Event of Default, the Issuer shall authorize the Registrar to provide the Trustee with the list of Bondholders containing the names, addresses, tax identification number (TIN), tax status, and account details of the Bondholders, the amount of the Third Tranche Bonds held by them, the Cash Settlement Account numbers where payment to them shall be credited and such other information as may be agreed upon between the Registrar and the Issuer.

10.3. Payments in the Event of Default

The Issuer covenants that upon the occurrence of any Event of Default, the Issuer will pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Third Tranche Bonds with interest at the rate borne by the Third Tranche Bonds on the overdue principal and with Penalty Interest, where applicable, and in addition thereto the Issuer will pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee hereunder.

Upon the occurrence of an Event of Default and in accordance with the requirements of this Agreement, the Bondholders shall have the right, but not the obligation, to require the Issuer to redeem the Third Tranche Bonds in full, by payment of the amounts stated above, plus the principal amount, by delivery of the relevant evidence of the Third Tranche Bonds to the Trustee.

10.4. Application of Payments

Any money collected by the Trustee under this Section and any other funds held by it, subject to any other provision of this Agreement relating to the disposition of such money and funds, shall be applied by the Trustee in the order of preference as follows:

- a. First: To the payment of the costs, expenses, fees and other charges of collection, including reasonable compensation to the Trustee, Paying Agent, Registrar, and each such Person's agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursement made by them without negligence or bad faith.
- b. Second: To the payment of Penalty Interest.
- c. Third: To the payment of the interest, in the order of the maturity of such interest.
- d. Fourth: To the payment of the principal amount of the outstanding Third Tranche Bonds due and payable.

- e. Fifth: The remainder, if any, shall be paid to the Issuer, its successors or assigns, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the Third Tranche Bonds shall require the conformity of the Trustee. The Paying Agent shall render a monthly account of such funds under its control.

10.5. Remedies

- a. All remedies conferred by this Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extrajudicial proceedings appropriate to enforce the conditions and covenants of this Agreement, subject to Section 10.6.
- b. No delay or omission by the Trustee or by any Bondholder to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto, and every power and remedy given by this Agreement to the Trustee or to the Bondholder may be exercised from time to time and as often as may be necessary or expedient.

10.6. Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of this Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless all of the following conditions have been fulfilled: (1) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Third Tranche Bonds, and (2) the Majority Bondholders shall have decided and made a written request upon the Trustee to institute such suit, action or proceeding in its own name, and (3) the Trustee for sixty (60) days after receipt of such notice and request shall have neglected or refused to institute any such suit, action or proceeding unless such failure was due to any circumstance beyond its control, and (4) no directions inconsistent with such written request or waiver of default by the Bondholders pursuant to Section 10.7 shall have been made, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholder shall have any right in any manner whatsoever by virtue of or by availing of any provision of this Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under this Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all Bondholders. For the protection and enforcement of the provisions of this Section, each and every Bondholder and the Trustee shall be entitled to such relief as can be given under the Applicable Law.

10.7. Waiver of Default by Bondholders

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Bondholders may decide for and in behalf of the Bondholders to waive any past default except the Events of Default specified in Sections 9.1.a, 9.1.d, 9.1.e, and 9.1.f and its consequences. In case of any such waiver, written notice of which shall be given to the Issuer by the Trustee, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Third Tranche Bonds.

10.8. Prescription

Claims in respect of principal and interest or other sums payable hereunder shall prescribe unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

Section 11 MEETINGS OF BONDHOLDERS

11.1. Meetings

A meeting of Bondholders may be called at any time and from time to time pursuant to the provisions of this Section for the purpose of taking any action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of Third Tranche Bonds under any other provisions of this Agreement or under Applicable Law and such other matters related to the rights and interests of the Bondholders under the Third Tranche Bonds.

11.2. Notice of Meetings

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Third Tranche Bonds may direct in writing the Trustee to call a meeting of the Bondholders, to take any action specified in Section 11.1, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Issuer and to each of the registered Bondholders and published in two (2) newspapers of general circulation in Metro Manila, Philippines not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the notices for the requested meeting including the cost of the venue and other related expenses for the meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported statement of account.

11.3. Failure of Trustee to Call a Meeting

In case at any time the Issuer, pursuant to a resolution of its board of directors, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Third Tranche Bonds shall have requested and funded the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with Section 11.2, the notice of such meeting within fifteen (15) Banking Days after receipt of such request, then the Issuer or the holders of Third Tranche Bonds in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof as provided in Section 11.2, and the costs thereof shall be chargeable to the Trustee except when such failure is beyond the control of the Trustee.

11.4. Quorum

The presence of the Majority Bondholders personally or by proxy shall be necessary to constitute a quorum to do business at any meeting of the Bondholders. The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy. The Trustee shall rely on the records provided by the Registrar and shall be held free and harmless for such reliance.

11.5. Procedure for Meetings

The Trustee shall preside at all the meetings of the Bondholders unless the meeting shall have been called by the Issuer or by the Bondholders as provided in Section 11.3, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall move for the election of the chairman and secretary of the meeting from among the Bondholders then present or represented during the meeting.

Any meeting of the Bondholders duly called pursuant to the provisions of this Section may be adjourned from time to time for a period or periods not to exceed in the aggregate one (1) year from the date for which the meeting shall originally have been called, and the meeting so adjourned may be held on another date without further notice. Any such adjournment may be ordered by Persons representing a majority of the aggregate principal amount of the Third Tranche Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

In an event consent/s are requested from the Bondholders, the Bondholders' records with the Registrar as of the immediately preceding month-end prior to the date of the request shall be used by the Trustee until the results of the exercise is completed. Transfers or changes to ownership during any exercise shall be disregarded by the Trustee. Notwithstanding the foregoing, if the Registrar determines the record date of Bondholders according to its Agreements then such listing shall prevail and the Trustee shall rely on such records.

11.6. Voting Rights

To be entitled to vote at any meeting of the Bondholders, a Person shall be a registered holder of the Third Tranche Bonds or a Person appointed by an

instrument in writing as proxy by any such holder as of the date of such meeting. Bondholders shall be entitled to one vote for every Ten Thousand Pesos (PhP10,000.00) interest. The only Persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the Persons entitled to vote at such meeting and any representative of the Issuer and its legal counsel.

11.7. Voting Requirement

All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the majority of the Bondholders present or represented in a meeting at which there is a quorum, except as otherwise provided in this Agreement.

Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Trustee as if the votes were unanimous.

11.8. Role of the Trustee in Meetings of Bondholders

Notwithstanding any other provisions of this Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of Third Tranche Bonds, the appointment of proxies by registered holders of Third Tranche Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem fit. The minutes of each meeting and any resolution made thereat shall be taken by the Trustee.

11.9. Evidence Supporting Bondholders' Action

Wherever in this Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Third Tranche Bonds may take any action (including the making of any demand or request, the giving of any notice or consent, or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing; (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith; or (iii) a combination of such instruments and any such record of meeting of the Bondholders. The Trustee shall rely on the Registrar to authenticate all Bondholders' signature at all times.

Section 12 AMENDMENT OR SUPPLEMENTAL AGREEMENTS

With the written consent of the Majority Bondholders, the Issuer, when authorized by a resolution of its board of directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental hereto for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of this Agreement; provided, however, that no such supplemental agreement shall:

- a. Without the consent of each Bondholder affected thereby:
 - i. extend the fixed maturity of the Third Tranche Bonds, or
 - ii. reduce the principal amount of the Third Tranche Bonds, or
 - iii. reduce the rate or extend the time of payment of interest and principal thereon;
- b. Affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders; or
- c. Reduce the percentage required to be obtained of the Bondholders to consent to or approve any supplemental agreement or any waiver provided for in this Agreement without the consent of all the Bondholders.

It shall not be necessary to obtain the consent of the Bondholders under this Section for the purpose of approving the particular form of any proposed supplemental agreement but such consent shall be necessary for the purpose of approving the substance thereof.

Any consent given pursuant to this Section shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof or of any Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the Third Tranche Bonds.

Promptly after the execution by the Issuer and the Trustee of any supplemental agreement pursuant to the provisions of this Section, the Issuer shall send a notice to the Bondholders setting forth in general terms the substance of such supplemental agreement. Any failure of the Issuer to send such notice or any defect therein shall not, however, in any way impair or affect the validity of any supplemental agreement.

Section 13 MISCELLANEOUS PROVISIONS

13.1. Waiver of Preference

In the event that a primary obligation for payment shall arise out of this Agreement, such as to constitute this Agreement as a contract for the payment of an indebtedness or a loan, then it is understood and expressly agreed by the parties hereto that the obligation created under this Agreement shall not enjoy any priority, preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that this Agreement may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced.

13.2. Notice

Any notice or demand authorized by this Agreement to be given to the Issuer and the Trustee shall be sufficiently given for all purposes hereof, if delivered or mailed

at their respective addresses mentioned herein or at such address designated by them subsequently in writing.

For the purpose of this Agreement, any notice or request to the Trustee shall be through the following details:

To the Trustee: BDO Unibank, Inc. – Trust and Investments Group
Attention: Michael G. Munsayac
Subject: Aboitiz Power Bonds Due 2024 and 2028
Address: 15th Floor South Tower, BDO Corporate Center,
7899 Makati Avenue, Makati City
Facsimile: +6328784270
E-mail: munsayac.michael @bdo.com.ph

The Trustee shall send all notices to Bondholders to their mailing address as set forth in the Register of Bondholders. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) surface mail; (iii) electronic mail; (iv) by one-time publication in a newspaper of general circulation in the Philippines; (iv) personal delivery to the address of record in the Register of Bondholders; or (v) disclosure through the online disclosure system of the PDEx. The Trustee shall rely on the Register of Bondholders in determining the Bondholders entitled to notice.

All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on the date of transmission, if transmitted by electronic mail; (iv) on date of publication; (v) on date of delivery, for personal delivery; or (v) on the date of posting through the online disclosure system of PDEx.

13.3. Binding and Conclusive Nature

Except as provided in this Agreement, all notifications, opinion, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of this Agreement, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all Bondholders and (in the absence of willful default, bad faith or manifest error) no liability to the Issuer, the Registrar, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Agreement, resulting from the Trustee's reliance on the foregoing.

13.4. Successors and Assigns

This Agreement shall be binding upon and shall be enforceable against the Issuer, the Trustee and the Bondholders and their respective successors and assigns; provided, however, that the Issuer shall not have the right to transfer or assign any and all of its rights or obligations herein without the prior written consent of the Bondholders representing at least two-thirds (2/3) of the aggregate outstanding principal amount of the Third Tranche Bonds.

13.5. Exclusive Nature of Agreement

Nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon or give to any Person or corporation, other than the parties hereto and the Bondholders, any right, remedy or claim under or by reason of this Agreement or any covenant, condition or stipulation hereof; and except as aforesaid all the covenants, stipulations, promises and agreements herein contained are and shall be for the sole and exclusive benefit of the parties hereto, their successors and assigns, and the Bondholders.

13.6. Validity of Provisions

If any provision, term or condition of this Agreement or the application hereof to any Person or circumstance is declared invalid, the other provisions, terms or conditions hereof or the application hereof to any Person or circumstance shall not be affected and shall continue to be in full force and effect.

13.7. No PDIC Coverage

This Trust Agreement is not covered by the Philippine Deposit Insurance Corporation. Any losses arising from this Agreement, if any, shall be for the account of the Issuer.

13.8. Venue

Any legal action or proceeding arising out of, or in connection with, this Agreement and the Third Tranche Bonds and any and all related documents and papers, shall be brought in the proper courts of Makati City, Metro Manila, Philippines, to the exclusion of any other court.

13.9. Dispute Settlement

In case any dispute shall arise between the Issuer, the Trustee or any of the Bondholders in respect of this Agreement, or other related agreements or arrangements, the Issuer, the Trustee or any of the Bondholders shall attempt to resolve the same amicably by agreement which shall be in writing. However, if no such agreement is concluded within thirty (30) Banking Days from the time the dispute arose, or such period as may be reasonable under the circumstances, the parties may have recourse to the usual judicial action obtaining under the circumstances.

13.10. No Right to Set-Off

The Trustee shall have no right to apply funds or money of the Issuer on deposit with or in the custody of the Trustee or any of its branches, subsidiaries, or affiliates on reduction of amounts past due under this Agreement.

13.11. Governing Law

This Agreement and the Third Tranche Bonds issued hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the Republic of the Philippines.

13.12 Termination

The Trustee shall automatically be discharged from its duties and responsibilities under this Agreement within three (3) days from full payment of the Third Tranche Bonds on the Maturity Date absent any written notice of payment default.

13.13 Counterparts

This Agreement may be executed and delivered in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

[The remainder of this page is left intentionally blank.]

IN WITNESS WHEREOF, the parties hereto have signed this Agreement on the date and at the place first abovementioned.

By affixing our signature on this signature page, we are deemed to have agreed to and confirmed the terms and conditions contained in all the other pages of this Agreement.

ABOITIZ POWER CORPORATION



/Gabriel T. Mañalac
Senior Vice President – Group Treasurer

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY) s. s.

I certify that on SEP 27 2019, the following person personally appeared before me, a Notary Public duly authorized in the city named above to take acknowledgments, who is identified by me through his competent evidence of identity by exhibiting to me:



who was identified by me through competent evidence of identity to be the same person described in the foregoing instrument, who acknowledged before me that his signature on the instrument was voluntarily affixed by him for the purposes stated therein, and who declared to me that he has executed the instrument as his free and voluntary act and deed, and that he has the authority to sign on behalf of his principal.

WITNESS MY HAND AND SEAL, on the date and at the place first above written.

Doc. No. 44;
Page No. 10;
Book No. IV;
Series of 2019.




Atty. **Marie C. Alazas**
Notary Public for Taguig City
Notarial Commission No. 650
Until December 31, 2019
MAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4206014, January 07, 2019; Taguig City
BP O.R. No. 061325 Taguig City, January 08, 2019
Roll No. 58449
MCE No. VI-001002 December 13, 2018

BDO UNIBANK, INC. – TRUST AND INVESTMENTS GROUP



Michael G. Munsayac
Vice President

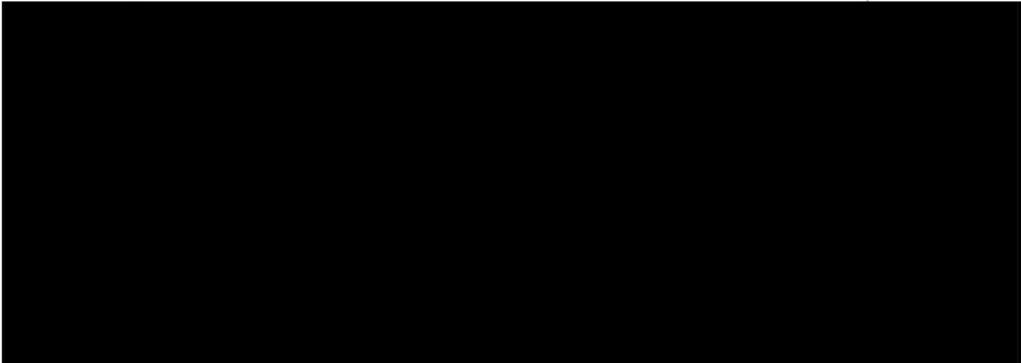


Rosie R. Palaran
Senior Assistant Vice President

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) s.s.

I certify that on this SEP 27 2019, 2019, before me, a notary public duly authorized in the city named above to take acknowledgments, personally appeared the following:



who were identified by me through competent evidence of identity to be the same persons described in the foregoing instrument, who acknowledged before me that their respective signatures on the instrument were voluntarily affixed by them for the purposes stated therein, and who declared to me that they have executed the instrument as their free and voluntary act and deed, and that they have the authority to sign on behalf of their principals.

WITNESS MY HAND AND SEAL, on the date and at the place first above written.

Doc. No. : 410 ;
Page No. : 83 ;
Book No. : 1A ;
Series of 2019.



JAMIE CATRINA F. CHAN

Appointment No. M-223

Notary Public for Makati City

Until December 31, 2019

Liberty Center-Picazo Law

104 H.V. Dala Costa Street, Makati City

Prill No. 79089

PTR No. 7333207/Makati City/01-06-2019

IBP No. 676429/RPLM/01-03-2019

M48LE Compliance No. VI-E025U45/05-15-2019

ANNEX A
TERMS AND CONDITIONS OF THE BONDS

The following summary is qualified in its entirety by, and should be read in conjunction with the more detailed information appearing in the Prospectus to which it relates.

Issuer	:	Aboitiz Power Corporation
Joint Issue Managers	:	BDO Capital & Investment Corporation First Metro Investment Corporation
Joint Lead Underwriters	:	BDO Capital & Investment Corporation First Metro Investment Corporation China Bank Capital Corporation PNB Capital and Investment Corporation SB Capital Investment Corporation
Trustee	:	BDO Unibank, Inc. – Trust and Investments Group
Registrar and Paying Agent	:	Philippine Depository & Trust Corp.
Issue / Issue Amount	:	SEC-registered fixed rate, Peso-denominated bonds constituting the direct, unconditional, unsecured and unsubordinated obligations of the Issuer consisting of a primary offer in the aggregate principal amount of ₱7,000,000,000.00, with an Oversubscription Option of up to ₱5,000,000,000.00. In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the Third Tranche Bonds under Oversubscription Option that will not be taken up or exercised during the Offer Period will remain under shelf registration and may be issued in tranches within Shelf Period. The Oversubscription Option is exercisable by the Joint Lead Underwriters in consultation with the Issuer.
Use of Proceeds	:	Proceeds of the Offer will be used by AboitizPower for repayment of its short-term loan obligations, as more described in the section entitled “ <i>Use of Proceeds</i> ” on page [49] of the Prospectus.
Issue Price	:	100% face value

- Manner of Distribution : Public Offering
- Offer Period : The Offer shall commence on September 30, 2019 and end on October 4, 2019.
- Issue Date : October 14, 2019
- Maturity Date or Redemption Date : Seven (7) years
- Except when the Early Redemption Option (as defined below) is exercised, the Third Tranche Bonds will be redeemed at par (or 100% of face value) on its Maturity Date.
- Interest Rate : 5.2757%
- Interest Payment Date : The Interest shall be paid quarterly in arrears on January 14, April 14, July 14, and October 14 of each year commencing on January 14, 2020, until and including the Maturity Date (each, an "Interest Payment Date"), or the next Banking Day if such dates fall on a non-Banking Day without any adjustment in the amount of interest as originally computed.
- Interest on the Third Tranche Bonds shall be calculated on a 30/360-day basis.
- Form and Denomination : The Third Tranche Bonds shall be issued in scripless form in minimum denominations of ₱50,000.00 each, and in multiples of ₱10,000.00 thereafter.
- Early Redemption : The Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), any series of the outstanding Third Tranche Bonds (the "Early Redemption Option"), on the Interest Payment Dates specified below (any such date, the "Optional Redemption Date") or the immediately succeeding Banking Day if such date is not a Banking Day, without any adjustment in the amount of interest as originally computed. The amount payable to the Bondholders upon the exercise of the Early Redemption Option by the Issuer shall be calculated based on the principal amount of the relevant Third Tranche Bonds being redeemed as the aggregate of the: (i) accrued interest computed from the last Interest Payment Date up to the relevant Optional Redemption Date; and (ii) the product of the principal amount (total outstanding principal amount of the relevant Third Tranche Bonds) and the applicable Optional

Redemption Price (as set out below) in accordance with the following schedule:

Optional Redemption Dates	Early Redemption Price (Inclusive of Prepayment Penalty)
5 years and one quarter from Issue Date	101.00%
6 years from Issue Date	100.25%

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the relevant Series D Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption on the Optional Redemption Date stated in such notice.

Redemption for Taxation Reasons : The Issuer may redeem the Third Tranche Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days' notice to the Trustee) at par plus accrued interest, subject to the requirements of Applicable Law, if payments under the Third Tranche Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on Issue Date as a result of certain changes in Applicable Law, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer.

For avoidance of doubt, the Issuer shall not be liable for the payment of the additional or increased taxes on the income of the Bondholders, which shall be for the account of the Bondholders.

Negative Pledge : The Third Tranche Bonds shall have the benefit of a negative pledge on all existing and future assets of the Issuer, subject to certain permitted liens, as provided under Section 5.02 (a) of the Trust Agreement.

Purchase and Cancellation : The Issuer may at any time purchase any of the Third Tranche Bonds at any price in the open market or by tender or by contract, in accordance with PDEX Rules, without any obligation to purchase (and the Bondholders shall not be obliged to sell) Third Tranche Bonds pro-rata from all Bondholders. The Third Tranche Bonds so purchased will be redeemed and cancelled, and

may no longer be reissued.

Upon listing of the Third Tranche Bonds on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

Status of the Third Tranche Bonds : The Third Tranche Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and rateably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to Section 5.02 (a) of the Trust Agreement or as may be allowed by the Trust Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of Issue Date. The Third Tranche Bonds shall effectively be subordinated in right of payment to, among others, all of AboitizPower's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines, unless the Issuer procures a waiver of the preference created by such notarization or equally and ratably extend such preference to the Third Tranche Bonds.

Rating : The Third Tranche Bonds are rated PRS Aaa by PhilRatings.

Listing : The Issuer intends to list the Third Tranche Bonds in the PDEX on Issue Date.

Non-Reliance Each Bondholder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other

costs of any kind or nature against the Trustee in respect of its obligations hereunder, except for its gross negligence or wilful misconduct.

Own Risk

Bondholders understand and acknowledge that investment in the Third Tranche Bonds is not covered by the Philippine Deposit Insurance Corporation ("PDIC") and that any loss or depreciation in the value of the assets of the Bondholders, resulting from the investments or reinvestment in the Third Tranche Bonds and the regular conduct of the Trustee's trust business shall be for the account of the Bondholder.

**ANNEX B
FORM OF THE APPLICATION TO PURCHASE**



1 st Copy	Registrar
2 nd Copy	Underwriter
3 rd Copy	Applicant

**APPLICATION TO
PURCHASE
Series D Bonds due 2026
with an interest rate of 5.2757% per annum**

This is an application to purchase (the "Application") Series D (the "Bonds") to be issued by Aboitiz Power Corporation ("AboitizPower"). Any Application submitted by a prospective purchaser (the "Applicant") must be for a minimum principal amount of P50,000 and in multiples of P10,000 thereafter. The Bonds shall be issued in scripless form, will be eligible for trading under the scripless book-entry system of the Philippine Depository & Trust Corp. ("PDTC", the "Registrar" or the "Paying Agent") and shall be subject to the rules and regulations of PDTC. Duly completed Applications and all supporting documents must be received by any of the Joint Lead Underwriters, namely BDO Capital & Investment Corporation and First Metro Investment Corporation (the "Joint Issue Managers") together with, China Bank Capital Corporation, PNB Capital and Investment Corporation and SB Capital Investment Corporation (collectively the "Underwriters" and each an "Underwriter") not later than 5:00 p.m. on October 04, 2019, which is the end of the Offer Period, unless otherwise extended or earlier terminated. Applications and payments received after the Offer Period or submitted without the required attachments will be rejected. Any Application improperly or incompletely accomplished may likewise be rejected. Payment in full, through any one of the modes of payment set forth below, must accompany this Application. AboitizPower and the Underwriters reserve the right to accept or reject, in whole or in part, this Application, and in case of oversubscription, allocate the Bonds available to the applicants in a manner they deem appropriate. The Application shall be subject to the terms and conditions stated herein and in the Prospectus dated September 27, 2019 (the "Prospectus") and the Applicants are advised to read the Prospectus before subscribing to the Bonds.

This Application, once accepted, shall constitute the duly executed purchase agreement covering the amount of the Bonds so accepted and shall be valid and binding on the Issuer and the Applicant. Once accepted, an Application may not be unilaterally revoked or canceled by the Applicant, in full or in part, and the rights and privileges pertaining thereto shall be non-transferrable.

Name of Applicant: (Last, First, M.I. / Business Name)*		Type of Investor:													
Nationality:		<input type="checkbox"/> Individual <input type="checkbox"/> Corporate (For Corporate or juridical entities, check one)													
1. Are you a US Person? 2. Are you a US citizen? 3. Do you hold a US permanent resident card? (Green Card)? 4. Did you stay in the US for a total of 183 days or more in the last thirty-six (36) months? If yes, please state the reason _____ 5. For corporate investors, are any of your shareholders owning more than 10% of the shares in the company a US Resident, US Person or US Citizen?	<table border="1"> <tr> <th>Yes</th> <th>No</th> </tr> <tr><td> </td><td> </td></tr> </table>	Yes	No											<input type="checkbox"/> Partnership or other Judicial Entity Corporation under the laws of _____ <input type="checkbox"/> Trust Company/Trust Fund/Trust Department <input type="checkbox"/> Bank <input type="checkbox"/> Investment House <input type="checkbox"/> Insurance Company <input type="checkbox"/> Incorporated Mutual Fund <input type="checkbox"/> Others _____	
Yes	No														

I/We (the "Applicant") hereby apply to purchase the following principal amount of the Bonds (the "Total Purchase Amount"), subject to the rules of the Registrar and Paying Agent, Terms and Conditions and the Prospectus distributed or made available by AboitizPower and the Underwriters in relation to the offer and sale of the Bonds.

BONDS APPLIED FOR AND AMOUNT	
Amount in Words (Php)	Amount in Figures (Php)
<input type="checkbox"/> Series D Bonds due 2026 _____	_____

Mode of Payment for the Bonds:
I/We hereby pay for my/our purchase of the Bonds as indicated below:

<input type="checkbox"/> Real Time Gross Settlement We have caused the transfer of cleared funds via RTGS to the Underwriter/Selling Agent (named below), for the account of AboitizPower, for the Total Purchase Amount (as stated above) representing full payment of the Bonds covered by this Application. _____ Name of Underwriter / Selling Agent	<input type="checkbox"/> Regular Bank Check or Manager's Check Attached herewith is a check in favor of the Underwriter/Selling Agent (named below), for the account of AboitizPower, for the Total Purchase Amount (as stated above) representing full payment of the Bonds covered by this Application. Name of Underwriter / Selling Agent _____ Drawee Bank & Branch _____ Account Number _____	<input type="checkbox"/> Direct Debit We have caused the transfer of cleared funds via debiting of my/our bank account with the Drawee Bank (named below) and crediting the bank account of the Underwriter/Selling Agent (named below), for the Total Purchase Amount (as stated above), representing full payment for the Bonds covered by this Application. Name of Underwriter / Selling Agent _____ Drawee Bank & Branch _____ Account Number _____
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Permanent Address:*	Present Mailing Address (if different from Permanent Address):*
Telephone Number(s):	Mobile / Fax Number(s):
E-mail Address:**	
Primary Contact Person (if other than Applicant):	Relationship to Applicant:
Date of Birth / Incorporation (mm/dd/yyyy) (For Joint Accounts, kindly indicate both birthdates)*	Place of Birth / Incorporation:*
Nationality:*	Tax Identification Number:*
Nature of Work or Business:*	Name of Employer/ Business:*
Sources of Income:*	

Tax Status: <input type="checkbox"/> Individual (Taxable) <input type="checkbox"/> Domestic Corporate <input type="checkbox"/> Tax Exempt Corporate** <input type="checkbox"/> If a foreign investor, tax rate below will apply (subject to application of referential rates) ** <input type="checkbox"/> Non-resident individual not engaged in business: 25% <input type="checkbox"/> Resident foreign corporate: 20% <input type="checkbox"/> Non-resident foreign corporate: 30% ** Subject to submission of documentary proof of exemption	Statement, Notices & Correspondence Delivery Mode: <input type="checkbox"/> Send to email address indicated above <input type="checkbox"/> Delivery via courier (Metro Manila area only) or registered mail to mailing address indicated above
Mode of Collection of Interest and Principal Payments: I/we hereby unconditionally instruct and authorize the Paying Agent to cause the payments of interest and principal on the Bonds, net of applicable taxes, fees and cost to be made via credit to my/our PESO current or savings account (designated below) (the "Cash Settlement Account"): <p>Name of Bank & Branch _____ (the "Cash Settlement Bank") Account Type _____ Account Number _____</p> All payments under the Bonds shall be credited to the above designated account. I/We shall be responsible for ensuring that this account is open, active and existing, otherwise, I/we shall be liable for any fees or charges that may be imposed or incurred in crediting payments of interest or principal to my/our account. The Cash Settlement Bank must be a PDS-registered bank. <p>In the event that the details of the Cash Settlement Account indicated in the Final Sales Report or the Application are incomplete or erroneous, or the Cash Settlement Account of the Bondholders has been closed, dormant, or inexistent, due to which payments to the Bondholders cannot be effected in a timely manner, and the Paying Agent does not receive any notice from the Bondholder as described herein, the Cash Settlement Bank shall handle the funds in accordance with its internal procedure until the correction of the Cash Settlement Account is effected and until credit of the relevant cash entitlement is completed. None of the Issuer, Registrar and Paying Agent or any of the Selling Agents or Trading Participants shall be liable for any failure or delay in effecting any payment due under the Bonds, where such failure or delay in payment arises from or in connection with any failure or delay attributable to the Bondholder in connection or updating the details of the mode of receiving payments. Fees and expenses which may have been incurred shall be for the account of the Bondholder.</p>	
If a Corporation, please fill out Additional Required Information: (Please use additional sheets if necessary):	
Name of Parent Company, if Any:	
Names of Directors:*	Name of Stockholders Owning at Least 2% of the Authorized Capital Stock:*
Name of Beneficial Owners of Applicant, if any:	Address of Beneficial Owner:
<p>* Required to be filled out under Republic Act No. 9160, Republic Act No. 9194 and BSP Circular Nos. 251, 253 and 279, and all other amendatory and implementing law, regulation, jurisprudence, notice or order of any Philippine governmental body relating thereto.</p> <p>** Communications (E-mail Indemnity). By indicating the e-mail address, I/we consent to receive all notices and communications via e-mail, and such consent shall operate as a waiver of my/our right and privilege to the secrecy of bank deposits in respect of such statements or notices. I/We acknowledge that security of any statement, notice or communication sent through electronic means is not guaranteed and I/we assume all risks in relations to its transmission. I/We are responsible for keeping such e-mail access active and existing during the term of the Bonds, otherwise, I/we shall be liable for any fees or charges that may be imposed or incurred in transmitting or re-transmitting such communication via electronic means.</p>	
REQUIRED ATTACHMENTS TO THIS APPLICATION	
<p>The Applicant understands that the Registrar will not issue a Registry Confirmation nor will any Bondholder be allowed to sell or transfer the Bonds until such Bondholder shall have submitted to the Registrar all the documents required for the issuance of such Bonds.</p> <p>IF THE APPLICANT IS A CORPORATION OR A PARTNERSHIP:</p> <p>(a) An original notarized Certificate of the Corporate Secretary (or the Managing Partner, if a partnership) of the Applicant setting forth resolutions of the Applicant's Board of Directors or equivalent body authorizing the purchase of the Bonds and designating the signatories, with their specimen signatures, for the said purposes; (b) Copies of its Articles of Incorporation and By-Laws and latest amendments thereof, together with the Certificate of Incorporation (or the Articles of Partnership, if a partnership) issued by the Securities and Exchange Commission ("SEC") or equivalent government institution, stamped and signed as certified true copies by the SEC or by the Applicant's Corporate Secretary or by an equivalent officer(s) who is/are authorized signatory(ies); (c) Two (2) duly accomplished signature cards containing the specimen signatures of the Applicant's authorized signatories, validated by its Corporate Secretary or by an equivalent officer(s) who is/are authorized signatory(ies), and further validated/signed by the Underwriter's/Selling Agent's authorized signatory(ies) whose authority(ies) and specimen signatures have been submitted to the Registrar; (d) Identification document(s) of the authorized signatories of the Applicant, as specified below; and (e) Such other documents as may be reasonably required by the Underwriter(s)/Selling Agent(s) in implementation of its internal policies regarding "knowing your customer" and anti-money laundering and requirements related to the Foreign Account Tax Compliance Act ("FATCA").</p> <p>IF THE APPLICANT IS A NATURAL PERSON:</p> <p>(a) Copies of any one (1) valid identification documents of the Applicant and Tax Identification Number (TIN); (b) Two (2) duly accomplished signature cards containing the specimen signature of the Applicant, validated / signed by the Underwriter's/Selling Agent's authorized signatory(ies), whose authority(ies) and specimen signatures have been submitted to the Registrar; and (c) Such other documents as may be reasonably required by the Underwriter(s)/Selling Agent(s) in implementation of its internal policies regarding "knowing your customer" and anti-money laundering and requirements related to the Foreign Account Tax Compliance Act ("FATCA").</p>	
IDENTIFICATION DOCUMENTS SHALL CONSIST OF:	
Any one of the following valid identification documents bearing a recent photo, and which is not expired: Tax Identification Number (TIN) ID, Passport, Driver's License, Professional Regulation Commission ID, National Bureau of Investigation Clearance, Police Clearance, Postal ID, Voter's ID, Barangay Certification, Government Service Insurance System e-Card, Social Security System Card, Senior Citizen Card, Overseas Workers Welfare Administration ID, OFW ID, Seaman's Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and government-owned and controlled corporation ID, e.g., Armed Forces of the Philippines, Home Development Mutual Fund, Certification from the National Council for the Welfare of Disabled Persons, Department of Social Welfare and Development Certification, Integrated Bar of the Philippines ID, Maritime Industry Authority, Philippine Health Insurance Corporation company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or the Insurance Commission, or school ID duly signed by the principal or head of the school (for students who are beneficiaries of remittances/fund transfers who are not yet of voting age).	
Applicants claiming exemption or preferential rate from any applicable tax shall also be required to submit the following documentary proof of its tax-exempt or preferential status together with this Application:	
<p>(a) Proof of Tax Exemption or Entitlement to Preferential Tax Rates</p> <ol style="list-style-type: none"> i. For (a) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (b) cooperatives duly registered with the Cooperative Development Authority; and (c) BIR-approved pension fund and retirement plan - certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed "valid, current and subsisting" if it has not been more than 3 years since the date of issuance thereof; ii. For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 - certified true copy of the Bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator; iii. For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) government-owned or -controlled corporations; and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) - certified true copy of its current, valid, and subsisting tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income from investments is exempt from income tax and, consequently, withholding tax; and iv. For entities claiming tax treaty relief - (i) certificate of tax residence issued for the current year (whether using the form prescribed in their country of residence, or using Part I (D) of the Certificate of Tax Residence for Tax Treaty Relief ("CORTT") Form prescribed under Revenue Memorandum Order No. 8-2017), and (ii) duly accomplished CORTT Form (particularly Part I (A), (B) and (C), and Part II (A), (B), (C) and (D)). <p style="text-align: center;">In addition, upon the request of the Underwriter/Selling Agent, the Bondholder shall submit an updated Part II (A), (B), (C) and (D) of the CORTT Form. Only the originals should be submitted to the Underwriter/Selling Agent.</p> <p>(b) A duly notarized declaration (in the prescribed form) warranting that the Bondholder's tax-exemption certificate or ruling has not been revoked or cancelled and that there are no material changes in character, purpose or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or warranting the Bondholder's entitlement to preferential treaty rates, and undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities arising from the non-withholding or reduced withholding of the required tax; and</p> <p>(c) Such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities.</p>	
Unless properly provided with satisfactory proof of the tax-exempt status of a Bondholder, the Registrar and Paying Agent may assume that said Bondholder is taxable and proceed to apply the tax due on the Bonds. Notwithstanding the submission by the Bondholder, or the receipt by AboitizPower or any of its agents, of documentary proof of the tax-exempt status of a Bondholder, AboitizPower may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Bonds. Any question on such determination shall be referred to AboitizPower.	

REPRESENTATIONS, WARRANTIES AND AUTHORIZATION

In executing this Application, the Applicant represents and warrants, that all information contained herein (including its tax status) and the required attachments are true and correct and that the signatures thereon are genuine, properly authorized, and obtained without use of fraud, coercion or any other vice of consent. The Applicant also represents and warrants that the investment in the Bonds will not violate the laws of the Applicant's jurisdiction and the Applicant is allowed to acquire or invest in the Bonds. The Applicant agrees to immediately notify AboitizPower and the Registrar or Paying Agent, either directly or through the Underwriters, if anything occurs which renders or may render untrue or incorrect in any respect any of the information given herein (including information given with respect to the Applicant's tax status) or any of its representations or warranties. The Applicant understands that the Underwriters, the Selling Agents, the Registrar, the Paying Agent and AboitizPower will rely on the Applicant's representations and warranties set forth herein including, without limit, its declaration of its tax status, including, if applicable, its tax-exempt status in processing payments due to it under the Bonds. The Applicant agrees to indemnify and hold the Underwriters, the Selling Agents, the Registrar, the Paying Agent and AboitizPower free and harmless against any and all claims, actions, suits, damages, and liabilities resulting from the non-withholding of the required tax or availment of the preferential tax treaty rates due to the representations as indicated in this Application, any misrepresentation contained herein or any reliance on the confirmations contained herein. The Applicant likewise authorizes AboitizPower, the Registrar and the Paying Agent to verify the information stated in this Application from any and all sources and in any and all manner, including but not limited to, requesting information contained herein from the Underwriters/Selling agents regarding the Applicant's account(s) with the said Underwriter/Selling agent, and the Applicant authorizes the Underwriters/Selling agents to provide such information required by AboitizPower, the Registrar and the Paying Agent. By giving authority to AboitizPower, the Underwriters, BDO Unibank, Inc. – Trust and Investments Group (the "Trustee"), the Registrar, and the Paying Agent and by signing this application, the Applicant hereby waives its right to privacy of information or confidentiality that may exist by law or by contract, solely and exclusively for the limited purpose of enabling AboitizPower, the Underwriters, the Trustee, the Registrar and the Paying Agent to update with respect to the information contained herein and perform their duties and function under the Bonds.

By giving authority to AboitizPower, the Underwriters, the Trustee, the Registrar and Paying Agent and by signing this application, the Applicant hereby (i) consents to the collection, processing or outsourcing of processing, retention, disposal, and further processing, as authorized by law, by AboitizPower, the Underwriters, the Trustee, the Registrar and Paying Agent of the information contained herein (the "Information") for the purpose of performing their functions under the transaction documents (in particular for the Registrar and Paying Agent, the Registry and Paying Agency Agreement, and for the Underwriters, its Client Agreement, account opening documents and "know your customer" documents) and (ii) acknowledges receipt of notice of and consents to the following:

- (a) AboitizPower, the Underwriters, the Trustee, the Registrar and Paying Agent shall implement security measures designed to protect the Information.
- (b) AboitizPower, the Underwriters, the Trustee, the Registrar and Paying Agent shall not sell, trade or otherwise share the Information for marketing purposes to third parties without the consent of the Applicant. AboitizPower, the Underwriters, the Trustee, the Registrar and Paying Agent may disclose the Information to:
 - i. government or regulatory agencies if required by applicable law or by an order of government or regulatory agency or if reasonably determined by AboitizPower, the Underwriters, the Trustee, the Registrar and Paying Agent to be necessary in relation to the use of the Information in connection with the provision of any service related to this Applicant's registry account and for data processing and storage, anti-money laundering monitoring, review and reporting and for purposes of complying with any law or regulation (the "Purpose"), for law enforcement purposes, national security or public interest;
 - ii. its employees, directors, officers, representatives, agents and service providers if AboitizPower, the Underwriters, the Trustee, the Registrar and Paying Agent deem it reasonably necessary in relation to the Purpose;
 - iii. its subsidiaries and affiliates as well as employees, directors, officers, representatives, agents and service providers of such subsidiaries and affiliates if AboitizPower, the Underwriters, the Trustee, the Registrar and Paying Agent deem it reasonably necessary in relation to the Purpose; and
 - iv. each other.
- (c) The Applicant has rights and remedies relating to the processing of the Information under the Data Privacy Act of 2012, its implementing rules and regulations and under applicable laws, such as, but not limited to the right to access the Information consistent with the procedure of the Registry and the Underwriters, to have it corrected consistent with the procedure of the Registry and the Underwriters and to file a complaint with the appropriate government agency. Please refer to the National Privacy Commission for details of such rights and remedies.
- (d) The Applicant may address any concerns or questions regarding the processing of the Information to:

Name: Judd Salas
 Designation: AVP - Investor Relations
 Contact Details: +(63) 917 3013469 or judd.salas@aboitiz.com

The Applicant warrants that the Applicant (or its authorized signatory) has read and understood the Terms and Conditions of the Bonds under the Prospectus ("Terms and Conditions"), the entirety of this Application, and the Rules and Procedures of the Registrar and unconditionally accepts the same. The Applicant further agrees that completion of this Application constitutes an instruction and authority from the Applicant to AboitizPower and/or the Underwriters to execute any application form or other documents and generally to do all such other things and acts as AboitizPower, and/or the Underwriters may consider necessary or desirable to effect registration of the Bonds in the name of the Applicant. The Applicant represents and warrants to the Trustee and to AboitizPower that it has independently and, without reliance on the Trustee or AboitizPower, made its own credit investigation and appraisal of the financial position and affairs of AboitizPower on the basis of such documents and information it has deemed appropriate and that it has subscribed to the Bonds on the basis of such independent appraisal, and that it shall continue to make its own credit appraisal without reliance on the Trustee or AboitizPower.

Unless otherwise expressly stated or the context provides otherwise, all terms used herein shall have the meaning ascribed to them in the Prospectus and the Terms and Conditions of the Bonds described therein. The Bonds are governed by and subject to a Registry and Paying Agency Agreement between AboitizPower and Philippine Depository & Trust Corp. as the Registrar and Paying Agent, and the rules and procedures of PDTC and a Trust Agreement between AboitizPower and BDO Unibank, Inc. - Trust and Investments Group.

APPLICANT'S FULL NAME (IN PRINT):	APPLICANT'S AUTHORIZED SIGNATURE/S :
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ACKNOWLEDGEMENT AND ACCEPTANCE

<input type="checkbox"/> Underwriter s or Selling Agent s Acceptance	<input type="checkbox"/> Rejection due to _____
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Underwriter s or Selling Agent s Certification/Endorsement:
 We received this Application, with all the required attachments below, at _____ a.m. / p.m. on _____.

- We hereby warrant that:
- (a) The necessary know-your-client process was conducted on the Applicant pursuant to the Anti-Money Laundering Act and the amendments thereto ("AML") as well as its implementing rules and regulations ("IRR") and our own internal policies;
 - (b) The identity of the Applicant was duly established pursuant to the AMLA and its IRR;
 - (c) To the best of the undersigned's knowledge, all information provided to AP and the Registrar regarding the Applicant are true, complete, current and correct; and
 - (d) The Applicant's signature appearing herein is genuine and authentic and was herein affixed freely and voluntarily.

Underwriter / Selling Agent	Underwriter s / Selling Agent s Authorized Signatory Signature over printed name	Underwriter s / Selling Agent s Authorized Signatory Signature over printed name
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CERTAIN RELEVANT INFORMATION CONCERNING THE OFFERING OF THE BONDS

Unless otherwise expressly stated or the context provides otherwise, all terms used herein shall have the meaning ascribed to them in the Prospectus and the Terms and Conditions of the Bonds described therein. The information set forth below is an incomplete summary of certain terms of the Offer and are qualified by such terms and conditions set out in the Prospectus in every respect. Applicants wishing to purchase the Bonds should read the Prospectus and its description of such Terms and Conditions. The Issuer and the Underwriters have not provided any other information and do not make any representations in respect of the Offer except as contained in the Prospectus, the Registration Statement and the Terms and Conditions.

OFFER BONDS. Aboitiz Power Corporation ("AboitizPower" or the "Issuer" or the "Company") is offering fixed rate bonds in the aggregate principal amount of ₱7,000,000,000 (the "Bonds") with an oversubscription option of up to P5,000,000,000, under the Company's P30,000,000,000 Debt Securities Program. The Bonds will be issued on October 14, 2019 (the "Issue Date") and will be comprised of Series D Bonds. The Series D Bonds shall have a term ending seven (7) years from the Issue Date, or on October 14, 2026, with a fixed interest rate of 5.2575% per annum.

FORM AND DENOMINATION. The Bonds are in scripless form, and shall be issued in denominations of Fifty Thousand Pesos (P50,000.00) each as a minimum and in multiples of Ten Thousand Pesos (P10,000.00) thereafter and traded in denominations of Ten Thousand Pesos (P10,000.00) in the secondary market.

TRANSFERS; TAX STATUS. The Registrar shall ultimately and conclusively determine all matters regarding the evidence necessary to effect any such transfers. Settlement in respect of such transfers or change of title to the Bonds, including the settlement of any documentary stamps taxes, if any, arising from subsequent transfers, shall be settled directly between the transferee and/or the transferor Bondholders. Transfers across tax categories shall not be allowed except on Interest Payment Dates that fall on a business day. Restricted transfers include, but are not limited to, transfers between taxable and non-taxable entities, between taxable entities of different tax categories (where tax-withheld entities with different final withholding tax rates (e.g. 20%, 25%, 30%) are considered as belonging to different tax categories), or between parties who claim the benefit of a tax treaty; provided, however, that transfers from a tax-exempt category to a taxable tax category on a non-Interest Payment Date shall be allowed using the applicable tax-withheld series name to ensure that the computation is based on the final withholding tax rate of the taxable party to the trade. For such transactions, the tax-exempt entity shall be treated as belonging to the same tax category as its taxable counterpart for the interest period within which such transfer occurred. A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under the Registry and Paying Agency Agreement upon submission of the account opening documents to Registrar. Transfers taking place in the Register of Bondholders after the Bonds are listed on PDEX shall be allowed between tax-exempt and non-tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions, and guidelines of PDEX and PDTC.

OFFER PERIOD. The Offer shall commence at 9:00 a.m. on September 30, 2019 and end at 5:00 p.m. on October 04, 2019 or such other date as may be determined by the Issuer and the Underwriters.

ISSUE DATE. The Bonds will be issued on October 14, 2019 or on such other date as the Issuer and the Underwriters may agree in writing.

APPLICATION AND PAYMENT FOR THE BONDS. All applications to purchase the Bonds shall be evidenced by a duly completed and signed Application to Purchase, together with two (2) fully executed signature cards authenticated by the Corporate Secretary with respect to corporate and institutional investors, and shall be accompanied by the payment in full of the purchase price of the Bonds applied for, by check or by appropriate payment instruction, and the required documents which must be submitted to the Underwriters or Selling Agents. AboitizPower and the Underwriters reserve the right to accept or reject applications to subscribe in the Bonds, and in case of oversubscription, allocate the Bonds available to the applicants in a manner they deem appropriate.

REFUNDS. In the event an Application is rejected or the amount of the Bonds applied for is scaled down, the relevant Underwriter or Selling Agent, upon receipt of such rejected and/or scaled down applications, shall notify the Applicant concerned that his application has been rejected or the amount of Bonds applied for is scaled down, and refund the amount paid by the Applicant with no interest thereon. With respect to an Applicant whose application was rejected, refund shall be made by the relevant Underwriter or Selling Agent by making the check payment of the Applicant concerned available for his retrieval. With respect to an Applicant whose application has been scaled down, refund shall be made by the issuance by the Underwriter or Selling Agent of its own check payable to the order of the Applicant and crossed Payees Account Only corresponding to the amount in excess of the accepted Application. All checks shall be made available for pick up by the Applicant concerned at the office of the relevant Underwriter or Selling Agent to whom the rejected or scaled down Application was submitted within ten (10) Banking Days after the last day of the Offer Period. The Issuer shall not be liable in any manner to the Applicant for any check payment corresponding to any rejected or scaled-down application which is not returned by the relevant Underwriter or Selling Agent; in which case, the Underwriter or Selling Agent shall be responsible directly to the Applicant for the return of the check or otherwise the refund of the payment.

BOND RATING. The Bonds have been rated PRS Aaa by PhilRatings. The rating is subject to regular annual review, or more frequently as market developments may dictate, for as long as the Bonds are outstanding.

REGISTRATION. The SEC has issued a Permit to Sell in respect of the Bonds.

PRINCIPAL REPAYMENT. The Bonds will be redeemed at par or 100.00% of their face value on their respective Maturity Dates, unless earlier redeemed by the Company.

INTEREST RATE. The Interest Rate is as stated at the front page of this Application to Purchase. Interest on the Bonds shall be calculated on a 30/360-day count basis and shall be paid quarterly in arrears starting on January 14, 2020 for the first Interest Payment Date, and thereafter, every January 14, April 14, July 14 and October 14 of each year, until and including the Maturity Date (each, an "Interest Payment Date"), or the next Banking Day if such dates fall on a non-Banking Day without any adjustment in the amount of interest as originally computed.

TAXATION. Interest income on the Bonds is subject to final withholding tax at rates depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following:

- (a) The applicable final withholding tax applicable on interest earned on the Bonds prescribed under the Tax Code, as amended and its implementing rules and regulations as maybe in effect from time to time.
- (b) Gross Receipts Tax under the Tax Code;
- (c) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding;
- (d) Value-Added Tax under the Tax Code, as amended; and
- (e) Any applicable taxes on other income due to any Bondholder arising from the Bonds, including but not limited to the Prepayment Penalty, if and when applicable.

Documentary stamp tax for the primary issue of the Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.

Bondholders who are exempt from or are not subject to final withholding tax on interest income or are covered by a lower final withholding tax rate by virtue of a tax treaty may claim such exemption or lower rate, as the case may be, by submitting the necessary documents as required by under the applicable regulations of the relevant taxing or other authorities and/or the Issuer.

REDEMPTION.

- (1) **Final Redemption.** Unless otherwise earlier redeemed or previously purchased and cancelled, the Bonds shall be redeemed at par (or 100% of face value) and paid together with the accrued interest thereon on the relevant Maturity Dates of the Bonds. However, if the relevant Maturity Date is not a Business Day, payment of all amounts due on such date will be made by the Issuer through the Paying Agent, without adjustment for accrued interest, on the succeeding Business Day.
- (2) **Optional Redemption.** The Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), any series of the outstanding Bonds (the "Early Redemption Option"), on the Interest Payment Dates specified below (any such date, the "Optional Redemption Date") or the immediately succeeding Banking Day if such date is not a Banking Day, without any adjustment in the amount of interest as originally computed. The amount payable to the Bondholders upon the exercise of the Early Redemption Option by the Issuer shall be calculated based on the principal amount of the relevant Bonds being redeemed as the aggregate of the: (i) accrued interest computed from the last Interest Payment Date up to the relevant Optional Redemption Date; and (ii) the product of the principal amount (total outstanding principal amount of the relevant Bonds) and the applicable Optional Redemption Price (as set out below) in accordance with the following schedule:

Series D Bonds:

Optional Redemption Date	Early Redemption Price (inclusive of Prepayment Penalty)
5 years and one quarter from Issue Date	101.00%
6 years from Issue Date	100.25%

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the relevant Series D Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption on the Optional Redemption Date stated in such notice.

- (3) **Redemption for Taxation Reasons.** The Issuer may redeem the Series D Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days notice to the Trustee) at par plus accrued interest, subject to the requirements of Applicable Law, if payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on Issue Date as a result of certain changes in Applicable Law, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer. For avoidance of doubt, the Issuer shall not be liable for the payment of the additional or increased taxes on the income of the Bondholders, which shall be for the account of the Bondholders.
- (4) **Mandatory Redemption.** If any one or more of the following events shall occur, in the reasonable opinion of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the Bonds for the events contemplated in (a), (b) or (c) below or the Majority Bondholders for the events contemplated in (d) below (and with written notice to the Trustee), and be continuing for a period of fifteen (15) Banking Days with respect to the events contemplated in (a) or (c) below:
 - (a) Any law, government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Bonds which shall be modified in a manner which, in the reasonable opinion of the Trustee, while not constituting an Event of Default, will materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld;
 - (b) Any provision of the Trust Agreement or any of the related documents is or becomes invalid, illegal or unenforceable by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law is introduced to prevent or restrain the

- performance by the parties hereto of their obligations under the Trust Agreement or any other related documents;
- (c) Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation, in such a manner as to materially and adversely affect the financial condition or operations of the Issuer; and
 - (d) Any Government Authority or any competent authority condemns, seizes, or expropriates all or substantially all of the assets or properties of the Issuer, unless such act is contested in good faith by the Issuer or unless such act is suspended or restrained by an order of a court of competent jurisdiction;
- then, the Trustee, by notice in writing delivered to the Issuer, may declare the principal of the Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty.

PURCHASE AND CANCELLATION. The Issuer may purchase the Bonds at any time in the open market or by tender or by contract, in accordance with PDEx Rules, without any obligation to make pro rata purchases from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

COMMUNICATIONS. The Applicant acknowledges that the Registrar and Paying Agent do not guarantee the security of any notice, statement, instruction, or other communication transmitted by facsimile or through electronic means, and, thus, agrees that the Registrar and Paying Agent is not liable for the complete and timely transmission thereof. The Applicant assumes all risks in relation to any communication transmitted by or to the Applicant by facsimile or electronic means and agrees that it shall have no recourse to the Registrar and the Paying Agent for any liability or damage arising from or in connection therewith, unless said liability or damage was caused by the Registrar and Paying Agent's fraud, evident bad faith, gross negligence, or willful omission. The Applicant shall indemnify the Registrar and Paying Agent from and against all actions, claims, demands, liabilities, obligations, losses, damages, costs (including without limitation, interest and reasonable legal fees) and expenses of whatever nature (whether actual or contingent) suffered, incurred, or threatened against the Registrar and Paying Agent arising from or in connection with the act of the Registrar in accepting and acting on any notice, statement, or instructions transmitted by facsimile or electronic means. By indicating the email address/es in the Registration Form, the Applicant, including its successors or assigns, consent to receive notices and communications via email; and such consent shall operate as a waiver of the Applicant's right and privilege to the secrecy of bank deposits in respect of such statements/notices. The Applicant assumes all risks in relation to the transmission of any electronic communication transmitted to the Applicant and agrees that it shall have no recourse to the Registrar and Paying Agent for any liability or damage arising from or in connection with electronic transmission of information in respect of the Bonds, unless said liability or damage was caused by the Registrar and Paying Agent's fraud, evident bad faith, gross negligence or willful omission. The Registrar and Paying Agent shall not be responsible for monitoring and re-sending rejected electronically transmitted statements, notices, and communications. Requests for resending and/or for additional statements, notices, and/or advices shall be for the account of the Applicant. Transmittal of statements shall be in the frequency stipulated by the Issuer.

FEES. The Applicant understands and agrees that any transaction on the Bonds which utilizes the services of PDTC as the Registrar and the Paying Agent, underwriter/broker, Cash Settlement Bank, or PDEx, and/or any service provider, as the case may be, may be subject to such fees and charges for which the Applicant or its counterparty may be accountable. A copy of the schedule of such fees is available from the appropriate service provider. The Applicant understands that PDTC may increase its fees and charges at its sole discretion in order to maintain the quality of its service. The Issuer and the Bondholder shall be informed of changes in fees at least 30 days prior to the effective date of any such change.

PDTC Rules. Each Bondholder acknowledges and hereby agrees to be bound by the registry rules and procedures of the Registrar and Paying Agent as the same may be amended from time to time.

THE BONDS AND THIS APPLICATION TO PURCHASE ARE GOVERNED BY AND SUBJECT TO THE PROSPECTUS AND THE TRUST AGREEMENT. THE APPLICANT MAY OBTAIN COPIES OF THE PROSPECTUS AND THE TRUST AGREEMENT, WHICH SHALL BE MADE AVAILABLE AT THE OFFICES OF UNDERWRITERS AND THE OFFICE OF THE ISSUER AT NAC TOWER, 32ND STREET, BONIFACIO GLOBAL CITY 1634 TAGUIG CITY, METRO MANILA, PHILIPPINES THROUGHOUT THE OFFER PERIOD DURING REGULAR BUSINESS HOURS.

ANNEX C
MASTER CERTIFICATE OF INDEBTEDNESS FOR THE SERIES D BONDS

LOGO

ABOITIZ POWER CORPORATION
MASTER CERTIFICATE OF INDEBTEDNESS
Series D Bonds

P •

Bond Certificate No. [•]

Issue Date: [•]

Maturity Date: [•]

For and in consideration of the sum of PESOS: • PESOS P •, ABOITIZ POWER CORPORATION (the “Company”), promises to pay the sum of PESOS: [• P •, together with interest, to the Bondholders appearing in the Register of Bondholders, pursuant to, and subject to the terms and conditions set forth in: (i) the Trust Agreement dated [•], 2019, and (ii) Annex A thereto.

This Master Certificate of Indebtedness is being issued by the Company, acting by the authority of its Board of Directors, to BDO UNIBAN , INC. – TRUST AND INVESTMENTS GROUP, in its capacity as Trustee, in acknowledgement of the Company’s obligations in respect of the seven year Philippine Peso fixed rate bonds (the “Series D Bonds”) duly registered with the Philippine Securities and Exchange Commission.

The Series D Bonds shall bear interest, subject to the terms and conditions contained in the Trust Agreement dated [•], 2019, and Annex A attached thereto.

Annex A provides for the mode and manner of the payment and prepayment of the Series D Bonds under the terms and conditions set forth and specified therein as well as for the acceleration of the maturity of the Series D Bonds under certain conditions.

The Series D Bonds shall be governed by, and construed in accordance with, the laws of the Republic of the Philippines.

ABOITIZ POWER CORPORATION
By:

THE SERIES D BONDS ARE NOT INSURED WITH THE PHILIPPINE DEPOSIT
INSURANCE CORPORATION

EXHIBIT 1
FORM OF CERTIFICATE OF NO DEFAULT AND COMPLIANCE / NOTICE OF DEFAULT

To: BDO Unibank, Inc. – Trust and Investments Group
(the “Trustee”)
Fax: +6328784270
Attn: Michael G. Munsayac
From: Aboitiz Power Corporation
Date: [•]

Re: Trust Agreement dated [•], 2019 (the “Agreement”) between
Aboitiz Power Corporation (the “Issuer”), and the Trustee

We refer to the Agreement. Words and expressions defined in the Agreement have the same meanings in this certificate. This is a Certificate of No Default and Compliance.

We confirm the following:

1. that [no/the following] Events of Default were outstanding as at [*relevant date*];
2. all the representations and warranties of the Issuer contained in the Agreement remain true and correct; and
3. all of the covenants of the Issuer set forth in the Agreement have been fully met and performed; .

For and on behalf of Aboitiz Power Corporation

By:
Name:
Title:

EXHIBIT 2
FORM OF CERTIFICATE ON NET DEBT TO CONSOLIDATED EQUITY RATIO

To: BDO Unibank, Inc. – Trust and Investments Group
(the “Trustee”)
Fax: +6328784270
Attn: Michael G. Munsayac
From: Aboitiz Power Corporation
Date: [•]

Re: Trust Agreement dated October 10, 2018 (the “Agreement”)
between Aboitiz Power Corporation (the “Issuer”), and the Trustee

We refer to the Agreement. Words and expressions defined in the Agreement have the same meanings in this certificate. This is a Certificate on Net Debt to Consolidated Equity Ratio.

We confirm that as at [*relevant date*]:

Net Debt was [•] and Consolidated Equity was [•], so the ratio of Net Debt to Consolidated Equity was [•]:1.

For and on behalf of Aboitiz Power Corporation

By:
Name:
Title:

TRUST AGREEMENT

This **TRUST AGREEMENT** (this “**Agreement**”) is made and executed this 17 June 2020, by and between:

ABOITIZ POWER CORPORATION, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal offices at the 32nd Street, Bonifacio Global City, 1634 Taguig City, Metro Manila (hereinafter referred to as the “**Issuer**”)

– and –

BDO Unibank, Inc. Trust and Investments Group, a corporation duly organized and validly existing under the laws of the Republic of the Philippines, duly authorized to perform trust and investment management functions and other fiduciary business, with principal offices at the 15^h Floor, South Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City, (hereinafter referred to as “BDO Trust” or the “**Trustee**”).

RECITALS

WHEREAS, the Issuer is authorized by the Philippine Securities and Exchange Commission (“SEC”) to issue Fixed Rate Peso-Denominated Bonds for offering, distribution and sale to the general public of up to the aggregate principal amount of PHILIPPINE PESOS: THIRTY BILLION (PhP30,000,000,000.00) to be issued in one or several tranches within three years from the date of effectivity of its shelf registration, which expiry was extended by the SEC to September 30, 2020 through a letter dated May 28, 2020 granting the Issuer’s request for exemptive relief (the “Bonds”). The Issuer previously issued the first tranche of the Bonds on July 3, 2017 the second tranche of bonds on October 25, 2018 and the third tranche of bonds on October 14, 2019 and now desires to issue the fourth tranche of the Bonds. The fourth tranche of the Bonds shall comprise of Series E bonds with a fixed rate of 3.125 per annum due in 2022 (the “Series E Bonds”) and Series F Bonds with a fixed rate of 3.935 per annum due 2025 (the “Series F Bonds”) (collectively, the “Fourth Tranche Bonds”), for a total of up to PHILIPPINE PESOS: SIX BILLION (PhP6,000,000,000.00) with an oversubscription option of up to PHILIPPINE PESOS: THREE BILLION FIVE HUNDRED FIFTY MILLION (PhP3,550,000,000.00) (the “Offer”);

WHEREAS, the Offer and the terms thereof are more fully described in **Annex “A”** hereof and in the Prospectus to be issued and circulated for the Offer, which is made an integral part hereof by reference

WHEREAS, the Issuer expects to obtain a Permit to Sell from the SEC in respect of a public distribution and sale of the Fourth Tranche Bonds prior to the start of the Offer Period

WHEREAS, to achieve the foregoing objectives, the Issuer has appointed, and hereby confirms the appointment of BDO Trust as the Trustee on the basis of the representations and warranties of the Issuer and under the terms and conditions hereinafter set forth, has consented to the appointment

NOW, THEREFORE, for and in consideration of the foregoing premises, the parties hereto agree as follows:

Section 1 **DEFINITIONS AND INTERPRETATION**

1.1. **Definitions**

The following terms shall have the respective meanings set forth below except as otherwise expressly provided or unless the context otherwise requires:

“Aboitiz Group” shall mean Aboitiz Co., Inc. and Aboitiz Equity Ventures Inc., each a corporation organized under Philippine laws, together with their respective Subsidiaries and Affiliates, related persons and related interests, whether or not stockholders of record of the Issuer as of the Issue Date

“Affiliate” shall mean with respect to any Person, any other Person directly or indirectly Controlling, Controlled by or under common Control with, such Person

“Agreement” shall mean this Trust Agreement and all amendments or supplements hereto

“Applicable Law” shall mean: (i) any statute, decree, constitution, regulation, rule, order or any directive of any Governmental Authority (ii) any treaty, pact, compact or other agreement to which any Governmental Authority is a signatory or party (iii) any judicial or administrative interpretation or application of any law described in clause (i) or (ii) above and (iv) any amendment or revision of any law described in clause (i), (ii) or (iii) above

“Applicant” shall mean the Person who shall duly accomplish the Application as defined herein and who shall deliver the same to the Joint Issue Managers and Joint Lead Underwriters and Selling Agents

“Application” or **“Application to Purchase”** shall mean the form actually accomplished and submitted by the Applicant for the purchase of the Fourth Tranche Bonds, together with all other requirements set forth substantially in the form attached hereto as **Annex “B”**

“Authorization” shall mean any authorization, consent, approval, license, exemption, filing, registration, or other similar action

“Banking Day” shall mean a day other than Saturday, Sunday and public holidays on which commercial banks and the Philippine Clearing House Corporation are generally open for the transaction of business in Makati City and Taguig City, and the City of Manila *provided*, that all other days unless otherwise specified herein shall mean calendar days which shall be construed as successive periods of twenty-four (24) hours each

“BIR” shall mean the Bureau of Internal Revenue of the Republic of the Philippines

“Bona Fide Bondholder” shall have the meaning ascribed to it in Section 3.10.a hereof

“Bondholders” shall mean the registered owners of the Fourth Tranche Bonds

“Competitor” shall have the meaning ascribed to it in Section 3.9.c hereof

“Consolidated Equity” shall mean the total stockholders’ equity of the Issuer as recognized and measured in its fiscal year-end audited consolidated financial statements and quarter-end unaudited consolidated financial statements, as may be applicable and available in accordance with Applicable Law, both in conformity with PFRS

“Control” shall mean the possession, directly or indirectly, by a Person of the power to direct or cause the direction of the management and policies of another Person whether through the ownership of voting securities or otherwise provided, however, that the direct or indirect ownership of over fifty percent (50 %) of the voting capital stock, registered capital or other equity interest of a Person is deemed to constitute control of that Person, and **“Controlling”** and **“Controlled”** have corresponding meanings

“Event of Default” shall have the meaning set forth in Section 9.1 hereof

“Fair Market Value of Assets” shall mean at any particular time, the aggregate of the total current assets and the total non-current assets of the Issuer as shown in the balance sheet of its latest audited financial statements on a consolidated basis.

“Fee Letter” shall mean the letter of the Trustee to the Issuer dated on or about 21 February 2020 and acknowledged by the Issuer on a later date

“Fourth Tranche Bonds” shall mean the Series E Bonds and the Series F Bonds with an aggregate amount of up to PHILIPPINE PESOS: SI BILLION (Php6,000,000,000.00) with an oversubscription option of up to PHILIPPINE PESOS: THREE BILLION FIVE HUNDRED FIFTY MILLION (Php3,550,000,000.00), which the Issuer shall issue for distribution and sale on Issue Date

“Government Authority” shall mean the Government of the Republic of the Philippines, or any political subdivision or agency thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the said government, and any national agency or body vested with jurisdiction or authority over any Person

“Indebtedness” shall mean: (i) all indebtedness or other obligations of the Issuer for borrowed money or for the deferred purchase price of property or services and similar arrangements (ii) all indebtedness or other obligations of any other Person, the payment or collection of which is guaranteed by the Issuer (except by reason of endorsement for collection in the ordinary course of business) or in respect of which the Issuer is liable, contingently or otherwise, including without limitation, any agreement to purchase, to provide funds for payment, to supply funds to or otherwise invest in such Person and (iii) capitalized lease obligations of the Issuer

“Interest Payment Date” shall mean the dates indicated in the interest coupon of the Series E Bonds and Series F Bonds as provided in **Annex “A”**

“Issue Date” shall mean 06 July 2020, or such later date as may be mutually determined by the Issuer and the Joint Issue Managers and Joint Lead Underwriters for the issuance of the Fourth Tranche Bonds

“Issue Price” shall mean one hundred percent (100 %) of the face value of the Fourth Tranche Bonds

“Joint Issue Managers and Joint Lead Underwriters” shall mean BDO Capital Investment Corporation, China Bank Capital Corporation and First Metro Investment Corporation

“Lien” shall mean, with respect to any Person, any lien, pledge, mortgage, charge, hypothecation, encumbrance, or other security interest or preferential arrangement on or with respect to any asset or revenue of such Person

“Majority Bondholders” shall mean, at any time, the Bondholders of the Fourth Tranche Bonds, or a series thereof, who hold, represent or account for at least fifty percent (50 %) plus one peso (₱1.00) of the aggregate outstanding principal amount of the Fourth Tranche Bonds

“Master Certificate of Indebtedness” shall mean each of the certificates to be issued by the Issuer in the name of the Trustee for the benefit of the Bondholders evidencing and covering the aggregate principal amount of the Series E Bonds and Series F Bonds purchased during the Offer Period for such Fourth Tranche Bonds, substantially in the form set forth in **Annex “C”** hereof.

“Material Adverse Effect” shall mean a material adverse effect on the ability of the Issuer to perform or comply with any of its material obligations, or to exercise any of its material rights, under this Agreement, the Underwriting Agreement or the Fourth Tranche Bonds

“Maturity Date” shall mean the date at which the Series E Bonds and Series F Bonds shall be redeemed by the Issuer by paying the principal amount thereof, and which date is, for the Series E Bonds, two (2) years from the Issue Date and for the Series F Bonds, five (5) years from the Issue Date.

“Net Debt” shall mean the interest-bearing debt less cash, cash equivalents, and short-term investments of the Issuer

“Net Debt to Consolidated Equity Ratio” shall mean the ratio of Net Debt to Consolidated Equity

“Offer” or **“Issue”** as the context may require, shall mean the Fourth Tranche Bonds or the offering, issuance, distribution and sale of the Fourth Tranche Bonds;

“Offer Period” shall mean the period commencing on 19 June 2020 and ending on 26 June 2020 or such other date as may be mutually agreed between the Issuer and the Joint Issue Managers and Joint Lead Underwriters

“Optional Redemption Date” shall have the meaning ascribed to it under Section 6.4

“Optional Redemption Price” shall have the meaning ascribed to it under Section 6.4

“Paying Agent” shall mean the Philippine Depository Trust Corporation acting as paying agent in accordance with the Registry and Paying Agency Agreement

“Payment Date” shall mean the Interest Payment Date and/or the Principal Payment Date, as the case may be

“Penalty Interest” shall mean the penalty interest at the rate of two percent (2 %) per annum payable by the Issuer pursuant to Section 6.7 hereof

“Person” shall mean an individual, corporation, partnership, joint venture, unincorporated association, trust, or other juridical entity, or any Governmental Authority

“PFRS” shall mean Philippine Financial Reporting Standards;

“Philippine Peso” or **“PhP”** shall mean the legal currency of the Republic of the Philippines

“Principal Payment Date” shall mean the Maturity Date or the Optional Redemption Date

“Prospectus” shall mean the selling material including any amendment or supplement thereto duly filed by the Issuer with, and duly approved by, the SEC for the purpose of the offering, distribution, and sale of the Fourth Tranche Bonds

“Record Date”, as used with respect to any Payment Date, shall mean the day which is two (2) Banking Days prior to the relevant Interest Payment Date provided that if such day falls on a non-Banking Day, the Record Date shall be the next Banking Day immediately preceding said date

“Registrar” shall mean the Philippine Depository Trust Corp. acting as the registrar in accordance with the Registry and Paying Agreement

“Registration Statement” shall mean the registration statement filed by the Issuer with the SEC on 30 March 2020 in accordance with the Securities Regulation Code relating to the registration and issuance of the Bonds

“Registry and Paying Agency Agreement” shall mean the agreement dated 17 June 2020 by and between the Issuer and Philippine Depository Trust Corp., as the Paying Agent and Registrar for the Issue

“Relevant Period” shall mean a period of twelve (12) calendar months ending on the last day of any quarter of any of the Issuer’s fiscal years;

“SEC” shall mean the Securities and Exchange Commission of the Philippines

“Securities Regulation Code” shall refer to Republic Act No. 8799 and its implementing rules and regulations, as the same may be amended and supplemented from time to time

“Series E Bonds” shall mean the fixed rate bonds having a term ending two (2) years from the Issue Date, or on 06 July 2022 (unless otherwise mutually

determined by the Issuer and the Joint Issue Managers and Joint Lead Underwriters), with a fixed interest rate of 3.125 per annum

“Series F Bonds” shall mean the fixed rate bonds having a term ending five (5) years from the Issue Date, or on 06 July 2025 (unless otherwise mutually determined by the Issuer and the Joint Issue Managers and Joint Lead Underwriters), with a fixed interest rate of 3.935 per annum

“Selling Agents” shall mean institutions who are authorized under Philippine law to act as such and whose role is to help facilitate the sale and distribution of the Fourth Tranche Bonds. The Selling Agents for this offering are BPI Capital Corporation, SB Capital Investment Corporation and Union Bank of the Philippines

“Subsidiary” shall mean in respect of any Person, any entity: (i) over fifty percent (50 %) of whose capital is owned directly by that Person or (ii) for which that Person may nominate or appoint a majority of the members of the board of directors or such other body performing similar functions

“Taxes” or **“Tax”** shall mean any present or future taxes, levies, imposts, duties, filing, registration and other fees or charges imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof

“Terms and Conditions” shall mean the terms and conditions pursuant to which the Issuer issues, and the Eligible Bondholders subscribe for, the Fourth Tranche Bonds which constitute an integral part of the relevant Master Certificate of Indebtedness, attached as **Annex “A”** hereof

“Transaction Date” shall mean, with respect the incurrence of any loan obligation with a maturity of more than one (1) year, the date such loan obligation is incurred

“Treasury Transaction” shall mean any currency, commodity, or interest rate purchase, cap or collar agreement, forward rate agreement, future or option contract, swap or other similar agreement, in relation to the Issuer’s treasury management

“Trustee” shall mean BDO Trust or any other successor trustee acting as trustee pursuant to this Agreement and

“Underwriting Agreement” shall mean the underwriting agreement dated 17 June 2020, executed by and between the Issuer, and the Joint Issue Managers and Joint Lead Underwriters.

1.2. Other Terms.

Any reference in this Agreement to:

a **“company”** shall be construed so as to include any company, corporation or any association or partnership (whether or not having separate legal personality) of any two or more Persons

“Joint Issue Managers and Joint Lead Underwriters”, “Selling Agents”, “Registrar,” “Paying Agent,” “Trustee” and **“Bondholders”** shall be construed so as to include their respective successors, transferees and assigns

in accordance with their respective interests to the extent permitted under the terms hereof and, in the case of the **“Issuer,”** its respective successors, transferees and assigns, to the extent permitted under the terms hereof

a **“month”** is the period commencing on a specified day in a calendar month and ending on the numerically corresponding day in the relevant subsequent calendar month (or if there is no day so corresponding in the calendar month in which such period ends, such period shall end on the last day of such calendar month)

an **“Annex”** shall, subject to any contrary indication, be construed as a reference to a schedule hereto

a **“Section”** shall, subject to any contrary indication, be construed as a reference to a section hereof and

the **“winding-up,” “dissolution”** or **“administration”** of a company shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or any jurisdiction in which such company carries on business.

1.3. Accounting Terms.

All accounting terms not specifically defined in this Agreement shall be construed in accordance with PFRS.

1.4. Rules of Construction.

Save where the contrary is indicated, any reference in this Agreement to:

- a. the Fourth Tranche Bonds or any other agreement or document shall be construed as a reference to this Agreement or, as the case may be, the Fourth Tranche Bonds, other agreement or document as the same may have been, or may from time to time be (subject to any restrictions herein), amended, varied, novated, supplemented, replaced or substituted
- b. a statute shall be construed as a reference to such statute as the same may have been, or may from time to time be, amended or re-enacted and
- c. a day shall be construed as a reference to a calendar day.

1.5. Headings.

Section, Annex, Exhibit and Schedule headings are for ease of reference only and shall not affect the interpretation of this Agreement and the Fourth Tranche Bonds.

1.6. Interpretation.

The words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole, and not to any particular Section, subsection or clause hereof. Any reference herein to any Person shall include its successors and permitted assigns and, in the case of any Governmental

Authority, any Person succeeding to its functions and capacities. All accounting terms used herein and not otherwise defined will have the meanings accorded them under the PFRS and, except as expressly provided herein, all accounting determinations will be made in accordance with such accounting principles in effect from time to time. Any reference to “include” or “including” shall be treated as “including, without limitation”. Defined terms in the singular shall include the plural and vice versa, and the masculine, feminine or neuter gender shall include all genders.

Section 2 ISSUANCE OF FOURTH TRANCHE BONDS AND DELIVERY OF MASTER CERTIFICATES OF INDEBTEDNESS

2.1. Issuance of the Fourth Tranche Bonds

The Fourth Tranche Bonds shall be issued by the Issuer in accordance with the terms of this Agreement. The obligations of the Issuer in connection with the Fourth Tranche Bonds shall consist of all its obligations under this Agreement, including the full and prompt payment of all accrued interests and redemption amounts due on the Fourth Tranche Bonds, as well as any and all reasonable and documented expenses that may be incurred by the Trustee in enforcing any of its and/or the Bondholders’ rights, powers, and remedies under and in accordance with this Agreement.

2.2. Delivery of Executed Master Certificates of Indebtedness

The Issuer shall, not later than 9:00 a.m. on Issue Date, deliver the duly executed Master Certificates of Indebtedness covering the entire principal amount of the Series E Bonds and Series F Bonds purchased during the Offer Period, to the Trustee, with copies to the Registrar. The Trustee shall, upon its receipt of the duly executed Master Certificates of Indebtedness, immediately notify the Joint Issue Managers and Joint Lead Underwriters of such fact in writing (including, without limitation, telex or telecopier, or electronic mail).

Section 3 THE TRUSTEE

3.1. Appointment

- a. The Issuer hereby appoints BDO Unibank, Inc. Trust and Investments Group as the Trustee, and the Trustee hereby accepts its appointment as Trustee for and on behalf and benefit of the Bondholders, in connection with the distribution, sale and issuance of the Fourth Tranche Bonds by the Issuer.
- b. The foregoing appointment shall commence on the Issue Date and shall subsist for so long as any amount of the Fourth Tranche Bonds is outstanding, unless the services of the Trustee are otherwise terminated pursuant to this Agreement.

3.2. Duties and Responsibilities of the Trustee

- a. The Trustee shall coordinate with the Issuer, the Joint Issue Managers and Joint Lead Underwriters, and the Registrar and the Paying Agent

in relation to the performance of their respective responsibilities under the relevant Transaction Documents.

- b. The Trustee shall act as trustee for and in behalf of the Bondholders and as such shall, in accordance with the terms and conditions of this Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the Issuer's observance of all its covenants and performance of all its obligations, under and pursuant to this Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under this Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party to whom the Bondholders shall communicate with in respect to any matters to be taken up with the Issuer.
- c. The Trustee shall report regularly to the Bondholders any non-compliance by the Issuer with this Agreement and, to the best of Trustee's knowledge, any development with respect to the Issuer based on official disclosures to the PDEX, the Philippine Stock Exchange, SEC, or other regulatory agencies and that adversely affects the interest of the Bondholders, including any default by the Issuer on any of its obligations of which the Trustee may have knowledge based on official disclosures to the PDEX, the Philippine Stock Exchange, SEC, or other regulatory agencies provided, that for purposes hereof, the Trustee shall, without need of any further act or notice to the Issuer, publish a notice once in a newspaper of general circulation, binding upon all the Bondholders wherever situated or located, that the Bondholders or their duly authorized representatives may obtain a report regarding the Fourth Tranche Bonds at the principal office of the Trustee upon presentation of sufficient and acceptable identification and Registrar's confirmation
- d. The Trustee shall have custody of and hold in its name, for and in behalf of the Bondholders, the Master Certificates of Indebtedness for the total issuance of the Fourth Tranche Bonds.
- e. The Trustee shall promptly and faithfully carry out the instructions or decisions of the Majority Bondholders issued or reached in accordance with Section 11.
- f. The Trustee may, from time to time, request the Issuer to submit such certification of its officers, reports of its external auditors, and other documents relating to the Issuer's ability to comply with its obligations under the Fourth Tranche Bonds and this Agreement, as well as to examine such records of the Issuer as may be related to the Issuer's obligations under the Fourth Tranche Bonds and this Agreement.

The request shall be reasonable, made not less than seventy-two (72) hours prior to the intended date of examination and shall be in writing to the Issuer which shall include, in reasonable detail, the purpose for such request and the intended use of the requested documents or information. The Issuer may require the Trustee, its directors, officers, employees, representatives, agents, partners, consultants and advisors to hold in confidence such documents and information furnished to the Trustee pursuant to said request or to limit the use thereof for the

purpose intended as stated in the request provided such limitation shall not apply if it is in conflict with the duties and responsibilities of the Trustee under any provision of this Agreement.

- g. The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in this Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by this Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs under similar circumstances. The Trustee may appoint agents to perform or institute the necessary actions in the exercise of such rights and powers.
- h. The Trustee shall inform the Bondholders of any event, breach of representations and warranties, and Events of Default within a reasonable period from the time that the Trustee learns or is informed of such events.

As to the Bondholders, the Trustee may presume that no Event of Default has occurred and the Issuer has complied with all its representations, warranties and covenants until it has received notice or has actual knowledge thereof.

- i. Upon written request by the Issuer no later than 11:30 a.m. on a Banking Day, the Trustee shall send notice of any matter to the Bondholders, other than those matters notice of which is specifically required to be given to the Bondholders by another party under this Agreement. If required, a copy of such notice shall be sent to the Registrar.
- j. Except as may be necessary to perform its duties under this Agreement and as required by Applicable Law, the Trustee (i) shall permanently keep privileged and confidential, separate and distinct, any information, data, documents, files, properties, funds, or any other matter which it may acquire pursuant to this Agreement or obtained in the course of the performance of its duties and functions as a Trustee, (ii) shall refrain from disclosing any such information or item in any manner, whether written, verbal, telegraphic, coded, or encrypted, whether in physical, electronic, or any other form or media, and (iii) hereby undertakes not to use any such information or item for its own benefit or for the benefit of any of its clients regardless of whether or not such use can be shown to cause disadvantage, injury, or damage to the Issuer provided, that where any disclosure of the foregoing information is required by Applicable Law, the Trustee shall properly apprise the Issuer of such disclosure and give reasonable opportunity to the Issuer to consider the same. This Section shall survive termination of this Agreement.
- k. The Trustee shall perform such other powers and functions as provided for elsewhere under this Agreement.

3.3. Corporate Form

The Trustee shall at all times be a financial institution organized and doing business under the laws of the Republic of the Philippines duly authorized to

exercise corporate trust powers, having its principal office and place of business in Metro Manila, Philippines.

3.4. Custody, Segregation, and Deposit of Funds

All moneys and funds received by the Trustee in connection with this Agreement shall be held in trust for the purpose for which they were received, and any and all such sums and assets shall be segregated from all other funds and assets of the Trustee.

3.5. Compensation, Reimbursement, and Indemnification

- a. In consideration for the faithful compliance and performance by the Trustee of its duties and obligations under this Agreement, the Issuer shall pay to the Trustee the amount of fees to be stipulated in a separate Fee Letter which is made an integral part hereof. The Issuer will pay or reimburse the Trustee for all expenses, disbursements, and advances incurred or made by the Trustee in accordance with any of the provisions of this Agreement (including reasonable compensation and expenses and disbursements of its counsel and of all Persons not regularly in its employ). If any property other than cash shall at any time be subject to any Lien created for the benefit of the Trustee, on account of the Issuer's obligations to the Trustee under the Agreement, or the Bondholders by operation of Applicable Law or as a result of any execution, receivership, bankruptcy, dissolution or similar proceedings, if and to the extent authorized by any agency or court of competent jurisdiction subjecting such property to such Lien, the Trustee may, but without legal obligation to do so, make advances for the purpose of preserving such property or of discharging tax Liens or other prior Liens or encumbrances thereon previously disclosed to the Joint Issue Managers and Joint Lead Underwriters.
- b. The Issuer also covenants to indemnify the Trustee for, and to hold it free and harmless against, any loss, liability or expense incurred without gross negligence or bad faith on the part of the Trustee, arising out of or in connection with the administration of this trust and the performance of its obligations and functions under this Agreement, including the cost and expenses of defending itself against any claim of liability in the premises. The Issuer shall not be liable for any consequential or indirect loss.
- c. The obligations of the Issuer to the Trustee under this Section shall constitute additional indebtedness of the former hereunder.

3.6. Liability of the Trustee

- a. No provision of this Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its willful misconduct, or that of its directors, officers or employees, provided that:
 - i. In the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely upon, as to the truth of the statements and the correctness of the opinion expressed in, any

certificate or opinion furnished to the Trustee conforming to the requirements of this Agreement.

- ii. The Trustee shall not be liable for any error of judgment made in good faith by its responsible officer or officers, unless it shall be proved that the Trustee was grossly negligent in ascertaining the pertinent fact.
- iii. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written direction of the Majority Bondholders, relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under this Agreement.
- iv. None of the provisions contained in this Agreement shall require the Trustee to expend, advance or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.
- v. The Trustee shall have no duty or liability beyond its duty to perform the obligations under this Agreement.
- vi. The Trustee or successor Trustee shall be exempt from giving any surety or bond in the performance of its duties under this Agreement.

3.7. Ability to Consult with Counsel

- a. The Trustee may consult with counsel upon due notice to Issuer, and any reasonable opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or omitted to be taken by the Trustee hereunder in good faith and in accordance with such opinion provided that, prior to taking or not taking such action for which the opinion of counsel is sought, the Trustee shall inform the Issuer of the relevant opinion of counsel.
- b. Notwithstanding any provision of this Agreement authorizing the Trustee conclusively to rely upon any certificate or opinion, the Trustee may, before taking or refraining from taking any action in reliance thereon, require any further evidence or make any further investigation as to the facts or matters stated therein which it may in good faith deem reasonable in the circumstances and the Trustee shall require such further evidence or make such further investigation as may reasonably be requested in writing by the Majority Bondholders.

3.8. Trustee as Owner or Pledgee of the Fourth Tranche Bonds

The Trustee, in its individual or any other capacity, may become the owner or pledgee of the Fourth Tranche Bonds with the same rights it would have if it were not Trustee, and subject to the provisions of Section 3.9, the Trustee may otherwise deal with the Issuer in the same manner and to the same extent as though it were not the Trustee hereunder.

3.9. Conflict of Interest

- a. If the Trustee has or acquires any conflicting interest, as defined in Section 3.9c, the Trustee shall, within sixty (60) days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign as Trustee in the manner and with the effect specified in this Section 3.9, or obtain a written waiver from the Issuer in relation to such conflicting interest, which waiver shall not be unreasonably withheld or delayed. In the event of a resignation by the Trustee under this Section 3.9, the Trustee shall resign in the manner and with the effect specified in Section 3.11.
- b. In the event that the Trustee shall fail to comply with the provisions of Section 3.9a, the Trustee shall within ten (10) days after the expiration of the aforesaid sixty (60)-day period transmit notice of such failure to the Bondholders and the Issuer.
- c. For the purpose of this Section, the Trustee shall be deemed to have a conflicting interest if:
 - i. The Trustee directly or indirectly Controls or is directly or indirectly Controlled by or is under direct or indirect common Control of the Issuer or
 - ii. Twenty percent (20 %) or more of the voting securities of the Trustee is beneficially owned either by the Issuer or by any director, partner or executive officer thereof, or thirty percent (30 %) or more of such voting securities is beneficially owned, collectively, by any two (2) or more of such Persons or
 - iii. The Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, five percent (5 %) or more of the voting securities, or ten percent (10 %) or more of any other class of security, of the Issuer, not including the bonds of the Issuer issued under any other agreement under which the Trustee is also a trustee or
 - iv. The Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, five percent (5 %) or more of the voting securities of any Person who, to the knowledge of the Trustee, owns ten percent (10 %) or more of the voting securities of, or controls directly or indirectly or is under direct or indirect common control of, the Issuer or
 - v. The Trustee is or becomes a Competitor.

For this purpose, a "Competitor" is:

- vi. any Person which is: (a) engaged in, (b) has a direct or indirect beneficial interest of at least thirty percent (30 %) of the outstanding capital stock of, (c) has the power to nominate, appoint or elect a director or executive officer of, or (d) has the power to propose, direct or Control (whether by contract, the ownership of shares or otherwise) the management policy or affairs of, any business which is in competition with the business of the Issuer or, in any event, any Person which has the ability

or power to disclose, use or otherwise exploit information relating to the Issuer in furtherance of or in connection with such competitive business or

- vii. any Person, twenty percent (20 %) or more of the voting securities of which is legally and beneficially, directly or indirectly, owned by a Person referred to in Section 3.9c(vi) above or
- viii. any Person which is the legal and beneficial, direct or indirect, owner of at least twenty percent (20 %) of the voting securities of a Person referred to in Section 3.9c(vi) above or
- ix. any Person whose directors, partners or executive officers is a director, partner or executive officer of any of the Persons referred to in Section 3.9c(vi), (vii), and (viii) above or
- x. any Person, thirty percent (30 %) or more of the voting securities of which is legally and beneficially, directly or indirectly, owned by a director, partner, or executive officer, or any two (2) or more of such directors, partners or executive officers, of a Person referred to in Section 3.9c(vi).

3.10. Change of Trustee

- a. The Trustee may at any time resign by giving sixty (60) days prior written notice to the Issuer and to the Bondholders of such resignation. Upon receiving such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor Trustee by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the successor Trustee. If no successor Trustee shall have been so appointed and have accepted appointment within sixty (60) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, or any Bondholder who has been a bona fide holder of the Fourth Tranche Bonds for at least six (6) months (the "Bona Fide Bondholder") may, for and on behalf of the Bondholders, petition any such court for the appointment of a successor Trustee. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor Trustee, subject to Section 0 of this Agreement.
- b. In case at any time any of the following shall occur -
 - i. The Trustee shall fail to comply with the provisions of Section 3.9.a after written request therefor by the Issuer or by the Majority Bondholders or
 - ii. The Trustee shall cease to be eligible in accordance with the provisions of Section 0 and shall fail to resign after written request therefor by the Issuer or by any Bona Fide Bondholder or
 - iii. The Trustee shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or

of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation or

- iv. Provided there is no Event of Default, the successor Trustee, pursuant to Section 3.11, is not acceptable to the Issuer, for any reason

then the Issuer may, within thirty (30) days therefrom remove the Trustee and appoint a successor Trustee, by written instrument in duplicate, executed by the Issuer's duly authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the successor Trustee. If the Issuer fails to remove the Trustee and appoint a successor Trustee, any Bona Fide Bondholder may, on behalf of himself and all other Bondholders, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor Trustee, subject to Section 0 of this Agreement.

- c. The Majority Bondholders may at any time remove for cause the Trustee and appoint a successor Trustee by the delivery to the Trustee so removed, to the successor Trustee and to the Issuer of the evidence provided for in Section 11.9 of the action in that regard taken by the Majority Bondholders. This is without prejudice to whatever remedies may be available to the Majority Bondholders under Applicable Law or in equity.
- d. Any resignation or removal of the Trustee and appointment of a successor Trustee pursuant to any of the provisions of this Section shall become effective upon the earlier of: (i) acceptance of appointment by the successor Trustee as provided in this Agreement or (ii) the effectivity of the resignation notice sent by the Trustee under this Agreement provided, however, that after such effectivity of the resignation notice and, as relevant, until such successor Trustee is qualified and appointed, the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by the Issuer.
- e. Within ten (10) days from the effectivity of the resignation notice, the Trustee shall transfer and turn over to the successor Trustee, and shall make an accounting of, all the assets, documents or instruments which are in the custody of the Trustee pursuant to this Agreement, if any.

3.11. Successor Trustee

- a. Any successor Trustee appointed as provided in Section 3.10 shall execute, acknowledge and deliver to the Issuer and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder

with like effect as if originally named as Trustee herein. The foregoing notwithstanding, on the written request of the Issuer or of the successor Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor Trustee, upon the trust herein expressed, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor Trustee all such rights, powers and duties.

- b. No successor Trustee shall accept appointment as provided in this Section unless at the time of acceptance such successor Trustee shall be qualified and eligible under the provisions of Section 0 and has none of the conflict of interest under Section 3.9.
- c. Upon acceptance of appointment by a successor Trustee as provided in this Section, the Issuer shall notify the Bondholders in writing of the succession of such Trustee to the trust herein. If the Issuer fails to notify the Bondholders within ten (10) days after acceptance of appointment by the successor Trustee, the latter shall cause the Bondholders to be so notified at the expense of the Issuer.

3.12. Merger or Consolidation

Without prejudice to Section 3.9.b, any corporation into which the Trustee may be merged or with which it may be consolidated or any corporation resulting from any merger or consolidation to which the Trustee shall be a party or any corporation succeeding to the business of the Trustee shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such successor Trustee shall be eligible under Section 0 and has none of the conflict of interest under Section 3.9, and that, if such successor Trustee shall not be qualified under Section 3.9, such successor Trustee shall, within ninety (90) days after becoming such successor Trustee, either become qualified under Section 3.9 or resign in the manner and with the effect specified in Section 3.10. The Trustee shall immediately inform the Issuer of the occurrence of such merger, consolidation or such succession to the business of the Trustee.

3.13. Representations and Warranties of the Trustee

The Trustee represents to the Issuer and to the Bondholders as follows:

- a. It is a corporation duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines, and has its business address at the place indicated in this Agreement, and is registered or qualified to do business as now being conducted in every jurisdiction where registration or qualification is necessary
- b. It has full power and authority to enter into this Agreement and to perform its obligations hereunder and execute the trust hereby created, and hereby accepts the trust in this Agreement and provided upon the terms and conditions herein set forth
- c. The obligations of the Trustee under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with its terms

- d. All consents, approvals and authorizations necessary on its part for the due execution, delivery and performance of this Agreement have been obtained or effected by it and remain in full force and effect as of the date hereof and
- e. The execution and delivery of this Agreement, and the performance of its obligations hereunder, do not and will not violate any Applicable Law or judgments, orders or issuances of Philippine courts and will not conflict with or result in a breach of its constitutive documents, any contract, agreement or other obligation to which it is a party or for which it may be bound.

The aforesaid representations and warranties are true and correct as of the date of this Agreement and shall remain to be true and correct as long as the Fourth Tranche Bonds or any portion thereof remain outstanding.

The representations and warranties of the Trustee shall survive the issuance of the Fourth Tranche Bonds and may be enforced at any time while the Fourth Tranche Bonds or any portion thereof remains outstanding.

Any breach of the foregoing representations of the Trustee entitles the Majority Bondholders to remove the Trustee pursuant to and in accordance with Section 3.10.c.

3.14. Declarations by the Trustee and the Issuer

The recitals contained herein and in the Fourth Tranche Bonds, except the Trustee's representations provided in Section 3.12, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity of the Fourth Tranche Bonds. The Trustee shall not be accountable for the use or application by the Issuer of any of the Fourth Tranche Bonds or of the proceeds of such Fourth Tranche Bonds. Similarly, the Issuer takes no responsibility for the correctness of the representations made by the Trustee under Section 3.13.

3.15. Reports to the Bondholders

- a. Only upon the occurrence of either (i) or (ii) below, the Trustee shall submit to the Bondholders on or before March 31 of each year from the relevant Issue Date until full payment of the Fourth Tranche Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:
 - i. The property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report (as reported by the Paying Agent to the Trustee) and
 - ii. Any action taken by the Trustee in the performance of its duties under this Agreement which it has not previously reported and which in its opinion materially affects the Fourth Tranche Bonds, except action in respect of a default, notice of which has been

or is to be withheld by it in accordance with the provisions of Section 10.2.

- b. Upon the written request of any Bona Fide Bondholder, the Trustee shall likewise transmit to the requesting Bondholder, a brief report with respect to the character, amount and the circumstances surrounding the making of any advance by the Trustee for the reimbursement of which the Trustee claims or may claim a Lien or charge which is prior to that of the Bondholders on the trust estate or property or funds held or collected by the Paying Agent and which it has not previously reported pursuant to this paragraph, if such advance remaining unpaid at any time aggregates more than ten percent (10 %) of the aggregate principal amount of Fourth Tranche Bonds outstanding at such time, such report to be transmitted within ninety (90) days from the making of such advance.
- c. Only upon a written request at least five (5) Banking Days before, the following pertinent documents may be inspected during regular business hours on any Banking Day at the principal office of the Trustee:
 - i. This Agreement
 - ii. The Registry and Paying Agency Agreement
 - iii. The latest Articles of Incorporation and By-Laws of the Issuer and
 - iv. The Permit to Sell the Fourth Tranche Bonds.
- d. Upon the written request of any Bona Fide Bondholder, the Trustee shall issue a certification, based on the information provided by the Registrar and Paying Agent, as to the amount of Fourth Tranche Bonds held by such Bona Fide Bondholder. The Bondholder shall pay the Trustee an upfront certification fee of Five Thousand Pesos (PhP5,000.00) per certification in addition to any fees that may be imposed by the Registrar and Paying Agent for such certification.

Section 4 REPRESENTATIONS AND WARRANTIES OF THE ISSUER

4.1. Representations and Warranties

The Issuer hereby represents and warrants to the Trustee and the Bondholders as follows:

- a. **Organization and Existence.** It is a corporation duly incorporated, validly existing and in good standing under the Laws of the Republic of the Philippines, and has its business address at the place indicated in this Agreement, and is registered or qualified to do business as now being conducted in every jurisdiction where registration or qualification is necessary
- b. **Authorization.** It has full legal right, power and authority to carry on its present business, to own its properties and assets, to incur the

Indebtedness and other obligations provided for in the Fourth Tranche Bonds and this Agreement, and has taken all appropriate and necessary corporate and legal actions to authorize the offer, issuance, distribution and sale of the Fourth Tranche Bonds, for the circulation of the Prospectus and the execution and delivery of this Agreement, and to comply, perform and observe the terms and conditions hereof and thereof

- c. **Binding Obligation.** The obligations of the Issuer under the Fourth Tranche Bonds, this Agreement and all accepted Applications to Purchase will constitute its legal, valid and binding obligations, enforceable in accordance with their terms and conditions
- d. **No Breach.** The execution and delivery by the Issuer of this Agreement, the issuance of the Fourth Tranche Bonds, the performance by it of any provision, condition, covenant or other terms herein or therein and its payment of all amounts due on the dates and in the currency provided for therein will not violate in any respect any provision of its Articles of Incorporation, By-Laws, or other constitutive documents, or violate, conflict with or result in the breach of or constitute a default (or which, with the giving of notice or passing of time or both, would constitute a default) under: (i) any Applicable Law presently in effect or (ii) any indenture, agreement, mortgage, contract or other undertaking or instrument to which it is a party or which is binding upon it or any of its properties or assets, and do not and will not result in the creation or imposition of any Lien in or any security interest on any of its properties or assets pursuant to the provisions of such indenture, agreement, contract or other undertaking or instrument
- e. **No Event of Default.** No event has occurred and is continuing or would result from the making of this Agreement or the issuance of the Fourth Tranche Bonds which constitutes an Event of Default under Section 9.1 hereof or which, upon a lapse of time or notice or both, would become such an Event of Default
- f. **No Declared Event of Default in Other Agreements.** No declared event of default which would have a Material Adverse Effect has occurred which constitutes a default by the Issuer under or in respect of any agreement, undertaking or instrument to which it is a party or by which it or its ownership in any of its assets or properties may be bound. Neither has an event which would have a Material Adverse Effect occurred which with giving of notice, lapse of time or other conditions would constitute a declared event of default by it under or in respect of any such agreement, undertaking or instrument
- g. **Consents, Approvals and Registrations.** All consents, licenses, approvals and authorizations of, and all filings and registrations with any Governmental Authority, bureau or agency, or other entity or Person legally necessary for the issuance as well as the offering, distribution and sale of the Fourth Tranche Bonds, for the circulation of the Prospectus, and for the Issuer to enter into and comply with its obligations under this Agreement, the Fourth Tranche Bonds and all accepted Applications to Purchase, will have been obtained or effected on or before the commencement of the Offer Period

- h. **Compliance with Conditions.** All conditions imposed under the Securities Regulation Code and the pertinent rules and regulations of the SEC with respect to the offer, issuance, distribution and sale of the Fourth Tranche Bonds, have been or will have been complied with by the Issuer as of the date or time that they are required to be complied with
- i. **Litigation.** Except as otherwise disclosed by the Issuer to the Bondholders, through the Trustee, in writing on or prior to the date of this Agreement, there is no litigation, arbitration or other proceeding pending, or to its knowledge threatened against or affecting it or its assets and properties, before any court or governmental department, commission, board, bureau, agency or instrumentality of the Republic of the Philippines or any other jurisdiction which, if determined adversely could have a material adverse effect on the business, properties, assets or financial conditions of the Issuer, or have a Material Adverse Effect or which might enjoin the execution and delivery of or might affect in any manner the validity and enforceability of this Agreement or the Fourth Tranche Bonds
- j. **Immunity.** Neither it nor any of its properties or assets enjoy any right of immunity from suit, jurisdiction of any competent court, attachment prior to judgment, attachment in aid of execution, execution of judgment or set-off in respect of its obligations under this Agreement or the Fourth Tranche Bonds
- k. **Equal Rank.** Its obligations under this Agreement and the Fourth Tranche Bonds shall constitute direct, unconditional, unsecured, and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to Section 5.2.a or as may be allowed by this Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the Issue Date
- l. **Material Adverse Event.** No event has occurred which might materially and adversely affect its condition (financial or otherwise), results of operation, business or prospects or which makes it improbable that it will be able to fulfill any of its obligations under this Agreement or the Fourth Tranche Bonds
- m. **Financial Statements.** Its audited financial statements as of December 31, 2019, December 31, 2018, and December 31, 2017 fairly represent in all material respects the financial conditions of the Issuer as of such date and results of its operations for such period based on PFRS, and since such date, there has been no material adverse change in such condition or operations. There are no substantial liabilities of the Issuer, direct, contingent or otherwise as of the Issue Date, which are not reflected in such balance sheet except for those which have been previously disclosed in writing
- n. **Compliance with Laws/Taxes.** The Issuer is conducting its business and operations in compliance with the Applicable Law. The Issuer has

filed timely tax returns with the appropriate Governmental Authority, which are required to be filed by it, and has paid all Taxes shown to be due on such tax returns and on all assessments received by it, to the extent that such Taxes and assessments have become due, except to the extent that the payment of such Taxes and assessments is being contested in good faith and by appropriate proceedings diligently conducted, and adequate reserves have been provided for payment thereof

- o. **Material Disclosure.** All information heretofore or hereinafter given by the Issuer to the Joint Issue Managers and Joint Lead Underwriters (for the due diligence review of the Offer and for other purposes directly relating to the Offer, which, for the avoidance of doubt, shall include disclosures made available to the general public in accordance with the relevant rules of the SEC and Philippine Stock Exchange (“PSE”)), and to the Bondholders, through the Trustee, for and in connection with this Agreement and the Fourth Tranche Bonds are true, binding, complete and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made reasonable inquiries have been made to verify the facts contained therein and, there are no other facts the omission of which would make any fact or statement therein misleading
- p. **Registration Statement and Prospectus.** The Registration Statement and the Prospectus are not violative of any statute or any rule or regulation of any governmental agency or office, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made reasonable inquiries have been made to verify the facts contained therein and there are no other facts the omission of which would make any fact of statement therein misleading. The Registration Statement and the Prospectus (taken collectively with disclosures made available to the general public in accordance with the relevant rules of the SEC and PSE) contain a reasonably complete description of the business, properties, operations, financial condition, affairs and assets of the Issuer, its capitalization, the Fourth Tranche Bonds, and the terms of the Offer
- q. **Title to Properties.** It has valid, good, indefeasible, and marketable title to all its properties appearing in its financial statements, free and clear of Liens, restrictions, or charges, except as provided under Section 5.2.a hereof
- r. **Concession, Trade Names and Patents.** It has the right to all concessions, trade names, patents and license agreements necessary for the conduct of its business as now conducted, without any known conflict with the rights of others, except to the extent that such rights may be subject to conflicts with third parties which would not have a Material Adverse Effect and
- s. **Solvency.** The Issuer is solvent to operate and engage in business, and specifically that: (i) it is able to meet its obligations as they mature

(ii) the fair value of its assets exceeds its liabilities and (iii) it has sufficient capital to carry on its business.

- t. On Issue Date and on the issue date of each subsequent tranche of the Bonds, the Net Debt to Consolidated Equity Ratio shall not exceed 3:1. At least two (2) Banking Days prior to such issue date, the Issuer shall furnish the Trustee, substantially in the form of **Exhibit 2** a certificate signed by the Chief Finance Officer or a duly designated officer of the Issuer stating the Net Debt, Consolidated Equity and Net Debt to Consolidated Equity Ratio of the Issuer, dated on the date of delivery thereof, together with the relevant supporting documents to enable the validation of such calculation.

4.2. Survival of Representations and Warranties

Each of the representations and warranties set forth in Section 4.1 hereof are made as of the date of this Agreement and, except for Section 4.1.p, will be true and accurate throughout the continuance of this Agreement and for as long as the Fourth Tranche Bonds or any portion thereof remains outstanding, with reference to the facts and circumstances existing from time to time.

Section 5 COVENANTS

5.1. Affirmative Covenants

The Issuer covenants that during the term of the Fourth Tranche Bonds and until payment in full and performance of all its obligations thereunder and under this Agreement, the Issuer shall act as follows and shall perform the following obligations:

- a. **Maintenance and Continuity of Business/Insurance.** The Issuer shall maintain and preserve its corporate existence, rights, privileges and franchises necessary or desirable in the normal conduct of its business (including, without limitation, any governmental approval, license or certification necessary or advisable for the legality, validity and enforceability of this Agreement and the Fourth Tranche Bonds) carry out and conduct its business in an orderly, diligent, efficient, and customary manner and in accordance with sound financial and business practices keep all its properties in good working order and condition, and from time to time make all needful and proper repairs, renewals, replacements and improvements thereto and thereof so that business carried on in connection therewith may be properly and advantageously conducted at all times and maintain insurance with reputable insurers on all of its properties and assets to such extent and against such risk as is customary with companies in the same or similar business and maintain such other insurance as may be required by Applicable Law
- b. **Compliance with Law/ Taxes.** The Issuer shall comply in all respects with all Applicable Law. It shall at all times comply with all orders, directives, judgments, indentures, mortgages, deeds of trust, agreements and other instruments, arrangements, obligations and duties to which it is subject or by which it is legally bound where non-compliance would materially and adversely affect the Issuer's ability to

duly perform and observe its obligations and duties under this Agreement and the Fourth Tranche Bonds. The Issuer shall duly pay and discharge all Taxes assessments and governmental charges of whatsoever nature and by whomsoever levied upon it or against its properties prior to the date on which penalties attach thereto, unless and to the extent only that the same shall be contested in good faith and by appropriate proceedings diligently conducted by the Issuer and adequate reserves have been provided for the payment thereof or where penalties and consequences for a delay in the payment thereof will not result in a Material Adverse Effect

- c. **Indebtedness and Contractual and Other Obligations.** The Issuer shall promptly pay and discharge all Indebtedness and perform all contractual obligations promptly and in accordance with their terms duly pay and discharge all lawful claims of labor, materials, supplies, services or otherwise which might or could, if unpaid become a Lien or charge upon the properties or assets of the Issuer, unless and to the extent only that the same shall be contested in good faith and by appropriate proceedings diligently conducted by the Issuer, and take such steps as may be necessary in order to prevent its properties or any part thereof from being subjected to the possibilities of loss, forfeiture or sale
- d. **Notice of Legal Proceeding and Adverse Action.** The Issuer shall give the Bondholders through the Trustee prompt written notice of:
 - i. any litigation or proceeding before any court, tribunal, arbitrator or Governmental Authority affecting it or any of its assets, including provisional relief such as attachments and garnishments, that could materially impair the ability of the Issuer to carry on its business substantially as now conducted, or materially and adversely affect its operations or financial condition, or would have a Material Adverse Effect
 - ii. any dispute which may exist between it and any Governmental Authority or any proposal by any Governmental Authority to acquire its business or any of its assets which could materially and adversely affect its operations and financial condition, or would have a Material Adverse Effect
 - iii. any litigation or proceeding relating to environmental matters concerning the Issuer that may materially and adversely affect its operations and financial condition, or would have a Material Adverse Effect
 - iv. any notice of strike filed with the Department of Labor and Employment against the Issuer which may materially and adversely disrupt the Issuer's business operations or have a Material Adverse Effect
 - v. any Event of Default or any event which, upon a lapse of time or giving of a notice or both, would become an Event of Default
 - vi. any damage, destruction or loss which might materially and adversely affect the assets, business operations, prospects or

financial condition of the Issuer or have a Material Adverse Effect or

- vii. any other event or matter of any nature whatsoever which has Material Adverse Effect
- e. **Additional Agreements.** The Issuer shall promptly execute and deliver to the Bondholders, through the Trustee, such additional reports, documents, and other information respecting the business, properties, condition or operations, financial or otherwise of the Issuer, as the Bondholders may reasonably require from time to time to perfect and confirm to the Bondholders all their rights, powers and remedies hereunder
- f. **Continuing Consents and Approvals.** The Issuer shall at its own cost and expense, continue and maintain in full force and effect any and all Authorizations, approvals, licenses or consents obtained in connection with or necessary for the carrying out of its business and its obligations under this Agreement and the Fourth Tranche Bonds perform and observe all the conditions and restrictions contained in, or imposed on the Issuer by, any and all such Authorizations and, obtain any new or additional Authorizations, approvals, licenses or consents, effect any and all registrations or filings and take such additional actions as are, or which may become, necessary for its business and the performance by the Issuer of its obligations under this Agreement and the Fourth Tranche Bonds or the enforceability of this Agreement and the Fourth Tranche Bonds
- g. **Books of Account and Records.** The Issuer shall maintain true, materially complete and adequate books of accounts and records and prepare all financial statements required hereunder to reflect fairly its financial condition and results of operation in accordance with PFRS and in compliance with the regulations of any Governmental Authority having jurisdiction thereof appoint and maintain as auditors a firm of independent public accountants of recognized standing acceptable to the Trustee
- h. **Reports.** The Issuer will furnish the Trustee:
 - i. within ninety (90) days after the close of the first semestral period of the fiscal year of the Issuer, unaudited consolidated financial statements of the Issuer, as of the end of such semester, certified by an authorized officer of the Issuer, each prepared in accordance with PFRS and
 - ii. within one hundred twenty (120) days after the close of the fiscal year of the Issuer, copies of the annual consolidated audited reports of the Issuer, certified by independent accountants of recognized standing accredited by the SEC including consolidated balance sheets as of the end of such fiscal year and consolidated earnings and surplus statements of the Issuer for such fiscal year, prepared in accordance with PFRS
- i. **Certificate of No Default, Compliance and Notice of Default.** The Issuer shall furnish the Trustee, substantially in the form of **Exhibit 1**:

- i. simultaneous with the audited consolidated financial statements, a certificate signed by the Chief Finance Officer or a duly designated officer of the Issuer, dated not more than ten (10) days prior to the delivery thereof, stating that no event has occurred and is continuing which constitutes or which, with the giving of notice or lapse of time or both, would constitute an Event of Default and
 - ii. within five (5) Banking Days after the occurrence of any event which constitutes or which, with the giving of notice or lapse of time or both, would constitute an Event of Default, notice of such occurrence, together with a detailed statement by the Chief Finance Officer or a duly designated officer of the Issuer as to the nature thereof and the steps taken and/or being taken by the Issuer to cure such event
- j. **Notice of Change of Address.** The Issuer shall give the Bondholders, through the Trustee, written notice of any change of address at least five (5) Banking Days prior to such change
- k. **Title.** The Issuer shall maintain, warrant and defend the rights, title and interests of the Bondholders hereunder and under the Fourth Tranche Bonds
- l. **Use of Proceeds.** The Issuer shall ensure that the proceeds of the Fourth Tranche Bonds shall be used for the purpose stated in the Prospectus. Notwithstanding this Section, the Issuer may reallocate the proceeds of the Fourth Tranche Bonds to other purposes subject to compliance with the Applicable Law
- m. **Subsidiaries.** The Issuer shall cause its Subsidiaries, so far as is permitted by Applicable Law, or by loan covenants, or by the financial conditions of, or other relevant agreements of the Issuer or Subsidiary, to pay such dividends to the Issuer as are necessary to meet the Issuer's obligations under this Agreement and the Fourth Tranche Bonds
- n. **Ranking of the Fourth Tranche Bonds.** If the Issuer incurs Indebtedness embodied in public instruments providing priority or preference under Article 2244(14) of the Civil Code of the Philippines, the Issuer shall, at its option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Fourth Tranche Bonds
- o. **Submission of Reports/Information Documents to Trustee.** The Issuer shall submit to the SEC copies of the reports, information and documents which the Issuer may be required to file with the SEC in connection with the offering of the Fourth Tranche Bonds pursuant to the Securities Regulation Code, and submit the same to the Trustee (other than those documents which are already required to be submitted to the Trustee under this Agreement), within ten (10) Banking Days after the Issuer has filed the same with the SEC

- p. **Further Assurances.** The Issuer shall: (i) comply with all the terms and conditions of this Agreement and the Fourth Tranche Bonds (ii) maintain satisfactory accounting, cost control, and management information systems and (iii) ensure that all transactions with Subsidiaries and material Affiliates in the ordinary course of business shall be executed on arm's length basis; and
- q. **Services of a Credit Rating Agency.** The Issuer shall maintain the services of an independent credit rating agency accredited by the SEC to monitor the Fourth Tranche Bonds rating.

5.2. Negative Covenants

During the term of this Agreement and until payment in full of all the outstanding Fourth Tranche Bonds and performance of all other obligations of the Issuer hereunder, the Issuer hereby covenants that it shall not permit any of the following occurrences without the prior consent of the Majority Bondholders:

- a. **Encumbrances.** The Issuer shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income *Provided*, however that this shall not prohibit the following:
 - i. any Lien over any asset to secure: (x) payment of the purchase price or cost of leasehold rights of such asset or (y) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business or (z) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset
 - ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof
 - iii. any Lien to secure, in the normal course of the business of the Issuer or its affiliates: (x) statutory or regulatory obligations or (y) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases
 - iv. any Lien to secure, in relation to a pending judicial, administrative, or arbitral proceeding, the Issuer or its affiliates' (x) surety or appeal bonds or (y) bonds for release of attachment, stay of execution or injunction
 - v. any Lien constituted for the purpose of guaranteeing an affiliate's obligation in connection with any contract or agreement that has been assigned to such affiliate by the Issuer

- vi. any Lien constituted for the purpose of guaranteeing an obligation in connection with any contract or agreement of sale of any asset by the Issuer, provided that the Lien is removed or discharged within twelve (12) months of the date of the sale of the asset
- vii. any Lien created over (x) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("foreign currency"); or (y) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purposes of raising an equivalent amount of Peso denominated indebtedness
- viii. any Lien on the properties and assets of the Issuer: (x) imposed by Applicable Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business (y) arising out of pledges or deposits under workmen's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer or (z) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness
- ix. any Lien in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty-Five percent (35 %) of the Issuer's total assets;
- x. any Lien over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Forty Million (US 40,000,000.00) or its equivalent and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates
- xi. other Liens: (x) created solely by operation of law and (y) on such other assets, whether constituted before or after the Issue Date, as may be disclosed in writing by the Issuer to the Trustee on or before the execution of this Agreement and
- xii. any Lien constituted over the investment of the Issuer in any of its affiliate, and whether such investment is in the form of shares, deposits or advances to guarantee or secure the obligations of the said affiliates

Provided that for purposes of “affiliate” as used in Section 5.2a(iii), (iv), (v), and (xii) of this Agreement, it shall refer to any Person in which the Issuer has investment, whether direct or indirect, in.

- b. **Nature of Business.** Except as required by Applicable Law or any Governmental Authority, the Issuer shall not: (i) make or permit any material change in the nature of its business from that being carried on as of the date hereof or (ii) engage in any business operation or activity other than that for which it is presently authorized, expressly or impliedly, by its Articles of Incorporation or by Applicable Law
- c. **Merger or Consolidation.** The Issuer shall not enter into any merger or consolidation except where (i) the Issuer is, or the Aboitiz Group retains Control of, the surviving corporation (ii) such merger or consolidation is required by law, regulation, or decree or (iii) such merger or consolidation does not result in a Material Adverse Effect
- d. **Amendment of Articles of Incorporation and By-laws: Quasi-reorganization.** Except as required by Applicable Law, the Issuer shall not amend its Articles of Incorporation and/or By-laws or reorganize or reduce its capital where such amendment, reorganization, or reduction of capital results in a Material Adverse Effect
- e. **Declaration and Payment of Cash Dividends/Issuance of Share.** The Issuer shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the Fourth Tranche Bonds are current and updated
- f. **Sale or Lease of Assets.** The Issuer shall not sell, assign, lease, transfer, dispose, or subject all and/or substantially all of its properties and assets (whether in a single transaction or in a series of transactions, related or otherwise), divest any of its existing investments, or acquire all or substantially all of the properties or assets of any other Person except when such sale, assignment, lease, transfer, disposition, divestment, or acquisition: (i) is made in the ordinary course of business (ii) is required by Applicable Law or any Governmental Authority or (iii) does not result in a Material Adverse Effect
- g. **Assignment of Revenues/Income.** The Issuer shall not assign, transfer or otherwise convey any right to receive any of its income or revenues except when such assignment, transfer, or conveyance: (i) is allowed under Section 5.2a above (ii) is made in the ordinary course of day-to-day operations (iii) is required by Applicable Law or any Governmental Authority or (iv) does not result in a Material Adverse Effect
- h. **Guarantee.** The Issuer shall not purchase or repurchase (or agree contingently or otherwise to do so) the Indebtedness, or assume, guarantee, endorse, or otherwise become directly or contingently liable (including without limitation, to become liable by way of agreement,

contingent or otherwise, to purchase, use facilities, provide funds for payment, supply funds or otherwise invest in the debtor or otherwise to assure the creditor against loss) for or in connection with any obligation or Indebtedness of any other Person, other than obligations of its Subsidiaries or Affiliates or any Person which the Issuer has investments in, whether such investment is in the form of shares, deposits or advances

- i. **Suspension of Business.** The Issuer shall not voluntarily suspend its business operations in a manner that will result in a Material Adverse Effect, or dissolve its affairs
- j. **Loans and Advances to any Person.** The Issuer shall not extend any loan, advance or subsidy to any person (other than to its Subsidiaries or Affiliates or any Person which the Issuer has investments in, whether such investment is in the form of shares, deposits or advances, or transactions in the ordinary course of business) which will have a Material Adverse Effect. Neither shall the Issuer make any deposit, credit to, or investment in, any Person which will have a Material Adverse Effect, except for bank deposits, money market placements, and other transactions in the ordinary course of business
- k. **Incurrence of Additional Loans.** The Issuer shall not incur any loan obligation with a maturity of more than one (1) year, if on the Transaction Date, after giving effect to the incurrence of such loan obligation and any other such cumulative obligations, but not giving any effect to the receipt or application of proceeds therefrom, the Net Debt to Consolidated Equity Ratio, as at the last day of the Relevant Period immediately preceding the Transaction Date (and giving effect to the incurrence of such loan obligation and any other such cumulative obligations), will exceed 3:1. At least two (2) Banking Days prior to the Transaction Date, the Issuer shall furnish the Trustee, substantially in the form of **Exhibit 2** a certificate signed by the Chief Finance Officer or a duly designated officer of the Issuer stating the Net Debt, Consolidated Equity and Net Debt to Consolidated Equity Ratio of the Issuer, dated on the date of delivery thereof, together with the relevant supporting documents to enable the validation of such calculation.
- l. **Acceleration of Outstanding Credit Obligations.** The Issuer shall not, after the occurrence of an Event of Default, voluntarily prepay any Indebtedness unless it shall contemporaneously make a proportionate prepayment of the Fourth Tranche Bonds and
- m. **Material Adverse Effect.** The Issuer shall not, in any case, execute, perform or do any other act which shall have a Material Adverse Effect.

5.3. Survival

The covenants of the Issuer mentioned in Sections 5.1 and 5.2 shall survive the issuance of the Fourth Tranche Bonds and shall be performed fully and faithfully by the Issuer at all times while the Fourth Tranche Bonds or any portion thereof remain outstanding.

Section 6 **PAYMENT OF THE FOURTH TRANCHE BONDS**

6.1. Remittance of Payment by the Issuer

- a. No later than three (3) Banking Days prior to a Payment Date, the Paying Agent shall notify Issuer in writing of the amount required to be remitted on such relevant Payment Date in accordance with the Registry and Paying Agency Agreement. On Payment Date, the Issuer shall remit to the Paying Agent in good and cleared funds the amount required for all interest and principal payments of the Fourth Tranche Bonds, net of any withholding tax, which tax shall be remitted to the BIR by the Issuer in accordance with BIR rules and regulations. Principal, interest, and any other payment shall be considered paid and the Issuer's obligation to pay discharged at the time it is due if: (i) at such time the Paying Agent holds money sufficient to pay all principal, interest, or other payments then due, and (ii) the Paying Agent pays out such monies to the Bondholders or the Issuer causes payment to be made directly to the Bondholders to discharge the interest or principal payments due on the Fourth Tranche Bonds in accordance with the Registry and Paying Agency Agreement.
- b. In the event that the Issuer will be unable to remit the full amount sufficient to cover the principal and the interest on the Fourth Tranche Bonds on the Payment Date, the Issuer shall remit the amount available for payment to the Paying Agent provided, that such remitted amount shall be proportionately applied towards the satisfaction of the amounts due on the Fourth Tranche Bonds, and without prejudice to the right of action of the Trustee and the Bondholders because of such failure to remit in full such amount.

6.2. Interest Payment

- a. The interest on the outstanding principal sum of the Fourth Tranche Bonds shall be paid at a rate and in the manner provided in **Annex "A"** hereof, accrued and payable on the dates indicated in the interest coupon of the Fourth Tranche Bonds (the "Interest Payment Dates"). The Interest Payment Dates shall be automatically adjusted to fall on the immediately succeeding Banking Day if the Interest Payment Dates fall on a non-Banking Day, but there shall be no adjustment in the amount of interest as originally computed. Interest on the first Interest Payment Date will cover the period from Issue Date up to such Interest Payment Date. Subsequent interest payments shall be reckoned from the last Interest Payment Date up to the next Interest Payment Date. The last Interest Payment Date on the Series E Bonds and Series F Bonds shall fall on its Maturity Date. For the avoidance of doubt, if either the Series E Bonds or Series F Bonds shall be redeemed prior to the Maturity Date, then the last Interest Payment Date shall be on the date of the redemption, as applicable.
- b. The Person in whose name the Fourth Tranche Bonds is registered at the close of business on the Record Date preceding any Interest Payment Date shall be entitled to receive payment of the interest accruing up to such Interest Payment Date. In case of default in the payment of interest, such defaulted interest payment shall pertain to and be paid to the Person in whose name the Fourth Tranche Bonds

are registered as of Record Date immediately preceding the relevant Interest Payment Date. In all cases, interest payments shall be remitted to the Bondholders only upon proper presentation to, and authentication by, the Paying Agent of proper authorization and identification papers.

6.3. Principal Repayment

- a. Unless previously redeemed, purchased, and cancelled, the principal amount of the Series E Bonds and Series F Bonds shall be payable on its Maturity Date at its face value.
- b. The Maturity Date shall be automatically adjusted to fall on the immediately succeeding Banking Day if the Maturity Date is on or otherwise falls on a non-Banking Day provided, that no adjustment on the principal or interest accruing on such Maturity Date shall be made.

6.4. Optional Redemption

Prior to the Maturity Date of the Series F Bonds, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), the outstanding Fourth Tranche Bonds on the Optional Redemption Dates, as provided below, or the immediately succeeding Banking Day if such date is not a Banking Day, without any adjustment on the principal or interest accruing (the "Optional Redemption Date").

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Fourth Tranche Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Fourth Tranche Bonds on the Optional Redemption Date stated in such notice.

The amount payable to the Bondholders in respect of the Optional Redemption exercise (the "Optional Redemption Price") shall be calculated based on the principal amount of the Fourth Tranche Bonds being redeemed as the aggregate of the: (i) accrued interest computed from the last Interest Payment Date up to the relevant Optional Redemption Date and (ii) the product of the principal amount and the applicable Optional Redemption Price in accordance with the following schedule:

Optional Redemption Dates	Early Redemption Price (Inclusive of Prepayment Penalty)
3 years from Issue Date	101.00
4 years from Issue Date	100.25

6.5. Redemption for Taxation Reasons

The Issuer may redeem the Fourth Tranche Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days prior written notice to the Trustee) at par or 100 face value plus accrued interest, subject to the requirements of Applicable Law, if

payments under the Fourth Tranche Bonds become subject to additional or increased taxes for the Issuer, other than the taxes and rates of such taxes prevailing on Issue Date as a result of certain changes in Applicable Law, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer.

For avoidance of doubt, the Issuer shall not be liable for the payment of the additional or increased taxes on the income of the Bondholders, which shall be for the account of the Bondholders.

The Trustee, upon receipt of written notice of redemption delivered by the Issuer, shall declare the principal of the Fourth Tranche Bonds, including all accrued interest, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any prepayment penalty that is imposed under an optional redemption, anything in this Agreement or in the Fourth Tranche Bonds contained to the contrary notwithstanding.

6.6. Mandatory Redemption

If any one or more of the following events shall occur, in the reasonable opinion of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the Fourth Tranche Bonds for the events contemplated in (a), (b) or (c) below or the Majority Bondholders for the events contemplated in (d) below (and with written notice to the Trustee), and be continuing for a period of fifteen (15) Banking Days with respect to the events contemplated in (a) or (c) below:

- a. Any law, government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under this Agreement or the Fourth Tranche Bonds which shall be modified in a manner which, while not constituting an Event of Default, will materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld
- b. Any provision of this Agreement or any of the related documents is or becomes invalid, illegal or unenforceable by reason of: (i) any final judgment or order by a court of competent authority or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of this Agreement or any of the related documents in whole or in part, or any law is introduced to prevent or restrain the performance by the parties hereto of their obligations under this Agreement or any other related documents
- c. Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, by reason of: (i) any final judgment or order by a court of competent authority or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or

(y) any final and effective law, rule, or regulation, in such a manner as to materially and adversely affect the financial condition or operations of the Issuer and

- d. Any Government Authority or any competent authority condemns, seizes, or expropriates all or substantially all of the assets or properties of the Issuer, unless such act is contested in good faith by the Issuer or unless such act is suspended or restrained by an order of a court of competent jurisdiction

then, the Trustee, by notice in writing delivered to the Issuer may declare the principal of the Fourth Tranche Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any prepayment penalty that is imposed under an optional redemption, anything in this Agreement or in the Fourth Tranche Bonds contained to the contrary notwithstanding, subject to the notice requirements under Section 10.2, provided that, such notice shall not be deemed either caused by a default under Section 9.1, or a notice of default under Section 10.2.

6.7. Penalty Interest

In case any amount payable by the Issuer under the Fourth Tranche Bonds, whether for principal, interest, fees due to the Trustee, Registrar or Paying Agent or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty fee on the defaulted amount(s) at the rate of two percent (2 %) per annum (the "Penalty Interest") from the time the amount fell due until it is fully paid.

Section 7 DISCHARGE OF OBLIGATION

The obligations of the Issuer under the Fourth Tranche Bonds and this Agreement shall cease to be of further effect if the Issuer shall have paid or remitted or caused to be paid the principal of, and all accrued interest on, all the Fourth Tranche Bonds issued and outstanding, including Penalty Interest, if any, at the time and in the manner therein provided.

In the event that the obligations of the Issuer under the Fourth Tranche Bonds and this Agreement shall cease to be of further effect as provided in this Section, the Trustee shall, on demand of the Issuer and at the latter's cost and expense, execute proper instruments acknowledging the satisfaction and discharge of the obligations of the Issuer under the Fourth Tranche Bonds and this Agreement. The Issuer agrees to reimburse the Trustee for any cost or expense thereafter reasonably and properly incurred by the Trustee in connection with the Fourth Tranche Bonds or this Agreement.

Section 8 UNCLAIMED PAYMENTS

The Paying Agent shall be responsible for any money remitted to it for the payment of principal and interest on any Fourth Tranche Bonds including Penalty Interest, if any, but not actually applied to such payment because the same have not been collected or claimed by the Bondholders. The

Bondholders concerned shall make the necessary request for payment to the Paying Agent for any such sums unclaimed in accordance with the Registry and Paying Agency Agreement. Any unclaimed payments shall not bear any interest.

Six (6) months after the Maturity Date of the Series E Bonds and Series F Bonds or Optional Redemption Date or date of early redemption other than the Optional Redemption Date, the Paying Agent shall return any balance remaining in such payment account. Such amount of unclaimed interests and principal payments shall be held for the benefit of the Bondholders. Upon payment of all amounts due to the Bondholders or return of the balance to the Issuer as provided in this Section, the responsibility of the Paying Agent to effect payments to the Bondholders as provided for in this Agreement shall cease.

Section 9 **EVENTS OF DEFAULT**

9.1. **Events of Default.**

A Bondholder upon receipt of information of an occurrence of any of the events enumerated in this Section 9.1, or the Issuer pursuant to Section 5.1.d, shall promptly notify the Trustee in writing of the occurrence of such event.

Each of the following events constitutes an Event of Default (“Event of Default”) under this Agreement:

- a. **Payment Default.** The Issuer fails to pay when due and payable any amount of principal or interest which the Issuer is obligated to pay the Bondholders under this Agreement and the Fourth Tranche Bonds, and such failure to pay is not remedied within seven (7) Banking Days from due date thereof.

The Issuer fails to pay when due and payable any other amount payable by the Issuer in respect of the Fourth Tranche Bonds and under this Agreement in the manner, at the place, and in the currency in which it is expressed to be payable, and such non-payment continues for thirty (30) days from the date such payment is due. These other amounts include Penalty Interest, insofar as the payment of such interest is concerned

- b. **Representation Default.** Except for clerical or typographical error, any representation or warranty made by the Issuer in this Agreement or in any document issued pursuant thereto or otherwise in connection therewith shall prove to have been untrue, incorrect, or misleading in any material respect as at the time it was made or deemed to have been made or is violated or not complied with, and the circumstances which cause such representation or warranty to be incorrect or misleading continue for not less than thirty (30) days (or such longer period as the Majority Bondholders shall approve) after receipt of written notice from the Trustee to that effect
- c. **Other Provisions Default.** The Issuer fails to perform or comply with any other term, obligation, or covenant contained in this Agreement or in any other document or instruments related or otherwise in connection

therewith in any material respect and any such failure, violation, non-compliance is not remediable or if remediable, continues unremedied for a period of ninety (90) days for financial covenants and sixty (60) days for all other covenants from the date after written notice thereof shall have been given by the Trustee *Provided*, however, that for the avoidance of doubt, no additional grace period shall apply to the Events of Default specified in this Section 9.1

- d. **Cross-Default.** The Issuer violates any other material obligation by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any, law or regulation which violation, if remediable, is not remedied by the Issuer within thirty (30) Banking Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity and which violation will, further in the reasonable opinion of at least 2/3 of the Bondholders, adversely and materially affect the performance by the Issuer of its obligations under this Agreement and the Fourth Tranche Bonds. *Provided*, however, that no event of default will occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or is in excess of five percent (5 %) of the fair market value of Assets of the Issuer, based on the relevant parent-only financial statements of the Issuer
- e. **Insolvency Default.** The Issuer becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, which act shall include: (i) the filing of a petition in any bankruptcy, reorganization, winding up or liquidation of the Issuer, or any other proceeding analogous in purpose and effect: *Provided*, however, that in case the foregoing petition is filed by any other party, other than the Issuer, such event shall be considered a declared Event of Default only upon the issuance of a final order by the court of competent authority (ii) the making of an assignment by the Issuer of substantially all or all of its assets, or in fraud of creditors (iii) the admission in writing by the Issuer of its inability to pay its debts (iv) the entry of any final order or judgment of any court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization, winding up or liquidation of the Issuer or (v) the appointment of a receiver, liquidator, assignee, trustee, or sequestrator of the Issuer, or a substantial part of its property or assets or a substantial part of its capital stock or to assume custody or control of the Issuer, or the ordering of its dissolution, winding-up or liquidation of its affairs
- f. **Closure Default.** The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days except that if the closure is: (i) due to strikes or lockouts or (ii) necessary to prevent business losses or (iii) due to fortuitous events or force majeure, then such closure shall not be deemed a Closure Default

- g. **Judgment Default.** Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of 20% of the Issuer's Fair Market Value of Assets or its equivalent in any other currency is entered against the Issuer and any relevant period specified for payment in such judgment, decree, order, or agreement, and any extension thereof, shall have expired without being satisfied, discharged, or stayed and
- h. **Writ and Similar Process Default.** Any writ, warrant of attachment or execution, or similar process shall be issued or levied against all or substantially all of the Issuer's assets, and such writ, warrant, or similar process shall not be released, vacated, or fully bonded within sixty (60) days after its issue or levy (or such longer period as the Issuer satisfies the Majority Bondholders as appropriate under the circumstances).

Section 10 CONSEQUENCES OF DEFAULT

10.1. Declaration by the Trustee or the Majority Bondholders

- a. If any one or more of the Events of Default shall occur and be continuing, the Trustee, upon the written direction of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the Fourth Tranche Bonds, by notice in writing delivered to the Issuer, may declare the principal of the Fourth Tranche Bonds then outstanding, including all interest accrued and unpaid thereon and all amounts due thereunder, to be due and payable immediately, anything contained in this Agreement or in the Fourth Tranche Bonds to the contrary notwithstanding.
- b. The provision in Section 10.1a, however, is subject to the condition that, except in the case of a Writ and Similar Process Default under Section 9.01(h), the Majority Bondholders, by written notice to the Issuer and to the Trustee, may rescind and annul such declaration made by the Trustee pursuant to a consequence of default and its consequences, upon such terms, conditions and agreements, if any, as they may determine, including, in connection with a Cross Default, the fact that the non-payment of the obligation is contested in good faith by the Issuer provided, that, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereto. Any such waiver shall be conclusive and binding upon all the Bondholders and upon all future holders and owners of such Fourth Tranche Bonds, or of any Fourth Tranche Bond issued in lieu thereof or in exchange therefor, irrespective of whether or not notation of such waiver is made upon the Fourth Tranche Bonds.
- c. At any time after an Event of Default shall have occurred, the Trustee may:
 - i. by notice in writing to the Issuer, the Registrar, and the Paying Agent, require the Registrar and Paying Agent to:
 - x. act thereafter as agents of the Bondholders represented by the Trustee on the terms provided in the Registry and Paying Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability under the

provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agent and the Registrar shall be limited to amounts for the time being held by the Trustee on the trusts of this Agreement in relation to the Fourth Tranche Bonds and available to the Trustee for such purpose) and thereafter to hold all sums, documents and records held by them in respect of the Fourth Tranche Bonds on behalf of the Trustee and/or

- y. deliver all evidence of the Fourth Tranche Bonds and all sums, documents and records held by them in respect of the Fourth Tranche Bonds to the Trustee or as the Trustee shall direct in such notice provided, that, such notice shall be deemed not to apply to any document or record which the Paying Agent or Registrar is not obliged to release by any Applicable Law and
- ii. by notice in writing to the Issuer, require the Issuer to make all subsequent payments in respect of the Fourth Tranche Bonds to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn.

10.2. Notice of Default

The Trustee shall, within ten (10) days after the occurrence of an Event of Default give to the Bondholders written notice of any such Event of Default known to it unless the same shall have been cured before the giving of such notice provided, that, in the case of a Payment Default under Section 9.1.a, the Trustee shall, upon written notice from the Paying Agent of the Issuer's failure to pay any amount of principal or interest which the Issuer is obligated to pay the Bondholders under this Agreement and the Fourth Tranche Bonds, immediately notify the Bondholders upon the occurrence of such Payment Default provided further, that such written notice from the Paying Agent shall not be required if the Issuer's failure to pay was caused by a technical error or by reasons beyond the control of the Issuer. The existence of a written notice required to be given to the Bondholders under this Section shall be published in two (2) newspapers of general circulation in Metro Manila, Philippines for two (2) consecutive days, indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Fourth Tranche Bonds at the principal office of the Trustee as indicated in this Agreement upon presentation of sufficient and acceptable identification to the Trustee.

Subject to Applicable Law, in case of the occurrence of an Event of Default, the Issuer shall authorize the Registrar to provide the Trustee with the list of Bondholders containing the names, addresses, tax identification number (TIN), tax status, and account details of the Bondholders, the amount of the Fourth Tranche Bonds held by them, the Cash Settlement Account numbers where payment to them shall be credited and such other information as may be agreed upon between the Registrar and the Issuer.

10.3. Payments in the Event of Default

The Issuer covenants that upon the occurrence of any Event of Default, the Issuer will pay to the Bondholders, through the Paying Agent, the whole amount

which shall then have become due and payable on all such outstanding Fourth Tranche Bonds with interest at the rate borne by the Fourth Tranche Bonds on the overdue principal and with Penalty Interest, where applicable, and in addition thereto the Issuer will pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee hereunder.

Upon the occurrence of an Event of Default and in accordance with the requirements of this Agreement, the Bondholders shall have the right, but not the obligation, to require the Issuer to redeem the Fourth Tranche Bonds in full, by payment of the amounts stated above, plus the principal amount, by delivery of the relevant evidence of the Fourth Tranche Bonds to the Trustee.

10.4. Application of Payments

Any money collected by the Trustee under this Section and any other funds held by it, subject to any other provision of this Agreement relating to the disposition of such money and funds, shall be applied by the Trustee in the order of preference as follows:

- a. First: To the payment of the costs, expenses, fees and other charges of collection, including reasonable compensation to the Trustee, Paying Agent, Registrar, and each such Person's agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursement made by them without negligence or bad faith.
- b. Second: To the payment of Penalty Interest.
- c. Third: To the payment of the interest, in the order of the maturity of such interest.
- d. Fourth: To the payment of the principal amount of the outstanding Fourth Tranche Bonds due and payable.
- e. Fifth: The remainder, if any, shall be paid to the Issuer, its successors or assigns, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the Fourth Tranche Bonds shall require the conformity of the Trustee. The Paying Agent shall render a monthly account of such funds under its control.

10.5. Remedies

- a. All remedies conferred by this Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extrajudicial proceedings appropriate to enforce the conditions and covenants of this Agreement, subject to Section 10.6.

- b. No delay or omission by the Trustee or by any Bondholder to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto, and every power and remedy given by this Agreement to the Trustee or to the Bondholder may be exercised from time to time and as often as may be necessary or expedient.

10.6. Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of this Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless all of the following conditions have been fulfilled: (1) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Fourth Tranche Bonds, and (2) the Majority Bondholders shall have decided and made a written request upon the Trustee to institute such suit, action or proceeding in its own name, and (3) the Trustee for sixty (60) days after receipt of such notice and request shall have neglected or refused to institute any such suit, action or proceeding unless such failure was due to any circumstance beyond its control, and (4) no directions inconsistent with such written request or waiver of default by the Bondholders pursuant to Section 10.7 shall have been made, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholder shall have any right in any manner whatsoever by virtue of or by availing of any provision of this Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under this Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all Bondholders. For the protection and enforcement of the provisions of this Section, each and every Bondholder and the Trustee shall be entitled to such relief as can be given under the Applicable Law.

10.7. Waiver of Default by Bondholders

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Bondholders may decide for and in behalf of the Bondholders to waive any past default except the Events of Default specified in Sections 9.1.a, 9.1.d, 9.1.e, and 9.1.f and its consequences. In case of any such waiver, written notice of which shall be given to the Issuer by the Trustee, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Fourth Tranche Bonds.

10.8. Prescription

Claims in respect of principal and interest or other sums payable hereunder shall prescribe unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

Section 11 MEETINGS OF BONDHOLDERS

11.1. Meetings

A meeting of Bondholders may be called at any time and from time to time pursuant to the provisions of this Section for the purpose of taking any action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of Fourth Tranche Bonds under any other provisions of this Agreement or under Applicable Law and such other matters related to the rights and interests of the Bondholders under the Fourth Tranche Bonds.

11.2. Notice of Meetings

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty-five percent (25 %) of the aggregate outstanding principal amount of the Fourth Tranche Bonds may direct in writing the Trustee to call a meeting of the Bondholders, to take any action specified in Section 11.1, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Issuer and to each of the registered Bondholders and published in two (2) newspapers of general circulation in Metro Manila, Philippines not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the notices for the requested meeting including the cost of the venue and other related expenses for the meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported statement of account.

11.3. Failure of Trustee to Call a Meeting

In case at any time the Issuer, pursuant to a resolution of its board of directors, or the holders of at least twenty-five percent (25 %) of the aggregate outstanding principal amount of the Fourth Tranche Bonds shall have requested and funded the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with Section 11.2, the notice of such meeting within fifteen (15) Banking Days after receipt of such request, then the Issuer or the holders of Fourth Tranche Bonds in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof as provided in Section 11.2, and the costs thereof shall be chargeable to the Trustee except when such failure is beyond the control of the Trustee.

11.4. Quorum

The presence of the Majority Bondholders personally or by proxy shall be necessary to constitute a quorum to do business at any meeting of the Bondholders. The Trustee shall determine and record the presence of the

Majority Bondholders, personally or by proxy. The Trustee shall rely on the records provided by the Registrar and shall be held free and harmless for such reliance.

11.5. Procedure for Meetings

The Trustee shall preside at all the meetings of the Bondholders unless the meeting shall have been called by the Issuer or by the Bondholders as provided in Section 11.3, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall move for the election of the chairman and secretary of the meeting from among the Bondholders then present or represented during the meeting.

Any meeting of the Bondholders duly called pursuant to the provisions of this Section may be adjourned from time to time for a period or periods not to exceed in the aggregate one (1) year from the date for which the meeting shall originally have been called, and the meeting so adjourned may be held on another date without further notice. Any such adjournment may be ordered by Persons representing a majority of the aggregate principal amount of the Fourth Tranche Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

In an event consent/s are requested from the Bondholders, the Bondholders' records with the Registrar as of the immediately preceding month-end prior to the date of the request shall be used by the Trustee until the results of the exercise is completed. Transfers or changes to ownership during any exercise shall be disregarded by the Trustee. Notwithstanding the foregoing, if the Registrar determines the record date of Bondholders according to its Agreements then such listing shall prevail and the Trustee shall rely on such records.

11.6. Voting Rights

To be entitled to vote at any meeting of the Bondholders, a Person shall be a registered holder of the Fourth Tranche Bonds or a Person appointed by an instrument in writing as proxy by any such holder as of the date of such meeting. Bondholders shall be entitled to one vote for every Ten Thousand Pesos (PhP10,000.00) interest. The only Persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the Persons entitled to vote at such meeting and any representative of the Issuer and its legal counsel.

11.7. Voting Requirement

All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the majority of the Bondholders present or represented in a meeting at which there is a quorum, except as otherwise provided in this Agreement.

Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Trustee as if the votes were unanimous.

11.8. Role of the Trustee in Meetings of Bondholders

Notwithstanding any other provisions of this Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of Fourth Tranche Bonds, the appointment of proxies by registered holders of Fourth Tranche Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem fit. The minutes of each meeting and any resolution made thereat shall be taken by the Trustee.

11.9. Evidence Supporting Bondholders' Action

Wherever in this Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Fourth Tranche Bonds may take any action (including the making of any demand or request, the giving of any notice or consent, or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith or (iii) a combination of such instruments and any such record of meeting of the Bondholders. The Trustee shall rely on the Registrar to authenticate all Bondholders' signature at all times.

Section 12 AMENDMENT OR SUPPLEMENTAL AGREEMENTS

With the written consent of the Majority Bondholders, the Issuer, when authorized by a resolution of its board of directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental hereto for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of this Agreement provided, however, that no such supplemental agreement shall:

- a. Without the consent of each Bondholder affected thereby:
 - i. extend the fixed maturity of the Fourth Tranche Bonds, or
 - ii. reduce the principal amount of the Fourth Tranche Bonds, or
 - iii. reduce the rate or extend the time of payment of interest and principal thereon
- b. Affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders or
- c. Reduce the percentage required to be obtained of the Bondholders to consent to or approve any supplemental agreement or any waiver provided for in this Agreement without the consent of all the Bondholders.

It shall not be necessary to obtain the consent of the Bondholders under this Section for the purpose of approving the particular form of any proposed

supplemental agreement but such consent shall be necessary for the purpose of approving the substance thereof.

Any consent given pursuant to this Section shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof or of any Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the Fourth Tranche Bonds.

Promptly after the execution by the Issuer and the Trustee of any supplemental agreement pursuant to the provisions of this Section, the Issuer shall send a notice to the Bondholders setting forth in general terms the substance of such supplemental agreement. Any failure of the Issuer to send such notice or any defect therein shall not, however, in any way impair or affect the validity of any supplemental agreement.

Section 13 MISCELLANEOUS PROVISIONS

13.1. Waiver of Preference

In the event that a primary obligation for payment shall arise out of this Agreement, such as to constitute this Agreement as a contract for the payment of an indebtedness or a loan, then it is understood and expressly agreed by the parties hereto that the obligation created under this Agreement shall not enjoy any priority, preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that this Agreement may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced.

13.2. Notice

Any notice or demand authorized by this Agreement to be given to the Issuer and the Trustee must be in writing and will be deemed to have been duly given only if (a) (i) delivered personally, or (ii) mailed through a reputable overnight courier service (postage prepaid) to the parties at the following addresses and addressed to the individuals names below provided, that in either case, such notice, request or other communication be also sent via email or (b) emailed to the parties at the following email addresses and addressed to the individuals named below:

If to the Issuer:

To the Issuer:	Aboitiz Power Corporation
Attention:	Maria Veronica C. So
Subject:	Aboitiz Power Bonds Due 2022 and 2025
Address:	32 nd Street, Bonifacio Global City, 1634 Taguig City, Metro Manila
Telephone No.	632 8886 2789
E-mail:	veronica.so@aboitiz.com
With copy to:	aev.tsg@aboitiz.com

If to the Trustee:

To the Trustee: BDO Unibank, Inc. Trust and Investments Group
Attention: Michael G. Munsayac
Subject: Aboitiz Power Bonds Due 2022 and 2025
Address: 15th Floor South Tower, BDO Corporate Center,
7899 Makati Avenue, Makati City
Facsimile: 6328784270
E-mail: munsayac.michael@bdo.com.ph

All notices to the Issuer and the Trustee shall be deemed served or given when sent via email provided, that no bounce mail, error or send failure notification is received by the sender.

The Trustee shall send all notices to Bondholders to their mailing address as set forth in the Register of Bondholders. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) reputable overnight courier service (postage prepaid) (iii) electronic mail (iv) by one-time publication in a newspaper of general circulation in the Philippines (iv) personal delivery to the address of record in the Register of Bondholders or (v) disclosure through the online disclosure system of the PDEX. The Trustee shall rely on the Register of Bondholders in determining the Bondholders entitled to notice. Such notices to Bondholders shall be deemed to have been received (i) upon the next business day, if sent by reputable overnight courier service (iii) on the date of transmission, if transmitted by electronic mail provided, that no bounce mail, error or send failure notification is received by the sender (iv) on date of publication (v) on date of delivery, for personal delivery or (v) on the date of posting through the online disclosure system of PDEX, as applicable.

13.3. Binding and Conclusive Nature

Except as provided in this Agreement, all notifications, opinion, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of this Agreement, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all Bondholders and (in the absence of willful default, bad faith or manifest error) no liability to the Issuer, the Registrar, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Agreement, resulting from the Trustee's reliance on the foregoing.

13.4. Successors and Assigns

This Agreement shall be binding upon and shall be enforceable against the Issuer, the Trustee and the Bondholders and their respective successors and assigns provided, however, that the Issuer shall not have the right to transfer or assign any and all of its rights or obligations herein without the prior written consent of the Bondholders representing at least two-thirds (2/3) of the aggregate outstanding principal amount of the Fourth Tranche Bonds.

13.5. Exclusive Nature of Agreement

Nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon or give to any Person or corporation, other than the parties hereto and the Bondholders, any right, remedy or claim under or by reason of this Agreement or any covenant, condition or stipulation hereof and except as aforesaid all the covenants, stipulations, promises and agreements herein contained are and shall be for the sole and exclusive benefit of the parties hereto, their successors and assigns, and the Bondholders.

13.6. Validity of Provisions

If any provision, term or condition of this Agreement or the application hereof to any Person or circumstance is declared invalid, the other provisions, terms or conditions hereof or the application hereof to any Person or circumstance shall not be affected and shall continue to be in full force and effect.

13.7. No PDIC Coverage

This Agreement is not covered by the Philippine Deposit Insurance Corporation. Any losses arising from this Agreement, if any, shall be for the account of the Issuer.

13.8. Venue

Any legal action or proceeding arising out of, or in connection with, this Agreement and the Fourth Tranche Bonds and any and all related documents and papers, shall be brought in the proper courts of Makati City, Metro Manila, Philippines, to the exclusion of any other court.

13.9 Dispute Settlement

In case any dispute shall arise between the Issuer, the Trustee or any of the Bondholders in respect of this Agreement, or other related agreements or arrangements, the Issuer, the Trustee or any of the Bondholders shall attempt to resolve the same amicably by agreement which shall be in writing. However, if no such agreement is concluded within thirty (30) Banking Days from the time the dispute arose, or such period as may be reasonable under the circumstances, the parties may have recourse to the usual judicial action obtaining under the circumstances.

13.10 No Right to Set-Off

The Trustee shall have no right to apply funds or money of the Issuer on deposit with or in the custody of the Trustee or any of its branches, subsidiaries, or affiliates on reduction of amounts past due under this Agreement.

13.11 Governing Law

This Agreement and the Fourth Tranche Bonds issued hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the Republic of the Philippines.

13.12 Termination

The Trustee shall automatically be discharged from its duties and responsibilities under this Agreement within three (3) days from full payment of

the Fourth Tranche Bonds on the Maturity Date absent any written notice of payment default.

13.13 Counterparts

This Agreement may be executed and delivered in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

The remainder of this page is left intentionally blank.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement on the date and at the place first abovementioned.

By affixing our signature on this signature page, we are deemed to have agreed to and confirmed the terms and conditions contained in all the other pages of this Agreement.

ABOITIZ POWER CORPORATION

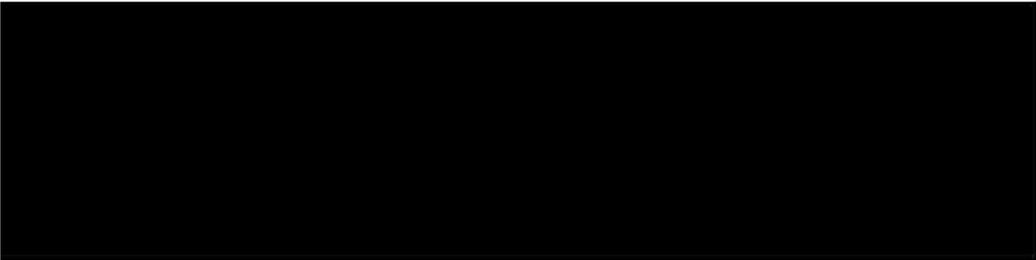


MARIA VERONICA C. SO
Group Treasurer

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) s. s.

I certify that on JUN 17 2020, the following person personally appeared before me, a Notary Public duly authorized in the city named above to take acknowledgments, who is identified by me through his competent evidence of identity by exhibiting to me:



who was identified by me through competent evidence of identity to be the same person described in the foregoing instrument, who acknowledged before me that his signature on the instrument was voluntarily affixed by him for the purposes stated therein, and who declared to me that he has executed the instrument as his free and voluntary act and deed, and that he has the authority to sign on behalf of his principal.

WITNESS MY HAND AND SEAL, on the date and at the place first above written.

Doc. No. 415 ;
Page No. 84 ;
Book No. II ;
Series of 2020.



CHRISTINE JOY E. ANGAT
Appointment No. M-523
Notary Public for Makati City
Until December 31, 2020
Liberty Center- Picazo Law
104 H.M. Dela Costa Street, Makati City
Roll of Attorney's No. 73262
PTR No. 8143378/Makati City/01-20-2020
IBP No. 101657/Cavite/01-07-2020
MCLE Exempted-Admitted to the bar in 2019

BDO UNIBANK, INC. TRUST AND INVESTMENTS GROUP



MANUEL PATRICIO C. MALABANAN
Senior Vice President



MICHAEL G. MUNSAYAC
Vice President

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) s.s.

I certify that on this JUN 17 2020 2020, before me, a notary public duly authorized in the city named above to take acknowledgments, personally appeared the following:

Name	Competent	Date of

who were identified by me through competent evidence of identity to be the same persons described in the foregoing instrument, who acknowledged before me that their respective signatures on the instrument were voluntarily affixed by them for the purposes stated therein, and who declared to me that they have executed the instrument as their free and voluntary act and deed, and that they have the authority to sign on behalf of their principals.

WITNESS MY HAND AND SEAL, on the date and at the place first above written.

Doc. No. : 910
Page No. : 83
Book No. : I
Series of 2020.



CHRISTINE JOY F. ANGAI
Appointment No. M-523
Notary Public for Makati City
Until December 31, 2020
Liberty Center - Pizazo Law
104 H.M. Dela Costa Street, Makati City
Roll of Attorneys - X No. 73262
PTR No. 5149772/Makati City/01-20-2020
IBP No. 101257/Cavite/01-07-2020
MCLE Exempted-Admitted to the bar in 2019

ANNEX A
TERMS AND CONDITIONS OF THE BONDS

The following summary is qualified in its entirety by, and should be read in conjunction with the more detailed information appearing in the Prospectus to which it relates.

Issuer	:	Aboitiz Power Corporation (“AboitizPower”)
Joint Issue Managers and Joint Lead Underwriters	:	BDO Capital Investment Corporation China Bank Capital Corporation First Metro Investment Corporation
Trustee	:	BDO Unibank, Inc. – Trust and Investments Group
Registrar and Paying Agent	:	Philippine Depository Trust Corp.
Issue / Issue Amount	:	SEC–registered fixed rate, Peso-denominated bonds constituting the direct, unconditional, unsecured and unsubordinated obligations of the Issuer consisting of a primary offer in the aggregate principal amount of up to ₱6,000,000,000.00, with an Oversubscription Option of up to ₱3,550,000,000.00. In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the Fourth Tranche Bonds under Oversubscription Option that will not be taken up or exercised during the Offer Period will remain under shelf registration and may be issued in tranches within Shelf Period. The Oversubscription Option is exercisable by the Joint Lead Underwriters in consultation with the Issuer.
Use of Proceeds	:	Proceeds of the Offer will be used for AboitizPower’s equity contributions (through AA Thermal and TPI) to GNPower Dinginin Ltd. Co. in relation to the construction of its 2x668 MW supercritical coal-fired power plant located in Mariveles, Bataan and for general corporate purposes, as more described in the section entitled “Use of Proceeds” on page 39 of the Prospectus
Issue Price	:	100 face value
Manner of Distribution	:	Public Offering

Offer Period : The Offer shall commence on June 19, 2020 and end on June 26, 2020.

Issue Date : July 6, 2020

Maturity Date or Redemption Date : Series E Bonds: Two (2) from Issue Date
Series F Bonds: Five (5) years from Issue Date

Except when the Early Redemption Option (as defined below) is exercised, the Fourth Tranche Bonds will be redeemed at par (or 100 of face value) on its Maturity Date.

Interest Rate : Series E Bonds: 3.125
Series F Bonds: 3.935

Interest Payment Date : The Interest shall be paid quarterly in arrears on January 6, April 6, July 6, and October 6 of each year commencing on October 6 until and including the Maturity Date (each, an "Interest Payment Date"), or the next Banking Day if such dates fall on a non-Banking Day without any adjustment in the amount of interest as originally computed.

Interest on the Fourth Tranche Bonds shall be calculated on a 30/360 basis.

Form and Denomination : The Fourth Tranche Bonds shall be issued in scripless form in minimum denominations of ₱50,000.00 each, and in multiples of ₱10,000.00 thereafter.

Early Redemption : The Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), the outstanding Series F Bonds (the "Early Redemption Option"), on the Interest Payment Dates specified below (any such date, the "Optional Redemption Date") or the immediately succeeding Banking Day if such date is not a Banking Day, without any adjustment in the amount of interest as originally computed. The amount payable to the Bondholders upon the exercise of the Early Redemption Option by the Issuer shall be calculated based on the principal amount of the relevant Fourth Tranche Bonds being redeemed as the aggregate of the: (i) accrued interest computed from the last Interest Payment Date up to the relevant Optional Redemption Date and (ii) the product of the principal amount (total outstanding principal amount of the relevant Fourth Tranche Bonds) and the applicable Optional Redemption Price

(as set out below) in accordance with the following schedule:

Series F Bonds:

Optional Redemption Dates	Early Redemption Price (Inclusive of Prepayment Penalty)
3 years from Issue Date	101.00
4 years from Issue Date	100.25

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the relevant Series F Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption on the Optional Redemption Date stated in such notice.

Redemption for : The Issuer may redeem the Fourth Tranche Bonds in whole, but not in part, on any Interest Taxation Reasons : Taxation Reasons : The Issuer may redeem the Fourth Tranche Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days prior written notice to the Trustee) at par or 100 face value plus accrued interest, subject to the requirements of applicable law, if payments under the Fourth Tranche Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on Issue Date as a result of certain changes in applicable law, rule or regulation or in the interpretation thereof and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer.

For avoidance of doubt, the Issuer shall not be liable for the payment of the additional or increased taxes on the income of the Bondholders, which shall be for the account of the Bondholders.

Negative Pledge : The Fourth Tranche Bonds shall have the benefit of a negative pledge on all existing and future assets of the Issuer, subject to certain permitted liens, as provided under Section 5.2 (a) of the Trust Agreement.

Purchase and : The Issuer may at any time purchase the Cancellation : Cancellation : The Issuer may at any time purchase the Fourth Tranche Bonds at any price in the open market or by tender or by contract, in

accordance with PDEX Rules, without any obligation to purchase (and the Bondholders shall not be obliged to sell) Fourth Tranche Bonds pro-rata from all Bondholders. The Fourth Tranche Bonds so purchased will be redeemed and cancelled, and may no longer be reissued.

Upon listing of the Fourth Tranche Bonds on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

- Status of the Fourth Tranche Bonds : The Fourth Tranche Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and rateably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to Section 5.2 (a) of the Trust Agreement or as may be allowed by the Trust Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of Issue Date. The Fourth Tranche Bonds shall effectively be subordinated in right of payment to, among others, all of AboitizPower's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines, unless the Issuer procures a waiver of the preference created by such notarization or equally and ratably extend such preference to the Fourth Tranche Bonds.
- Rating : The Fourth Tranche Bonds are rated PRS Aaa by PhilRatings.
- Listing : The Issuer intends to list the Fourth Tranche Bonds in the PDEX on Issue Date.
- Non-Reliance Each Bondholder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and warrants that it

shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations hereunder, except for its gross negligence or willful misconduct.

Own Risk

Bondholders understand and acknowledge that investment in the Fourth Tranche Bonds is not covered by the Philippine Deposit Insurance Corporation ("PDIC") and that any loss or depreciation in the value of the assets of the Bondholders, resulting from the investments or reinvestment in the Fourth Tranche Bonds and the regular conduct of the Trustee's trust business shall be for the account of the Bondholder.

**ANNEX B
FORM OF THE APPLICATION TO PURCHASE**

Underwriter's / Selling Agent's Control #: _____

1 st Copy	Registrar
2 nd Copy	Underwriter / Selling Agent
3 rd Copy	Applicant

**Series E Bonds due 2022 and Series F Bonds due 2025
with an interest rate of 3.125% per annum and 3.935% per annum, respectively**

APPLICATION TO PURCHASE

This Application to Purchase (an "Application") Series E and/or F Bonds due 2022 and 2025, respectively (forming part of the "Offer Bonds"), together with all the required attachments, must be prepared and completed in all parts by a person (whether natural or juridical) who seeks to subscribe to the Offer Bonds (the "Applicant"). Any Application submitted by an Applicant must be for a minimum denomination and in integral multiples as indicated in the prospectus dated 17 June 2020 (the "Prospectus"). Unless otherwise defined, capitalized terms used herein shall have the same meaning as in the Prospectus. The Offer Bonds will be issued by Aboitiz Power Corporation ("AboitizPower" or the "Issuer") and recorded in the electronic Registry of Bondholders maintained by the Philippine Depository & Trust Corp. ("PDTC" or the "Registrar and Paying Agent") and shall be subject to the rules and regulations of the Registrar and Paying Agent ("PDTC Rules"). This Application is irrevocable and, once duly accomplished and submitted, may not be withdrawn by the Applicant. Completed Applications, in triplicate, with all the required attachments and corresponding payments must be received by any of the Joint Issue Managers and Joint Lead Underwriters (the "Joint Issue Managers and Joint Lead Underwriters") and selling agents (the "Selling Agents") appointed for the offer of the Offer Bonds not later than 5:00 p.m. on June 26, 2020 (the "Cut-Off Date"), which is the end of the Offer Period, or such earlier date as may be specified by the Joint Issue Managers and Lead Underwriters. Acceptance by the Joint Issue Managers and Joint Lead Underwriters and Selling Agents of the completed Application shall be subject to the availability of the Offer Bonds. In the event that any check payment is returned by the drawee bank for any reason whatsoever or the nominated bank account to be debited is invalid, the Application shall be automatically cancelled and any prior acceptance of the Application shall be deemed revoked. Applications and payments received after said Cut-Off Date or submitted without the required attachments or payments will be rejected. Any Application improperly or incompletely accomplished may likewise be rejected. The Joint Issue Managers and Joint Lead Underwriters, on behalf of the Issuer, reserve the right to accept or reject this Application, and in case of oversubscription, allocate the Offer Bonds available to the applicants in a manner they deem appropriate. The foregoing notwithstanding, the deadline for the submission of the duly completed Applications to the Joint Issue Managers and Joint Lead Underwriters, as well as the Selling Agents, if any, may be moved to an earlier date at the sole and absolute discretion of the Issuer and the Joint Issue Managers and Joint Lead Underwriters without prior notice.

This Application, once accepted by the Joint Issue Managers and Joint Lead Underwriters and Selling Agents, shall constitute the duly executed purchase agreement covering the amount of the Offer Bonds so accepted and shall be valid and binding on the Issuer and the Applicant. Once accepted, an Application may not be unilaterally revoked or cancelled by the Applicant, in full or in part, and the rights and privileges pertaining thereto shall be non-transferable.

Name of Applicant: (Last, First, Middle / Business Name)*	Type of Investor: <input type="checkbox"/> Individual <input type="checkbox"/> Corporate / Institutional
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I/We (the "Applicant") hereby apply to purchase the following principal amount of the Offer Bonds (the "Purchase Price"), subject to the PDTC Rules, the Terms and Conditions as such term is defined in the Trust Agreement, the Prospectus distributed or made available by the Issuer, the Joint Lead Underwriters and Selling Agents in relation to the offer and sale of the Offer Bonds.

BONDS APPLIED FOR AND AMOUNT

Amount in Words	Amount in Figures
<input type="checkbox"/> Series E Bonds due 2022	₱ _____
<input type="checkbox"/> Series F Bonds due 2025	₱ _____

Permanent Address:*	Present Mailing Address (if different from Permanent Address):*
Telephone Number/s:	E-Mail Address
Fax Number/s:	
Primary Contact Person (if other than Applicant):	Relationship of Primary Contact Person to Applicant:
Date of Birth / Incorporation (mm/dd/yyyy):*	Place of Birth / Incorporation:*
Nationality:*	Tax Identification Number:*
Nature of Work or Business/Principal Business of the Corporation:*	Name of Employer/ Business:*

Sources of Income:* <input type="checkbox"/> Salary/consultation fee <input type="checkbox"/> Company dividends <input type="checkbox"/> Donations <input type="checkbox"/> Revenue from sale of product/services rendered <input type="checkbox"/> Allowance <input type="checkbox"/> Others: (Please specify) _____	Tax Status: <input type="checkbox"/> Resident Individual - Taxable <input type="checkbox"/> Resident Corporate - Taxable <input type="checkbox"/> Foreign Investor** - Taxable <ul style="list-style-type: none"> <input type="checkbox"/> Resident individual alien <input type="checkbox"/> Resident foreign corporation <input type="checkbox"/> Non-resident alien not engaged in business in the Philippines <input type="checkbox"/> Non-resident foreign corporation <input type="checkbox"/> Tax Exempt Individual <input type="checkbox"/> Tax Exempt Institution** <input type="checkbox"/> Others (Beneficiary of Preferential Tax Rate) ** <p style="font-size: small;">** If availing of tax exemption or reduced tax rates, subject to submission of acceptable documentary proof of exemption or reduced tax rates, as applicable.</p>
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Mode of Collection of Interest and Principal Payments: I/We hereby unconditionally instruct and authorize the Paying Agent to cause the payments of interest and principal on the Offer Bonds net of applicable taxes, fees and cost to be paid to the Bondholders via the following: <input type="checkbox"/> Real Time Gross Settlement (RTGS) <input type="checkbox"/> Credit current/savings account number _____ (the "Cash Settlement Account") with _____ branch _____ ("the Cash Settlement Bank")*.	Statement, Notices & Correspondence Delivery Mode: <input type="checkbox"/> Delivery via electronic mail to the email address indicated above <input type="checkbox"/> Delivery via courier (Metro Manila area only) or registered mail to the mailing address indicated above
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If a Corporation, please attach the latest General Information Sheet (GIS) as filed with the Securities and Exchange Commission

Name of Parent Company _____

Registration of Securities <input type="checkbox"/> Under the name of the Applicant <input type="checkbox"/> Under the name of PDTC Nominee Corp. The Applicant agrees to provide the information below to PDTC Depository for purposes of crediting or lodging Applicant's purchased securities in its Depository Account below. _____ Name of PDTC Depository Participant: _____ PDTC Depository Participant BP ID: _____ PDTC Depository Participant Omnibus Account No.: I, the Applicant, acknowledge that by lodging the security in the Depository under my account, the security shall be registered under the name of PDTC Nominee Corp. in the registry records of the Issuer. .	Depository Participant Confirmation and Certification <i>(Note: This is for Depository Participant Lodging Securities under the PDTC NoCD Facility)</i> We confirm that we are a PDTC Depository Participant and certify that: <ol style="list-style-type: none"> 1. the securities being lodged in our Depository Account under the PDTC NoCD Facility are securities being purchased by our bona fide clients and shall make available the documents evidencing the clients' instructions to purchase the Security upon the request of the Issuer, its agent/s and the regulators. 2. we have done, or as applicable relied upon (on the basis of a third party reliance letter issued by an appropriate institution in accordance with current banking regulations), the necessary know-your-customer procedures to verify the identity of the client. 3. our clients acknowledge and fully understand that by lodging the security in the Depository under the clients' NoCD accounts, the security shall be registered under the name of PDTC Nominee Corp. in the registry records of the Issuer 4. we have obtained the consent of the relevant clients to the sharing of the client information to the Issuer or to its authorized agent for purposes of regulatory compliance and processing of corporate actions. <p style="text-align: right;">Printed Name and Signature of Authorized Signatory of the PDTC Depository Participant</p>
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** Required to be filled out under Republic Act No. 9160, Republic Act No. 9194 and BSP Circular Nos. 251, 253 and 279, and all other amendatory and implementing law, regulation, jurisprudence, notice or order of any Philippine governmental body relating thereto.*

REPRESENTATION, WARRANTY AND AUTHORIZATION

In executing this Application, the Applicant represents and warrants, under penalty of law, that all information contained herein (including its tax status) and the required attachments are true and correct and that the signatures thereon are genuine, properly authorized, and obtained without use of fraud, coercion or any other vice of consent. The Applicant agrees to immediately notify the Issuer and the Registrar and Paying Agent, either directly or through any of the Joint Issue Managers and Joint Lead Underwriters and Selling Agents, if anything occurs which renders or may render untrue or incorrect in any respect any of the information given herein (including information given with respect to the Applicant's tax status) or any of its representations or warranties. The Applicant understands that any of the Joint Issue Managers and Joint Lead Underwriters, Selling Agents, the Registrar and Paying Agent and the Issuer will rely solely on its representations and warranties set forth herein including, without limitation, its declaration of its tax status, including, if applicable, its tax-exempt status in processing payments due to it under the Offer Bonds. The Applicant agrees to indemnify and hold any of the Joint Issue Managers and Joint Lead Underwriters, the Selling Agents, the Registrar and Paying Agent, and the Issuer free and harmless against any and all claims, actions, suits, damages, and liabilities resulting from the non-withholding of the required tax due to the representations as indicated in this Application, any misrepresentation contained herein or any reliance on the confirmations contained

herein. The Applicant likewise authorizes the Issuer and the Registrar and Paying Agent to verify the information stated in this Application from any and all sources and in any and all manner, including but not limited to, requesting information contained herein from the Underwriter or Selling Agent regarding the Applicant's account/s with the said Underwriter or Selling Agent (as applicable). By giving authority to the Issuer and the Registrar and Paying Agent and by signing this application, the Applicant hereby gives its consent to the disclosure of or inquiry into its private and confidential information as provided by law or by contract including Republic Act No. 1405 (The Bank Secrecy Act of 1955), as amended, and allows the Joint Issue Managers and Joint Lead Underwriters and Selling Agents to disclose all information as may be required by the Issuer and the Registrar and Paying Agent, solely and exclusively for the limited purpose of enabling the Registrar and Paying Agent to perform its functions as registrar and paying agent of the Issuer in the manner contemplated under the Registry and Paying Agency Agreement (the "RPAA"), including but not limited to, creating a registry account for the Applicant and updating the Applicant's information in the Registry with respect to the information contained herein. The Applicant further authorizes the Registrar and Paying Agent and the Joint Issue Managers and Joint Lead Underwriters to collect, process, retain, share, dispose and destroy such information that are required to enable the Registrar and Paying Agent to carry out their duties under the RPAA, including personal, sensitive or privileged information of such Applicant. In addition, by signing this application, the Applicant hereby (i) consents to the collection, processing, retention, sharing, disposal and destruction by the Registrar and Paying Agent on behalf of the Issuer of the information contained herein (the "Information") and (ii) acknowledges receipt of notice of and consents to the following:

- (a) The Registrar and Paying Agent, in its capacity as registrar and paying agent of the Offer Bonds, and the Joint Issue Managers and Joint Lead Underwriters shall collect, process, retain, share, dispose and destroy the Information in accordance with the Data Privacy Act of 2012 and its Implementing Rules and Regulations ("IRR").
- (b) The Registrar and Paying Agent and the Joint Issue Managers and Joint Lead Underwriters shall not sell, trade or otherwise share the Information for marketing purposes to third parties without the consent of the Applicant. The Registrar and Paying Agent and the Joint Issue Managers and Joint Lead Underwriters may disclose the Information to:
 - (1) government or regulatory agencies if required by applicable law or by an order of government or regulatory agency or if reasonably determined by the Registrar and Paying Agent to be necessary in relation to the use of the Information in connection with the provision of any service related to this Applicant's registry account and for data processing, storage, retention, collection, sharing, disposal and destruction as may be necessary for the provision of such service, anti-money laundering monitoring, review and reporting and for purposes of complying with any law or regulation (the "Purpose"), for law enforcement purposes, national security or public interest;
 - (2) its employees, directors, officers, representatives, agents and service providers if the Registrar and Paying Agent and the Joint Issue Managers and Joint Lead Underwriters deem it reasonably necessary in relation to the Purpose; and
 - (3) its subsidiaries and affiliates as well as employees, directors, officers, representatives, agents and service providers of such subsidiaries and affiliates if the Registrar and Paying Agent and the Joint Issue Managers and Joint Lead Underwriters deem it reasonably necessary in relation to the Purpose.
- (c) The Applicant has rights and remedies relating to the processing of the Information under the Data Privacy Act of 2012, its IRR and under applicable laws, such as, but not limited to the right to access the Information in accordance with the procedures of the Registrar and Paying Agent, and the Joint Issue Managers and Joint Lead Underwriters to have it corrected in accordance with the procedures of the Registrar and Paying Agent and the Joint Issue Managers and Joint Lead Underwriters and to file a complaint with the appropriate government agency. Please refer to the National Privacy Commission for details of such rights and remedies.
- (d) The Applicant may address any concerns or questions regarding the processing of the Information to the Data Privacy Officer of the relevant (i) Registrar and Paying Agent, (ii) Joint Issue Managers and Joint Lead Underwriters, and/or (iii) Selling Agents, if any.

The Applicant further accepts the following terms:

Email Indemnity

By indicating my email address above, I/we consent to receive all notice and communications via email, and such consent shall operate as of the written consent to disclose or inquire into my bank deposits in respect of such statements or notices. I/we acknowledge that security of any statement, notice or communication sent through electronic means is not guaranteed and I/we assume all risks in relation to its transmission. I/We are responsible for keeping such email access active and existing during the term of the Offer Bonds, otherwise, I/we shall be liable for any fees or charges that maybe imposed or incurred in transmitting or re-transmitting such communication via electronic means.

Authorization Granted to the Registrar and Paying Agent

All payments under the Offer Bonds shall be credited to the Cash Settlement Account. I/We shall be responsible for ensuring that this account is open, active and existing, otherwise, I/we shall be liable for any fees or charges that may be imposed by the Cash Settlement Bank or that may otherwise be incurred by the Registrar and Paying Agent in crediting payments of interest or principal to my/our account. This shall remain valid and effective unless expressly revoked in writing by me/us in the manner prescribed under relevant rules and/or agreements.

In the event that the details of the Cash Settlement Account are incomplete or erroneous, or the Cash Settlement Account of the Bondholder has been closed, dormant, or inexistent, due to which payments to the Bondholder cannot be effected in a timely manner, and the Paying Agent does not receive any notice from the Bondholder as described herein, the Cash Settlement Bank shall handle such funds in accordance with its own internal procedures until the correction in the Cash Settlement Bank is effected and until credit of the relevant cash entitlement is completed. In these cases, the Issuer and the Registrar and Paying Agent shall not be liable to the relevant Bondholder for any failure or delay in the Bondholder's receipt of such payments.

The Applicant warrants that the Applicant (or its authorized signatory) has read and understood the PDTC Rules, the terms and conditions of the Offer Bonds (the "Terms and Conditions"), and the Prospectus distributed or made available by the Issuer and the Joint Issue Managers and Joint Lead Underwriters and Selling Agents in relation to the offer and sale of the Offer Bonds, and unconditionally accepts the same. The Applicant agrees to indemnify and hold the Registrar and Paying Agent, the Issuer, the Joint Issue Managers and Joint Lead Underwriters and the Selling Agents, free and harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature arising from any act or omission pertinent to their respective obligations under the Offer Bonds, unless such act or omission was committed with gross negligence or willful misconduct. The Applicant further agrees that completion of this Application to Purchase constitutes an instruction and authority from the Applicant to the Issuer, the Registrar and Paying Agent, and/or Joint Issue Managers and Joint Lead Underwriters and Selling Agents to execute any application form or other documents and generally to do all such other things and acts as the Issuer, the Registrar and Paying Agent, and/or Joint Issue Managers and Joint Lead Underwriters and Selling Agents may consider necessary or desirable to effect registration of the Offer Bonds in the name of the Applicant.

The Applicant represents and warrants to the Issuer, the Joint Issue Managers and Joint Lead Underwriters and the Selling Agents and the trustee of the Issuer (the "Trustee") that it has independently and, without reliance on the Issuer, the Joint Issue Managers and Joint Lead Underwriters and/or the Selling Agents or the Trustee, made its own credit investigation and appraisal of the financial position and affairs of the Issuer on the basis of such documents and information it has deemed appropriate and that it has subscribed to the Offer Bonds on the basis of such independent appraisal, and that it shall continue to make its own credit appraisal without reliance on the Issuer, the Joint Issue Managers and Joint Lead Underwriters and/or the Selling Agents or the Trustee.

Applicant's Full Name (in print):

Applicant's Authorized Signature/s:

ACKNOWLEDGMENT AND ACCEPTANCE

Underwriter's Acceptance:

- Acceptance Rejection due to _____

Underwriter's Certification/Endorsement:

We received this Application, with all the required attachments below, at _____ a.m. / p.m. on _____.

As applicable, we hereby declare that:

- (a) The necessary know-your-client process was conducted on the Applicant pursuant to the Anti-Money Laundering Act and the amendments thereto ("AMLA") as well as its implementing rules and regulations ("IRR") and our own internal policies, including, but not limited to, doing the KYC on the basis of a third party reliance letter issued by the appropriate institution as allowed by AMLA and its IRR;
- (b) The identity of the Applicant was duly established pursuant to the AMLA and its IRR;
- (c) To the best of the undersigned's knowledge, all information provided to the Issuer and the Registrar and Paying Agent regarding the Applicant are true, complete, current and correct;
- (d) Any and all authorizations and waivers from the Applicant necessary for the undersigned underwriter or selling agent to disclose all information required by the Issuer and the Registrar and Paying Agent to determine the eligibility of the Applicant have been duly obtained;
- (e) The Applicant's signature appearing herein is genuine and authentic and was herein affixed freely and voluntarily; and
- (f) For the Applicant who indicated to have its securities and/or its clients' securities registered under PDTC Nominee and lodged under its Depository Account and/or its Clients' NoCD Accounts under the PDTC Depository Participant, the documents evidencing the instructions on the purchase of the Security shall be made available upon request of the Issuer, its agent/s and the regulators.

Joint Issue Manager and
Joint Lead Underwriter

Joint Issue Manager and Joint Lead Underwriter's
Authorized Signatory
Signature over printed name

Joint Issue Manager and Joint Lead Underwriter's
Authorized Signatory
Signature over printed name

REQUIRED ATTACHMENTS TO THIS APPLICATION

The Applicant shall submit properly completed Applications to Purchase, together with two signature cards, and the full payment of the purchase price of the Offer Bonds in the manner provided in the said Application to Purchase.

IF THE APPLICANT IS A CORPORATION OR A PARTNERSHIP:

Corporate and institutional applicants (including Trust Accounts) must also submit, in addition to the accomplished Applications to Purchase and its required attachments:

- (a) an original notarized certificate of the corporate secretary or an equivalent officer of the Applicant setting forth resolutions of the board of directors, partners or equivalent body (i) authorizing the purchase of the Offer Bonds indicated in the Application to Purchase and (ii) designating the signatories, with their specimen signatures, for the said purpose;
- (b) copies of its Articles of Incorporation and By-Laws and latest amendments thereof, together with the Certificate of Incorporation issued by the SEC or other organizational documents issued by an equivalent government institution, stamped and signed as certified true copies by the SEC or the equivalent government institution, or by the corporate secretary, or by an equivalent officer(s) of the Applicant who is/are authorized signatory(ies);
- (c) two (2) duly accomplished signature cards containing the specimen signatures of the authorized signatories of the Applicant, validated by its corporate secretary or by an equivalent officer(s) who is/are authorized signatory(ies), whose authorities and specimen signatures have been submitted to the Registrar;
- (d) identification document(s) of the authorized signatories of the Applicant, as specified in item (a) of the immediately succeeding paragraph below; and
- (e) such other documents as may be reasonably required by any of the Joint Issue Managers and Joint Lead Underwriters or the Registrar in the implementation of its internal policies regarding "know your customer" and anti-money laundering and requirements related to the Foreign Account Tax Compliance Act ("FACTA").

IF THE APPLICANT IS AN INDIVIDUAL:

Individual applicants must also submit, in addition to accomplished Applications to Purchase and its required attachments:

- (a) identification document ("ID") of the Applicant which shall consist of any one (1) of the following valid identification documents bearing a recent photo, and which is not expired: Tax Identification Number (TIN) ID, Passport, Driver's License, Professional Regulation Commission ID, National Bureau of Investigation Clearance, Police Clearance, Postal ID, Voter's ID, Barangay Certification, Government Service Insurance System e-Card, Social Security System Card, Senior Citizen Card, Overseas Workers Welfare Administration ID, OFW ID, Seaman's Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and government-owned and controlled corporation ID, e.g., Armed Forces of the Philippines, Home Development Mutual Fund, Certification from the National Council for the Welfare of Disabled Persons, Department of Social Welfare and Development Certification, Integrated Bar of the Philippines ID, company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or the Insurance Commission, or school ID duly signed by the principal or head of the school (for students who are beneficiaries of remittances/fund transfers who are not yet of voting age);
- (b) two (2) duly accomplished signature cards containing the specimen signature of the Applicant;

-
- (c) such other documents as may be reasonably required by any of the Joint Issue Managers and Joint Lead Underwriters or the Registrar in implementation of its internal policies regarding “know your customer” and anti-money laundering and requirements related to the FATCA.

The Applicant understands that the Registrar will not issue a Registry Confirmation nor will any Bondholder be allowed to sell or transfer the Offer Bonds until such Bondholder shall have submitted to the Registrar all the documents required for the issuance of such Offer Bonds.

An Applicant claiming exemption from any applicable tax, or is subject to a preferential withholding tax rate shall, in addition to the requirements set forth above, be required to submit the following requirements, subject to acceptance by the Issuer, as being sufficient in form and substance:

- (a) a current, valid, and subsisting BIR-certified true copy of the tax exemption certificate, ruling or opinion addressed to the relevant applicant or Bondholder, confirming its exemption or preferential rate, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto;
- (b) with respect to tax treaty relief, (a) for the initial interest due, three (3) originals of a duly accomplished valid, current and subsisting Certificate of Residence for Tax Treaty Relief (“CORTT”) Form or the prescribed certificate of residence of their country together with the CORTT Form as required under BIR Revenue Memorandum Order No. 8-2017 and/or three (3) originals of the duly notarized, consularized or apostilled (as the case may be), if executed outside of the Philippines, Special Power of Attorney executed by the Bondholder in favor of its authorized representative (if the CORTT Form and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines to support the applicability of a tax treaty relief; and (b) for subsequent interests due, three (3) originals of Part II (D) of the CORTT Form shall be submitted by the Bondholder/Registrar to the Issuer no later than the 1st day of the month when such subsequent interest payment/s shall fall due and, if applicable, including any clarification, supplement or amendment thereto;
- (c) a duly notarized undertaking executed by (1) the corporate secretary or any authorized representative of such applicant or Bondholder, who has personal knowledge of the exemption based on his official functions, if the applicant purchases, or the Bondholder holds, the Offer Bonds for its account, or (2) the trust officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Offer Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting such entities’ tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer, the Registrar and the Paying Agent of any suspension or revocation of the tax exemption certificate, certificate, ruling or opinion issued by the BIR, executed using the prescribed form, with a declaration and warranty of its tax exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar and the Paying Agent, the Joint Lead Underwriters and the Selling Agents free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax; and
- (d) such other documentary requirements as may be required by the Issuer and the Registrar and Paying Agent, or as required under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized or apostilled (as the case may be) proof of the Bondholder’s legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines; provided that the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided further that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar.

IMPORTANT NOTE

THE OFFER BONDS AND THIS APPLICATION TO PURCHASE ARE GOVERNED BY AND ARE SUBJECT TO THE PROSPECTUS AND THE TRUST AGREEMENT (ALL OF WHICH ARE MADE INTEGRAL PARTS OF THIS DOCUMENT). THE APPLICANT MAY OBTAIN COPIES OF THE PROSPECTUS AND THE TRUST AGREEMENT, WHICH SHALL BE MADE AVAILABLE AT THE OFFICES OF THE JOINT LEAD UNDERWRITERS, THE TRUSTEE AND THE ISSUER AT NAC TOWER, 32ND STREET, BONIFACIO GLOBAL CITY 1634 TAGUIG CITY, METRO MANILA, PHILIPPINES THROUGHOUT THE OFFER PERIOD DURING REGULAR BUSINESS HOURS.

ANNEX C
MASTER CERTIFICATE OF INDEBTEDNESS

LOGO

ABOITIZ POWER CORPORATION
MASTER CERTIFICATE OF INDEBTEDNESS
Series [●] Bonds

P ●

Bond Certificate No. [●]
Issue Date: [●]
Maturity Date: [●]

For and in consideration of the sum of PESOS: ● PESOS P ●, ABOITIZ POWER CORPORATION (the "Company"), promises to pay the sum of PESOS: [● P ●], together with interest, to the Bondholders appearing in the Register of Bondholders, pursuant to, and subject to the terms and conditions set forth in: (i) the Trust Agreement dated [●], 2020, and (ii) Annex A thereto.

This Master Certificate of Indebtedness is being issued by the Company, acting by the authority of its Board of Directors, to [●], in its capacity as Trustee, in acknowledgement of the Company's obligations in respect of the [●] year Philippine Peso fixed rate bonds (the "Series [●] Bonds") duly registered with the Philippine Securities and Exchange Commission.

The Series [●] Bonds shall bear interest, subject to the terms and conditions contained in the Trust Agreement dated [●], 2020, and Annex A attached thereto.

Annex A provides for the mode and manner of the payment and prepayment of the Series [●] Bonds under the terms and conditions set forth and specified therein as well as for the acceleration of the maturity of the Series [●] Bonds under certain conditions.

The Series [●] Bonds shall be governed by, and construed in accordance with, the laws of the Republic of the Philippines.

ABOITIZ POWER CORPORATION
By:

THE SERIES [●] BONDS ARE NOT INSURED WITH THE PHILIPPINE DEPOSIT
INSURANCE CORPORATION

EXHIBIT 1
FORM OF CERTIFICATE OF NO DEFAULT AND COMPLIANCE / NOTICE
OF DEFAULT

To: [●]
(the "Trustee")
Fax: [●]
Attn: [●]
From: Aboitiz Power Corporation
Date: [●]

Re: Trust Agreement dated [●], 2020 (the "Agreement") between Aboitiz Power Corporation (the "Issuer"), and the Trustee

We refer to the Agreement. Words and expressions defined in the Agreement have the same meanings in this certificate. This is a Certificate of No Default and Compliance.

We confirm the following:

1. that no/the following Events of Default were outstanding as at *relevant date*
2. all the representations and warranties of the Issuer contained in the Agreement remain true and correct and
3. all of the covenants of the Issuer set forth in the Agreement have been fully met and performed.

For and on behalf of Aboitiz Power Corporation

By:
Name:
Title:

EXHIBIT 2
FORM OF CERTIFICATE ON NET DEBT TO CONSOLIDATED EQUITY RATIO

To: [•]
(the "Trustee")
Fax: [•]
Attn: [•]
From: Aboitiz Power Corporation
Date: [•]

Re: Trust Agreement dated [•] 2020 (the "Agreement") between Aboitiz Power Corporation (the "Issuer"), and the Trustee

We refer to the Agreement. Words and expressions defined in the Agreement have the same meanings in this certificate. This is a Certificate on Net Debt to Consolidated Equity Ratio.

We confirm that as at *relevant date* :

Net Debt was [•] and Consolidated Equity was [•], so the ratio of Net Debt to Consolidated Equity was [•]:1.

For and on behalf of Aboitiz Power Corporation

By:
Name:
Title:

April 14, 2020

SECURITIES AND EXCHANGE COMMISSION

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

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

via PSE EDGE

PHILIPPINE STOCK EXCHANGE, INC.

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

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

via electronic mail

PHILIPPINE DEALING & EXCHANGE CORP.

Market Regulatory Services Group
29th Floor BDO Equitable Tower
8751 Paseo de Roxas, Makati City 1226

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

Gentlemen:

Attached is the SEC Form 17-A (Annual Report 2019) of Aboitiz Power Corporation for your files.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ POWER CORPORATION

By:


MANUEL ALBERTO R. COLAYCO

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- 8886-2338

Company Telephone Number

1 2 3 1

Month Day

Fiscal Year

Annual Report

1 7 - A

FORM TYPE

4th Monday of
April

0 4 2 7

Month Day

Annual Meeting

N/A

Secondary License Type, if Applicable

SEC

Dept. Requiring this Doc

N/A

Amended Articles Number/Section

Total No. of Stockholders

x

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the year ended 2019
2. SEC Identification Number C199800134 3. BIR TIN 200-652-460-000
4. Exact name of registrant as specified in its charter Aboitiz Power Corporation
5. Philippines 6. 
Province, country or other jurisdiction of incorporation Industry Classification Code
7. 32nd Street, Bonifacio Global City, Taguig City 1634
Address of principal office Postal Code
8. (02) 8886-2800
Issuer's telephone number, including area code
9. N/A
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Section 4 and 8 of the RSA.

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<u>Common</u>	<u>7,358,604,307</u>
<u>Total Debt (as of December 31, 2019)</u>	<u>₱233,096,686,000.00</u>

Fixed-Rate Peso Retail Bonds Issued by the Company:

Issue Date	Series	Amount of Issuance	Maturity Date	Tenor
September 2014	Series A	₱6.6 billion	September 2021	7 years
September 2014	Series B	₱3.4 billion	September 2026	12 years
July 2017	Series A	₱3 billion	July 2027	10 years
October 2018	Series B	₱7.7 billion	January 2024	5.25 years
October 2018	Series C	₱2.5 billion	October 2028	10 years
October 2019	Series D	₱7.25 billion	October 2026	7 years

For a discussion on the Company's bond issuances, please refer to Part I Item 1 (I)(b).

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 classes of securities listed therein:

Philippine Stock Exchange

Common

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 25 and 177 of the Revised Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes (✓)

No ()

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

Yes (✓)

No ()

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

For 2019, aggregate voting stock of registrant held outside of its affiliates and/or officers and employees totaled 1,399,582,664 shares (for details please refer to the attached notes to financial statements and Schedule H of this report) while its market price per share was ₱34.20, as of December 31, 2019.

Based on this data, total market value of registrant's voting stock not held by its affiliates and/or officers and employees was computed to be ₱47,865,727,108.80.

**APPLICABLE ONLY TO REGISTRANTS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the registrant has filed all documents and reports required to be filed by Section 17 of the RSA subsequent to the distribution of securities under a plan confirmed by a court or the SEC.

Yes ()

No (✓)

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;

(b) Any information statement filed pursuant to SRC Rule 20;

(c) Any prospectus filed pursuant to SRC Rule 8.1.

TABLE OF CONTENTS

PART I	BUSINESS AND GENERAL INFORMATION	
Item 1	Business	1
Item 2	Properties	56
Item 3	Legal Proceedings	57
Item 4	Submission of Matters to a Vote of Security Holders	65
PART II	OPERATIONAL AND FINANCIAL INFORMATION	
Item 5	Market for Issuer’s Common Equity and Related Stockholder Matters	66
Item 6	Management’s Discussion and Analysis or Plan of Operations	68
Item 7	Financial Statements and Supplementary Schedules	83
Item 8	Changes in and Disagreements with Accountants on Accounting and Financial Disclosures	83
PART III	CONTROL AND COMPENSATION INFORMATION	
Item 9	Directors and Executive Officers of the Issuer	86
Item 10	Executive Compensation	97
Item 11	Security Ownership of Certain Beneficial Owners and Management	100
Item 12	Certain Relationships and Related Transactions	102
PART IV	CORPORATE GOVERNANCE	
Item 13	Corporate Governance	103
PART V	EXHIBITS AND SCHEDULES	
Item 14	Exhibits	102
	Reports on SEC Form 17-C (Current Report)	102
SIGNATURES		105
ANNEX A	CORPORATE STRUCTURE	
ANNEX B	INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES	
ANNEX C	SUSTAINABILITY REPORT	

PART 1 – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

AboitizPower through its Subsidiaries, joint ventures, and Associates, is a leading player in the Philippine power industry with interests in privately-owned power generation companies, RES services, and distribution utilities throughout the Philippines, from Benguet in the north to Davao in the south.

AboitizPower's portfolio of power generating plants consist of a mix of renewable and non-renewable sources and of baseload and peaking power plants. This allows the Company to address the 24-hour demand of the country with its coal and geothermal plants handling baseload demand, while the hydropower, solar, and oil-based plants handle intermediate to peaking demand. Most of these plants are also capable of providing ancillary services, which are also critical in ensuring a reliable grid operation. Its generation companies have an installed capacity which is equivalent to a 15% market share of the national grid's installed generating capacity.¹ Taking into consideration projects in the pipeline, AboitizPower believes that it will meet its strategic goal of increasing its attributable net sellable capacity to 4,000 MW by 2020, having an attributable net sellable capacity of 3,455 MW as of March 31, 2020. AboitizPower's renewable investments are held primarily through its wholly-owned Subsidiary, Aboitiz Renewables, Inc. (ARI) and its Subsidiaries and joint ventures. AboitizPower is a pioneer in the building and operation of run-of-river mini hydropower plants in the country.

AboitizPower also owns interests in nine Distribution Utilities in Luzon, Visayas, and Mindanao, including Visayan Electric and Davao Light, the second and third largest distribution utilities in the Philippines, respectively. AboitizPower's Subsidiaries engaged in the distribution of electricity sold a total of 7,821,159 MWh for the year 2019.

AboitizPower's power generation business supplies power to various customers under power supply contracts, ancillary service procurement agreements (each, an "ASPA"), and for trading in the Wholesale Electricity Spot Market (WESM). The power distribution business is engaged in the distribution and sale of electricity to end-users, and the RES and Others segment includes retail electricity sales to various off-takers that are considered eligible contestable customers ("Contestable Customers") and provision of electricity-related services, such as installation of electrical equipment. AboitizPower's Subsidiaries engaged in the supply of retail electricity sold a total of 4.66 Terawatt hours (TWh) for the year 2019.

As of December 31, 2019, Aboitiz Equity Ventures, Inc. (AEV) owned 76.98% of the outstanding capital stock of AboitizPower, 78.97% was owned by directors, officers and related parties, while the remainder was owned by the public.

Neither AboitizPower nor any of its Subsidiaries has ever been the subject of any bankruptcy, receivership or similar proceedings.

History and Milestones

The Aboitiz Group's involvement in the power industry began when members of the Aboitiz family acquired 20% ownership interest in Visayan Electric in the early 1900s. The Aboitiz Group's direct and active involvement in the power distribution industry can be traced to the 1930s, when ACO acquired Ormoc Electric Light Company and its accompanying ice plant, Jolo Power Company, and Cotabato Light. In July 1946, the Aboitiz Group further strengthened its position in power distribution in Southern Philippines when it acquired Davao Light, which is now the third largest privately-owned distribution utility in the Philippines in terms of customers and annual gigawatt hour (GWh) sales.

In December 1978, ACO divested its ownership interests in Ormoc Electric Light Company and Jolo Power Company and focused on the more lucrative franchises held by Cotabato Light, Davao Light, and Visayan Electric.

¹ Based on ERC Resolution No. 5, dated June 18, 2019

In response to the Philippines' pressing need for adequate power supply, the Aboitiz Group became involved in power generation, becoming a pioneer and industry leader in hydroelectric energy. In 1978, the Aboitiz Group incorporated Hydro Electric Development Corporation (HEDC), which carried out feasibility studies (including hydrological and geological studies), hydroelectric power installation and maintenance, and also developed hydroelectric projects in and around Davao City. On June 26, 1990, the Aboitiz Group also incorporated Northern Mini-Hydro Corporation (now Cleanergy, Inc.), which focused on the development of mini-hydroelectric projects in Benguet province in northern Luzon. By 1990, HEDC and Cleanergy had commissioned and were operating 14 plants with combined installed capacity of 36 MW. In 1996, the Aboitiz Group led the consortium that entered into a Build-Operate-Transfer (BOT) agreement with NPC to develop and operate the 70-MW Bakun AC hydroelectric plant (the "Bakun Plant") in Ilocos Sur.

The table below sets out milestones in AboitizPower's development since 1998:

Year	Milestones
1998	Incorporated as a holding company for the Aboitiz Group's investments in power generation and distribution.
2005	Consolidated its investments in mini-hydroelectric plants in a single company by transferring all of HEDC's and Cleanergy's mini-hydroelectric assets to Hedcor, Inc. (Hedcor).
2007	<p>Entered into a share swap agreement with AEV in exchange for AEV's ownership interest in the following distribution utilities:</p> <ul style="list-style-type: none"> (i) An effective 55% equity interest in Visayan Electric; (ii) 100% equity interest in each of Davao Light and Cotabato Light; (iii) An effective 64% ownership interest in Subic Enerzone; and (iv) An effective 44% ownership interest in SFELAPCO. <p>As part of the reorganization of the power-related assets of the Aboitiz Group, the Company:</p> <ul style="list-style-type: none"> (i) Acquired 100% interest in Mactan Enerzone and 60% interest in Balamban Enerzone from AboitizLand; and (ii) Consolidated its ownership interests in Subic Enerzone by acquiring the combined 25% interest in Subic Enerzone held by AEV, SFELAPCO, Okeelanta Corporation, and Pampanga Sugar Development Corporation. <p>These acquisitions were made through a Share Swap Agreement, which involved the issuance of the Company's 170,940,307 common shares issued at the initial public offering (IPO) price of ₱5.80 per share in exchange for the foregoing equity interests in Mactan Enerzone, Balamban Enerzone, and Subic Enerzone.</p> <p>Together with its partner, Statkraft Norfund Power Invest AS of Norway, through SN Aboitiz Power-Magat, acquired possession and control of the Magat Plant following its successful bid in an auction by the Power Sector Assets and Liabilities Management Corporation (PSALM).</p> <p>Formed Abovant Holdings, Inc. (Abovant) with the Vivant Group as the investment vehicle for the construction and operation of a coal-fired power plant in Toledo City, Cebu ("Cebu Coal Project"). Abovant entered into a Memorandum of Agreement (MOA) with Global Business Power Corporation (Global Power) of the Metrobank group for the acquisition of a 44% equity interest in Cebu Energy Development Corporation (Cebu Energy).</p> <p>Therma Power, Inc. (TPI) entered into a MOA with Taiwan Cogeneration International Corporation (TCIC) for the Subic Coal Project, an independent coal-fired power plant in the Subic Bay Freeport Zone. Redondo Peninsula Energy, Inc. (RP Energy) was incorporated as the project company.</p> <p>Acquired 50% of East Asia Utilities Corporation (EAUC) from El Paso Philippines Energy Company, Inc. and 60% of Cebu Private Power Corporation (CPPC).</p> <p>Purchased 34% equity ownership in STEAG State Power, Inc. (STEAG Power) from Evonik Steag GmbH in August 2007.</p> <p>Purchased Team Philippines Industrial Power II Corporation Industrial Power II Corp.'s 20% equity in Subic Enerzone.</p>
2008	<p>SN Aboitiz Power-Benguet submitted the highest bid for the Ambuklao-Binga Hydroelectric Power Complex.</p> <p>Acquired Tsuneishi Holdings (Cebu), Inc.'s 40% equity ownership in Balamban Enerzone, bringing AboitizPower's total equity in Balamban Enerzone to 100%.</p>

Year	Milestones
2009	AP Renewables, Inc. (APRI) acquired the 234-MW Tiwi geothermal power facility in Albay and the 449.8 MW Makiling-Banahaw geothermal power facility in Laguna (collectively referred to as the "Tiwi-MakBan Geothermal Facilities").
	Therma Luzon, Inc. (TLI) became the Independent Power Producer Administrator (IPPA) for the 700-MW contracted capacity of the Pagbilao Coal-Fired Power Plant ("Pagbilao Plant"), becoming the first IPPA of the country.
2010	Therma Marine, Inc. (TMI), acquired ownership over Mobile 1 (Power Barge 118) and Mobile 2 (Power Barge 117) from PSALM.
2011	Meralco PowerGen Corporation (MPGC), TCIC, and TPI entered into a Shareholders' Agreement to formalize their participation in RP Energy. MPGC took the controlling interest in RP Energy, while TCIC and TPI maintained the remaining stake equally.
	Therma Mobile, Inc. (TMO) acquired four barge-mounted floating power plants and their operating facilities from Duracom Mobile Power Corporation and EAUC. In the same year, the barges underwent rehabilitation and started commercial operations in 2013.
2013	Aboitiz Energy Solutions, Inc. (AESI) won 40 strips of energy corresponding to 40 MW capacity of Unified Leyte Geothermal Power Plant (ULGPP). The contract between AESI with PSALM with respect to the ULGPP capacity was terminated on October 26, 2019.
2014	TPI entered into a joint venture agreement with TPEC Holdings Corporation to form Pagbilao Energy Corporation ("PEC") to develop, construct, and operate the 400 MW coal-fired Pagbilao Unit 3.
	Therma Power-Visayas, Inc. (TPVI) was declared the highest bidder for the privatization of the Naga Power Plant Complex (NPPC). SPC Power Corporation (SPC), the other bidder, exercised its right-to-top under the Naga Power Plant Land-Based Gas Turbine Land Lease Agreement, and PSALM declared SPC as the winning bidder. After protracted legal proceedings, TPVI accepted the turn-over for the NPPC plant on July 16, 2018.
	Acquired 100% of Lima Enerzone Corporation (Lima Enerzone), from Lima Land, Inc., a wholly-owned Subsidiary of AboitizLand.
	TPI entered into a Shareholders' Agreement with Vivant Group, for the latter's acquisition of 20% issued and outstanding shares in Therma Visayas, Inc. (TVI).
2015	Aboitiz Renewables formed a joint venture company, San Carlos Sun Power, Inc. (Sacasan), with SunEdison Philippines to explore solar energy project.
	TSI commences full commercial operations of its Unit 1.
2016	TSI commences full commercial operations of its Unit 2.
	TPI acquired 82.8% beneficial ownership interest in GNPowr Mariveles Coal Plant Ltd. Co. ("GNPowr Mariveles" or "GMPC") and 50% beneficial ownership interest in GNPowr Dinginin Ltd. Co. ("GNPowr Dinginin" or "GNPD").
	Through TPI, acquired the remaining 50% interest in EAUC from El Paso Philippines.
	AboitizPower first ventured into the solar market with SacaSun.
2017	AboitizPower International completes its acquisition of SunEdison Philippines, and consolidates ownership of SacaSun.
2018	Aseagas permanently ceased operations of its 8.8-MW biomass plant in Lian, Batangas.
	TPVI accepted the turnover of the Naga Power Plant Complex PSALM.
	Pagbilao Unit 3 begins commercial operations.

On April 22, 2019, TMO signed a Power Supply Agreement (PSA) with Meralco, after the facility went into preservation mode on February 5, 2019, and voluntarily disconnected from the grid and de-registered from WESM. TMO has registered again with Independent Electricity Market Operator of the Philippines Inc. (IEMOP) on April 22, 2019 and commenced delivery of power to Meralco on April 26, 2019.

Following Philippine Competition Commission's (PCC) approval, the Company completed the acquisition of a 49% voting stake and a 60% economic stake in AA Thermal, Inc., which holds the GNPowr Mariveles and GNPowr Dinginin projects, increasing its economic interests in the GNPowr Mariveles and GNPowr Dinginin projects to 78.32% and 72.50%, respectively.

AboitizPower plans to enter the rooftop solar business through APX1 and expand the renewable energy portfolio under its Cleanergy brand. AboitizPower's Cleanergy portfolio includes its geothermal, run-of-river hydro, and large hydropower facilities. As of March 31, 2020, AboitizPower has 921 MW of attributable net sellable capacity,

through its partners, under its Cleanergy brand. The Company is pushing for a balanced mix strategy – maximizing Cleanergy while taking advantage of the reliability and cost efficiency of thermal power plants.

Neither AboitizPower nor any of its Subsidiaries has been the subject of any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

(2) Business of Issuer

With investments in power generation, retail electricity supply, and power distribution throughout the Philippines, AboitizPower is considered one of the leading Filipino-owned companies in the power industry. Based on SEC’s parameters of what constitutes a significant Subsidiary under Item XX of Annex B of SRC Rule 12, AboitizPower’s significant Subsidiaries at present are ARI and TPI. (Please refer to Annex “A” hereof for AboitizPower’s corporate structure.)

(a) Description of Registrant

(i) Principal Products

GENERATION OF ELECTRICITY

AboitizPower’s power generation portfolio includes interests in both renewable and non-renewable generation plants. As of December 31, 2019, the power generation business accounted for 88% of earning contributions from AboitizPower’s business segments. AboitizPower conducts its power generation activities through the Subsidiaries and Affiliates listed in the table below.

The table below summarizes the Generation Companies’ operating results as of December 31, 2019, compared to the same period in 2018 and 2017:

Generation Companies	Energy Sold			Revenue		
	2019	2018 (in GWh)	2017	2019	2018 (in mn Pesos)	2017
APRI	2,968	2,857	2,747	12,545	12,518	11,645
Sacasun	49	41	41	269	197	189
Hedcor	226	172	162	881	694	821
LHC	262	291	272	787	970	774
Hedcor Sibulan	191	213	259	1,282	1,385	1,591
Hedcor Tudaya	29	32	41	172	191	240
Hedcor Sabangan	51	53	55	300	315	325
SN Aboitiz Power-Magat	2,054	2,379	1,324	6,608	7,182	8,298
SN AboitizPower-Benguet	1,975	2,085	989	6,065	6,070	6,996
TLI	6,812	6,808	5,126	25,410	26,603	22,939
TSI	1,393	1,959	1,647	9,099	11,141	10,535
Cebu Energy	1,900	1,978	1,724	8,571	9,724	8,752
STEAG Power	1,840	1,840	1,212	4,791	4,373	4,255
GMCP	3,909	5,498	5,482	19,373	23,492	21,644
WMPC	638	438	221	1,158	1,393	1,439
SPPC	0	161	50	0	161	524
CPPC	550	551	141	1,685	1,253	1,484
EAUC	383	368	63	1,013	819	844
TMI	1,200	1,432	182	1,865	2,016	2,076
TMO	938	814	286	1,968	1,694	3,111
Davao Light*	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral
Cotabato Light*	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral

* Plants are operated as stand-by plants and are revenue neutral, with costs for operating each plant recovered by Davao Light and Cotabato Light, as the case may be, as approved by ERC. The Davao Light plant has been decommissioned since November 2018.

Renewables

Aboitiz Renewables, Inc. (ARI)

AboitizPower has been committed to developing expertise in renewable energy technologies since commencing its operations in 1998. As of March 31, 2020, AboitizPower's renewable energy portfolio comprises attributable net sellable capacity of approximately 921 MW in operation, divided into 46 MW of solar, 585 MW of hydro, and 290 MW of geothermal.

AboitizPower's investments and interests in various renewable energy projects, including geothermal, large hydro, run-of-river hydro, and solar projects, are held primarily through its wholly-owned Subsidiary, ARI and its Subsidiary power generation companies. ARI was incorporated on January 19, 1995. AboitizPower, through and/or with ARI, owns equity interests in the following Generation Companies, among others:

Generation Company	Percentage of Ownership	Plant Name (Location)	Type of Plant	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Offtakers
APRI	100%	Tiwi – Makban (Luzon)	Geothermal	290	290	WESM/ Bilaterals
Hedcor	100%	Benguet 1-11 (Luzon) La Trinidad, Bineng 3, Ampohaw, FLS, Labay, Lonoy, Irisan 1 and 3, and Salangan	Run-of-river hydro	51	51	FIT/ Bilaterals
		Davao 1-5 (Mindanao) Talomo 1, 2, 2A, 2B, and 3	Run-of-river hydro	5	5	Distribution utility
		Manolo Fortich (Mindanao)	Run-of-river hydro	69	69	FIT
Hedcor Sabangan	100%	Sabangan (Luzon)	Run-of-river hydro	14	14	FIT
Hedcor Sibulan	100%	Sibulan (A, B and Tudaya A) (Mindanao)	Run-of-river hydro	49	49	Distribution utility
Hedcor Tudaya	100%	Tudaya (B) (Mindanao)	Run-of-river hydro	7	7	FIT
Luzon Hydro Corporation	100%	Bakun (Ilocos Sur, Luzon)	Run-of-river hydro	70	70	NPC (2026)
San Carlos Sun Power, Inc.	100%	SacaSun (Visayas)	Solar	46	46	WESM
SN Aboitiz Power-Benguet	60%	Ambuklao (Benguet, Luzon)	Large Hydroelectric	105	53	WESM
		Binga (Luzon)	Large Hydroelectric	140	70	WESM/ASP A
SN Aboitiz Power-Magat	60%	Magat (Luzon)	Large Hydroelectric	360	180	WESM/ Coops/ ASPA
		Maris Main Canal 1 (Luzon)	Run-of-river hydro	9	4	FIT*
AESI	100%	ULGPP**strips	Geothermal	40	40	Bilaterals
Total				1,255*		

Notes:

* Sum figures will differ due to rounding effect.

** Unified Leyte Geothermal Power Plant. The contract between AESI with PSALM in respect of the 40MW ULGPP capacity was terminated on 26 October 2019.

Run-of-River Hydros

Luzon Hydro Corporation (LHC)

LHC, a wholly-owned Subsidiary of ARI, owns, operates, and manages the 70-MW run-of-river hydropower Bakun Plant located in Amilongan, Alilem, Ilocos Sur. LHC was incorporated on September 14, 1994.

LHC was previously ARI's joint venture company with Pacific Hydro of Australia, a privately-owned Australian company that specialized in developing and operating power projects utilizing renewable energy sources. On March 31, 2011, ARI, LHC, and Pacific Hydro signed a MOA granting ARI full ownership over LHC. ARI assumed 100% ownership and control of LHC on May 10, 2011.

The Bakun Plant was constructed and operated under the government's BOT scheme. Energy produced by the Bakun Plant, approximately 254 GWh annually, is delivered and taken up by NPC pursuant to a Power Purchase Agreement ("PPA") and dispatched to the Luzon Grid through the 230-kV Bauang-Bakun transmission line of NGCP. Under the terms of its PPA, all of the electricity generated by the Bakun Plant will be purchased by NPC for a period of 25 years from February 2001. The PPA also requires LHC to transfer the Bakun Plant to NPC in February 2026, free from liens and without the payment of any compensation by NPC.

In 2018, the Bakun AC Hydro Plant gained its ISO 22301:2014 Business Continuity Management Certification, aligning with international standards in improving its business resilience. It has maintained this certification in 2019, together with its certifications for Quality, Environmental, Operational Health and Safety, Asset Management, and Information Security.

Hedcor, Inc. (Hedcor)

In 2005, ARI consolidated all its mini-hydroelectric generation assets, including those developed by HEDC and Cleanergy, into Hedcor. Cleanergy is Hedcor's brand for clean and renewable energy. Hedcor owns, operates, and manages run-of-river hydropower plants in Northern Luzon and Davao City, with a combined net sellable capacity of 36.52 MW.

Hedcor was incorporated on October 10, 1986 by ACO as Baguio-Benguet Power Development Corporation. ARI acquired ACO's 100% ownership interest in Hedcor in 1998.

The electricity generated from Hedcor's hydropower plants are taken up by NPC, Adventenergy and Davao Light pursuant to PPAs with the said off-takers. Irisan I sells energy under the Feed-in-Tariff ("FIT") mechanism through a renewable energy payment agreement ("REPA") with the National Transmission Corporation ("Transco"). The remaining electricity is sold through the WESM.

Northern Luzon's climate is classified as having two pronounced seasons - dry from November to April and wet for the rest of the year. Due to this classification, generation levels of Hedcor's plants, particularly those located in Northern Luzon, are typically lower during the first five months of each year. In 2019, Hedcor's hydropower plants generated a total of 964 GWh of Cleanergy.

In 2017, Hedcor broke ground on its Bineng Combination Hydro project in La Trinidad, Benguet. It replaced Bineng 1, 2, and 2B, which originally had a combined capacity of 6 MW, with a new facility that produces 19 MW of hydro power of which 100% is attributable to AboitizPower. The plant achieved commercial operations in July 2019.

Hedcor Sibulan, Inc. (Hedcor Sibulan)

Hedcor Sibulan, a wholly-owned Subsidiary of ARI, owns, operates, and manages the 49.23-MW hydropower plants composed of three cascading plants (the "Sibulan Project") located in Santa Cruz, Davao del Sur. The Sibulan Project consists of: Sibulan A Hydro, which produces 16.32 MW; Tudaya 1 Hydro, which produces 6.7 MW; and Sibulan Hydro B which produces another 26.25 MW by re-using the water from Sibulan A Hydro and Tudaya 1 Hydro. ERC renewed the Certificates of Compliance (COC) for Tudaya Hydro 1 on March 10, 2014, and for the Sibulan Hydro A and B plants on May 18, 2015. The energy produced by

the Sibulan Plants are sold to Davao Light through a PSA signed in 2007. The company was incorporated on December 2, 2005.

In 2018, Hedcor Sibulan gained its ISO 22301:2014 Business Continuity Management Certification. Likewise, it has passed all surveillance audits in 2019, maintaining its certifications for Quality, Environmental, Operational Health and Safety, Asset Management, Information Security, and Business Continuity.

Hedcor Tudaya, Inc. (Hedcor Tudaya)

Hedcor Tudaya, a wholly-owned Subsidiary of ARI, owns, operates, and manages the 7-MW Tudaya Hydro 2 run-of-river hydropower plant in Santa Cruz, Davao del Sur. The company was incorporated on January 17, 2011.

The Tudaya Hydro 2 plant has been commercially operating since March 2014. Tudaya Hydro 2 is currently selling energy under the FIT mechanism through a Renewable Energy Supply Agreement (RESA) with Davao del Sur Electric Cooperative, and through a REPA with Transco.

Together with Hedcor Sibulan, Hedcor Tudaya also gained its ISO 22301:2014 Business Continuity Management Certification in 2018, and maintained its certifications in 2019.

Hedcor Sabangan, Inc. (Hedcor Sabangan)

Hedcor Sabangan, a wholly-owned Subsidiary of ARI, owns, operates, and manages the 14-MW Sabangan run-of-river HEPP in Sabangan, Mountain Province. The Sabangan plant has been commercially operating since June 2015, and is selling under the FIT mechanism through a REPA with Transco. The plant is a pioneer hydropower plant in the Mountain Province region, harnessing the power of the Chico River. Hedcor Sabangan was incorporated on January 17, 2011. The Sabangan plant has been commercially operating since June 2015, and is selling under the FIT mechanism through a REPA with Transco.

Hedcor Bukidnon, Inc. (Hedcor Bukidnon)

Hedcor Bukidnon, a wholly-owned Subsidiary of ARI, owns, operates, and manages the Manolo Fortich hydropower plants with a combined net sellable capacity of 68.8 MW located in Manolo Fortich, Bukidnon. The company was incorporated on January 17, 2011.

The Manolo Fortich plant is composed of the 43.4-MW Manolo Fortich Hydro 1 and the 25.4-MW Manolo Fortich Hydro 2. Both plants produce at least 350 GWh annually, harnessing the power of Tanaon, Amusig, and Guihean rivers. The construction of the Manolo Fortich plant was completed in 2018.

The Manolo Fortich plant is selling under the FIT mechanism through REPAs with various cooperatives and private distribution utilities.

Large Hydros

SN Aboitiz Power-Magat, Inc. (SN Aboitiz Power-Magat)

SN Aboitiz Power-Magat owns and operates the 360-MW Magat Plant located at the border of Ramon, Province of Isabela and Alfonso Lista, Ifugao (the “Magat Plant”), and the 8.5-MW run-of-river Maris Main Canal 1 HEPP located in Barangay Ambatali in Ramon, Isabela (the “Maris Plant”). The company was incorporated on November 29, 2005.

SN Aboitiz Power-Magat’s Certificate of Compliance (“COC”) was issued on December 2015 and is valid for five years or until November 28, 2020. SN Aboitiz Power-Magat is ARI’s joint venture with SN Power, a leading Norwegian hydropower company with projects and operations in Asia, Africa and Latin America. SN Aboitiz Power-Magat is 60% owned by MORE. As of March 31, 2020, SN Power Invest Netherlands BV owns the remaining 40% equity interest of SN Aboitiz Power-Magat.

The Magat Plant was completed in 1983 and was turned over to SN Aboitiz Power-Magat in April 2007 after winning a bidding process conducted by PSALM in December 2006. As a hydroelectric facility that can be started up in a short period of time, the Magat Plant is suited to act as a peaking plant with the capability to capture the significant upside potential that can arise during periods of high demand. This flexibility allows for the generation and sale of electricity at the peak demand hours of the day. This hydroelectric asset has minimal marginal costs, which AboitizPower believes gives it a competitive advantage in terms of economic dispatch order versus other fossil fuel-fired power plants that have significant marginal costs.

On April 25, 2019, ERC certified the Magat Plant's new Maximum Stable Load (Pmax) at 388 MW. The Magat Plant's Units 1-4 have been favored for an uprate of 2 MW each—from 95 MW to 97 MW per unit. This means that Magat Plant is capable of producing, under normal to best conditions, its nameplate capacity of 360 MW to 388 MW.

The new Pmax of the four units was based on the capability test conducted NGCP in 2018. The new technical specifications will be reflected in the Magat Plant's COC upon its renewal in 2020.

SN Aboitiz Power-Magat is an accredited provider of ancillary services to the Luzon Grid. It sells a significant portion of its available capacity to NGCP, the system operator of the Luzon Grid. SN Aboitiz Power-Magat's remaining capacity is sold as electric energy to the spot market through WESM and to load customers through bilateral contracts.

Because 2019 has generally been characterized as an El Niño year, total inflows in the Magat dam are only 89% of historical normal. The first half dry season of 2019 resulted to 105% of the normal total inflows but very low inflows for the months of February to April occurred at about 64% only of historical normal. The second half wet season recorded 83% of normal inflows. The El Niño event for 2019 resulted in low energy typhoons tracking the Magat watersheds that also led to this below normal water availability in the Magat Dam.

Driven by lower water inflows, the Magat Plant's total sold quantities from spot energy generation and AS is at 1.8 TWh, which is lower than previous year's sold capacity of 2.3 TWh. This is equivalent to a sold capacity factor of 54%, compared to 67% in 2018. Spot and AS revenue for the year 2019 is ₱5.2 bn for 2019, which is 13% lower than the previous year's ₱5.98 bn. SN Aboitiz Power-Magat's Bilateral Contract Quantity (BCQ) revenue for 2019 is ₱17 mn, significantly lower than the previous year's ₱564.8 mn.

SN Aboitiz Power-Magat switched on its 200-kW pilot floating solar project in Ramon, Isabela on June 27, 2019. The facility is placed over a 2,500-square meter area over the Magat reservoir, with a circular installation made up of 720 solar panels held in place by four mooring systems.

The 8.5MW run-of-river Maris Main Canal I HEPP I is composed of two generator units with a nameplate capacity of 4.25 MW each. The project broke ground in late 2015 and was completed in November 2017. The plant was granted entitlement to the FIT system in its operations pursuant to the COC issued by ERC on November 2017. This is the first non-hydro renewable energy project of SN Aboitiz Power Group, which is looking at other renewables and complementary technologies to expand its portfolio. At present, the project will provide power to SN AboitizPower-Magat's facilities in the area. The SN Aboitiz Power Group will look into scaling up the project so that the power generated may contribute to its renewable energy capacity and to the country's energy security.

SN Aboitiz Power-Magat retained its Integrated Management System certifications for ISO 14001 for Environmental Management System, ISO 9001 for Quality Management System, ISO 45001 for Occupational Health and Safety Management Systems, and ISO 55001 Asset Management System, as verified and audited by DQS Philippines in 2019. The company recorded 1.8 mn manhours without lost time incident in 2019.

SN Aboitiz Power-Benguet, Inc. (SN Aboitiz Power-Benguet)

SN Aboitiz Power-Benguet is the owner and operator of the Ambuklao-Binga hydroelectric power complex, which consists of the 105-MW Ambuklao HEPP (the "Ambuklao Plant") and the 140-MW Binga HEPP (the "Binga Plant"), located in Barangay Tinongdan, Itogon, Benguet Province. SN Aboitiz Power-Benguet is also

a joint venture between ARI and SN Power. As of March 31, 2020, 60% equity is owned by MORE and 40% equity interest is owned by SN Power. The company was incorporated on March 12, 2007.

The Ambuklao-Binga hydroelectric power complex was turned over to SN AboitizPower-Benguet in July 2008. SN AboitizPower-Benguet began a significant rehabilitation project that restored the Ambuklao Plant to operating status and increased its capacity from 75 MW to 105 MW when it re-commenced operations in 2011. The Binga Plant also underwent refurbishment that began in 2010 and was completed in 2013. This refurbishment increased Binga Plant's capacity to 125 MW. In March 2017, SN Aboitiz Power-Benguet received its amended COC from ERC for all four units of the Binga Plant. The amended COC reflects the increase of the Binga plant's capacity from 130 MW (35 MW for each of the four units) to 130.08 MW (35.02 MW for each unit). It is capable of generating up to 140 MW. The Ambuklao Plant and Binga Plant sell generation from spot energy generation and ancillary services to the national transmission system and related facilities that conveys power.

The year 2019 was characterized as generally an El Niño year. The year's total inflows to the Benguet dam are 98% of historical normal and only 62% in comparison to the total inflows in 2018. The first half dry season of 2019 resulted to 94% of the normal total inflows. The El Nino effects experienced from May to July resulted to only about 60% of historical normal inflows. The second half wet season recorded 98% of the normal total inflows (only 62% in comparison to the second half of 2018). Inflow distribution for the months of August and September was recorded at 142% of normal, leading to spilling almost all throughout the months. The inflows for the rest of the second half months were below normal. The El Niño event for 2019 resulted in low energy typhoons tracking the Benguet watersheds that also led to near normal water availability in the Benguet dams.

Although inflows were higher in the Ambuklao reservoir in 2019 as compared to 2018, there was an overall lower AS Capacity Approval and spot sales for SN Aboitiz Power-Benguet. The Ambuklao Plant's total sold capacity from spot energy generation and ancillary services for 2019 is only 737 GWh, which is 91% of the capacity sold in 2018 of 810 TWh. This is equivalent to a sold capacity factor of 80% for 2019, as compared to the 88% in 2018.

On the other hand, the Binga Plant's total sold capacity from spot energy generation and AS in the year 2019 is at 1.02 TWh, or 93% of the 1.1 TWh sold capacity in 2018. This is equivalent to a sold capacity factor of 84% for 2019, compared to the 90% in 2018.

The resulting combined spot and AS revenue of the Ambuklao and Binga Plants for 2019 is at ₱4.97 bn, as compared to ₱4.9 bn in 2018. SN Aboitiz Power-Benguet's BCQ revenue for 2019 is at ₱350 mn, which is significantly lower than 2018's BCQ revenue of ₱542 mn.

Both the Ambuklao Plant and Binga Plant have retained their Integrated Management System certifications (ISO 14001 Environmental Management System, ISO 9001 Quality Management System, and ISO 55001 for Asset Management) in 2019. The company also successfully migrated and got certified to ISO 45001 Occupational Health & Safety Management System from OHSAS 18001. The Ambuklao Plant and Binga Plant jointly have more than 4.32 mn man hours of no lost time incident in 2019.

Geothermal

AP Renewables, Inc. (APRI)

APRI, a wholly-owned Subsidiary of ARI, is one of the leading renewable power companies in the country. It owns the 234 MW Tiwi geothermal power facility in Albay and the 449.8 MW Makiling-Banahaw geothermal power facility in Laguna (the "Tiwi-MakBan Geothermal Facilities") located in Albay, Laguna, and Batangas. These geothermal facilities were acquired by APRI from PSALM in July 2008 and were formally turned over to APRI on May 25, 2009.

The Tiwi-MakBan Geothermal Facilities produce clean energy that is reasonable in cost, efficient in operation, and environment-friendly. As a demonstration of APRI's commitment to providing world-class services, adhering to environmental management principles to reduce pollution, complying with regulations, and ensuring a safe and healthy workplace, the company has been issued Integrated

Management System (IMS) certifications by TÜV Rheinland Philippines that include the International Organization for Standardization (ISO) 9001:2015 (Quality), ISO 14001:2015 (Environment), and OSHAS (Occupational Health and Safety Series) 18001:2007 (Health and Safety).

On August 24, 2018, APRI and PGPC signed a Geothermal Resources Supply and Services Agreement ("GRSSA") for the supply of steam and drilling of new production wells for the Tiwi-MakBan Geothermal Facilities. The GRSSA effective date will run until the expiration of APRI's initial DOE operating contracts term on October 22, 2034, thereby ensuring the long-term operations of the facilities. Under the GRSSA, PGPC has committed to drill at least 12 new production wells over a six-year period to increase steam availability. The GRSSA also provides for more equitable and competitive fuel pricing in the long run.

The Tiwi-MakBan Geothermal Facilities have generally operated at par or better than industry standards. APRI routinely evaluates and implements various projects while improving coordination with PGPC to improve efficiency levels and counteract the challenges of a declining steam supply.

Solar

Maaraw San Carlos Holdings, Inc. (Maaraw San Carlos) and San Carlos Sun Power Inc. (SacaSun)

SacaSun owns and operates the 59-megawatt peak (MWp) solar photovoltaic (PV) power generation plant located in the San Carlos Ecozone, Barangay Punao, San Carlos City, Negros Occidental ("SacaSun Plant"). The project was inaugurated on April 19, 2016.

SacaSun was incorporated on July 25, 2014 initially as a joint venture between ARI and SunEdison Philippines. On December 4, 2017, AboitizPower acquired 100% effective equity ownership in SacaSun.

As of December 31, 2019, the energy generated from the SacaSun Plant benefited more than 6,774 homes within the Visayas Grid and displaced the energy equivalent to 6,365,712 gallons of gasoline or approximately 61,846,065 pounds of coal.

Maaraw San Carlos is the holding company of SacaSun. It was incorporated on April 24, 2015, and is effectively owned by AboitizPower, through its wholly-owned Subsidiaries, ARI and AboitizPower International.

Aboitiz Power Distributed Energy, Inc. (APX1) and Aboitiz Power Distributed Renewables Inc. (APX2)

APX1 is the project company which, together with APX2 (formerly: Kookabura Equity Ventures, Inc.) (collectively, APX), engage in the business of operating rooftop PV solar systems in the distributed energy space. APX1 and APX2 are wholly-owned Subsidiaries of AboitizPower through ARI. APX1 and APX2 were incorporated in November 2016 and May 2002, respectively.

APX1 is a registered Philippine Economic Zone Authority (PEZA) company, which intends to serve customers operating within PEZA zones.

To date, APX has a total of 4.487 MWp rooftop solar projects operating or under development stage. Notable operational PV solar systems are the 1.508MWp Rooftop PV Solar System at The Outlets @ Lipa for Lima Land, Inc. and the 0.832MWp Rooftop PV Solar System at the PANC Feedmill in Capas, Tarlac.

Renewables Pipeline

SN Aboitiz Power-Generation, Inc. (SN Aboitiz Power-Gen)

SN Aboitiz Power-Gen implements the SN Aboitiz Power Group's Business Development Program, which aims to grow the SN Aboitiz Power Group's renewable energy portfolio by looking at potential power projects in the Philippines, primarily within its current host communities in Northern Luzon.

There is a pipeline of projects in various stages from initial prospecting, pre-feasibility, feasibility, construction, including the completed Maris Plant which has since been transferred to SN Aboitiz Power-

Magat.

As of the end of 2019, SN Aboitiz Power-Gen’s most significant project is the proposed 380-MW Alimit hydropower complex in Ifugao, which consists of the 120-MW Alimit hydropower plant, the 250-MW Alimit pumped storage facility (which is currently on hold due to market constraints), and the 20-MW Olilicon hydropower plant (the “Alimit Project”). All concerned Indigenous Peoples Organizations have signified their Free and Prior Informed Consent (FPIC) by signing MOAs.

SN Aboitiz Power-Gen was incorporated on March 10, 2011. The company is a joint venture between ARI and SN Power, with the 60% equity interest owned by MORE with the remaining 40% owned by SN Power Philippines.

Non-Renewables

Therma Power, Inc. (TPI)

AboitizPower’s investments and interests in various non-renewable energy projects are held primarily through its wholly-owned Subsidiary, TPI and its Subsidiary power generation companies. TPI was incorporated on October 26, 2007. AboitizPower, through and/or with TPI, owns equity interests in the following Generation Companies, among others:

Generation Company	Percentage Ownership	Plant Name (Location)	Project Type	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Off-takers
Coal Group						
TLI	100%	Pagbilao (Luzon)	Coal-fired	700	700	Bilaterals/WESM
PEC	50%	Pagbilao 3 (Luzon)	Coal-fired	400	200	Bilaterals
TSI	100%	TSI Plant (Mindanao)	Coal-fired	260	260	Bilaterals
TVI	80%	TVI Plant (Visayas)	CFB	300	240	Bilaterals/WESM
CEDC	26.4%	Cebu Energy (Visayas)	CFB	216	57	Bilaterals/WESM
GN Power Mariveles	78.32%	Mariveles Project (Luzon)	Coal-fired	632	495	Bilaterals/WESM
STEAG Power	34%	STEAG Power Plant (Mindanao)	Coal-fired	210	71	NPC (2031)
Oil Group						
CPPC	60%	CPPC Plant (Visayas)	Bunker-C fired power plant	66	40	Distribution utility
EAUC	100%	EAUC Plant (Visayas)	Bunker-C fired power plant	44	44	Bilaterals
SPPC	20%	SPPC Plant (Mindanao)	Bunker-C fired power plant	55	11	N/A
TMI	100%	Power Barge Mobile 1 (Mindanao)	Barge-mounted power plant	96	96	Bilaterals
		Power Barge Mobile 2 (Mindanao)	Barge-mounted power plant	96	96	Bilaterals
TMO	100%	Power Barges Mobile 3-6 (Luzon)	Barge-mounted power plant	200	200	Distribution utility
WMPC	20%	WMPC Plant (Mindanao)	Bunker-C fired power plant	100	20	Bilaterals

Generation Company	Percentage Ownership	Plant Name (Location)	Project Type	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Off-takers
Cotabato Light	99.94%	Bunker Cotabato (Mindanao)	Bunker-C fired power plant	7	7	N/A
Total				3,382*	2,537*	

* Sum figures will differ due to rounding effect.

Oil Group

Therma Marine, Inc. (TMI)

TMI, a wholly-owned Subsidiary of TPI, owns and operates Power Barges Mobile 1 (previously known as PB 118) and Power Barges Mobile 2 (previously known as PB 117), which have a total generating capacity of 200 MW. Power Barges Mobile 1 is currently moored at Barangay San Roque, Maco, Davao De Oro, while Power Barges Mobile 2 is moored at Barangay Sta. Ana, Nasipit, Agusan del Norte. The company was incorporated on November 12, 2008.

The 192 MW dependable capacities of TMI are currently fully contracted and sold to various cooperatives, industrial and commercial customers in Mindanao under ESAs, all of which are approved by ERC. TMI is now registered as a WESM Trading Participant beginning January 8, 2020 in anticipation of WESM in Mindanao.

Therma Mobile, Inc. (TMO)

TMO, a wholly-owned Subsidiary of TPI, operates four barge-mounted power plants located at the Navotas Fish Port, Manila, which it acquired on May 27, 2011. The barge-mounted power plants have an installed generating capacity of 231 MW. TMO operates with a net available capacity of 165 MW. The company was incorporated on October 20, 2008.

On January 7, 2019, TMO notified Meralco that it will physically disconnect from Meralco's system and will deregister as a Trading Participant in the WESM effective February 5, 2019. After evaluating the circumstances and the options available, TMO decided to preserve its bunker C-fired diesel power plants. Notices were also sent to PEMC, DOE, ERC and IEMOP, following applicable legal notice requirements. TMO signed a PSA with Meralco for a term of one year beginning April 26, 2019.

East Asia Utilities Corporation (EAUC)

EAUC, a wholly-owned Subsidiary of TPI, is the owner and operator of a 44-MW Bunker C-fired power plant within MEPZ I, Lapu-Lapu City, Cebu. The company supplies the power requirements of the MEPZ I locators, and began supplying power through the WESM on December 26, 2010, EAUC was incorporated on February 18, 1993.

EAUC has received awards by the DENR-EMB for its commendable role in the Metro Cebu Airshed Governing Board, and by IEMOP for its exemplary compliance in the spot market.

Therma Power Visayas, Inc. (TPVI)

TPVI, a wholly-owned Subsidiary of TPI, is the project company that was awarded the winning bid for the privatization of the 25.3 hectare Naga Power Plant Complex (NPPC) located at Naga City, Cebu. The company was incorporated on October 8, 2007.

Following protracted legal proceedings, on May 23, 2018, PSALM issued a Certificate of Effectivity of the Notice of Award originally issued on April 30, 2014 in favor of TPVI. Thereafter, PSALM and TPVI executed the Asset Purchase Agreement and Land Lease Agreement of the NPPC.

On July 16, 2018, PSALM physically turned over the NPPC to TPVI. TPVI is currently working on the rehabilitation of the 44-MW diesel plant, which DOE has endorsed as a committed power project.

Cebu Private Power Corporation (CPPC)

CPPC owns and operates a 70-MW Bunker C-fired power plant located in Cebu City. The company was incorporated on July 13, 1994. It is one of the largest diesel-powered plants on the island of Cebu. Commissioned in 1998, the CPPC plant was constructed pursuant to a BOT contract to supply 62 MW of power to Visayan Electric.

CPPC is a joint venture company between AboitizPower and the Vivant Group. As of March 31, 2020, AboitizPower beneficially owns 60% of CPPC.

CPPC entered into a PPA with Visayan Electric that expired in 2013. A new PSA was signed between Visayan Electric and CPPC and is awaiting ERC approval. ERC has allowed Visayan Electric to continue drawing power from CPPC under the same terms and conditions of the expired PPA until ERC approves the new PSA. CPPC has been awarded by IEMOP for its exemplary regulatory compliance in the WESM.

Southern Philippines Power Corporation (SPPC)

SPPC owns and operates a 55-MW Bunker C-fired power plant in Alabel, Sarangani, a town outside General Santos City in Southern Mindanao. The company was incorporated on March 15, 1996.

As of March 31, 2020, AboitizPower has a 20% equity interest in SPPC, a joint venture company among AboitizPower, Alsing Power Holdings, Inc., and Tomen Power (Singapore) Pte. Ltd.

Western Mindanao Power Corporation (WMPC)

WMPC owns and operates a 100-MW Bunker C-fired power station located in Zamboanga City, Zamboanga Peninsula in Western Mindanao. The company was incorporated on March 15, 1996.

As of March 31, 2020, AboitizPower has a 20% equity interest in WMPC, a joint venture company among AboitizPower, Alsing Power Holdings, Inc., and Tomen Power (Singapore) Pte. Ltd.

Coal Group

Therma Luzon, Inc. (TLI)

TLI, a wholly-owned Subsidiary of TPI, is the first IPPA in the country, and assumed the role of the registered trader of the contracted capacity of the 700-MW (2x350 MW) Pagbilao coal-fired thermal power plant located in Pagbilao, Quezon (the "Pagbilao Plant"). TLI was incorporated on October 20, 2009.

As the IPPA, TLI is responsible for procuring the fuel requirements of, and selling the electricity generated by, the Pagbilao Plant. The Pagbilao Plant is currently owned and operated by TeaM Energy Corporation (TeaM Energy). Under the IPPA agreement, TLI has the right to receive the transfer of Pagbilao Unit 1 and Unit 2 at the end of the Energy Conversion Agreement. Over the years, TLI's capacity was contracted to various cooperatives, private distribution utilities, directly connected customers, and to affiliate RES.

Pagbilao Energy Corporation (PEC)

PEC owns and operates the 400-MW Unit 3 project within the Pagbilao Power Station, located in Pagbilao, Quezon. PEC is a joint-venture between AboitizPower and TeaM Energy, through their respective Subsidiaries, TPI and TPEC Holdings Corporation. The Pagbilao Unit 3 Project is not covered by either TLI's IPPA with PSALM or TeaM Energy's BOT contract with NPC/PSALM. Pagbilao Unit 3 commenced operations in March 2018.

Through TPI, AboitizPower has 50% equity interest in PEC, while TPEC Holdings Corporation owns the remaining 50% as of March 31, 2020.

The output of Pagbilao Unit 3 is sold to TLI and TPEC.

Therma South, Inc. (TSI)

TSI, a wholly-owned Subsidiary of TPI, owns and operates the 300-MW (2x150MW) CFB coal-fired power plant located in Davao City and Sta. Cruz, Davao del Sur. TSI was incorporated on November 18, 2008. Commercial operations for Unit 1 and Unit 2 began on September 2015 and February 2016, respectively.

TSI contributes to the continuing growing power requirements of Mindanao by providing stable and cost-effective base load power. TSI supplies power to various private distribution utilities and energy cooperatives. TSI seeks to sustain the positive impact it has brought to its host communities through various educational, livelihood, and enterprise development programs, benefitting children, students, small and medium enterprise owners, and its employees.

Therma Visayas, Inc. (TVI)

TVI is the project company for the construction of the 2x150 MW CFB coal-fired power plant located in Toledo City, Cebu. In May 2014, TVI signed an engineering, procurement, and construction contract with Hyundai Engineering Co., Ltd. and Galing Power Energy Co., Inc.

AboitizPower, through TPI, effectively owns 80% equity interest of TVI as of March 31, 2020. The remaining 20% is held by Vivant Group.

TVI has PSAs with Visayan Electric and RES Affiliates – AESI, AdventEnergy, and Prism Energy, Inc.

Abovant Holdings, Inc. (Abovant) and Cebu Energy Development Corporation (Cebu Energy)

Abovant is a joint venture company between AboitizPower and the Vivant Group as the holding company for shares in Cebu Energy. The company was incorporated on November 28, 2007.

Cebu Energy is incorporated on December 5, 2008 by Abovant and Global Formosa Power Holdings, Inc. (Global Formosa), a joint venture between Global Business Power Corporation and Flat World Limited, for the purpose of constructing three units of 82-MW CFB coal-fired power plant situated within the Toledo Power Complex in Barangay Daanlungsod, Toledo City, Cebu. The first unit was commissioned in February 2010, while the second and third units were commissioned on the second and fourth quarters of 2010, respectively. Cebu Energy declared commercial operations on February 26, 2011, and is the first commercial clean-coal facility in the country.

To date, Cebu Energy is the owner of the 3x82 MW CFB coal-fired power plant, with the primary purpose of engaging in the business of power generation, wholesale of electric power to NPC, private electric cooperatives, and other entities, and carrying on of all businesses incidental thereto.

Cebu Energy consistently ensures delivery of the highest level of service, and actively undertakes accreditations on Quality Management System (ISO 9001:2015), Environmental Management System (ISO 14001:2015), and Occupational Health and Safety Management System (OHSAS 18001:2007).

Cebu Energy provides power to the province of Cebu and its neighboring province, Bohol. Likewise, Cebu Energy has an existing ASPA with NGCP to help maintain a reliable electric Grid system.

As of March 31, 2020, Abovant has a 44% equity interest in Cebu Energy, while Global Formosa owns the remaining 56%. Consequently, AboitizPower, through TPI, holds a 26.4% effective ownership interest in Cebu Energy as of March 31, 2020.

Redondo Peninsula Energy, Inc. (RP Energy)

RP Energy was incorporated on May 30, 2007 to construct, own, and operate the 2x300-MW (net) coal-fired power plant located in the Redondo Peninsula of Subic Bay within the SBFZ, Subic, Zambales.

RP Energy was originally a joint venture between AboitizPower and TCIC. MPGC acquired a majority interest in RP Energy by virtue of a share purchase agreement with TPI on July 22, 2011. AboitizPower, through TPI, and TCIC each retained a 25% stake in RP Energy.

STEAG State Power Inc. (STEAG Power)

STEAG Power is the owner and operator of a 210 MW (net) coal-fired power plant located in PHIVIDE Industrial Estate in Misamis Oriental, Northern Mindanao. The company was incorporated on December 19, 1995. The STEAG Power Plant was built under a BOT arrangement and started commercial operations on November 15, 2006.

While STEAG Power's pioneer status expired on November 14, 2012, its COC, on the other hand, has been renewed by ERC and is effective until August 2021.

As of March 31, 2020, AboitizPower has 34% equity interest in STEAG Power following the purchase of said equity from Evonik Steag GmbH (now STEAG GmbH or STEAG), Germany's fifth largest power generator. STEAG and La Filipina Uy Gongco Corporation currently hold the remaining 51% and 15% equity, respectively, in STEAG Power.

STEAG Power has a 25-year PPA with NPC, which is backed by a Performance Undertaking issued by the Philippine government.

AA Thermal, Inc.

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

The AA Thermal platform initially consists of AC Energy's limited partnership interests in GMCP and GNPD, where AboitizPower, through TPI, already holds direct partnership interests.

GNPower Mariveles Coal Plant Ltd. Co. (GNPower Mariveles or GMCP)

GMCP is a private limited partnership organized on May 13, 2007 and established to undertake the development, construction, operation, and ownership of an approximately 2x316 MW (net) pulverized coal-fired power plant located in Mariveles, Bataan, Philippines ("Mariveles Project").

The Mariveles Project is located within an industrial zone on a 60-hectare coastal site near the port of Mariveles, Bataan. The project site lies near the northern entrance to Manila Bay, providing easy and safe shipping access from the West Philippine Sea. The Mariveles Project commenced on January 29, 2010 and was declared commercially available in 2013.

The electricity produced by the Mariveles Project is exported through a 230kV high voltage transmission line owned and operated by NGCP. Substantially all of the capacity of the Mariveles Project is contracted under long term PPAs with highly-rated distribution utilities and Contestable Customers, through its designated RES, GNPower Ltd. Co.

In October 2016, TPI acquired the partnership interests held by affiliated investment funds of The Blackstone Group L.P. in World Power Holdings, L.P. (currently registered as Therma Mariveles Holdings L.P.) and Sithe Global Power, L.P. (currently registered as Therma Dinginin L.P.). Following the receipt of approvals from Board of Investments (BOI) and PCC, TPI completed the acquisition of GMCP and GNPD on December 27, 2016. Beginning October 13, 2017, through its general and limited partners, AboitizPower's sharing percentage on: (i) profits and losses and (ii) distributions, including net distributable liquidation proceeds, in GMCP is 66.0749%.

On March 7, 2018, AboitizPower completed the restructuring its share ownership structure in GMCP by transferring its direct ownership of GMCP from the offshore subsidiaries of TPI to TPI itself, and the eventual dissolution and liquidation of the offshore intermediary subsidiaries that own the GMCP shares.

Effectively, the partnership interests in GMCP are owned by: (i) TPI, (ii) ACE Mariveles Power Ltd. Co., a joint venture between AC Energy, Inc. (ACE), a wholly-owned Subsidiary of Ayala Corporation and Power Partners Ltd. Co. (Power Partners), and (iii) Power Partners.

On January 10, 2020, GMCP became a duly registered personal information controller with National Privacy Commission (NPC).

GNPower Dinginin Ltd. Co. (GNPower Dinginin or GNPD)

GNPD is a limited partnership organized and established on May 21, 2014 with the primary purpose of developing, constructing, operating, and owning a 2x668 MW (net) supercritical coal-fired power plant to be located at Mariveles, Bataan.

GNPD started the construction of Unit 1 in September 2016 with target delivery in the second quarter of 2020 for Unit 1. The partnership also proceeded with the expansion of the power plant and achieved its financial closing for Unit 2 in December 2017 and with expected target delivery in the fourth quarter of 2020. To date, GNPD has signed numerous Power Purchase and Sale Agreements with highly-rated distribution utilities and RES.

GNPD's construction is conducted in two phases: (i) the first phase is for Unit 1 and its associated ancillary facilities as well as the balance of plant, and (ii) the second phase is for an additional identical 668MW (net) unit (Unit 2) and its associated ancillary facilities. The electricity that will be produced by Unit 1 of GNPD will be exported through the existing 230kV high voltage transmission line owned and operated by NGCP. Eventually, energy from Unit 1 and Unit 2 will be exported through NGCP's 500kV high voltage transmission line once completed.

On December 27, 2016, TPI completed the acquisition of the partnership interests held by affiliated investment funds of The Blackstone Group, L.P in World Power Holdings, L.P. (currently registered as Therma Mariveles Holdings L.P.) and Sithe Global Power, L.P. (currently registered as Therma Dinginin L.P.). The sharing percentage on (i) profits and losses and (ii) distributions of AboitizPower in GNPD, through its general and limited partners, will eventually be reduced to 40%.

In 2018, AboitizPower, through TPI, restructured its share ownership structure in GNPD and transferred direct ownership of GNPD from the offshore subsidiaries of TPI to TPI itself. After the restructuring on December 31, 2018, TPI directly owns a 45% partnership interest in GNPD. As of March 31, 2020, AboitizPower owns 72.50% effective partnership interest in GNPD.

GNPD is co-developed by Power Partners, ACE, and TPI.

On December 19, 2019, GNPD became a duly registered personal information controller with NPC.

On December 27, 2019, GNPD renewed its registration with the Freeport Area of Bataan (FAB). As a FAB Registered Enterprise, GNPD is entitled to the incentives granted under Republic Act (RA) No. 9728, the organic law creating the FAB.

Other Generation Assets

Cotabato Light maintains a stand-by 4.45-MW Bunker C-fired power plant capable of supplying approximately 14.16% of its requirements as of December 31, 2019.

Future Projects

AboitizPower assesses the feasibility of any new power generation project. Factors taken into consideration include the proposed project's land use requirements, access to a power grid, fuel supply arrangements, availability of

water, local requirements for permits and licenses, acceptability of the project to the communities and people it will affect, ability of the project to generate electricity at a competitive cost, and the existence of potential purchasers of the electricity generated. For the development of a new power project, the Company, its partners, and its suppliers are required to obtain all national and local permits and approvals before the commencement of construction and commercial operations, including those related to the project site, construction, environment, land use planning/zoning, operations licenses, and similar approvals.

DISTRIBUTION OF ELECTRICITY

The Aboitiz Group has more than 85 years of experience in the Philippine power distribution sector.

With ownership interests in nine Distribution Utilities, the Company believes that AboitizPower is currently one of the largest electricity distributors in the Philippines. AboitizPower's Distribution Utilities collectively supply electricity to franchise areas covering a total of 18 cities and municipalities and five economic zones across Luzon, Visayas and Mindanao.

In 2019, the wholly-owned Distribution Utilities and Visayan Electric undertook a rebranding initiative to modernize the look and feel of the brands and visually show their relation to AboitizPower. The implementation phase for the transition to the rebranded look is currently ongoing, and is expected to be completed by year-end.

The Distribution Utilities' earnings contribution to AboitizPower's business segments in 2019 is equivalent to 24%. The Distribution Utilities had a total customer base of 1,030,726 as of end-2019, compared to 995,828 in 2018, and 954,300 in 2017.

The table below summarizes the key operating statistics of the Distribution Utilities for each of the past three years:

Company	Electricity Sold (MWh)			Peak Demand (MW)			No. of Customers		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Davao Light	2,633,920	2,468,192	2,317,985	454	421	404	420,666	404,574	384,434
Cotabato Light	173,114	165,409	153,973	31	31	29	43,449	41,681	41,110
Visayan Electric	3,500,781	3,159,032	2,938,532	601	547	522	450,088	437,823	422,814
SFELAPCO	714,948	665,425	623,607	140	134	116	112,091	107,536	101,942
Subic Enerzone	329,633	423,939	517,558	62	100	106	3,473	3,343	3,267
Mactan Enerzone	117,433	123,276	114,272	22	22	21	87	85	83
Balamban Enerzone	101,885	100,554	91,273	27	27	27	34	31	31
Lima Enerzone	249,394	224,175	197,908	44	39	33	834	755	619
Malvar Enerzone	51	N/A	N/A	0.06	N/A	N/A	4	N/A	N/A
Total	7,821,159	7,330,002	6,955,108	1,382	1,320	1,258	1,030,726	995,828	954,300

Visayan Electric Company, Inc. (VECO)

Visayan Electric is the Aboitiz Group's first involvement in the power industry, with the acquisition by some family members of 20% ownership interest in the early 1900s. To date, Visayan Electric is the second largest privately-owned distribution utility in the Philippines in terms of customer size and annual MWh sales.

Visayan Electric supplies electricity to a region covering 674 square kilometers (sq. kms.) in the island of Cebu with a population of approximately 1.7 mn. Visayan Electric has 19 power substations and one mobile substation that serve the electrical power needs of various cities, municipalities, and barangays in the island and province of Cebu.

Visayan Electric, directly and through its predecessors-in-interest, has been in the business of distributing electricity in Cebu since 1905. In 1928, Visayan Electric Company, S.A. was granted a 50-year distribution franchise

by the Philippine Legislature. The franchise has been renewed in September 2005 for a period of 25 years or until September 2030.

As of 2019, Visayan Electric's total systems loss is at 6.00%. This includes a feeder loss level of 4.38%, which is below the government-mandated feeder loss cap of 6.25%.

As of March 31, 2020, AboitizPower directly held a 55.26% equity interest in Visayan Electric. 34.81% is owned by the Vivant Group.

Davao Light & Power Company, Inc. (Davao Light)

Davao Light is the third largest privately-owned electric distribution utility in the country in terms of customer size and annual kWh sales. Davao Light's franchise area covers various cities and municipalities in Davao, with a population of approximately 1.8 mn and a total area of 3,561 sq. kms.

Davao Light was incorporated on October 11, 1929, and acquired by the Aboitiz Group in 1946. Davao Light's original 50-year franchise, covering Davao City, was granted in November 1930 by the Philippine Legislature. The most recent renewal of the franchise was in September 2000 for a period of 25 years, or until September 2025.

52.29% of Davao Light's power supply mix is from renewable energy sources, including NPC-PSALM, Hedcor Sibulan, and Hedcor's Talomo plant.

In 2019, Davao Light has upgraded certain substations and its associated 13.8 kV distribution feeders, as well as various distribution lines in different zones in Davao City. This is to increase capacity, reliability, and flexibility in the sub-transmission and distribution network of Davao Light's franchise and cater to the growing power demand of customers and the thriving economy. The company has also completed the construction and upgrade of a total of 8.2 circuit kilometers of 13.8 kV line and 6 circuit kilometers of 69 kV line. Its Underground Distribution System (UDS) project, which was started in 2019, is slated for completion by 2020.

The growth in demand resulted in total sales of 2,633,920 MWh as of December 2019. Davao Light recorded a total growth in energy sales for 2019 of 6.71% and increase of demand of 7.73%.

As of 2019, Davao Light's total systems loss is at 7.32%. This includes a feeder loss of 4.28%, which is below the government-mandated feeder loss cap of 6.25%.

AboitizPower has a 99.93% equity interest in Davao Light as of March 31, 2020.

Cotabato Light and Power Company (Cotabato Light)

Cotabato Light supplies electricity to Cotabato City and portions of the municipalities of Sultan Kudarat, Maguindanao, with a land area of 191 sq. kms. Incorporated in April 1938, Cotabato Light's original 25-year franchise was granted by the Philippine Legislature through RA No. 3341 in June 1939. The most recent renewal of the franchise was in June 2014, for another 25 years or until 2039.

Cotabato Light also maintains a standby 4.45-MW Bunker C-fired plant capable of supplying approximately 14.16% of its franchise area requirements. The standby power plant, capable of supplying electricity in cases of supply problems with its power suppliers or NGCP and for the stability of voltage whenever necessary, is another benefit available to Cotabato Light's customers.

As of 2019, Cotabato Light's total systems loss is at 8.08%. This includes a feeder loss of 7.36%, which is above the government-mandated government-mandated feeder loss cap of 6.25%. Cotabato Light is continuously innovating its strategies and processes to reduce its system losses.

As of March 31, 2020, AboitizPower directly owned a 99.94% equity interest of Cotabato Light.

San Fernando Electric Light & Power Co., Inc. (SFELAPCO)

SFELAPCO was incorporated in May 17, 1927 and was granted a municipal franchise in 1927. The most recent

renewal of its franchise was in March 2010 for a period of 25 years.

SFELAPCO's franchise in the the City of San Fernando, Pampanga covers an area of 78.514 sq. kms. As of December 31, 2019, it includes 597.466 and 997.026 circuit-kilometers on its 13.8-kV and 240-volt distribution lines, respectively. SFELAPCO supplies various barangays in certain cities and municipalities of Pampanga.

As of 2019, SFELAPCO's systems loss is at 4.86%. This includes a feeder loss of 3.34%, which is below the government-mandated feeder loss cap of 6.25%.

As of March 31, 2020, AboitizPower had an effective equity interest of 43.727% in SFELAPCO.

Subic EnerZone Corporation (Subic Enerzone)

On June 3, 2003, Subic Enerzone was incorporated as a joint venture owned by a consortium including Davao Light, AEV, and SFELAPCO, among others, to undertake management and operation of the SBFZ power distribution utility.

As of February 29, 2020, Subic Enerzone served a total of 3,346 customers, consisting of 82 industrial locators, 1,167 commercial locators, 1,975 residential customers, 103 streetlights and 19 industrial locators under RES.

As of 2019, Subic Enerzone's systems loss is at 3.54%. This includes a feeder loss of 3.17%, which is below the government-mandated feeder loss cap of 6.25%.

As of March 31, 2020, AboitizPower owned, directly and indirectly through Davao Light, a 99.98% equity interest in Subic Enerzone.

Mactan Enerzone Corporation (Mactan Enerzone)

Mactan Enerzone was incorporated on February 2007 when AboitizLand spun off the power distribution system of its Mactan Export Processing Zone II (MEPZ II) project. The MEPZ II project, which was launched in 1995, was operated by AboitizLand under a BOT agreement with the Mactan-Cebu International Airport Authority (MCIAA).

Mactan Enerzone sources its power from SN Aboitiz Power-Magat and Green Core Geothermal Incorporated pursuant to a CSEE.

In 2019, Mactan Enerzone served a total of 53 captive industrial locators, 28 captive commercial locators, and 3 industrial locators under RES.

As of 2019, Mactan Enerzone's total systems loss is at 0.96 %. This includes a feeder loss of 0.42%, which is below the government-mandated feeder loss cap of 6.25%.

As of March 31, 2020, AboitizPower owned a 100% equity interest of Mactan Enerzone.

Balamban Enerzone Corporation (Balamban Enerzone)

Balamban Enerzone was incorporated in February 2007 when CIPDI, a joint venture between AboitizLand and THC, spun off the power distribution system of the West Cebu Industrial Park – Special Economic Zone (WCIP-SEZ). WCIP-SEZ is a special economic zone for light and heavy industries located in Balamban, Cebu.

In 2019, Balamban Enerzone served a total of 16 captive industrial customers, 12 captive commercial customers, and six contestable industrial customers.

As of 2019, Balamban Enerzone's total systems loss is at 0.42%. This includes a feeder loss of 0.16%, which is below the government-mandated feeder loss cap of 6.25%.

As of March 31, 2020, AboitizPower directly owned a 100% equity interest of Balamban Enerzone.

Lima Enerzone Corporation (Lima Enerzone)

Lima Enerzone was incorporated as Lima Utilities Corporation on June 5, 1997 to serve and provide locators within the Lima Technology Center (LTC) with a reliable and stable power supply.

In 2019, Lima Enerzone served a total of 93 captive industrial locators, 15 captive commercial locators, 710 captive residential customers, and 16 industrial locators under RES.

As of 2019, Lima Enerzone's total systems loss is at 5.24%. This includes a feeder loss of 0.61%, which is below the government-mandated feeder loss cap of 6.25 %.

As of March 31, 2020, AboitizPower directly owned a 100% equity interest of Lima Enerzone.

Malvar Enerzone Corporation (Malvar Enerzone)

Malvar Enerzone was incorporated in June 9, 2017 to serve and provide locators within the Light Industry & Science Park IV (LISP IV) in Malvar, Batangas. Malvar Enerzone is expected to manage the construction, installation, operation, and maintenance of the power distribution of LISP IV for 25 years. LISP IV is expected to have two 50MVA transformers to provide reliable and quality power to locators, which are mostly from manufacturers and exporters.

As of 2019, Malvar Enerzone's total systems loss is at 14.79%. This consists of a feeder loss of 14.79%, which is above the government-mandated feeder loss cap of 6.25 % due to the ongoing substation construction and very low load factor for all locators in LISP IV.

As of March 31, 2020, AboitizPower directly owned a 100% equity interest of Malvar Enerzone.

RETAIL ELECTRICITY AND OTHER RELATED SERVICES

One of the objectives of electricity reform in the Philippines is to ensure the competitive supply of electricity at the retail level. With the start of commercial operations of Open Access, large-scale customers are allowed to obtain electricity from RES licensed by ERC.

Aboitiz Energy Solutions, Inc. (AESI)

AESI is engaged in the business of a retail energy supplier and energy consolidator. It was granted a license to act as a RES valid until October 28, 2022. The company was incorporated on August 11, 1998.

At the start of commercial operations of Open Access on June 26, 2013, AESI served 42 customers. For the year 2019, AESI supplied retail electricity to a total of 212 customers, with total energy consumption of 2,107.09 mn kWh. As of March 31, 2020, AboitizPower owned a 100% equity interest of AESI.

Adventenergy, Inc. (AdventEnergy)

AdventEnergy was specifically formed to serve Contestable Customers who are located in economic zones.

AdventEnergy differentiates itself from competition by sourcing most of its electricity requirements from a renewable source. As a result, an increasing number of companies are opting to source a part, if not the majority, of their electricity supply from AdventEnergy as an environmental initiative.

During 2019, AdventEnergy supplied retail electricity to 79 customers with a total consumption of 1,409.82 mn kWh.

As of March 31, 2020, AboitizPower owned a 100% equity interest of AdventEnergy.

Prism Energy, Inc. (Prism Energy)

Prism Energy was incorporated in March 2009 as a joint venture between AboitizPower and Vivant Corporation.

It was granted a license to act as a RES valid until May 22, 2022.

Prism Energy is envisioned to serve Contestable Customers in the Visayas region. As a RES, Prism Energy provides its customers with contract options for electricity supply that is based on their operating requirements. During 2019, Prism Energy supplied retail electricity to 48 customers with a total energy consumption of 242.87 mn kWh.

As of March 31, 2020, AboitizPower directly owned a 60% equity interest in Prism.

SN Aboitiz Power – Res, Inc. (SN Aboitiz Power - RES)

SN Aboitiz Power-RES is the retail arm of the SN Aboitiz Power Group. SN Aboitiz Power-RES is a joint venture between ARI and SN Power. As of March 31, 2020, its 60% equity interest is owned by MORE with the remaining 40% owned by SN Power Philippines.

SN Aboitiz Power-RES caters to the Contestable Customer sector and electricity consumers using an average of at least 1 MW in the last twelve months across all industries under Open Access. It offers energy supply packages tailored to its customers' needs and preferences.

In 2019, the company contributed strongly to the SN AboitizPower Group's financial bottomline, with a net revenue of ₱565 mn compared to ₱114 mn in 2018. This was driven by successful buy contracts booked under SN Aboitiz Power-RES.

(ii) Sales

The operations of AboitizPower and its Subsidiaries and Affiliates are based only in the Philippines.

Comparative amounts of revenue, profitability and identifiable assets are as follows:

	2019	2018	2017
Gross Income	₱126,216	₱131,572	₱119,391
Operating Income	28,856	36,497	34,174
Total Assets	₱409,933	₱389,662	₱361,477

Note: Values are in Million Pesos. Operating income is operating revenue net of operating expenses.

Comparative amounts of revenue contribution and corresponding percentages to total revenue by business group are as follows:

	2019		2018		2017	
Power Generation	₱84,379	53%	₱85,580	54%	₱78,252	31%
Power Distribution	48,029	30%	46,989	29%	44,392	54%
Retail Electricity Supply	24,566	15%	26,191	16%	19,971	14%
Services	1,965	1%	1,098	1%	1,407	1%
Total Revenue	158,939	100%	159,858	100%	144,021	100%
Less: Eliminations	(32,723)		(28,286)		(24,630)	
Net Revenue	₱126,216		₱131,572		₱119,391	

Note: Values are in Million Pesos.

(iii) Distribution Methods of the Products or Services

Power Generation Business

The AboitizPower's Generation Companies sell their capacities and energy through bilateral PSAs, private distribution utilities, electric cooperatives, RES, or other large end-users; and through the WESM. There are also Subsidiaries and Affiliates selling ancillary services through ASPAs with NGCP. The majority of AboitizPower's generation companies have transmission service agreements with NGCP for transmission of electricity to the Grid.

Distribution Utilities Business

Ancillary Services are necessary to help ensure a reliable and stable Grid, which co-exist with the energy market or WESM. NGCP signs ASPA with qualified generators to fulfill specific ancillary service requirements per Grid. Currently, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, TMI, and TLI have ASPAs with NGCP. The SN Aboitiz Power Group delivers regulating, contingency, and dispatchable reserves, blackstart service and reactive power support, through its three power plants, namely Ambuklao Plant, Binga Plant, and Magat Plant. TLI's Pagbilao plants are also delivering contingency reserves to the Luzon Grid under its ASPA. On March 26, 2018, ERC approved TMI's ASPA with NGCP for a maximum period of five years. TMI provides both contingency and dispatchable reserves to the Mindanao Grid on a non-firm basis.

In addition, the Hedcor Tudaya Hydro 2, Hedcor Irisan Hydro 1, Hedcor Sabangan, and Hedcor Manolo Fortich 1 plants, all in commercial operations, have been approved for inclusion in the FIT system for run-of-river HEPPs. Hedcor, Hedcor Tudaya, Hedcor Sabangan, and Hedcor Bukidnon, the companies that own and operate the foregoing plants, have entered into REPAs with Transco, in its capacity as FIT-All Administrator, for the collection and payment of the FIT. The power generated by Hedcor Tudaya 2 is covered by a RESA. Currently, Hedcor Bukidnon and Hedcor are applying for FIT eligibility of the 27.38MW Manolo Fortich 2 and 20.4MW La Trinidad Project plants, respectively.

AboitizPower's Distribution Utilities have exclusive distribution franchises in the areas where they operate. Each Distribution Utility has a distribution network consisting of a widespread network of predominantly overhead lines and substations. Customers are classified according to voltage levels based on their electricity consumption and demand. Large industrial and commercial consumers receive electricity at distribution voltages of 13.8 kV, 23 kV, 34.5 kV, and 69 kV, while smaller industrial, commercial, and residential customers receive electricity at 240 V or 480 V.

With the exception of Malvar Enerzone, all of AboitizPower's Distribution Utilities have entered into transmission service contracts with NGCP for the use of NGCP's transmission facilities to receive power from PSALM to their respective independent power producers to their respective customers. All customers that connect to the Distribution Utilities' distribution lines are required to pay a tariff approved by ERC.

Retail Electricity Supply Business

AboitizPower's wholly-owned RES companies, AdventEnergy and AESI, have existing electricity supply contracts to ensure continuous supply of power to their customers. AdventEnergy and AESI maintain a portfolio of energy-based supply contracts from renewable and non-renewable sources to secure reliable and affordable electricity for its customers. These electricity supply contracts involve a mix of fixed rate and margin based electricity fees that are updated year on year to ensure that supply is maintained at competitive rates.

(iv) New Products/Services

Other than the ongoing Greenfield and/or rehabilitation projects undertaken by AboitizPower's Generation Companies, AboitizPower and its Subsidiaries do not have any publicly announced new products or services as of the date of this report.

(v) Competition

Power Generation Business

AboitizPower continues to face competition in both the development of new power generation facilities and the acquisition of existing power plants. Competition for financing these activities, as well as the demand for use of renewable energy sources, remains to be a challenge to AboitizPower's growth and portfolio of assets.

The continued robust economic growth of the Philippine economy, the presence of a market to sell, such as WESM, and the country's growing energy needs have attracted many competitors, including multinational development groups and equipment suppliers, to explore opportunities in electric power generation projects in the Philippines. Accordingly, competition for and from new power projects may increase in line with the expected long-term economic growth of the Philippines.

In particular, AboitizPower is expected to face competition from leading multinationals such as AES Corporation, TeM Energy, The Electricity Generating Public Company Limited (EGCO), and Korea Electric Power Corporation, as well as power generation facilities owned or controlled by Filipino-owned companies such as Global Business Power Corporation, AC Energy, First Gen Corporation, DMCI Holdings, Inc., Meralco PowerGen Corporation, and SMC Global Power.

With the commencement of retail competition and Open Access, these foreign and local generation companies have already set up their own RES business, which include Direct Power RES, and Ecozone Power Management Inc. RES. Of these, the largest player in terms of number of registered Contestable Customers is MPower RES.² The main strength of this largest player is its association with the country's largest distribution utility, MERALCO, and the goodwill that comes from its size and dominance.

Retail Electricity Supply Business

Based on ERC's Competitive Retail Electricity Market Monthly Statistical Data as of November 2019, there are 32 RES companies and 25 Local RES companies participating in the Open Access markets in Luzon and Visayas. The Meralco group, through its RES companies, has the largest market share at 31.61%. AboitizPower, through its RES companies, has the second-largest market share at 19.69%,³ with contracted capacity of 756.89 MW⁴ as of November 2019.

The increase in the number of power plants, the number of RES companies, and volatile oil and coal prices have also increased the level of competition in the Open Access market. RES companies have resorted to both aggressive pricing and contractual concessions.

AboitizPower believes that its portfolio, consisting of different types of energy sources with a mix of renewables and non-renewables, allows it to be flexible in both pricing and reliability of supply, thus enhancing its competitiveness.

Distribution Utilities Business

Each of AboitizPower's Distribution Utilities currently have franchises to distribute electricity in the areas covered by its franchises.

(vi) Sources of Raw Materials and Supplies

Power Generation Business

The Generation Companies produce energy using the following fuel types based on attributable net selling capacity: 17% hydropower, 8% geothermal, 1% solar, 59% coal, and 15% oil. In 2019, renewable fuel sources comprised 73% of attributable net selling capacity, while thermal accounted for 27%.

The hydropower facilities of some of the Generation Companies harness the energy from the flow of water from neighboring rivers to generate electricity. These facilities have impounding dams allowing the storage of water for later use. The hydroelectric companies on their own, or through NPC as in the case of LHC, possess water permits issued by National Water Resources Board (NWRB), which allow them to utilize the energy from a certain volume of water from the applicable source of the water flow.

APRI's steam requirement for its geothermal power generation continues to be supplied by PGPC. The terms of the steam supply are governed by a Geothermal Resource Sales Contract under which price of steam is ultimately indexed to the Newcastle Coal Index and the Japanese Public Utilities coal price. APRI and PGPC signed a new agreement on August 24, 2018 under which PGPC will drill 12 new production wells over the next six years.

² Based on ERC's Competitive Retail Electricity Market Report released in August 2019.

³ Excluding SFELAPCO which is 20.284% owned by AboitizPower.

⁴ Excluding SFELAPCO which is 20.284% owned by AboitizPower.

Oil-fired plants use Bunker-C fuel to generate electricity. SPPC and WMPC source fuel from Pilipinas Shell Petroleum Corporation and Phoenix Petroleum, respectively. Each of EAUC, CPPC, TMI, and TMO has a fuel supply agreement with Shell and Phoenix Petroleum. The fuel prices under these agreements are pegged to the Mean of Platts Singapore index.

TLI has long-term coal supply contracts for the Pagbilao Plant annual coal requirements. Nevertheless, it is continuously looking for and evaluating other coal sources to diversify sources and ensure security of supply.

Likewise, TSI has annual coal supply contracts for its coal plant in Mindanao. It applies the same sourcing strategy as that of Pagbilao where evaluation of other potential coal sources is being conducted in order to establish the most competitive and optimum fuel supply mix. GMCP, STEAG Power, and CEDC also have long-term coal supply agreements.

Power Distribution Business

The rates at which the Distribution Utilities purchase electricity from affiliated Generation Companies are established pursuant to bilateral agreements. These agreements are executed after the relevant Generation Company has successfully bid for the right to enter into a PSA with a Distribution Utility. These agreements are entered into on an arms'-length basis, on commercially reasonable terms, and are approved by ERC.

To address long-term power supply requirements, Davao Light and Cotabato Light entered into 25-year PSCs with TSI for 100 MW and 5 MW, respectively, and started drawing their contracted capacity in September 2015. In June 2016, Davao Light and TSI filed a Joint Manifestation with ERC stating that they agreed to supplement and modify their supply contract to 108 MW.

In anticipation of higher demand and lower allocation from PSALM, Davao Light entered into a 10-year PSC with San Miguel Consolidated Power Corporation (SMCPC) for a supply of 60MW in 2016. SMCPC began supplying the 60-MW contracted capacity in February 2018. Davao Light also renewed its Contract to Supply Electric Energy (CSEE) with PSALM for a period of three years from 2018, 2019, and 2020 for 133 MW, 140 MW and 140 MW, respectively. To cover its peak demand requirement for 2018 to 2021, Davao Light has Non-Firm ESAs with TMI and WMPC for up to 45MW and 60MW, respectively.

To address long-term power supply requirement, Visayan Electric entered into a 25-year Electric Power Purchase Agreement (EPPA) with CEDC in October 2009 for the supply of 105 MW. In December 2010, Visayan Electric signed a five-year PSA with GCGI for the supply of 60 MW at 100% load factor which was extended for another ten years in October 2014. Visayan Electric also has a PPA with CPPC which expired in 2013. A new PSA has since been signed is pending for ERC approval. ERC has allowed Visayan Electric to continue drawing power from CPPC under the same terms and conditions of the expired PPA until ERC approves the 2013 PSA. Visayan Electric also has a 15-year PSA with TVI for the supply of 150 MW beginning 2018.

Malvar Enerzone has a power supply contract with Batangas II Electric Cooperative, Inc. to meet the ecozone's power requirements until its electricity demand is stable.

The provisions of the Distribution Utilities' PPAs are governed by ERC regulations. The main provisions of each contract relate to the amount of electricity purchased, the price, including adjustments for various factors such as inflation indexes, and the duration of the contract. Distribution Utilities also enter into PSAs with various generation companies.

Transmission Charges

AboitizPower's Distribution Utilities have existing Transmission Service Agreements (TSAs) with the NGCP for the use of the latter's transmission facilities in the distribution of electric power from the Grid to its customers, which are valid until the dates specified below:

Distribution Utility	Valid until
Davao Light	January 25, 2024
Lima Enerzone	July 25, 2022

Distribution Utility	Valid until
Mactan Enerzone	January 25, 2020*
Balamban Enerzone	January 25, 2020*
SFELAPCO	December 25, 2023
Cotabato Light	August 25, 2023
Visayan Electric	January 25, 2024
Subic Enerzone	August 25, 2023

* Ongoing applications with NGCP for renewal of their TSAs.

The Distribution Utilities have negotiated agreements with NGCP in connection with the security deposit to secure their obligations to the NGCP under the TSAs. Malvar Enerzone has already applied and submitted the requirements for connection to the Grid.

(vii) Major Customers

Power Generation Business

As of December 31, 2019, out of the total electricity sold by AboitizPower's Generation Companies, approximately 95% is covered by bilateral contracts with, among others, private distribution utilities, electric cooperatives, and industrial and commercial companies. The remaining, approximately 5%, is sold by the Generation Companies through the WESM.

Retail Electricity Supply Business

As of February 29, 2020, AboitizPower's RES business has approximately 312 Contestable Customers with active contracts, from a wide number of industries, including property development, meat processing, semiconductors, steel, and cement. AboitizPower thus believes that this diversity will insulate its RES business from downturns in any one industry.

Power Distribution Utilities

AboitizPower's Distribution Utilities have wide and diverse customer bases. As such, the Company believes that loss of any one customer is not expected to have a material adverse impact on AboitizPower. The Distribution Utilities' customers are categorized into four principal categories:

- (a) *Industrial customers.* Industrial customers generally consist of large-scale consumers of electricity within a franchise area, such as factories, plantations, and shopping malls;
- (b) *Residential customers.* Residential customers are those who are supplied electricity for use in a structure utilized for residential purposes;
- (c) *Commercial customers.* Commercial customers include service-oriented businesses, universities, and hospitals; and
- (d) *Other customers.* Customers not falling under any of the above categories.

Government accounts for various government offices and facilities are categorized as either commercial or industrial depending on their load. Each Distribution Utility monitors government accounts separately and further classifies them to local government accounts, national government account, or special government accounts like military camps. Streetlights have a different rate category and are thus monitored independently.

(viii) Transactions with and/or Dependence on Related Parties

AboitizPower and its Subsidiaries (the "Group"), in their regular conduct of business, have entered into transactions with Associates and other related parties principally consisting of professional and technical services, power sales and purchases, advances, various guarantees, construction contracts, aviation services, and rental fees. These are made on an arm's-length basis as of the time of the transactions.

Details of the significant account balances of the foregoing related party transactions of the Group can be found in Note 32 of the accompanying consolidated financial statements of the Company.

No other transaction, without proper disclosure, was undertaken by the Company in which any director or executive officer, any nominee for election as director, any beneficial owner (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

The Company's employees are required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are determined and brought to the attention of management.

The Company's RPT Committee has the mandate to ensure that related party transactions are taken on an arms' length basis and within market rates, with sufficient documentation, and coursed through all appropriate levels of approval necessary. The Company's current RPT Policy continues to ensure that RPTs are conducted at arms-length and at market prices, and underwent the appropriate approval process.

(ix) Patents, Copyrights, Franchises

Generation Business

Power generation is not considered a public utility operation under the Electric Power Industry Act of 2001 (EPIRA). Thus, a franchise is not needed to engage in the business of power generation. Nonetheless, no person or entity may engage in the generation of electricity unless such person or entity has secured a Certificate of Compliance (COC) from the ERC to operate a generation facility and has complied with the standards, requirements, and other terms and conditions set forth in the said COC.

In its operations, a generation company is required to comply with technical, financial and environmental standards. It shall ensure that facilities connected to the Grid meet the technical design and operation criteria of the Philippine Grid Code, Philippine Distribution Code, and Philippine Electrical Code. It shall also conform with financial standards and comply with applicable environmental laws, rules and regulations.

AboitizPower's Distribution Utilities, Davao Light and Cotabato Light, have their own generation facilities and are required under the EPIRA to obtain a COC. For IPPAs such as TLI, the COCs issued to the IPPs of the relevant generation facilities are deemed issued in favor of the IPPAs. As such, the IPPAs are also bound to comply with the provisions of the Philippine Grid Code, Philippine Distribution Code, WESM rules, and applicable rules and regulations of the ERC.

AboitizPower's HEPPs are also required to obtain water permits from the NWRB for the water flow used to run their respective hydroelectric facilities. These permits specify the source of the water flow that the Generation Companies can use for their hydroelectric generation facilities, as well as the allowable volume of water that can be used from the source of the water flow. Water permits have no expiration date and require their holders to comply with the terms of the permit with regard to the use of the water flow and the allowable volume.

AboitizPower, its Subsidiaries and Affiliates are in various stages of development of several projects. Some of these projects have been awarded renewable energy service contracts by the DOE.

The Generation Companies and the Distribution Utilities, Davao Light and Cotabato Light, possess COCs for their power generation businesses, details of which are as follows:

Title of Document	Issued under the Name of	Power Plant					Economic Life/Term of COC	Date of Issuance
		Name	Type	Location	Capacity	Fuel		
COC No. 18-12-M-00330L	Hedcor, Inc.	Irisan 3	Hydroelectric Power Plant	Tadiangan, Tuba, Benguet	1.20 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018

Power Plant								
Title of Document	Issued under the Name of	Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	Date of Issuance
COC No. 18-12-M-00334L	Hedcor, Inc.	Bineng 3	Hydroelectric Power Plant	Bineng, La Trinidad, Benguet	5.625 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00329L	Hedcor, Inc.	Ampohaw	Hydroelectric Power Plant	Banengbeng, Sablan, Benguet	8.00 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00336L*	Hedcor, Inc.	Sal-angan	Hydroelectric Power Plant	Ampucaao, Itogon, Benguet	2.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 17-04-M-00032L	Hedcor, Inc.	Irisan 1	Hydroelectric Power Plant	Brgy. Tadiangan, Tuba, Benguet	3.89 MW	Hydro	April 30, 2017 – April 29, 2022	April 19, 2017
COC No. 16-05-M-00061M*	Hedcor, Inc.	Talomo 1 – Unit 1	Hydroelectric Power Plant	Calinan, Davao City	500 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
		Talomo 1 – Unit 2			500 kW			
COC No. 16-05-M-00062M*	Hedcor, Inc.	Talomo 2 – Unit 1	Hydroelectric Power Plant	Mintal Proper, Davao City	200 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
		Talomo 2 – Unit 2			200 kW			
		Talomo 2 – Unit 3			200 kW			
COC No. 16-05-M-00063M*	Hedcor, Inc.	Talomo 2A – Unit 1	Hydroelectric Power Plant	Upper Mintal, Davao City	450 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
		Talomo 2A – Unit 2			200 kW			
COC No. 16-05-M-00064M*	Hedcor, Inc.	Talomo 2B	Hydroelectric Power Plant	Upper Mintal, Davao City	300 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
COC No. 16-05-M-00065M*	Hedcor, Inc.	Talomo 3 – Unit 1	Hydroelectric Power Plant	Catalunan, Pequeño, Davao City	960 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
		Talomo 3 – Unit 2			960 kW			
COC No. 18-12-M-00327L	Hedcor, Inc.	Ferdinand L. Singit Plant	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	6.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00335L	Hedcor, Inc.	Lower Labay	Hydroelectric Power Plant	Ampusongan, Bakun, Benguet	2.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00328L	Hedcor, Inc.	Lon-oy	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	3.60 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 15-05-M-56M	Hedcor Sibulan, Inc.	Sibulan A – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	8.164 MW	Hydro	25 years	May 18, 2015
		Sibulan A – Unit 2			8.164 MW			
COC No. 15-05-M-54M	Hedcor Sibulan, Inc.	Sibulan B – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz,	13.128 MW	Hydro	25 years	May 18, 2015

Power Plant								
Title of Document	Issued under the Name of	Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	Date of Issuance
		Sibulan B – Unit 2		Davao del Sur	13.128 MW			
COC No. 19-03-M-00346M	Hedcor Sibulan, Inc.	Tudaya 1	Hydroelectric Power Plant	Sta. Cruz, Davao del Sur	6.65 MW	Hydro	March 10, 2019- March 9, 2024	March 5, 2019
COC No. 18-06-M-00017L	Luzon Hydro Corporation	Bakun AC	Hydroelectric Power Plant	Amilongan, Alilem, Ilocos Sur	74.80 MW	Hydro	July 30, 2018 – July 29, 2023	June 20, 2018
COC No. 19-03-M-00013M	Hedcor Tudaya, Inc.	Tudaya 2 – Unit 1	Hydroelectric Power Plant	Sta. Cruz, Davao del Sur	5.362 MW	Hydro	April 11, 2019-April 10, 2024	March 5, 2019
		Tudaya 2 – Unit 2			2.775 MW	Hydro		
COC No. 15-09-M-00023L	Hedcor Sabangan, Inc.	Sabangan	Hydroelectric Power Plant	Brgy. Namatec, Sabangan, Mountain Province	14.96 MW	Hydro	25 years	September 29, 2015
COC No. 19-06-M-00174M	Hedcor Bukidnon, Inc.	Manolo Fortich 1	Hydroelectric Power Plant	Brgy. Santiago, Manolo Fortich, Bukidnon	45.936 MW	Hydro	June 18, 2019-June 17, 2024	June 18, 2019
COC No. 19-06-M-00175M	Hedcor Bukidnon, Inc.	Manolo Fortich 2	Hydroelectric Power Plant	Brgy. Dalirig, Manolo Fortich, Bukidnon	27.387 MW	Hydro	June 18, 2019-June 17, 2024	June 18, 2019
COC No. 17-04-M-15911M	Cotabato Light and Power Company, Inc.	N/A	Bunker C-Fired Diesel Engine	CLPC Compound, Sinsuat Ave., Rosary Heights I, Cotabato City	9.927 MW	Diesel / Bunker C	January 10, 2017 – January 9, 2022	April 19, 2017
			Blackstart		10 kW	Diesel		
COC No. 18-03-M-00002V	East Asia Utilities Corporation	N/A	Bunker C/Diesel Fired Power Plant	Barrio Ibo, MEPZ 1, Lapu-Lapu City, Cebu	49.60 MW	Bunker C	June 11, 2018 – June 10, 2023	March 27, 2018
COC No. 18-03-M-00001V	Cebu Private Power Corporation	N/A	Bunker C/Diesel Fired Power Plant	Old Veco Compound, Brgy. Ermita, Carbon, Cebu City	70.59 MW	Bunker C/ Diesel	June 4, 2018 – June 3, 2023	March 27, 2018
COC No. 18-12-M-00020M	Western Mindanao Power Corporation	N/A	Bunker C-Fired Power Plant	Malasugat, Sangali, Zamboanga City	112 MW	Bunker C/Diesel	August 27, 2018 – August 26, 2023	December 4, 2018
		N/A	Blackstart		160 kW	Diesel		
COC No. 18-12-M-00021M	Southern Philippines Power Corporation	N/A	Bunker C-Fired Diesel Power Plant	Brgy. Baluntay, Alabel, Sarangani Province	61.72 MW	Bunker C/ Diesel	August 27, 2018 – August 26, 2023	December 4, 2018
			Blackstart		160 kW	Diesel		
COC No. 15-11-M-	SN Aboitiz Power – Magat, Inc. (Magat	Magat Hydroelectric Power Plant – Unit 1	Hydroelectric Power Plant	Ramon, Isabela and A. Lista, Ifugao	90 MW	Hydro	25 years	November

Title of Document	Issued under the Name of	Power Plant					Economic Life/Term of COC	Date of Issuance
		Name	Type	Location	Capacity	Fuel		
2860L	Hydroelectric Power Plant)	Magat Hydroelectric Power Plant – Unit 2			90 MW			11, 2015
		Magat Hydroelectric Power Plant – Unit 3			90 MW			
		Magat Hydroelectric Power Plant – Unit 4			90 MW			
		Magat Hydroelectric Power Plant	Blackstart		600 kW	Diesel	25 years	
COC No. 18-04-M-00150L	SN Aboitiz Power – Magat, Inc.	Maris Main Canal I	Hydroelectric Power Plant	Brgy. Ambatali, Ramon, Isabela	8.50 MW	Hydro	April 4, 2018 – April 3, 2023	April 4, 2018
COC No. 17-03-M-00309L	SN Aboitiz Power – Benguet, Inc.	Binga – Unit 1	Hydroelectric Power Plant	Brgy. Tinongdan, Itogon, Benguet	35.02 MW	Hydro	March 12, 2017 – March 11, 2022	March 9, 2017
		Binga – Unit 2	Hydroelectric Power Plant		35.02 MW			
		Binga – Unit 3	Hydroelectric Power Plant		35.02 MW			
		Binga – Unit 4	Hydroelectric Power Plant		35.02 MW			
		Binga Hydroelectric Power Plant	Blackstart Generator Set		320 KW	Diesel		
		Binga Hydroelectric Power Plant	Diesel Auxiliary Generator Set		330.40 KW	Diesel		
COC No. 16-08-M-00087L	SN Aboitiz Power – Benguet, Inc.	Ambuklao – Unit 1	Hydroelectric Power Plant	Brgy. Ambuklao, Bokod, Benguet	34.85 MW	Hydro	August 31, 2016 – August 30, 2021	August 18, 2016
		Ambuklao – Unit 2			34.85 MW			
		Ambuklao – Unit 3			34.85 MW			
		Ambuklao Hydroelectric Power Plant	Auxiliary Generator Set		320 KW	Diesel		
		Ambuklao Hydroelectric Power Plant	Blackstart Generator Set		314 KW	Diesel		
COC No. 16-06-M-00016M	STEAG State Power, Inc.	N/A	Coal Fired Power Plant	Phividec Industrial Estate, Balascanas, Villanueva, Misamis Oriental	232 MW	Coal	August 30, 2016 – August 29, 2021	June 13, 2016
			Emergency Generating Set		1.25 MW	Diesel		

Power Plant								
Title of Document	Issued under the Name of	Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	Date of Issuance
COC No. 15-03-S-00013M	STEAG State Power, Inc.	N/A	Diesel Engine	Phivedec Industrial Estate, Villanueva, Misamis Oriental	400 kW	Diesel	25 years	March 25, 2015
COC No. 15-05-M-00007L	AP Renewables, Inc.	Makban – Bay, Plant A	Geothermal Power Plant	Brgy. Bitin, Bay, Laguna	63.2 MW	Geo-thermal Steam	23 years	May 4, 2015
		Makban – Bay, Plant A			63.2 MW			
		Makban – Bay, Plant D			20.0 MW			
		Makban – Bay, Plant D			20.0 MW			
COC No. 15-05-M-00008L	AP Renewables, Inc.	Makban – Calauan, Plant B	Geothermal Power Plant	Brgy. Limao, Calauan, Laguna	63.2 MW	Geo-thermal Steam	23 years	May 4, 2015
		Makban – Calauan, Plant B			63.2 MW			
		Makban – Calauan, Plant C			55.0 MW			
		Makban – Calauan, Plant C			55.0 MW			
COC No. 15-05-M-00009L	AP Renewables, Inc.	Makban – Sto. Tomas, Plant E	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	20.0 MW	Geo-thermal Steam	23 years	May 4, 2015
		Makban – Sto. Tomas, Plant E			20.0 MW			
COC No. 15-11-M-00028L	AP Renewables, Inc.	Plant A, Unit 1	Geothermal Power Plant	Brgy. Naga, Tiwi, Albay	60 MW	Geo-thermal Steam	25 years	November 26, 2015
		Plant A, Unit 2			60 MW			
COC No. 15-11-M-286rL	AP Renewables, Inc.	Plant C, Unit 5	Geothermal Power Plant	Brgy. Cale, Tiwi, Albay	57 MW	Geo-thermal Steam	25 years	November 26, 2015
		Plant C, Unit 6			57 MW			
COC No. 17-05-M-00105L	AP Renewables, Inc.	MakBan Binary 1	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	7.0 MW	Brine	November 7, 2016 - November 6, 2021	May 15, 2017
COC No. 16-03-M-00286ggM	Therma Marine, Inc.	Mobile 1	Diesel Power Plant	Brgy. San Roque, MACO, Compostela Valley	100.33 MW	Diesel	25 years	March 30, 2016
			Blackstart		1.68 MW	Diesel	5 years	
COC No. 16-03-M-	Therma Marine, Inc.	Mobile 2	Diesel Power Plant	Brgy. Nasipit, Agusan del	100.33 MW	Diesel	25 years	March 30, 2016

Power Plant								
Title of Document	Issued under the Name of	Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	Date of Issuance
00286bbM			Blackstart	Norte	1.68 MW	Diesel	5 years	
COC No. 17-07-M-00305L	Therma Mobile, Inc.	Barge 1/ Mobile 3	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	66 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00306L	Therma Mobile, Inc.	Barge 2/ Mobile 4	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	56 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00307L	Therma Mobile, Inc.	Barge 3/ Mobile 5	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	57 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00308L	Therma Mobile, Inc.	Barge 4/ Mobile 6	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	52 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 15-09-M-00022M	Therma South, Inc.	Unit 1	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	25 years	September 1, 2015 - August 31, 2020
		Unit 2	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	25 years	January 19, 2016 - August 31, 2020
COC No. 19-09-S-03902V	Therma Visayas, Inc.	N/A	Diesel Power Plant	Brgy. Bato, Toledo City, Cebu	1.275 MW	Diesel	September 20, 2019 - September 19, 2024	September 20, 2019
COC No. 19-06-M-00176V	Therma Visayas, Inc.	Therma Visayas Circulating Fluidized Bed Coal-Fired Power Plant	Circulating Fluidized Bed Coal-Fired Power Plant	Sitio Looc, Brgy. Bato, Toledo City, Cebu	353.94 MW	Coal	April 15, 2019 - April 14, 2024	June 26, 2019
COC No. 19-07-M-00040L	TeaM Energy Corporation	Pagbilao Coal Fired Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	751.4 MW	Coal	July 20, 2019 - July 19, 2024	July 9, 2019
			Black Start		800 kW	Diesel		
COC No. 18-02-M-00145L	Pagbilao Energy Corporation	Pagbilao Unit 3 Coal Fired Thermal Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	420 MW	Coal	February 20, 2018 – February 19, 2023	February 20, 2018
			Blackstart		1.04 MW	Diesel		
COC No. 17-11-M-00282L	GNPower Mariveles Coal Plant Ltd. Co.	Unit 1	Coal Fired Power Plant	Brgy. Alas-asin, Mariveles, Bataan	325.8 MW	Coal	December 3, 2017 – December 2, 2022	November 21, 2017
		Unit 2			325.8 MW			
		N/A	Blackstart		1.68 MW	Diesel		

* Awaiting issuance of renewal of COC from ERC.

Distribution Business

Under EPIRA, the business of electricity distribution is a regulated public utility business that requires a franchise that can be granted only by Congress. In addition to the legislative franchise, a CPCN from ERC is also required to operate as a public utility. However, distribution utilities operating within economic zones are not required to obtain a franchise from Congress, but must be duly registered with PEZA in order to operate within the economic zone.

All distribution utilities are required to submit to ERC a statement of their compliance with the technical specifications prescribed in the Philippine Distribution Code, which provides the rules and regulations for the operation and maintenance of distribution systems, and the performance standards set out in the Implementing Rules and Regulations (IRR) of EPIRA.

Shown below are the respective expiration periods of the Distribution Utilities' legislative franchises:

Distribution Utility	Franchise	Term	Expiry
Visayan Electric	RA No. 9339	25 years from effectivity of RA No. 9339. (RA No. 9339 was approved on Sept. 1, 2005)	Valid until September 24, 2030
	ERC Certificate No. CPCN-09-01 (ERC Decision dated January 26, 2009, ERC Case No. 2008-095 MC).	25 years, or from September 24, 2005 to September 24, 2030	
Davao Light	RA No. 8960	25 years from effectivity of RA No. 8960 (Lapsed into law September 7, 2000.)	Valid until September 7, 2025
	ERC CPCN Decision dated February 26, 2002, ERC Case No. 2001-792	25 years, or from September 7, 2000 to September 7, 2025	
Cotabato Light	RA No. 10637	25 years from effectivity of RA No. 10637, as amended (RA No. 10637 was approved on June 16, 2014.)	Valid until June 16, 2039
	ERC Certificate No. CPCN-14-001 (ERC Decision dated December 9, 2019, ERC Case No. 2013-063 MC)	25 years, or from June 17, 2014 or until June 16, 2039	
SFELAPCO	RA No. 9967	25 years from effectivity of RA No. 9967 (Lapsed into law on Feb. 6, 2010)	Valid until March 23, 2035
	ERC Certificate No. CPCN-10-01 (ERC Decision dated August 31, 2010, ERC Case No. 2010-029 MC)	25 years, or from March 24, 2010 to March 23, 2035	
Subic Enerzone	Distribution Management Service Agreement (DMSA) between Subic Enerzone and joint venture of AEV- Davao Light	Notarized on May 15, 2003. Term of the DMSA is 25 years.	Valid until May 15, 2028.

Mactan Enerzone, Balamban Enerzone, Lima Enerzone, and Malvar Enerzone which operate the power distribution utilities in MEPZ II, WCIP, LTC, and LISP4 respectively, are duly registered with PEZA as Ecozone Utilities Enterprises.

Retail Electricity Supply Business

Like power generation, the business of supplying electricity is not considered a public utility operation under EPIRA, but is considered a business affected with public interest. As such, EPIRA requires all suppliers of electricity to end-users in the contestable market, other than distribution utilities within their franchise areas, to obtain a license from ERC. With the implementation of Open Access in 2013, AboitizPower's RES Subsidiaries, AESI, AdventEnergy, SN Aboitiz Power – RES, and Prism Energy, obtained separate licenses to act as RES and Wholesale Aggregator.

Trademarks

AboitizPower and its Subsidiaries own, or have pending applications for the registration of, intellectual property rights for various trademarks associated with their corporate names and logos. The following table sets out information regarding the trademark applications the Company and its Subsidiaries have filed with the Philippine Intellectual Property Office (Philippine IPO), and their pending trademark applications abroad.

Philippine IPO

Trademarks/ Description	Owner	Registration No./ Date Issued	Status
"A Better Future" word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004383/ November 11, 2010	Registered
"Better Solutions" word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004384/ November 11, 2010	Registered
"AboitizPower" word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004385/ November 11, 2010	Registered
"AboitizPower Spiral and Device" device mark with color claim (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004380/ February 10, 2011	Registered
"Cleanergy" word mark (Class No. 40)	Aboitiz Power Corporation	4-2001-007900/ January 13, 2006	Registered
"Cleanergy" word mark for the additional goods and services (Class Nos. 39 and 42)	Aboitiz Power Corporation	4-2019-000850/ June 9, 2019	Registered
"Cleanergy Get It and Device" device mark with color claim (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004381/ November 11, 2010	Registered
"Cleanergy Got It and Device" device mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004382/ November 11, 2010	Registered
"AboitizPower and Device" device mark with color claim (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004379/ February 10, 2011	Registered
Subic EnerZone Corporation and Logo trademark (Class No. 39)	Subic EnerZone Corporation	4-2006-007306/ August 20, 2007	Registered
Subic EnerZone Corporation and Logo Word mark and device (Class No. 39)	Subic EnerZone Corporation	4-2006-007305/ August 20, 2007	Registered
"Subic EnerZone Corporation" word mark (Class No. 39)	Subic EnerZone Corporation	4-2006-007304/ June 4, 2007	Registered
"Cotabato Light" Logo (Class No. 39)	Cotabato Light and Power Corporation	4-2019-502915/ May 29, 2019	Registered
"Davao Light" Logo (Class No. 39)	Davao Light and Power Corporation	4-2019-502917/ May 29, 2019	Registered
"Balamban Enerzone" Logo (Class No. 39)	Balamban Enerzone Corporation	4-2019-502910/ May 29, 2019	Registered
"Mactan Enerzone" Logo (Class No. 39)	Mactan Enerzone Corporation	4-2019-502911/ May 29, 2019	Registered
"Lima Enerzone" Logo (Class No. 39)	Lima Enerzone Corporation	4-2019-502912/ May 29, 2019	Registered
"Malvar Enerzone" Logo (Class No. 39)	Malvar Enerzone Corporation	4-2019-502913/ May 29, 2019	Registered
"Subic Enerzone" Logo (Class No. 39)	Subic Enerzone Corporation	4-2019-502914/ May 29, 2019	Registered
"Visayan Electric" Logo (Class No. 39)	Visayan Electric Company, Inc.	4-2019-015288/ August 29, 2019	Registered
"MORE" Logo (Class 35)	Manila-Oslo Renewable Enterprise, Inc.	4/2018/00018077/ February 21, 2019	Registered
"SN ABOITIZ POWER" Logo GROUP (Class 35 & 40)	Manila-Oslo Renewable Enterprise, Inc., SN Aboitiz Power-Magat, Inc., and SN Aboitiz Power-Benguet, Inc.	4/2018/00018076	Registered

Trademarks/ Description	Owner	Registration No./ Date Issued	Status
"SN ABOITIZ POWER-BENGUET, INC." Logo	SN Aboitiz Power-Benguet, Inc.	4/2014/00005209/ December 29, 2016	Registered
"NURTURE NATURE, NURTURE LIFE" Logo	SN Aboitiz Power-Benguet, Inc.	4/2011/00001049/ May 19, 2011	Registered
"SNAP ABOITIZ POWER-MAGAT, INC." Logo	SN Aboitiz Power-Magat, Inc.	4/2014/00005208/ March 9, 2017	Registered
"THE POWER TO MAKE A DIFFERENCE" Logo	SN Aboitiz Power-Magat, Inc.	4/2011/001048/ May 26, 2011	Registered
 Logo	SN Aboitiz Power-Magat, Inc.	4/2017/00018969/ June 7, 2018	Registered

International Trademarks (Madrid Protocol)

AboitizPower has the following registered international trademarks:

Trademarks	Country of Application
AboitizPower Word Mark (Class Nos. 39, 40, 42)	World Intellectual Property Office (WIPO)
AboitizPower Word Mark (Class Nos. 30, 40, 42)	Vietnam
AboitizPower Word Mark (Class Nos. 39, 40, 42)	Indonesia
Cleanergy Word Mark (Agenda Nos. J00.2015.02.7275-77) (Class Nos. 39, 40, 42)	Indonesia
Cleanergy Get It Device (Class Nos. 39, 40, 42)	WIPO
Cleanergy Get It Device (Class Nos. 39, 40, 42)	Vietnam
Cleanergy Get It Device (Class Nos. 39, 40, 42)	Indonesia
AboitizPower	Myanmar
Cleanergy	Myanmar
Cleanergy Get It	Myanmar
Cleanergy Got It	Myanmar

The abovementioned trademarks are also in the process of being registered in Malaysia, Vietnam, Indonesia, and the WIPO.

(x) Government Approvals

The discussion on the need for any government approval for any principal products or services of the Company and its Subsidiaries, including COCs obtained by the Generation Companies and franchises obtained by the Distribution Utilities, is included in item (ix) Patents, Copyrights and Franchises.

(xi) Effect of Existing or Probable Government Regulations on the Business

AboitizPower and its Subsidiaries are subject to the laws generally applicable to all Philippine corporations registered with the SEC, such as corporation law, tax laws, and the Local Government Code. All Philippine corporations are also subject to labor laws and social legislation, including RA No. 11199 or the Social Security Act of 2018, RA No. 10606 or the National Health Insurance Act of 2013, RA No. 11223 or the Universal Health Care Act, RA No. 9673 or the Home Development Mutual Fund Law of 2009, the Philippine Labor Code and its implementing rules, and DOLE-mandated work-related programs.

The Aboitiz Group closely monitors its compliance with the laws and government regulations affecting its businesses.

1. The Tax Reform for Acceleration and Inclusion (TRAIN Law)

RA No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("TRAIN Law") was signed into law by President Duterte on December 19, 2017, and took effect on January 1, 2018. Its declared policies

are to: (a) enhance the progressivity of the tax system through the rationalization of the Philippine internal revenue tax system, thereby promoting sustainable and inclusive economic growth; (b) provide, as much as possible, an equitable relief to a greater number of taxpayers and their families in order to improve levels of disposable income and increase economic activity; and (c) ensure that the government is able to provide better infrastructure, health, education, jobs, and social protection for the people.

One of the major provisions of the TRAIN Law is the staggered increase in oil and coal excise taxes. Under the TRAIN Law, rates will be adjusted gradually between 2018 and 2020. For coal, the rates will increase from ₱10 per metric ton to ₱50, ₱100, and ₱150 per metric ton, respectively, in 2018, 2019, and 2020, covering both domestic and imported coal.

Furthermore, the TRAIN Law repeals Section 9 of RA No. 9511 or the National Grid Corporation of the Philippines Act, which removes VAT exemptions on transmission charges and sale of electricity by cooperatives duly registered under the Cooperative Development Authority (CDA).

Another major change introduced by the TRAIN Law is the refund mechanism of zero-rated sales and services under the enhanced VAT refund system. Upon the successful establishment and implementation of an enhanced VAT refund system, refunds of creditable input tax shall be granted by the Bureau of Internal Revenue (BIR) within 90 days from filing of the VAT refund application with BIR, provided that all pending VAT refund claims of the taxpayer as of December 31, 2017 shall be fully paid in cash by December 31, 2019.

Finally, the TRAIN Law doubled the documentary stamp tax (DST) on almost all covered instruments, except debt instruments where the increase is 50%. Only the DST on instruments pertaining to property insurance, fidelity bonds, other insurance, indemnity bonds, and deeds of sale and conveyance remain unchanged.

The TRAIN law is the first package of the Comprehensive Tax Reform Program of the Duterte Administration.

In addition, House Bill No. 4157, referred to as the Corporate Income Tax and Incentive Rationalization Act ("CITIRA Bill" or "Package 2") was passed and approved on third and final reading in the House of Representatives on September 13, 2019. The CITIRA Bill is the result of the re-filing of the Tax Reform for Attracting Better and Higher Quality Opportunities (TRABAHO) Bill from the previous 17th Congress. The bill also seeks to reform the country's fiscal incentives to make it performance-based, targeted, time-bound, and transparent. This means that incentives will be granted based on the number and quality of jobs that will be created, the investments made on research and development and skills training, the capital invested for countrywide infrastructure development, among other criteria. A counterpart bills is currently undergoing deliberations at the committee level in the Senate.

2. Revised Corporation Code

RA No. 11232, also known as the Revised Corporation Code (the "Code"), was signed into law on February 20, 2019 and took effect on February 23, 2019. Among the salient features of the Revised Corporation Code are:

- (a) Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies SEC that it elects to retain its specific corporate term under its current Articles of Incorporation.
- (b) A corporation vested with public interest must submit to its shareholders and to SEC an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director, or trustee.
- (c) The Code allows the creation of a "One Person Corporation" except for banks and quasi-banks, pre-need, trust, insurance, public and publicly-listed companies, among others. This restriction also applies with respect to incorporations as close corporations.
- (d) Material contracts between a corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.

- (e) The right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or *in absentia* if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or *in absentia* are deemed present for purposes of quorum. When attendance, participation, and voting are allowed by remote communication or *in absentia*, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option.
- (f) In case of transfer of shares of listed companies, SEC may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with SEC rules.

The Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

3. The Philippines Competition Act

RA No. 10667 (the Philippine Competition Act or the Act) was signed into law on July 21, 2015 and took effect on August 8, 2015. The IRR of the Act was issued on June 3, 2016. This Act aims to codify anti-trust laws in the Philippines and it provides the competition framework in the country. The Philippine Competition Act was enacted to provide free and fair competition in trade, industry, and all commercial economic activities.

To implement its objectives, the Philippine Competition Act provides for the creation of a Philippine Competition Commission (“PCC”), an independent quasi-judicial agency to be composed of five commissioners. Among PCC’s powers are to: conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, PCC must apply for a warrant with the relevant court.

The Philippine Competition Act prohibits anti-competitive agreements between or among competitors, and mergers and acquisitions which have the object or effect of substantially preventing, restricting, or lessening competition. It also prohibits practices which involve abuse of dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to exceptions.

The Philippine Competition Act also introduces the pre-notification regime for mergers and acquisitions, which requires covered transactions to be notified to PCC for its approval.

The merger control regime under the Philippine Competition Act provides that, as a general rule, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity (UPE) of the acquiring or the acquired entities (Size of Party); and (b) the value of the transaction as determined in the IRR (Size of Transaction), meet the designated threshold; while parties to a joint venture transaction shall also be subject to the notification requirement if in addition to meeting the Size of Party test, either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture, meet the thresholds.

PCC also has released its “Guidelines on the Computation of Merger Notification Thresholds”, providing the method for calculation of the aggregate value of assets and gross revenues from sales for the purposes of determining whether a proposed merger or acquisition is notifiable to PCC.

The new thresholds for the notification requirements as provided in PCC Resolution No. 02-2020, effective March 1, 2020, are as follows:

Test	Old Threshold	New Threshold (effective March 1, 2020)
Size of Person Test	₱5.6 bn	₱6 bn
Size of Transaction Test	₱2.2 bn	₱2.4 bn

The new thresholds shall not applicable to: a) transactions that are already pending review by the PCC; b) notifiable transactions consummated before March 1, 2020; and c) transactions already subject of a decision by PCC.

Violations of the Philippine Competition Act and its IRR carry administrative and criminal penalties. A transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of 1 to 5% of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱50 mn but not more than ₱250 mn; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100 mn to ₱250.0 mn may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On September 15, 2017, PCC published the 2017 Rules of Procedure (“Rules”) which apply to investigations, hearings, and proceedings of PCC, except to matters involving mergers and acquisitions unless otherwise provided. It prescribes procedures for fact-finding or preliminary inquiry and full administrative investigations by PCC. The Rules also include non-adversarial remedies such as the issuance of binding rulings, show cause orders, and consent orders.

On September 10, 2019, the Supreme Court issued A.M. No. 19-08-06-SC, or the *Rule on Administrative Search and Inspection under the Philippine Competition Act* (“Search and Inspection Rule”). The Search and Inspection Rule governs the application, issuance and enforcement of an inspection order in relation to administrative investigations of alleged violations of the Philippine Competition Act, its implementing rules and regulations, and other competition laws.

4. Foreign Investments Act of 1991

RA No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991 (“FIA”), liberalized the entry of foreign investment into the Philippines. Under the FIA, in domestic market enterprises, foreigners can own as much as 100% equity except in areas specified in the Eleventh Regular Foreign Investment Negative List (the “Negative List”). This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. Nationalized activities include, among others, land ownership, telecommunications, mining, and the operation of public utilities.

In connection with the ownership of private land, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40%. A corporation with more than 40% foreign equity may be allowed to lease land for a period of 25 years, renewable for another 25 years.

In addition, under the Philippine Constitution, only citizens of the Philippines or corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens may engage in activities relating to the exploration, development and utilization of natural resources, which covers the utilization of natural resources for the operation of renewable energy power plants.

For the purpose of complying with nationality laws, the term “Philippine National” is defined under the FIA as any of the following:

- (a) a citizen of the Philippines;
- (b) a domestic partnership or association wholly-owned by citizens of the Philippines;

- (c) a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;
- (d) a corporation organized abroad and registered to do business in the Philippines under the Code, of which 100% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos; or
- (e) a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

In SEC Memorandum Circular No. 08 dated May 20, 2013, or the Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities, it is provided that for purposes of determining compliance with the nationality requirement, the required percentage of Filipino ownership shall be applied both to: (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors. A petition for *certiorari* questioning the constitutionality of SEC Memorandum Circular No. 8 dated May 20, 2013 was filed in June 2013. In *Jose M. Roy III v. Chairperson Teresita Herbosa* (G.R. No. 207246) dated April 18, 2017, SC affirmed the validity of SEC Memorandum Circular No. 08 dated May 20, 2013.

In the 2014 case of *Narra Nickel Mining and Development Corporation, et.al vs. Redmont Consolidated Mines Corp* (G.R. No. 195580) and its corresponding motions for reconsideration (the “Narra Nickel Case”), SC affirmed that the Grandfather Rule, wherein shares owned by corporate shareholders are attributed either as Filipino or foreign equity by determining the nationality not only of such corporate shareholders, but also such corporate shareholders’ own shareholders, until the nationality of shareholder individuals is taken into consideration, is to be used jointly and cumulatively with the Control Test, which merely takes into account the nationality of the listed shareholders of the corporation. Such joint and cumulative application shall be observed as follows: (i) if the corporation’s Filipino equity falls below 60%, such corporation is deemed foreign-owned, applying the Control Test; (ii) if the corporation passes the Control Test, the corporation will be considered a Filipino corporation only if there is no doubt as to the beneficial ownership and control of the corporation; and (iii) if the corporation passes the Control Test but there is doubt as to the beneficial ownership and control of the corporation, the Grandfather Rule must be applied.

5. Data Privacy Act of 2012

The Data Privacy Act of 2012 is a comprehensive and strict privacy legislation aimed to protect the fundamental human right of privacy by: (i) protecting the privacy of individuals while ensuring free flow of information; (ii) regulating the collection, recording, organization, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure or destruction of personal data; and (iii) ensuring that the Philippines complies with international standards set for data protection through National Privacy Commission.

Intended to protect the privacy of individuals, it mandates companies to inform the individuals about how their personal information are collected and processed. It also ensures that all personal information must be: (i) collected and processed with lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (ii) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; and (iii) discarded properly to avoid access by unauthorized third parties.

Its IRR took effect on September 9, 2016, mandating all Philippine companies to comply with the following: (i) appointment of a Data Protection Officer; (ii) conduct of a privacy impact assessment; (iii) creation of a privacy knowledge management program; (iv) implementation a privacy and data protection policy; and (v) establishment of a breach reporting procedure. In addition, companies with at least 250 employees or access to the personal and identifiable information of at least 1,000 individuals are required to register their data processing systems with National Privacy Commission. The IRR, furthermore provides the only instances when data sharing is allowed, to wit: (a) data sharing is authorized by law, provided that there are adequate safeguards for data privacy and security, and processing adheres to principles of transparency, legitimate purpose and proportionality; (b) in the private sector, data sharing for commercial purposes is allowed upon (i) consent of data subject, and (ii) when covered by a data sharing agreement; (c) data collected from parties other than the data subject for purpose of research shall be allowed when the personal data is publicly available; and (d) data sharing among government agencies for purposes of public function or provision of a public service shall be covered by a data sharing agreement.

In 2017, AboitizPower launched its data privacy compliance program which includes the implementation of Information Security Management System (ISMS) for the entire Aboitiz Group. In the last years, the Group and its Business Units have been able to establish a fundamental awareness of data privacy principles, including ISMS philosophies, through the development and implementation of Data Privacy Policies, manuals, and supporting guidelines. The Aboitiz Group has since began to build each SBU's business continuity resiliency, especially with regard to Information Security and Data Breach Management.

6. Registration under Board of Investments (BOI)

Under Executive Order (EO) No. 226, otherwise known as the Omnibus Investments Code, as amended, a BOI-registered enterprise enjoy certain incentives, both financial and non-financial, provided such enterprise invests in preferred areas of investment enumerated in the Investment Priorities Plan annually prepared by the Government. However, prior to registration with BOI, the enterprise must first satisfy the minimum equity required to finance the project applied equivalent to 25% of the estimated project cost, or as may be prescribed by BOI. Such incentives include: (i) income tax holiday; (ii) exemption from taxes and duties on imported spare parts; (iii) exemption from wharfage dues and export tax, duty, impost and fees; (iv) reduction of the rates of duty on capital equipment, spare parts and accessories; (v) tax exemption on breeding stocks and genetic materials; (vi) tax credits; (vii) additional deductions from taxable income; (viii) employment of foreign nationals; (ix) simplification of customs procedure; and (x) unrestricted use of consigned equipment.

Policies and Regulations Relating to the Power Industry

1. WESM in Mindanao

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

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

WESM in Mindanao was originally targeted to start in October 2018, but was deferred because some conditions precedent for full commercial operations were not yet complied. Trial operations were conducted in 2018 to ensure the readiness of eventual WESM participants in Mindanao. In September 2019, the DOE and the IEMOP announced that commercial operations of the WESM in Mindanao is targeted on January 26, 2020. However, ERC is yet to promulgate the new Price Determination Methodology which is one of the conditions precedent to commence full commercial operations.

2. Independent Electricity Market Operator (IEMOP)

On February 4, 2018, DOE issued Circular No. DC2018-01-0002, setting the policy governing the establishment of an independent market operator (IMO) of the WESM. The policy on IMO outlines the mandates of DOE and ERC over the IMO, its guiding principles, composition, including a board composed of at least five members, its functions, WESM's new governing and governance structure, and the conditions for transition.

The IMO transition plan called for the formation of a new company called the IEMOP as an independent market operator, with PEMC remaining as WESM's governing body. Previously, PEMC oversees both the operations and governance functions of WESM. The transition also entails the reconstitution of the PEMC Board, with the DOE Secretary relinquishing his chairmanship, paving the way for a PEMC independent of government.

On September 26, 2018, IEMOP formally took over operations of the WESM from PEMC. IEMOP facilitates the registration and participation of generating companies, distribution utilities, directly connected customers or bulk users, suppliers and contestable customers in the WESM. It also determines the hourly schedules of generating units that will supply electricity to the Grid, as well as the corresponding spot-market prices of electricity via its Market Management System.

Currently, the IEMOP is under legislative review by the House Committee on Energy specifically on its roles and functions as well as the legal basis for its establishment. This is in response to several House Resolutions calling for the review of the IEMOP in aid of legislation.

3. Proposed Amendments to the EPIRA

Since the enactment of the EPIRA in 2001, members of Congress have proposed various amendments to the law and its IRR. A summary of the significant proposed amendments are as follows:

- (a) Classification of power projects as one of national significance and imbued with public interest;
- (b) Exemption from VAT on the sale of electricity by generation companies;
- (c) Modification of the definition of the term "Aggregator," which is proposed to refer to a person or entity engaged in consolidating electric power demands of end-users of electricity in the contestable market, for the purpose of purchasing, reselling, managing for optimum utilization of the aggregated demand, or simply pooling the tendering process in looking for a supply of electricity on a group basis;
- (d) Requirement for distribution utilities to conduct public and competitive selection processes or Swiss challenges for the supply of electricity and to fully or adequately contract their future and current energy and demand requirements;
- (e) Grant of access to electric cooperatives over the missionary electrification fund collected through universal charges;
- (f) Exclusion of the following items from the rate base charged by Transco and distribution utilities to the public: corporate income tax, value of the franchise, value of real or personal property held for possible future growth, costs of over-adequate assets and facilities, and amount of all deposits as a condition for rendition and continuation of service;
- (g) Regulation of generation, transmission, distribution, and supply rates to allow Return-on-Rate-Base (RORB) up to 12%;
- (h) Classification of power generation and supply sectors as public utilities, which would be required to secure legislative franchises;
- (i) Prohibition of cross-ownership between generation companies and distribution utilities or any of their subsidiaries, affiliates, stockholders, officials or directors, or the officials, directors, or other stockholders of such subsidiaries or affiliates, including the relatives of such stockholders, officials or directors within the fourth civil degree of consanguinity;
- (j) Prohibition against or restriction on distribution utilities from sourcing electric power supply requirements, under bilateral electric power supply contracts, from a single generation company or from a group of generating companies wholly-owned or controlled by the same interests;
- (k) Lowering of the allowable extent of ownership, operation and control of a company or related groups as determined from the installed generating capacity of the Grid and/or nationally installed generating capacity;
- (l) Exemption or deferral of the privatization of some assets of NPC, such as the Unified Leyte (Tongonan) Geothermal Complexes, Agus and Polangui Complexes, and Angat Dam;
- (m) Expansion of the definition of host communities to include all barangays, municipalities, cities and provinces or regions where hydro generation facilities are located and where waterways or water systems that supply water to the dam or hydroelectric power generating facility are located;
- (n) Prohibition on distribution utilities, except rural electric cooperatives to recover systems losses and placing a 5% cap on recoverable system loss;
- (o) Imposition of a uniform franchise tax for distribution utilities equivalent to 3% of gross income in lieu of all taxes;
- (p) Grant of authority for NPC to generate and sell electricity from remaining assets;
- (q) Removal of the requirement of a joint congressional resolution before the President may establish additional power generating capacity in case of imminent shortage of supply of electricity; and
- (r) Creation of a consumer advocacy office under the organizational structure of ERC.

4. Implementation of the Performance-based Rating-setting Regulation (PBR)

On December 13, 2006, ERC issued the Rules for Setting Distribution Wheeling Rates (RDWR) for privately-owned distribution utilities entering Performance-based Regulation (PBR) for the second and later entry points, setting out the manner in which this new PBR rate-setting mechanism for distribution-related charges will be implemented. PBR replaces the RORB mechanism, which has historically determined the distribution charges paid by customers. Under PBR, the distribution-related charges that distribution utilities can collect from customers over a four-year regulatory period is set by reference to projected revenues which are reviewed and approved by ERC and used by ERC to determine the distribution utility's efficiency factor. For each year during the regulatory period, the distribution utility's distribution-related charges are adjusted upwards or downwards taking into consideration the utility's efficiency factor as against changes in overall consumer prices in the Philippines.

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

The second regulatory period of Cotabato Light ended on March 31, 2013, while that of Visayan Electric and Davao Light ended on June 30, 2014. In addition, the second regulatory period of Subic Enerzone and SFELAPCO ended on September 30, 2015. The reset process for the subsequent regulatory period, however, has been delayed due to the issuance by ERC in 2013 of an Issues Paper on the Implementation of PBR for distribution utilities under RDWR. Said paper aims to revisit various matters relating to the reset process. ERC has solicited comments from industry participants and has been holding public consultations on the Issues Paper.

On December 22, 2015, Matuwid na Singil sa Kuryente Consumer Alliance, Inc. (MSK) filed a petition proposing a modified RORB methodology or a modified PBR methodology, wherein the distribution utilities' capital expenditures and rate recovery thereon are approved in advance but the charges to the customers will only commence after the investments have actually been made and validated by ERC auditors. Public consultations were held on various dates in Metro Manila, Cebu, and Davao.

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

- (a) Cotabato Light: April 1, 2017 to March 31, 2021
- (b) Davao Light and Visayan Electric: July 1, 2018 to June 30, 2022
- (c) SEZ and SFELAPCO: October 1, 2019 to September 30, 2023

On November 21, 2016, ERC posted for comments the draft Regulatory Asset Base (RAB) Roll Forward Handbook for Privately Owned Electricity Distribution Utilities. Public consultations were conducted on said document.

The reset process for the fourth regulatory period has not yet started for all private distribution utilities as the abovementioned ERC rules have not been published yet for its effectivity.

On June 2019, ERC posted for comments its draft Rules for Setting Distribution Wheeling Rates and Issues Paper for the Regulatory Reset of the First Entry Group (MERALCO, Cagayan de Oro Electric and Dagupan Electric). Various public consultations were held in the month of July 2019. However, during the July 29, 2019 PBR public consultation, MSK called the attention of ERC to act first on its 2015 petition on rate methodology before proceeding with the reset process. Thus, ERC put resolving the MSK petition in its priority list and resumed public hearings in September 2019. ERC also conducted Power 101 and PBR briefing sessions to various other consumer groups who said that they cannot intelligently comment on the PBR rules without understanding the concepts.

Due to the rules change on PBR, all AboitizPower Distribution Utilities have not undergone the third regulatory period.

5. ERC Regulation on Systems Loss Cap Reduction

In April 2018, ERC issued Resolution No. 10, Series of 2018 entitled *“A Resolution Clarifying the System Loss Calculation Cap and Providing the Effectivity of the Rules for Setting the Distribution Loss Cap”*. This set of rules provide for the new Distribution System Loss (DSL) cap that can be recovered and charged by distribution utilities to its customers, beginning in the May 2018 billing period.

Under the ERC resolution, the DSL cap for private utilities was set at 6.5% for 2018, which shall be reduced gradually on an annual basis until a DSL cap level of 5.50% is achieved by the year 2021. As of 2019, the DSL cap is already set at 6.25%. The aforementioned caps are exclusive of sub-transmission and substation losses. The aforementioned rules also provide for a performance incentive scheme (PIS), which is a price-linked reward for distribution utilities, with the goal of reducing the DSL passed on to customers and to promote efficiency in distribution systems in the long term.

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

On June 4, 2018, Cotabato Light filed an Application (dated May 18, 2018) for the Individualized Distribution System Loss Cap, requesting, among others, that it be exempted from the 6.5% cap pending the filing and approval of its application for Individualized DSL cap of 7.48% in Technical Loss and 1.77% in Non-Technical Loss and sought approval to use the previous 8.5% DSL cap instead. The case is still pending with ERC to date.

6. Competitive Selection Process

On June 11, 2015, DOE promulgate Department Circular No. DC2015-06-0008 (*“2015 DOE Circular”*) which mandated all distribution utilities to undergo competitive selection process (*“CSP”*) in securing PSAs after the effectivity of the said circular. The 2015 DOE Circular also authorized ERC to adopt a set of guidelines for the implementation of the CSP. The 2015 DOE Circular took immediate effect following its publication on June 30, 2015.

On October 20, 2015, ERC issued Resolution No. 13, Series of 2015, entitled, *“A Resolution Directing All Distribution Utilities (DUs) to Conduct a Competitive Selection Process (CSP) in the Procurement of their Supply to the Captive Market”* (*“ERC CSP Rules”*). This resolution provides that a PSA shall be awarded to a winning Generation Company following a competitive selection process or by direct negotiation, after at least two failed CSPs. For PSAs which were already executed but were not yet filed with the ERC and those that were still in the process of negotiation during the time of the effectivity of the ERC CSP Rules, the relevant distribution utility already had to comply with the CSP requirement before its PSA application would be accepted by the ERC. The ERC CSP Rules took immediate effect following its publication on November 7, 2015.

ERC Resolution 13, Series of 2015, was restated in ERC Resolution No. 1, Series of 2016, entitled, *“A Resolution Clarifying the Effectivity of ERC Resolution No. 13, Series of 2015.”* ERC Resolution No. 1, Series of 2016, extended the date of the effectivity of the CSP requirement from November 7, 2015 to April 30, 2016. It further stated that all PSAs executed on or after the said date would be required, without exception, to comply with the provisions of the ERC CSP Rules.

On February 1, 2018, DOE promulgated DC No. DC2018-02-0003 (*“2018 DOE Circular”*) entitled *“Adopting and Prescribing the Policy for the Competitive Selection Process in the Procurement by the Distribution Utilities of Power Supply Agreements for the Captive Market.”* Through this Circular, DOE issued its own set of guidelines (*“DOE CSP Rules”*) for the procurement by distribution utilities of PSAs for the Captive Market.

Under the DOE CSP Rules, all PSAs shall be procured through CSP, except for the following instances: (1) generation project owned by the distribution utility funded by grants or donations; (2) negotiated procurement of emergency power supply; (3) provision of power supply by any mandated Government-Owned and

Controlled Corporation (GOCC) for off-grid areas prior to, and until the entry of New Power Providers (NPP); and (4) provision of power supply by the PSALM through bilateral contracts. A PSA may also be entered into by direct negotiation if the CSP fails twice. The DOE CSP Rules took effect upon its publication on February 9, 2018.

The validity of ERC CSP Rules and ERC Resolution No. 1, Series of 2016, was challenged before the SC on the ground that ERC, in issuing the said resolutions, amended the 2015 DOE Circular and effectively postponed the date of effectivity of the CSP requirement. Consequently, on May 3, 2019, the SC in the case of *Alyansa Para sa Bagong Pilipinas, Inc. v. ERC (G.R. No. 227670)*, declared the first paragraph of Section 4 of the ERC CSP Rules and ERC Resolution No. 1, Series of 2016, as void *ab initio*. The SC further ruled that all PSAs submitted to ERC on or after June 30, 2015 shall comply with the CSP and that upon compliance with the CSP, the power purchase cost resulting from such compliance shall retroact to the date of the effectivity of the complying PSA, but in no case earlier than June 30, 2015, for purposes of passing on the power purchase cost to the consumers.

7. Adopting a General Framework Governing the Provision and Utilization of Ancillary Services in the Grid

On December 4, 2019, DOE issued Department Circular No. DC2019-12-0018 entitled “Adopting a General Framework governing the utilization of Ancillary Services (AS) in the Grid” (“AS Circular”). The policy seeks to ensure the reliability, quality and security of the supply of electricity by adhering to principles that will provide the safe and reliable operation of the grid by taking into account the entry of emerging technologies and the intermittency of variable renewable energy generating resources.

Included in the policy is the creation of an Ancillary Services Technical Working Group (AS-TWG) that will render technical assistance and advice to DOE in developing further policies on AS. One of the main functions of the AS-TWG is to review the Philippine Grid Code (PGC) (2016 edition) to address issues on the implementation of new AS categories and Primary Response requirement. The circular orders the System Operator to ensure optimal procurement of the required Ancillary Services.

Pending the harmonization of AS-related issuances and review of the relevant provisions of PGC 2016, the classification and required levels of AS shall be in accordance with the AS categories prior to PGC 2016.

According to the AS Circular, prior to the commercial operation of the Reserve Market, the SO shall ensure compliance with its obligation to procure the required level and specifications of AS in line with the following:

- (a) Regulating, Contingency, and Dispatchable Reserves shall be procured through firm contracts only;
- (b) Reactive Power Support AS and Black Start AS shall be procured through firm contracts only; and
- (c) The protocol for the central scheduling of energy and contracted reserves in the WESM shall still apply, in accordance with the WESM Rules and relevant Market Manuals.

Upon the commercial operation of the Reserve Market, the following shall govern the procurement of AS:

- (a) SO shall procure Regulating, Contingency, and Dispatchable Reserves through firm contracts and the Reserve Market provided that the contracted levels per reserve region shall be as follows:
 - (i) Regulating Reserve - Equivalent to 50% of the Regulating Reserve requirement;
 - (ii) Contingency Reserve - Equivalent to 50% of the dependable capacity of the largest generating unit;
 - (iii) Dispatchable Reserve - Equivalent to 50% of the dependable capacity of the second largest generating unit

8. Ancillary Services Pricing and Cost Recovery Mechanism

Reserves are forms of ancillary services that are essential to the management of power system security. The provision of reserves facilitates orderly trading and ensures the quality of electricity.

As provided in the WESM rules, when reasonably feasible, the WESM Market Operator, in coordination with the WESM System Operator, shall establish and administer a spot market for the purchase of certain reserve categories. The reserve categories that shall be traded in the WESM are regulating, contingency and dispatchable reserves as well as interruptible loads in lieu of reserves.

The WESM Reserve Pricing and Cost Recovery Mechanism (PCRM) is intended to supplement the WESM Price Determination Methodology for purposes of providing the details of formula and procedures by which reserve

trading amounts and reserve cost recovery charges for the categories of reserve that will be traded in the WESM are calculated. Once approved by ERC, this Reserve PCRM will apply to all reserve categories traded in the WESM and will supersede, to this extent, the Ancillary Services Cost Recovery Mechanism of the Transco.

The Reserve PCRM covers the determination of: (1) reserve trading amounts of reserve providers; (2) reserve cost recovery charges; and (3) administered reserve prices and reserve cost recovery charges. To date, the Reserve PCRM is the subject of an application by the WESM Market Operator, which is pending the approval of ERC.

On December 2, 2014, DOE issued Circular No. 2014-12-0022, otherwise known as the Central Scheduling and Dispatch of Energy and Contracted Reserves. The circular aims to prepare the market participants in the integration of ancillary reserves into the WESM. The ancillary service providers will be paid based on their respective ASPAs with NGCP, while the scheduling of capacity and energy will be based on market results.

On September 14, 2018, NGCP filed a Petition seeking the Commission's approval of its proposed amendments to the Ancillary Services – Cost Recovery Mechanism.

Currently, the existing cost-recovery mechanism for Ancillary Services shall continue to be implemented until a new mechanism is recommended by the AS-TWG and adopted by ERC.

9. Energy Efficiency and Conservation Act

RA No. 11285 or the Energy Efficiency and Conservation Act ("ECC") was signed into law on April 12, 2019. This act established a framework for introducing and institutionalizing fundamental policies on energy efficiency and conservation, including the promotion of efficient utilization of energy, increase in the utilization of energy efficiency and renewable energy technologies, and delineation of responsibilities among various government agencies and private entities.

Under the law, all government agencies, including government-owned corporations, are directed to ensure the efficient use of energy in their respective offices, facilities, transportation units, and in the discharge of their functions. DOE will also be authorized to develop a Minimum Energy Performance (MEP) standard for the commercial, industrial, and transport sectors, and energy-consuming products including appliances, lighting, electrical equipment, and machinery, among others. DOE is also tasked to prescribe labeling rules for all energy-consuming products, devices, and equipment.

DOE will develop and enforce a mandatory energy efficiency rating and labeling system for energy-consuming products, such as air conditioners, refrigeration units, and television sets, to promote energy-efficient appliances and raise public awareness on energy saving. The law also calls for fuel economy performance labeling requirements for vehicle manufacturers, importers, and dealers. LGUs are tasked to implement the Guidelines on Energy Conserving Design on Buildings for the construction of new buildings.

Under the ECC's IRR dated November 22, 2019, DOE can visit designated establishments to inspect energy-consuming facilities, evaluate energy-management systems and procedures, identify areas for efficiency improvement, and verify energy monitoring records and reports and other documents related to the compliance requirements within office hours and with an authorized representative of the establishment present. The IRR also calls for the commissioning of a certified conservation officer and energy manager to ensure compliance and be responsible for managing energy consumption, administering programs, and other responsibilities under the law.

10. Providing for the Framework Governing the Operations of Embedded Generators

On February 8, 2019, DOE promulgated Department Circular No. DC2019-02-0003 entitled "Providing for the Framework Governing the Operations of Embedded Generators". As its guiding principle the policy provides for the central dispatch by the System Operator on Embedded Generators with material impact to Grid operations for maintenance of transmission grid stability. The policy shall apply to the following:

- (a) Embedded Generators (EGs);
- (b) Distribution Utilities;
- (c) Metering Service Providers;

- (d) Market Operators;
- (e) Transmission Service Providers; and
- (f) System Operators;

The policy does not cover Self Generating Facilities, distributed generation for net metering, and off-grid generating facilities. As part of the licensing requirements under this circular, EGs shall secure COCs from ERC pursuant to existing guidelines on licensing of generation facilities.

EGs with the following characteristics are required to register in the WESM:

- (a) EGs with Pmax equal to or above regional thresholds:
 - (i) 10 MW in Luzon;
 - (ii) 5 MW in Visayas; or
 - (iii) 5 MW in Mindanao;
- (b) EGs that are below the regional Pmax threshold but have a contract outside their host distribution utility, intend to sell to the WESM, or inject power into the Grid; and
- (c) FIT-eligible renewable energy plants.

Nonetheless EGs in general may still register in the WESM on a voluntary basis.

All EGs shall comply with the Central Dispatch instructions issued by the System Operator, through the host distribution utility, in accordance with the PGC, Philippine Distribution Code, WESM Rules and Market Manuals, and other applicable dispatch guidelines. In line with this, the System Operator shall establish a dispatch protocol for EGs scheduled in the WESM and initiate necessary amendments to the existing Dispatch Protocol Manual and other relevant Market Manuals for the approval of DOE.

11. Energy Virtual One-Stop Shop Act

RA No. 11234 or the Energy Virtual One-Stop Shop Act (EVOSS Law) was signed into law by President Duterte on March 8, 2019 and became effective on March 29, 2019. DOE issued the IRR for the EVOSS Law on June 24, 2019. Under the EVOSS Law, prospective power generation, transmission or distribution companies can apply, monitor and receive all the necessary permits, and even pay for charges and fees, through the online platform called Energy Virtual One-Stop Shop (EVOSS) once it takes effect, cutting down the lengthy permitting process for the development of power projects. The EVOSS online system will be managed and maintained by DOE, while its operations will be monitored by the EVOSS Steering Committee.

EVOSS applies to all new generation, transmission, and distribution projects throughout the country as well as government agencies and other relevant entities involved in the permitting process. The system provides a secure and accessible online processing system; recognizes the legal effect, validity, and enforceability of submitted electronic documents; and develop an online payment system for all fees for securing permits or certifications. The system enables government agencies involved in pending power projects to operate under a streamlined permitting process utilizing a uniform application template and in compliance with mandated processing timelines as identified in the law. The entire process will be using a system that utilizes electronic documents and monitors permit status via an online system.

The promulgation of the EVOSS law, along with the implementation of the online system it mandates, is expected to substantially hasten the development of power projects. It has the potential to address delays brought about by lengthy government permitting processes and ultimately encourages the private sector to invest more in the power sector.

12. Prescribing Revised Guidelines for Qualified Third Party

On November 22, 2019, DOE promulgated Department Circular No. DC 2019-11-0015 also known as the “Revised Guidelines for Qualified Third Party”. The Qualified Third Party (QTP) Guideline Policy is an initiative that was prescribed in the EPIRA, which shall assist the distribution utilities in ensuring and accelerating the total electrification of the country.

The policy provides revisions to the existing guidelines covering the qualifications and participation of QTPs in the provision of electric services to “Unviable Areas” within the respective franchise areas of distribution

utilities and electric cooperatives. As part of the Scope of the Revised QTP Guidelines, the policy shall apply to the provision of electricity services in defined as unviable areas, which include unserved and underserved electricity customers, within the franchise areas of distribution utilities.

13. Providing a Framework for Energy Storage System in the Electric Power Industry

On September 18, 2019, DOE promulgated Department Circular No. DC2019-08-0012 also known as “Providing a Framework for Energy Storage System in the Electric Power Industry”, which governs the regulation and operation of energy storage systems (ESS). The increasing penetration of Variable Renewable Energy (VRE) in the country has prompted the need for the recognition of ESS as one of the technologies to manage intermittent operations of the VRE-generating plants' output thereby ensuring system stability. The issuance of the circular further hastens the entry of Energy Storage Systems as part of the modernization of the Philippine power sector. It finally answers questions relating to who should own and operate energy storage systems in the Philippines. The circular addresses policy gaps by providing a framework for the implementation and roll out of ESS in the country.

The circular applies to power industry participants, including power generation companies owning and/or operating ESS. The covered technologies include battery energy storage system; compressed air energy storage; flywheel energy storage; pumped-storage hydropower; and other emerging technologies that may be identified, qualified, and approved by DOE as ESS. The rules are also applicable to customers and end-users owning and/or operating ESS, which include distribution utilities; and directly connected customers. The circular also applies to qualified third parties, transmission network providers, system operators, market operators, and PEMC.

14. Guidelines Governing the Issuance of Operating Permits to Renewable Energy Suppliers Under the Green Energy Option Program

In July 18, 2018, DOE issued Department Circular No. DC2018-07-0019 also known as the “Rules Governing the Establishment of the Green Energy Option Program (GEOP) in the Philippines.” This sets the guidelines for consumers or end-users, renewable energy suppliers, and network service providers, among other stakeholders, in facilitating and implementing such energy source under the EPIRA.

GEOP is a renewable energy policy mechanism issued pursuant to the RE Law that provides end-users the option to choose renewable resources as their sources of energy.

Under this issuance, all end-users with a monthly average peak demand of 100kW and above for the past 12 months may opt to voluntarily participate in the GEOP. Those with an average peak demand below 100 kW may also participate in the GEOP, but only after DOE, in consultation with NREB and industry stakeholders, is able to determine that the technical requirements and standards are met by the end-user. End-users with new connections can also opt to participate in the Program and choose renewable energy resources for their energy/electricity needs, provided their average peak demand meets the threshold provided in the GEOP Rules.

The participation of the end-users in the GEOP will be governed by a supply contract between the end-user and the renewable energy supplier, and conform with ERC rules on distributed energy resources and generation facilities.

GEOP is presently available to end-users in Luzon and Visayas only, until such time that DOE, in consultation with the NREB and industry stakeholders, determines the readiness of the Mindanao market.

Other provisions of the GEOP include the establishment of the GEOP Oversight committee, as well as the ERC issuing regulatory framework particularly in setting the technical and interconnection standards and wheeling fees, to affect and achieve the objectives of GEOP. With regard the billing mechanism, the GEOP Rules provide that a “dual billing system” may be adopted by the end-user availing of the program.

15. Promulgating the Renewable Energy Market Rules

On December 4, 2019, DOE issued Department Circular No. DC2019-12-0016, entitled “*Promulgating the Renewable Energy Market (REM) Rules*”, thereby officially starting the Renewable Portfolio Standards (RPS) compliance process.

The REM Rules establishes the basic rules, requirements and procedures that govern the operation of the Renewable Energy Market, which seeks to:

- (a) Facilitate the efficient operation of the REM;
- (b) Specify the terms and conditions entities may be authorized to participate in the REM;
- (c) Specify the authority and governance framework for the REM;
- (d) Provide for adequate sanctions in cases of breaches of the REM Rules; and
- (e) Provide timely and cost-effective framework for resolution of disputes among REM Members and the Renewable Energy Registrar (“Registrar”).

The REM is a market for the trading of Renewable Energy Certificates (RECs) in the Philippines, intended as a venue for Mandated Participants obligated by RPS to comply with their RPS requirements. REM's objective is to accelerate the development of the country's renewable energy resources.

The RPS Transition Period defines Year 0 as 2018 and the RPS Compliance Year 1 shall be the year 2020, and the intervening period shall be the Transition Period.

The REM Rules will be administered and operated by the Renewable Energy Registrar. Moving forward, operational issues may still arise on who will be the RE Registrar.

16. Feed-in-Tariff System

Pursuant to the RE Law, the FIT system is an energy supply policy aimed to accelerate the development of emerging renewable energy sources by providing incentives, such as a fixed tariff to be paid for electricity produced from each type of renewable energy resource over a fixed period not less than 12 years.

In Resolution No. 10, Series of 2012, ERC adopted the following FIT and degression rates for electricity generated from biomass, run-of-river hydropower, solar, and wind resources:

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

In line with the increase in installation target for solar energy from 50 MW to 500 MW and wind energy from 200 MW to 400 MW, ERC issued Resolution No. 6 Series of 2015 approving the Solar FIT2 rate of ₱8.69/kWh for the second set of installation target. On October 6, 2015, ERC issued Resolution No. 14, Series of 2015 adopting the Wind FIT2 rate of ₱7.40/kWh. In Resolution No. 1, Series of 2017, ERC set the degressed FIT rates for hydro and biomass plants at ₱5.8705/kWh and ₱6.5969/kWh, respectively. Through a letter dated February 23, 2018, DOE informed ERC of its resolution extending the FIT for Biomass and ROR Hydro until December 31, 2019.

As the fund administrator of the FIT Allowance (FIT-All), Transco filed application before the ERC asking for provisional authority to implement a FIT-All rate of ₱0.2278/kWh for CY2020. On January 28, 2020, ERC released a decision authorizing Transco to collect a FIT-All rate of ₱0.0495/kWh, lower than the applied ₱0.2471/kWh rate for Calendar Year (CY) 2019. Prior to this decision, the last approved FIT-All rate is ₱0.2226/kWh for CY2018.

(xii) Amount Spent on Research and Development Activities

AboitizPower and its Subsidiaries do not allot specific amounts or fixed percentages for research and development. All research and development activities are done by AboitizPower's Subsidiaries and Affiliates on a per project basis. The allocation for such activities may vary depending on the nature of the project.

(xiii) Costs and Effects of Compliance with Environmental Laws

The Safety Health Environment and Security (SHES) group of AboitizPower oversees the SHES programs and activities within its operational control from the corporate center, business units, to facility teams. This includes the accounting of all environmental impacts. For the Generation Group, the facilities include: (1) APRI's Tiwi-MakBan plants, (2) SacaSun San Carlos plant, (3) the Benguet, Bakun, Sabangan, Sibulan A, B, and Tudaya A), Tudaya B, Manolo Fortich, and Talomo HEPPs, (4) SN AboitizPower Group's Ambuklao, Magat, and Maris plants, (5) Oil Group's Cebu, Mactan, Mobile 1, Mobile 2, Mobile 3-6, and Naga plants, and (6) Coal Group's Davao and Toledo plants. In 2019, the reporting boundary of the SHES group expanded to include AboitizPower's Distribution Utilities, namely, Cotabato Light, Davao Light, Visayan Electric, Balamban Enerzone, Mactan Enerzone, Lima Enerzone, and Subic Enerzone.

AboitizPower and its Subsidiaries have allocated budgets for environmental expenditures covering costs for waste disposal, remediation, pollution control, environmental initiatives and programs. All facilities are in compliance with regulatory requirements, thus noting zero spending for remediation costs.

The alignment to international best practices in all power plants and distribution utilities are exemplified with a 100% achievement of ISO certification for the management systems of Quality, Environment, Occupational Health and Safety.

In 2019, the total environmental management expenses increased to ₱51 mn, which is a 132% increase compared with previous year (₱22 mn). This consists of ₱4.6 mn for APRI, ₱10mn for Hedcor, ₱15.4 mn for the Coal Group, ₱1.8 mn for the SN AboitizPower Group; ₱12.4 mn for the Oil Group, and a total of ₱7 mn for the Distribution Utilities.

Of the ₱51 mn total environmental management expenses, ₱12.5 mn was allocated for capital expenditure (capex) aimed at improving pollution prevention and control. The following projects were implemented: (1) improvement of SN AboitizPower-Magat HEPP's Sewage Treatment Plant (STP); (2) improvement and total rehabilitation of SN AboitizPower-Benguet HEPP's STP; (3) installation of STP for domestic waste at CPPC; (4) Coal Group's installation of flowmeter at Toledo plant's seal pit to comply with NWRB requirements; (5) APRI Makban's automation of one unit of Continuous Ambient Monitoring System; (6) upgrade of Visayan Electric's hazardous waste storage; (7) multiple installation of Davao Light's power transformer oil catch basin as oil spill containment; and (8) installation of material recovery facility at Cotabato Light.

Operation expenditure (opex) projects were also implemented to improve environmental management practices on site, such as: (1) APRI's energy conservation program which resulted to 5% reduction of electricity consumption for its offices; (2) Hedcor's enhanced waste management program resulting to 65% reduction on the volume of residual wastes in 2019 as compared to the previous year; (3) SN AboitizPower-Benguet's waste minimization through construction of Eco Composting Receptacles which lead diversion of compostable waste into organic fertilizers instead of disposal to landfills; and (4) the Enerzone's Race-to-Reduce program which resulted in reduction of paper, water, electricity, and fuel consumption as compared to previous years.

AboitizPower also supports environmental initiatives that go beyond its compliance requirements. The Company takes part in AEV's A-Park program, various coastal and river clean-up activities, and biodiversity initiatives. In the year 2019, the Company has planted a total of 460,000 trees at an expanse of 960 hectares with the help of almost 3,000 volunteers. AboitizPower organized and conducted 49 coastal and river clean-up activities, wherein over 13,000 kilograms of wastes were collected. Furthermore, AboitizPower supports a number of biodiversity initiatives, such as the Mt. Malinao Biodiversity Assessment supported by APRI, Adopt-a-River supported by Cotabato Light, and Adopt-an-Estero Project at San Isidro Buhangin supported by Davao Light.

AboitizPower and its Subsidiaries received a total of 107 awards, certifications and citations in 2019. SN AboitizPower-Benguet and SN AboitizPower-Magat received the National Silver Award and National Bronze Award, respectively, during the 11th DOLE Gawad Kaligtasan at Kalusugan (GKK) Awarding Ceremony on December 11, 2019. DOE's Safety & Health Association of the Philippines Energy Sector (SHAPES) Inc. recognized SN AboitizPower as Hall of Famer in the 2019 SHAPES Corporate Outstanding Safety & Health Excellence Award.

AboitizPower and its Subsidiaries did not incur any major sanctions for violation of environmental standards and law in 2019. AboitizPower continues to be cognizant of new opportunities to comply with regulatory requirements and improvement of systems to promote safety and prevent adverse impacts to the environment or affected ecosystems.

(xiv) Employees

At the parent company level, AboitizPower has a total of 428 employees as of February 29, 2020. These include executives, managers, supervisory, and rank and file staff employees. There is no existing Collective Bargaining Agreement (CBA) covering AboitizPower employees.

The following table provides a breakdown of total employee headcount on a per business group basis, according to employees' function, as of February 29, 2020:

Business Group	Number of Employees				Rank & File	Unionized Employees	Expiry of CBA
	Total	Executives	Managers	Supervisors			
Aboitiz Power	428	79	70	78	201	0	N/A
Generation Companies							
Run-of-River Hydros	595	14	25	74	482	143	September 19, 2022 (Hedcor)
Large Hydros	187	17	31	36	103	0	N/A
Geothermal	282	7	19	49	207	42	February 28, 2022 (APRI)
Solar	6	0	0	2	4	0	N/A
Oil	420	12	31	192	185	0	N/A
Coal	1,445	26	90	317	1,012	154	December 31, 2018* (GMCP)
RES	7	0	2	1	4	0	N/A
Distribution Utilities	880	17	73	143	647	357	December 31, 2016** (Visayan Electric) July 2, 2024 (Cotabato Light) June 15, 2021 (Davao Light) May 9, 2024 (SFELAPCO)
Total No. of Employees	4,250	172	341	892	2,845	696	

*The union has filed for voluntary dissolution on January 23, 2020 with DOLE.

**Under negotiation

The Company does not anticipate any significant increase in manpower within the next twelve months unless new development projects and acquisitions would materially require an increase.

(xv) Major Risk/s Involved in the Business

An integral part of AboitizPower's Enterprise Risk Management efforts is to anticipate, understand and address the risks that the Company may encounter in the businesses it is involved in.

Risk Management, or the regular review of Risk Management Plans, is being conducted at least twice a year across the Group for Strategic Risks. Business Units review their Operational Risks management plans more frequently.

Risk management is integrated in the Company's strategic planning process, where teams identify the risk areas that could have an impact to the Company's strategic objectives. The Risk Management Team integrates Environment, Social and Governance (ESG) in the risk assessment process, including the enhancement of business continuity plans to ensure that climate change-related risks are properly mitigated.

Following the Group Risk Management governance structure, the Top Risks are regularly presented and discussed with Senior Management and the Board of Directors.

1. Project Risks

As AboitizPower continues to grow its generation portfolio, the Company has identified project risks as a top risk. This risk is largely driven by delays in commercial operations, as well as late completion and delivery of the transmission lines that will enable full dispatch of the plants in the pipeline.

Project risk management plans are thoroughly defined and regularly reviewed for each project, in order to track issues related to quality, safety, compliance, schedule and resources. This ensures that identified risk control measures and recovery actions are implemented. Appropriate project insurance coverage, as well as periodic performance reviews of selected partners, reputable contractors and third-party suppliers are also in place in the Company's projects.

To further mitigate project risks, delivery of transmission lines are closely coordinated with NGCP. Operational readiness reviews are performed to ensure that new generating units are ready for commercial operations prior to going on-line. Project post-mortem reviews are also conducted to determine key learnings that can be applied to ongoing and future projects in the pipeline.

To address challenges in land procurement, conversion, permitting, right-of-way, and other land-related issues, constant collaboration with partners, contractors, regulatory agencies, host communities, and other key stakeholders is undertaken in alignment with project execution timelines.

2. Regulatory Risks

The electric power industry is characterized by a constantly evolving regulatory environment. Any shortcoming in regulatory compliance poses negative consequences in both the net income and reputation of each Business Unit and the Group.

To anticipate and proactively respond to changes in regulation, the Regulatory Affairs Team of AboitizPower constantly collaborates with DOE and ERC to work towards a sound and sustainable regulatory and policy environment. Similarly, the Safety, Health, Environment and Security (SHES) Team keeps abreast with environmental laws and coordinates with DENR on matters pertaining to environmental compliance.

These teams, among others, actively participate in consultative processes and public consultations to provide feedback and positions on proposed laws and regulations. The Company's participation likewise ensures that its interpretation of such laws and regulations is aligned with the regulators. This is done in cooperation with organized industry groups such as the Philippine Independent Power Producers Association (PIPPA) and Philippine Electric Plant Owners Association (PEPOA). Regular dialogues are conducted with host communities, media, non-government organizations, and the academe, to educate and update various groups about the power industry.

AboitizPower has transitioned its Legal Team to strategically focus on compliance and to continually improve the overall compliance process. The Company is institutionalizing a compliance framework across the different business and corporate support units, and is formalizing compliance reporting requirements among the Group's compliance officers. AboitizPower has also implemented the Aboitiz Unified Compliance Management System, a Group-wide initiative that is based on the Governance, Risk and Compliance (GRC) framework.

3. Reputation Risk

AboitizPower is cognizant that its reputation is its single most valuable asset, and a competitive advantage that allows the Company to earn, maintain, and strengthen the trust of its stakeholders. The Company knows that its reputation today took generations to build and sustain, hence the need to protect and enhance it progressively is imperative.

Today's operating environment is characterized by increasing corporate governance standards, heightened public consciousness due to social media, and greater scrutiny from key stakeholders. Reputation risks result from the occurrence of or failure to mitigate other risks.

AboitizPower continues to strengthen Stakeholder Engagement activities with all its stakeholders, including its customers, employees, shareholders, lenders and insurers, regulators, host communities, and LGUs. One of the key engagement channels is DOE's Energy Regulation 1-94 (ER 1-94) which allows host communities to reap financial benefits for their contribution to power plants. AboitizPower's assumption of the fund's administration functions has hastened fund remittance and utilization for local electrification, development and livelihood, and environment enhancement projects of host communities.

As part of the technical working group that is developing the framework on Environment, Social and Governance (ESG), the Company will effectively embed ESG and address ESG-related issues in its risk management process, as it embraces the energy trilemma of availability, affordability, and environmental sustainability.

4. Information Security Risks

AboitizPower recognizes the vulnerabilities of global information security breaches and the increasingly complex challenges of digital transformations. Management recognizes that information security threats should be addressed in order to avoid potential breaches, which can adversely disrupt operations and customer services, and result in serious impacts to the organization's bottom line and its reputation.

AboitizPower further strengthens its security and resilience against information security breaches through the ongoing implementation of the Information Security Management System (ISMS) guided by the ISO 27001:2015 standard. In 2019, the Company focused on defining and rolling out information security governance in addition to addressing the gaps between current practices and minimum standards. It will continue embedding the ISMS discipline in all three pillars of Information and Operational Systems Security: People, Process, and Technology.

In alignment with the Group-wide Cyber Security Program, specific governance, standards, and projects for Operational Technology Security in generation and distribution facilities are ongoing for phased implementation starting 2020.

In efforts to achieve the desired Level 4 in Cyber Security Maturity and build an information security risk-aware culture within the Company, business continuity plans on loss of technology scenarios are in place, annually tested, reviewed, and improved. AboitizPower keeps pace with current information security threat landscape, solutions, and best practice in order to further strengthen prevention, detection, and comprehensive response to security threats.

5. Business Interruption Due to Natural and Man-made Calamities and Critical Equipment Breakdown

The loss of facilities caused by natural calamities such as earthquakes, windstorms, typhoons, and floods could result in significant business interruptions within AboitizPower. Interruptions may be caused by other factors such as critical equipment breakdown, failures in software, network, and applications, fires and explosions,

hazardous waste spills, workplace fatalities, terrorism, and other serious risks. Planned maintenance and overall outage management of AboitizPower's generation facilities and its critical equipment and operational technology infrastructure and systems are governed by asset management standards based on global best practice.

AboitizPower's generation facilities have all achieved asset management certifications based on ISO 55001:2014 standard. Recently commissioned plants will also be lined up for certification.

On the other hand, distribution network availability and reliability targets have consistently been aligned with the performance bands set by ERC as part of the RDWR.

All Business Units have also achieved OSHAS 18001 certification, a British standard which is focused on controlling occupational health and safety hazards. AboitizPower companies are also transitioning to the ISO 45001 standard to drive a risk-based culture with more proactive approaches toward mitigating risks before they happen. To further reinforce industrial fire safety, an in-house training program on Fixed Fire Fighting Systems of the U.S. National Fire Protection Association was conducted for operations, maintenance, and safety personnel.

Group insurance facilities that leverage on the Company's portfolio of generation and distribution assets, supported by risk modelling and quantification, are also in place. AboitizPower ensures that its Business Units have the right insurance solutions to achieve the optimal balance between retaining or transferring risks versus lowering the Total Cost of Insurable Risk (TCOIR). As such, business interruption insurance is procured to cover any potential loss in gross profits that may result from a major damage to critical assets.

Business Units periodically review, test, develop, update, and improve their Business Continuity Plans to ensure that they remain relevant with current business conditions, and address the uncertainties and issues faced by the Company.

Some of these enhancements include: (a) typhoon preparedness; (b) regular emergency drills and simulation exercises on various scenarios related to other natural and man-made calamities; and (c) post-incident investigations to ensure that employees are able to respond effectively and safely as planned.

To further improve its existing Business Continuity Management (BCM) framework and practices, AboitizPower has rolled out a three-year roadmap of Business Continuity initiatives, which conforms to ISO 22301:2012 standards and requirements.

6. Financial Risks

In the course of its operations, AboitizPower and its Subsidiaries are exposed to the following financial risks:

- (a) Financing risk in terms of the Company's inability to borrow money to fund future projects;
- (b) Refinancing and liquidity risks arising from balloon / bullet payments for existing loans;
- (c) Interest rate risks resulting from the increasing cost to borrow money as a result of inflation; and
- (d) Foreign exchange (forex) risks in terms of foreign exchange fluctuations that may significantly affect its foreign currency-denominated placements, transactions and borrowings.

Aside from the negative impact to the Group's net income, these risks would also constrain any expansion and growth projects. Furthermore, defaulting on existing loans and other financial obligations will consequently put the Company's reputation at risk.

To address these risks, the Company carries out the following actions:

- (a) Regular monitoring of the Company's cash position;
- (b) Issuance of retail bonds;
- (c) Maintaining good relationships with the banks; and
- (d) Implementation of the Group's Financial Risk Management Framework, which is a collaboration of the Group Risk and Treasury teams and designed to ensure a consistent approach in identifying, assessing, quantifying and mitigating financial risks across the Group.

7. Competition Risk

Increasingly competitive market conditions create downward pressure on contract rates and increasing levels of commercial risk, to wit: (a) generation companies are required to participate in a transparent and competitive bidding of power supply requirements of distribution utilities and electric cooperatives through the CSP; and (b) spot prices are expected to continue to be volatile. As such, fixed pricing may potentially increase exposure to fuel and forex risk, while the inability to contract at favorable rates and commercial terms may result in further exposure to higher levels of spot market volatility.

As AboitizPower endeavors to market and contract project capacities from investments ahead of time, as well as renew expiring contracts from existing capacities, it also maximizes energy trading opportunities in the spot market. Striking this balance requires a combination of portfolio pricing and contracting strategies, and hedging of coal and forex exposure on fixed contracts. This is to ensure that plant operations are optimized, and that revenue and cash flow streams are managed.

8. Talent Risk

AboitizPower gears for further growth by shifting towards renewable energy sources and increasing its presence in the international market, while ensuring the availability and reliability of existing power plants. Both growth and operational excellence thrusts demand for organic subject matter experts of critical assets.

The risk on the readiness and availability of talents for these critical posts is inevitably increasing. Thus, talent attraction, optimization, and retention strategies are of utmost importance. In 2019, the Company integrated Strategic and Operational Workforce Planning in the Organizational Planning processes to enable the identification of current and future talent needs. This will help shape the people strategy of AboitizPower. Some of the key people initiatives currently being implemented and/or designed are: employer branding, succession management, job rotation, management trainee, and employee engagement programs.

9. Emerging Risks

Embedded in the risk management process is the continuous identification and monitoring of emerging risks. These are newly developing risks that cannot yet be fully assessed (due to high uncertainty) but could have a major impact on an organization in the future. These potential risks could be triggered by the fast-changing landscapes in the political, economic, social, technological, environmental, and legal environs surrounding the Company's operations.

For Aboitiz Power, one such major risk particularly is that of climate change. Subject matter experts, management and functional committees are constantly on close watching brief along their areas of expertise on environmental issues and their developing impact on businesses. The Company likewise anticipates that availability of insurance and financing for coal plants will become more challenging, which it will address with its portfolio mix changing towards renewables over the long term.

Such risks are captured and validated in the semi-annual risk assessment process and during the environmental scans of the annual organizational planning process of AboitizPower. These emerging risks are then communicated to the Group Risk Management Team for further study and analysis, and are reported as part of Risk Management Council and Board Risk Committee regular agenda.

(b) Requirements as to Certain Issues or Issuers

(i) Debt Issues

(a) Ten Billion Fixed-Rate Bonds issued in August 2014

On August 29, 2014, SEC issued an Order of Registration and a Certificate of Permit to Sell Securities for AboitizPower's ₱10 billion (bn) retail bonds ("2014 Bonds"). BPI Capital Corporation (BPI Capital) acted as the Issue Manager and Lead Underwriter, BPI Asset Management and Trust Group (BPI AMTG) as the Trustee, and Philippine Depository & Trust Corporation (PDTTC) as the Registry and Paying Agent for the

transaction. The 2014 Bonds received the highest possible rating of PRS "Aaa" from Philippine Rating Services Corporation (PhilRatings). The 2014 Bonds were listed with the Philippine Dealing & Exchange Corporation (PDEX) on September 10, 2014.

The 2014 Bonds were issued in two series: (a) seven-year bonds with a fixed interest rate of 5.205% per annum; and (b) twelve-year bonds with a fixed interest rate of 6.10% per annum. Interest rate is calculated on a 30/360-day count basis and is paid quarterly in arrears every March 10, June 10, September 10, and December 10 of each year at which the bonds are outstanding, or the subsequent banking day without adjustment if such interest payment date is not a banking day. The Company has the option, but not the obligation, to redeem in whole (and not in part) any series of the outstanding 2014 Bonds, on the following dates or the immediately succeeding banking day if such date is not a banking day:

Early Redemption Option Dates	
Series A Bonds	5.25 years from Issue Date
	6 years from Issue Date
Series B Bonds	7 years from Issue Date
	8 years from Issue Date
	9 years from Issue Date
	10 years from Issue Date
	11 years from Issue Date

AboitizPower has been paying interest to its bond holders since December 10, 2014.

Use of Proceeds

Following the offer and sale of the 2014 Bonds, AboitizPower received the aggregate amount of ₱10 bn as proceeds. As of December 31, 2016, the proceeds from the 2014 Bonds were fully utilized for the following projects:

- i. 400 MW (net) Pulverized Coal-Fired Expansion Unit 3 in Pagbilao, Quezon;
- ii. 68 MW Manolo Fortich Hydropower Plant Project;
- iii. 300 MW Cebu Coal Project;
- iv. 300 MW Davao Coal Project; and
- v. 14 MW Sabangan Hydropower Plant Project.

(b) Shelf Registration of Thirty Billion Fixed-Rate Bonds issued in 2017 and 2018

On June 19, 2017, SEC issued an Order of Registration and a Certificate of Permit to Offer Securities for AboitizPower's ₱30 bn fixed-rate corporate retail bonds in the aggregate amount of up to ₱30 bn ("2017 Bonds"). The 2017 Bonds were registered under the shelf registration program of the SEC and are to be issued in tranches.

Series "A" Three Billion Fixed Rate Bonds issued in July 2017

Series "A" bonds were issued on July 3, 2017 with an aggregate amount of ₱3 bn, a tenor of ten years, and fixed interest rate of 5.3367% per annum. Interest is payable quarterly in arrears on January 3, April 3, July 3, and October 3 of each year, or the subsequent banking day without adjustment if such interest payment date is not a banking day. AboitizPower engaged BPI Capital as Issue Manager and Underwriter, BPI-AMTG as Trustee, and PDTC as the Registrar and Paying Agent. The Series "A" bonds received a credit rating of "PRS Aaa" with Stable Outlook from Philratings, and is listed with PDEX.

AboitizPower received the aggregate amount of ₱2.97 bn as proceeds from the offer and sale of the Series "A" bonds. AboitizPower has been paying interest to its bond holders since October 2017.

Use of Proceeds

As of December 31, 2017, the proceeds of the Series "A" bonds were fully utilized for the following projects:

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

Note: Amounts are in thousands.

Series "B" and Series "C" Ten Billion Fixed Rate Bonds issued in October 2018

Series "B" and Series "C" bonds, with an aggregate amount of ₱10 bn and an oversubscription option of ₱5 bn, were issued on October 12, 2018. The Series "B" bonds have an interest rate of 7.5095% per annum, and will mature in 2024, while the Series "C" bonds have an interest rate of 8.5091% per annum, and will mature in 2028. Interest is payable quarterly in arrears on January 25, April 25, July 25, and October 25 of each year, or the subsequent banking day without adjustment if such interest payment date is not a banking day.

AboitizPower appointed BDO Capital & Investment Corporation (BDO Capital) as Issue Manager, BDO Capital, BPI Capital, and United Coconut Planters Bank as Joint Lead Underwriters, BDO Unibank, Inc. Trust & Investments Group as Trustee, and PDTC as the Registry and Paying Agent for the transaction. The Series "B" and Series "C" bonds received the highest possible rating of PRS "Aaa" from PhilRatings and are listed with PDEX.

AboitizPower received the aggregate amount of ₱7.5 bn as proceeds from the offer and sale of the Series "B" bonds and ₱ 2.5 bn for the Series "C" bonds. AboitizPower has been paying interest to its bond holders since January 2019 for the Series "B" and Series "C" bonds.

Use of Proceeds

As of September 30, 2019, the proceeds of the Series "B" and Series "C" bonds were utilized for the following projects:

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

Note: Amounts are in thousands

Series "D" Bonds issued in October 2019

Series "D" bonds, with an aggregate amount of ₱ 7.5 bn and an oversubscription of ₱ 5 bn, were issued on October 14, 2019. The Series "D" bonds have an interest rate of 5.2757% per annum, and will mature in 2026. Interest is payable quarterly in arrears on January 14, April 14, July 14, and October 14 of each year, or the subsequent banking day without adjustment if such interest payment day is not a banking day.

AboitizPower appointed BDO Capital and First Metro Investment Corporation as Joint Issue Managers, Joint Bookrunners and Joint Lead Underwriters, and BDO Unibank - Trust and Investments Group as Trustee, and PDTC as the Registry and Paying Agent of the transaction. The Series "D" bonds received the highest possible rating of PRS "Aaa" from Philratings and is listed with PDEX.

The Company received the aggregate amount of ₱7.25 bn as proceeds from the offer and sale of the Series “D” bonds. AboitizPower has been paying interest to its bond holders since January 2020 for the Series “D” bonds.

Use of Proceeds

As of December 31, 2019, the proceeds of the Series “D” bonds were utilized for the following projects:

Name of Project	Projected Usage (Per Prospectus)	Actual Usage
Repayment of short-term loan	₱7,161,972	₱7,250,000
Bonds issuance cost	88,028	-
TOTAL	₱7,250,000	₱7,250,000

Note: Amounts are in thousands.

Item 2. Properties

The Company’s head office is located at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines. The office space occupied by the Company is leased from a third party. As a holding company, the Company does not utilize significant amounts of office space.

The Company plans to continually participate in future biddings for new or existing projects, and to develop projects that become available to it.

On a consolidated basis, AboitizPower’s Property, Plant and Equipment were valued at around ₱209.52 as of end-2019, as compared to ₱207.11 bn as of December 31, 2018. The breakdown of the Company’s Property, Plant and Equipment as of December 31, 2019 and December 31, 2018 is as follows:

Property, Plant and Equipment	2019	2018
Land	₱ 1,785,250	₱ 1,541,756
Buildings, Warehouses and Improvements	37,218,328	21,356,246
Powerplant, Equipment and Streamfield Assets	141,948,261	168,443,359
Transmission, Distribution and Substation Equipment	21,295,812	19,458,140
Transportation Equipment	1,626,721	1,570,064
Office Furniture, Fixtures and Equipment	1,174,643	1,052,237
Leasehold Improvements	2,793,542	2,774,370
Electrical Equipment	7,788,861	5,685,213
Meter and Laboratory Equipment	2,265,372	1,892,174
Tools and Others	1,228,993	1,335,213
Construction in Progress	6,311,485	37,835,549
Right-of-use Assets	37,864,618	-
Less: Accumulated Depreciation and Amortization	50,645,980	52,699,469
Less: Accumulated Impairment	3,134,440	3,134,440
TOTAL	₱209,521,466	₱207,110,412

Note: Values for the above table are in thousand Philippine Pesos.

Locations of Principal Properties and Equipment of the Company’s Subsidiaries are as follows:

Subsidiary	Description	Location/Address	Condition
APRI	Geothermal power plants	Tiwj, Albay, Caluan, Laguna; and Sto. Tomas, Batangas	In use for operations
Aseagas	Raw land and improvements	Lian, Batangas	Ceased operations

Subsidiary	Description	Location/Address	Condition
Hedcor	Hydropower plants	Kivas, Banengneng, Benguet; Beckel, La Trinidad, Benguet, Bineng, La Trinidad, Benguet; Salangan, Ampucao, Itogon, Benguet; and Bakun Benguet	In use for operations
Hedcor Sibulan	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In use for operations
Hedcor Tudaya	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In use for operations
Hedcor Sabangan	Hydropower plant	Namatec, Sabangan, Mountain Province	In use for operations
CPPC	Bunker-C thermal power plant	Cebu City, Cebu	In use for operations
EAUC	Bunker-C thermal power plant	Lapu-Lapu City, Cebu	In use for operations
TMI	Barge-mounted diesel power plants	Nasipit, Agusan del Norte and Barangay San Roque, Maco, Compostela Valley	In use for operations
TMO	Barge-mounted diesel power plants	Navotas Fishport, Manila	In use for operations
TSI	Coal-fired thermal power plants	Davao City and Davao del Sur	In use for operations
TVI	Land	Bato, Toledo, Cebu	For plant site
GMCP	Coal-fired thermal power plants	Mariveles, Bataan	In use for operations
Cotabato Light	Industrial land, buildings/ plants, equipment, and machineries	Sinsuat Avenue, Cotabato City	In use for operations
Davao Light	Industrial land, buildings/ plants, equipment, and machineries	P. Reyes Street, Davao City and Bajada, Davao City	In use for operations
Visayan Electric	Industrial land, buildings/ plants, equipment, and machineries	Jakosalem Street, Cebu City and J. Panis Street, Cebu City	In use for operations
Lima Enerzone	Industrial land, buildings/plants, equipment, and machineries	Lipa City and Malvar, Batangas	In use for operations
Balamban Enerzone	Industrial land, buildings/plants, equipment, and machineries	Balamban, Cebu	In use for operations

Item 3. Legal Proceedings

Material Pending Legal Proceedings

AboitizPower and its Subsidiaries are involved in various legal proceedings in the ordinary conduct in their businesses. The Company believes that none of these legal proceedings to which AboitizPower or its Subsidiaries, associates, and joint ventures are subject will have a material effect on the Company's financial position and results of operations.

Visayan Electric, for example, received several assessments of real property taxes (RPT) on its electric posts, transformers, wires, machineries, air-conditioning units, and water pumps. Visayan Electric consistently maintains that the electric posts, transformers, wires, machineries, air-conditioning units, water pumps and their appurtenances are not considered real properties under the Civil Code and therefore, are not lawful

objects of RPT. Further, Section 270 of the Local Government Code of 1991 (LGC) provides that the collection of RPT is mandatory within five years from the date they become due, and that failure to collect the RPT within the said period will bar collection thereof.

To date, Visayan Electric has one remaining RPT case with Cebu City with assessments amounting to ₱208mn covering the period from 1989 to 2019, pending before the Cebu City Assessor's Office. In the event that the case is decided against Visayan Electric, the company can file an appeal with the Local Board of Assessment Appeals (LBAA), without prejudice to subsequent appeals allowed under existing rules governing the appeals process.

Other cases involving the Company and its Subsidiaries are as follows:

GR No. 244450 and GR No. 244659 (formerly CTA En Banc Case No. 1020; CBAA Case No. L-57 and L-59) entitled "National Power Corporation vs. Luzon Hydro Corporation (LHC), Banggay T. Alwis, Municipal Assessor, Manuel C. Bagayao, Municipal Treasurer of Bakun, Benguet, Erlinda Estepa, Provincial Assessor and Mauricio B. Ambanloc, Provincial Treasurer of the Province of Benguet", May 24, 2013

The Municipality of Bakun, Province of Benguet issued an assessment against LHC for deficiency RPT for the year 2002 on its machineries in the amount of approximately ₱11 mn, inclusive of interests and penalties. LHC appealed the assessment to the LBAA. NPC intervened in the proceedings before the LBAA arguing that: (i) the liability for the payment of RPT over the machineries is assumed by NPC under Section 8.6(b) of the Bakun PPA dated November 24, 1996; and (ii) NPC is exempted from the payment of RPT under Section 234 of the LGC, which provides that machineries which are actually, directly and exclusively used by government-owned and controlled corporations engaged in the generation and transmission of electric power are not subject to RPT. The LBAA ruled in favor of the Municipality of Bakun on the ground that NPC could not invoke the exception under Section 234 of the LGC because the machineries covered by the assessment are not yet owned by NPC.

NPC appealed the ruling of the LBAA to the Central Board of Assessment Appeals (CBAA), which appeal was docketed as CBAA Case No. L-57/59. The Province of Benguet, through the Office of the Governor, and LHC negotiated to arrive at a possible settlement. In December 2009, NPC moved for the issuance of a decision based on a compromise agreement. The Province of Benguet opposed NPC's motion and prayed that the CBAA continue hearing the case and resolve the same on the merits. LHC filed its reply to the Province of Benguet's opposition.

On July 3, 2012, CBAA dismissed the appeals of LHC and NPC for lack of merit. LHC then filed its Motion for Reconsideration. The CBAA noted both LHC and NPC's motions, and gave the Province of Benguet ten days to file its comment/opposition.

On October 11, 2013, LHC, NPC, and the Province of Benguet filed a Joint Motion for Judgment based on a Compromise Agreement with the Court of Tax Appeals (CTA). The CTA En Banc (CTA EB) ordered the parties to submit additional documents in support of the Joint Motion for Judgment, and held in abeyance the resolution of the Joint Motion for Judgment based on Compromise pending the submission of certain documents.

On September 2, 2015, LHC received a Manifestation from the Province of Benguet stating that the: (i) Sangguniang Panlalawigan of Benguet's Resolution authorizing their Provincial Governor to enter into the January 29, 2004 Compromise Agreement; and (ii) Sangguniang Bayan of Bakun, Benguet's Resolution authorizing its Municipal Mayor Marcelo Contada to enter into the December 2007 Compromise Agreement and January 18, 2008 MOA, do not exist.

Despite close coordination with both the Province of Benguet and the Municipality of Bakun for the issuance of the necessary resolutions to ratify the actions previously taken by their respective Sanggunian, no such action has been taken by the Sangguniang Panlalawigan of Benguet and the Sangguniang Bayan of Bakun. Given the foregoing and in the interest of substantial justice, LHC filed a Motion to Resolve the Joint Motion for Judgment based on Compromise Agreement on December 29, 2015, attesting that the Province of Benguet and the Municipality of Bakun made representations that they were authorized to execute the Compromise Agreement and that they accepted the Compromise Payments made by LHC pursuant thereto. As a

consequence, the Province of Benguet and the Municipality of Bakun are estopped from assailing the Compromise Agreement.

In March 2016, the CTA EB denied LHC's Motion to Resolve the Joint Motion for Judgment based on Compromise. The CTA EB also denied LHC's subsequent Motion for Reconsideration.

On December 12, 2016, LHC filed with the SC a Petition for Certiorari assailing the above resolutions of the CTA. On June 7, 2017, the SC dismissed LHC's Petition for Certiorari and in December 2019, issued the Entry of Judgment.

On January 16, 2020, the Municipal Treasurer of Bakun issued RPT Bills for the period covering 2002 to 2019 amounting to ₱284,448,073.24.

On February 3, 2020, LHC wrote to the Provincial Governor requesting for the amendment of the RPT Bills to align with the MOA dated December 20, 2012 by and between LHC and the Province of Benguet. In the same letter, LHC also cited EO No. 88, Series of 2019, which reduced the liability for RPT of IPPs such as LHC with BOT Agreements with Government Owned and Controlled Corporations (GOCCs) to an amount equivalent to the tax due if computed at 15% assessment level and condoned all interest and penalties for all years up to 2018.

LHC is awaiting the Provincial Government's response.

Supreme Court GR No. 223403 and 223460-61 (formerly CTA En Banc Case Nos. 1024 and 1096; CBAA Case Nos. L-96 and L-99) "*Luzon Hydro Corporation and the National Power Corporation vs. The Local Board of Assessment Appeals of the Province of Ilocos Sur, Fatima Tenorio, in her official capacity as the Provincial Assessor of the Province of Ilocos Sur, Antonio A. Gundran, in his capacity as the Provincial Treasurer of the Province of Ilocos Sur*", July 2, 2003

LHC has an RPT dispute with the Province of Ilocos Sur and the Municipality of Alilem since 2003 when the Municipality assessed LHC for RPT over the portions of the Bakun Hydro Electric Plant located within the territorial jurisdiction of the Municipality. LHC protested the assessment, with NPC intervening in the proceedings since it had contractually assumed the obligation to pay RPT in the PPA. LHC escalated the protest to the CTA EB on the issue of which between NPC and LHC is obligated to pay the RPT. The CTA EB ruled that LHC, being the actual, direct and exclusive user of the subject properties, is the one obligated to pay RPT. This ruling was sustained by the SC with finality in a resolution dated September 24, 2018.

Meanwhile in 2014, while the case was pending before the CTA EB, then President Aquino issued EO No. 173, which reduced the liability for RPT of IPPs such as LHC to an amount equivalent to the tax due if computed at 15% assessment level and condoned all interest and penalties for all years up to 2014. More EOs of the same nature were subsequently issued, the latest being, EO No. 88 Series of 2019, dated August 13, 2019 ("EO 88") issued by President Duterte.

With the finality of the SC's determination that it is liable to pay RPT, LHC wrote to Gov. Singson on December 18, 2018 signifying its willingness to settle the outstanding RPT obligation, but at the reduced amount pursuant to the EOs. There was no response until August 13, 2019, when LHC received a Notice of Tax Delinquency from the Municipality with respect to four properties, computed based on an 80% assessment level. LHC received a second Tax Delinquency Notice on September 18, 2019 for seven other properties. The second tax delinquency notice covered the lodging house, admin buildings, warehouses, tunnel steel lining and industrial switchyard. Thereafter, the Municipality of Alilem issued warrants of levy for the properties covered by the notices, and scheduled them for auction sale.

LHC filed two separate "Petitions for Prohibition and Mandamus with prayer for TRO and Preliminary Injunction" to cover the two notices of auction sale, challenging the correctness of the amount assessed as RPT and to prevent the auction sale of the assets. The actions also sought the enforcement of the EOs directing the reduction of RPT on property, machinery and equipment actually and directly used by IPPs under BOT contracts (however denominated), and condoning related RPT interest and penalties.

The RTC of Tagudin, Ilocos Sur acting on both Petitions, issued two TROs enjoining the Municipality of Alilem from selling at public auction LHC's real properties for a period of 20 days, which has since expired. LHC, on its part, filed its Position Paper on December 12, 2019 and Supplemental Position Paper December 19, 2019, in compliance with the aforesaid court orders. The case is now submitted for decision.

The public auction will not result in an outright transfer of ownership nor possession of the auctioned assets to the Municipality of Alilem. Under Section 179 of the LGC, LHC has a period of one year from the occurrence of the auction sale within which to redeem the auctioned assets. During this redemption period, LHC retains possession of the auctioned assets, and remains entitled to the rentals and other income arising therefrom.

G.R. No. 210245 entitled "Bayan Muna Representative Neri Javier Colmenares, et al. vs. Energy Regulatory Commission, et al.", Supreme Court; December 19, 2013

G.R. No. 210255 entitled "National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et al.", Supreme Court; December 20, 2013

G.R. No. 210502 entitled "Manila Electric Company, et al. v Philippine Electricity Market Corporation, et al.", Supreme Court; January 8, 2014

On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against ERC and Meralco with the SC, questioning the alleged substantial increase in Meralco's power rates for the billing period of November 2013. These cases raised, among others, the: (i) legality of Sections 6, 29 and 45 of the EPIRA, (ii) failure of ERC to protect consumers from high prices of electricity, and (iii) alleged market collusion by the generation companies. These cases were consolidated by the SC, which issued a TRO preventing Meralco from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended by the SC for another 60 days, or until April 22, 2014. On April 22, 2014, the SC extended the TRO indefinitely.

Meralco filed a counter-petition impleading all generation companies supplying power to the WESM to prevent the generation companies from collecting payments on power purchased by Meralco from the WESM during the contested billing period. The SC ordered other power industry participants (DOE, ERC, PEMC, PSALM, and the generation companies) to respond to Meralco's counter-petition.

The SC set the consolidated cases for oral arguments on January 21, 2014, February 4 and 11, 2014. After oral arguments, all parties were ordered to file their comments and/or memoranda. Meralco has been prevented from collecting the differential increase of the price hike. Because of Meralco's counter-petition against the generation companies, PEMC withheld settlement of the power purchases during the covered period.

On February 7, 2019, petitioners in G.R. No. 210245 filed their Motion for Directions, Status Updates and Immediate Resolution. As of March 31, 2020, these cases before the SC are still pending resolution and the SC has not lifted the TRO.

**SC GR No. 224341 entitled "Philippine Electricity Market Corporation vs. Therma Mobile, Inc.", Supreme Court
CA G.R. SP No. 140177 entitled "PEMC v. Therma Mobile Inc.", Court of Appeals, Manila**

SP Proc. No. 12790 entitled "Therma Mobile Inc. vs. PEMC", Regional Trial Court Branch 157-Pasig City

PEMC ECO-2014-0009 entitled "Therma Mobile, Inc. (TMO Power Plants Units 1-4) Possible Non-Compliance with Must-Offer-Rule, Investigation Summary Report, dated August 4, 2014"

The Enforcement and Compliance Office of the Philippines Electricity Market Corporation (PEMC-ECO) conducted an investigation on TMO for possible non-compliance with the Must-Offer-Rule for the period October 26, 2013 to December 25, 2013. PEMC-ECO concluded that TMO was non-compliant with the Must-Offer-Rule for 3,578 intervals and recommended a penalty of ₱234.9 mn.

TMO filed its letter request for reconsideration on September 5, 2014, contending that it did not violate the Must-Offer Rule because its maximum available capacity was limited to 100 MW due to: (i) the thermal limitations of the old TMO 115-kV transmission line, and (ii) the technical and mechanical constraints of the old generating units and the component engines of the TMO power plants which were under various stages of rehabilitation after having been non-operational for five years. Although TMO's rated capacity is 234 MW (net), it could only safely and reliably deliver 100 MW during the November and December 2013 supply period because of limitations of its engines and the 115-kV transmission line. This temporary limitation of TMO's

plant was confirmed during a dependable capacity testing conducted on November 21, 2013.

In its letter dated January 30, 2015, the PEMC Board of Directors denied TMO's request for reconsideration and confirmed its earlier findings. On February 13, 2015, TMO filed a Notice of Dispute with PEMC to refer the matter to dispute resolution under the WESM Rules, WESM Dispute Resolution Market Manual and the ERC-PEMC Protocol.

On February 16, 2015, TMO filed a petition for TRO before the Pasig City RTC. In its Order dated February 24, 2015, the RTC granted TMO a 20-day temporary order of protection and directed PEMC to: (i) refrain from demanding or collecting the amount of ₱234.9 mn as financial penalty; (ii) refrain from charging interest on the financial penalty and having the same accrue; and (iii) refrain from transmitting PEMC-ECO's investigation report to the ERC. TMO posted a bond in the amount of ₱234.9 mn to answer for any damage that PEMC may suffer as a result of the Order. On April 1, 2015, the RTC rendered a Decision in favor of TMO. PEMC appealed the RTC decision before the Court of Appeals (CA) and sought to reverse and set aside the decision of the RTC.

On December 14, 2015, the CA rendered a Decision denying PEMC's Petition for Review and affirming the April 1, 2015 Decision of RTC in favor of TMO. On June 6, 2016, PEMC filed a Petition for Review on Certiorari with the SC to assail the December 14, 2015 CA Decision. TMO filed its Comment to PEMC's Petition for Review and PEMC filed a Reply. In its March 29, 2017 Resolution, the SC noted TMO's Comment and PEMC's Reply.

As of March 31, 2020, PEMC's Petition is still pending before the SC.

SC G.R. Nos. 244449 and 244455-56 entitled "Energy Regulatory Commission vs. Therma Mobile, Inc. Manila Electric Company and AP Renewables, Inc.", Supreme Court;

CA G.R. SP. No. 152588 entitled "Therma Mobile, Inc. vs. Energy Regulatory Commission, Atty. Alfredo P. Vergara, Jr. and Engr. Nelson D. Canlas, in their capacity as Investigating Officers (IOs) of the Investigatory Unit constituted by the Honorable Commission pursuant to its Office Order No. 38, Series of 2013 dated December 26, 2013, as amended by Office Order No. 82, Series of 2017", Court of Appeals, Manila;

ERC Case No. 2015-025 MC entitled "Atty. Isabelo Joseph P. Tomas II, in his capacity as the Investigating Officer of the Investigatory Unit constituted by the Honorable Commission pursuant to its Office Order No. 38, Series of 2013 dated December 26, 2013 vs Meralco and Therma Mobile, Inc. [For Violation of Section 45 of RA 9136, otherwise known as EPIRA, Rule 11, Section 1 of IRR of the EPIRA (Commission of an Anti-Competitive Behavior, particularly Economic Withholding)]", ERC Pasig City, June 4, 2015;

ERC Case No. 2015-027 MC entitled "Atty. Isabelo Joseph P. Tomas II, in his capacity as the Investigating Officer of the Investigatory Unit constituted by the Honorable Commission pursuant to its Office Order No. 38, Series of 2013 dated December 26, 2013 vs Therma Mobile, Inc. [For Violation of Section 45 of RA 9136, otherwise known as EPIRA, Rule 11, Section 1 and 8(e) of IRR of the EPIRA (Commission of an Anti-Competitive Behavior, particularly Physical Withholding)]", ERC, Pasig City, June 4, 2015;

Pursuant to the allegations in the Bayan Muna SC case, the Investigation Unit of ERC ("ERC-IU") conducted investigations on the alleged anti-competitive behavior and market abuse committed by some participants of the WESM, including TMO.

On January 24, 2014, ERC issued a Subpoena Ad Testificandum and Duces Tecum directing TMO's representative to give clarification on matters pertaining to offers per trading interval involving the November to December 2013 supply months and provisions on the PSA between Meralco and TMO. The representative was likewise directed to bring relevant documents.

On January 29, 2014, TMO filed its Compliance and Submission to the Subpoena Duces Tecum. Further, on March 11, 2014, TMO filed its Memorandum, arguing that it did not commit any act constituting anti-competitive behavior and/ or misuse of market power. TMO then requested ERC-IU to terminate and close the investigation.

On May 20, 2015, ERC-IU issued its report and found that in bidding the way they did for the November and December 2013 supply months, TMO and Meralco allegedly committed Economic Withholding, and TMO committed Physical Withholding, and thus recommended the filing of cases for Anti-Competitive Behavior against TMO and Meralco.

On June 23, 2015, ERC ordered Meralco and TMO to file their respective Answers to the Complaint. On August 24, 2015, TMO filed its Answers praying for the dismissal of the Complaints.

In its Manifestation dated October 7, 2016, ERC-IU manifested the resignation of Atty. Isabelo Tomas as Investigating Officer (IO) and the appointment of Director Alfredo Vergara, Jr. and Engr. Nelson Canlas as new IOs. In a separate pleading, the new IOs filed their Reply to various motions filed by TMO.

On July 27, 2016, Meralco filed in ERC Case No. 2015-025MC an Urgent Motion to Dismiss with Motion to Suspend Proceedings on the ground that ERC has no jurisdiction over anti-competitive behavior cases, and that jurisdiction is with PCC. On July 28, 2016, TMO filed in the same case a Manifestation and Motion adopting Meralco's Urgent Motion to Dismiss. On August 1, 2016, TMO also filed its Manifestation and Motion, which sought the dismissal of ERC Case No. 2015-027MC for lack of jurisdiction.

In an Order dated February 2, 2017, ERC denied Meralco's and TMO's motions to dismiss for lack of jurisdiction. TMO filed its Motion for Reconsideration, which the ERC subsequently denied in its Order dated June 20, 2017.

On September 18, 2017, TMO filed a Petition for Certiorari with the CA, praying that the CA: (i) issue a TRO commanding the ERC to desist from conducting further proceedings in ERC Case No. 2015-025MC and ERC Case No. 2015-027MC; (ii) after proceedings, issue a Writ of Preliminary Injunction; and (iii) annul and set aside the February 2, 2017 and June 20, 2017 ERC Orders.

In a Resolution dated October 2, 2017, the CA directed the respondents to file their comment on TMO's Petition for Certiorari and denied TMO's prayer for a TRO. TMO filed a Motion for Partial Reconsideration of the CA's October 2, 2017 Resolution, which the CA denied. Thereafter, the CA issued its Notice of Judgment and Decision dated May 23, 2018, which denied TMO's Petition. On June 20, 2018, TMO filed its Motion for Reconsideration of CA's Decision dated May 23, 2018. In a Resolution dated January 28, 2019, the CA denied the motions for reconsideration filed by TMO, Meralco and APRI and the motion for partial reconsideration filed by the ERC.

Subsequently, ERC filed a Petition dated February 21, 2019 with the SC via Rule 45 of the Rules of Court. In the Petition, ERC challenged the CA Decision and Resolution insofar as the CA ruled that the Philippine Competition Act ("PCA") repealed the parts of the EPIRA that granted jurisdiction to ERC over anti-competition matters in the energy sector, and that PCC has original and exclusive jurisdiction over anti-competition matters, including those affecting the energy sector after the effectivity of the PCA.

In a Resolution dated July 30, 2019, the SC directed the respondents to file their Comments on ERC's Petition. On November 25, 2019, TMO filed its Manifestation with the SC.

As of March 31, 2020, ERC's Petition is still pending with the SC.

SC G.R. Nos. 244449 and 244455-56 entitled "*Energy Regulatory Commission vs. Therma Mobile, Inc. Manila Electric Company and AP Renewables, Inc.*", Supreme Court;

CA G.R. SP. No. 152613 entitled, "*AP Renewables, Inc. vs. Energy Regulatory Commission and Directors Alfredo P. Vergara, Jr. and Engr. Nelson Canlas, in their capacity as the Investigating Officers of the Investigatory Unit of the Energy Regulations Commission*", Court of Appeals, Manila

ERC Case No. 2015-038 MC entitled "*Energy Regulatory Commission vs. AP Renewables, Inc. ([Violation of Section 45 of EPIRA, Rule 11, Sec. 1 and 8 (E) of the Implementing Rules and Regulations (Commission of an Anti-Competitive Behavior, particularly, Physical Withholding)]*", ERC, Pasig City, June 9, 2015

ERC-IU conducted investigations on the alleged anti-competitive behavior and market abuse committed by

some participants of the WESM, including APRI. On May 20, 2015, ERC-IU released its report holding that APRI's non-compliance with the Must-Offer Rule for four intervals is tantamount to Physical Withholding which, it alleged, is a form of anti-competitive behavior.

On June 9, 2015, complainant Atty. Isabelo Joseph Tomas III, Investigating Officer of the IU, filed the complaint for Anti-Competitive Behavior against APRI. On June 23, 2015, ERC issued an Order directing APRI to file its answer within 15 days from notice.

On July 1, 2015, APRI received the summons and complaint. Subsequently, on July 7, 2015, APRI filed a Motion praying that: (a) the Complainant serve upon APRI the complete copy of the complaint and its annexes; (b) the Complainant clarify and put on record the answer to the following issues: (i) which of Makban Plants' generating units is the subject of the complaint; and (ii) the dates and times of the four intervals mentioned in the complaint during which APRI allegedly offered "less than its total registered capacity." Meanwhile, on July 29, 2015, APRI filed its Answer *ad cautelam*.

In its Manifestation dated October 7, 2016, ERC-IU manifested the resignation of Atty. Isabelo Tomas as IO and the appointment of new IOs. The new IOs filed their Reply to various motions filed by APRI.

Subsequently, APRI filed a Motion to Dismiss dated July 29, 2016, arguing that jurisdiction over the case is vested in the PCC. APRI also filed its Ad Cautelam Pre-Trial Brief and Judicial Affidavits. ERC denied APRI's Motion to Dismiss, and APRI's subsequent Motion for Reconsideration.

On September 19, 2017, APRI filed a Petition for Certiorari (with application for TRO and Writ of Preliminary Injunction) with the CA (CA G.R. SP. No. 152613), praying for the CA to: (i) issue a TRO commanding ERC to desist from conducting further proceedings in ERC Case. No. 2015-038MC; (ii) after proceedings, issue a Writ of Preliminary Injunction; and (iii) annul and set aside the February 2, 2017 and June 20, 2017 ERC Orders, and dismiss the complaint and ERC proceedings with prejudice.

On November 6, 2017, the IOs filed a Motion for Consolidation seeking to consolidate CA G.R. SP. No. 152613 with TMO's Petition in CA GR. No. 152588. Thereafter, the CA issued its Notice of Judgment and Decision dated May 23, 2018, which denied APRI's Petition. On June 18, 2018, APRI filed its Motion for Reconsideration of the CA's Decision dated May 23, 2018.

In a Resolution dated January 28, 2019, the CA denied the motions for reconsideration filed by APRI, Meralco, and TMO and the motion for partial reconsideration filed by ERC.

Subsequently, ERC filed a Petition dated February 21, 2019 with the SC via Rule 45 of the Rules of Court. In the Petition, ERC challenged the CA Decision and Resolution insofar as the CA ruled that the PCA repealed the parts of the EPIRA that granted to ERC jurisdiction over anti-competition matters in the energy sector, and that the PCC has original and exclusive jurisdiction over anti-competition matters including those affecting the energy sector after the effectivity of the PCA.

In a Resolution dated July 30, 2019, the SC directed the respondents to file their Comments on ERC's Petition. On November 4, 2019, APRI filed its Comment with the SC. As of March 31, 2020, ERC's Petition is still pending with the SC.

Consolidated Regulated Price Case (ERC vs. Various Generation Companies and PEMC) G.R. Nos. 246621-30, Petition for Review on Certiorari, Supreme Court;

Consolidated Regulated Price Case against the Energy Regulatory Commission, Petition for Review on Certiorari, Court of Appeals, Manila;

ERC Case No. 2014-021 MC entitled “*In the Matter of the Prices in the WESM for the Supply Months of November and December 2013 and the Exercise by the Commission of its Regulatory Powers to Intervene and Direct the Imposition of Regulated Prices therein without Prejudice to the On-going Investigation on the Allegation of Anti- Competitive Behavior and Possible Abuse of Market Power Committed by Some WESM Participants*”, March 28, 2014

ERC conducted an investigation on the alleged collusion by the generation companies to raise the WESM prices. Subsequently, ERC issued an Order in ERC Case No. 2014-021 MC dated March 3, 2014 (the “ERC Order”), declaring as void the Luzon WESM prices during the November and December 2013 supply months. ERC also declared the imposition of regulated prices for such billing periods and directed PEMC to calculate the regulated prices and implement the same in the revised November and December 2013 WESM bills of the concerned distribution utilities in Luzon, except for Meralco whose November 2013 WESM bill was maintained in compliance with the TRO issued by the SC.

Pursuant to the ERC Order, on March 18, 2014, PEMC issued adjusted billing statements for all generators trading in the WESM, including Cebu-based EAUC and CPPC, recalculating the WESM prices.

The Company’s Affiliates and Subsidiaries, APRI, TLI, TMO, AESI, AdventEnergy, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, CPPC, and EAUC filed their respective Motions for Reconsideration, questioning the validity of the ERC Order on the ground of lack of due process, among others.

ERC, in its Order dated October 15, 2014, denied said Motions for Reconsideration. SN Aboitiz Power-Benguet, SN Aboitiz Power-Magat, APRI, TLI, and TMO filed their Petitions for Review (the “Petitions”) before the CA on November 19, 24, December 1, and 4, 2014, respectively. The CA ordered the consolidation of the Petitions on October 9, 2015.

On November 7, 2017, the CA granted the Petitions. ERC’s March 3, 2014 Order, among other orders, were declared null and void, and the Luzon WESM market prices in November and December 2013 were declared valid and therefore reinstated.

Thereafter, ERC and Meralco filed their respective motions for reconsideration. Several entities also filed motions to intervene in the case. APRI, TLI, and TMO filed their oppositions to the motions for reconsideration and motions to intervene. The CA denied the motions to intervene filed by several entities, which thereafter filed their motions for reconsideration. In an Omnibus Resolution dated March 29, 2019, the CA denied the motions for reconsideration by ERC and Meralco, as well as the motions for reconsideration filed by several entities that wanted to intervene in the case.

In June 2019, ERC, Meralco, and several entities filed their Petitions for Review on Certiorari with the SC, asking the latter to reverse and set aside the CA Decision dated November 7, 2017 and the CA Omnibus Resolution dated March 29, 2019. They also prayed that the SC reinstate the ERC Orders.

In September to October 2019, the SC issued Resolutions denying the Petitions for Review on Certiorari filed by several entities, including Calco Industries Inc., Paperland, Alyansa ng mga Grupong Haligi at Teknolohiya Para sa Mamamayan (AGHAM), Ateneo de Manila University, Citizenwatch, Riverbanks Dev’t. Corp., Steel Angles Shapes & Sections Manufacturers, for failure to show any reversible error on the part of the CA in promulgating the Decision dated November 7, 2017 and Omnibus Resolution dated March 29, 2019.

In a Resolution dated September 11, 2019, the SC required respondents to file their Comments to ERC’s Petition for Review on Certiorari. On January 28, 2020, TMO and TLI filed their Consolidated Comment (to the Petition for Review on Certiorari dated June 13, 2019); whereas APRI filed its Comment (on the Petition for Review on Certiorari dated June 13, 2019) on February 11, 2020.

ERC Case No. 2013-077 MC entitled "In Re: Petition for Dispute Resolution: Manila Electric Company (Meralco) vs. South Premier Power Corporation (SPPC), Masinloc Power Partners Company, Ltd. (MPPCL), AP Renewables, Inc. (APRI), Therma Luzon, Inc. (TLI), San Miguel Energy Corporation (SMEC) and SEM-Calaca Power Corporation (SCPC)", August 29, 2013

On August 29, 2013, Meralco filed a petition before ERC against TLI and APRI, among other Successor Generating Companies (SGCs), docketed as ERC Case No. 2013-077 MC, where Meralco prayed that it be refunded by the respondent-SGCs of the transmission line losses. The petition arose from a claim of refund on account of the alleged over-recoveries of transmission line losses.

The petition was filed by Meralco pursuant to ERC Order dated March 4, 2013 and July 1, 2013 in ERC Case No. 2008- 083 MC where the SGCs were not parties to.

On September 20, 2013, APRI and TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that Meralco's petition should be dismissed for failure to state a cause of action and ERC's lack of jurisdiction over the subject matter of the case. The motion argued that: (i) Meralco cannot base its cause of action against the SGCs on a decision issued by ERC in another case where none of the SGCs were made parties to the case; and (ii) Meralco's claim is in a nature of a claim for sum of money which is properly within the jurisdiction of regular courts. The Joint Motion to Dismiss has since then been submitted for resolution with ERC.

As of March 31, 2020, ERC has yet to render its decision on the Joint Motion to Dismiss.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

AboitizPower's common shares are traded on the PSE.

The high and low stock prices of AboitizPower's common shares for each quarter of the past two years were as follows:

	2020		2019		2018	
	High	Low	High	Low	High	Low
First Quarter	₱35.00	₱23.45	₱39.20	₱33.70	₱41.80	₱37.50
Second Quarter	N/A	N/A	₱38.00	₱34.15	₱39.70	₱34.25
Third Quarter	N/A	N/A	₱40.35	₱34.10	₱38.20	₱33.45
Fourth Quarter	N/A	N/A	₱40.40	₱33.00	₱35.50	₱31.20

The closing price of AboitizPower common shares as of March 31, 2020 is ₱26.30 per share.

(2) Holder

As of March 31, 2020, AboitizPower has 587 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). Common shares outstanding as of same date were 7,358,604,307 shares.

The top 20 stockholders of AboitizPower as of March 31, 2020 are as follows:

Name	Number of Shares	Percentage
1) Aboitiz Equity Ventures Inc.	5,657,530,774	76.88%
2) PCD Nominee Corporation Filipino	1,028,832,249	13.98%
3) PCD Nominee Corporation Foreign	389,177,197	5.29%
4) Bauhinia Management Inc.	18,109,100	0.25%
5) Portola Investors Inc.	13,634,856	0.19%
6) Hawk View Capital Inc.	13,633,657	0.19%
7) San Fernando Electric Light and Power Co.	7,931,034	0.11%
8) Parraz Development Corporation	7,827,522	0.11%
9) Dominus Capital Inc.	7,241,050	0.10%
10) FMK Capital Partners Inc.	6,538,000	0.09%
11) Sabin M. Aboitiz	5,667,406	0.08%
12) Iker M. Aboitiz	5,465,100	0.07%
13) Aboitiz & Company, Inc.	5,360,000	0.07%
14) Daniele Management & Development	5,234,949	0.07%
15) Danel C. Aboitiz	4,528,696	0.06%
16) Arrayanes Corporation	4,146,243	0.06%
17) Ramon Aboitiz Foundation, Inc.	3,900,000	0.05%
18) Tris Management Corporation	3,130,359	0.04%
19) Tinkerbelle Management Corporation	3,042,454	0.04%
20) Cal Management Corporation	3,036,798	0.04%
SUBTOTAL	7,193,967,444	97.76%
Other Stockholders	164,636,863	2.24%
TOTAL SHARES	7,358,604,307	100.00%
NET ISSUED AND OUTSTANDING SHARES	7,358,604,307	100.00%

(3) Dividends

During the regular board meeting of the Company held on November 28, 2012, the Board approved a revised dividend policy consisting of an annual cash dividend payment ratio of 50% of its consolidated net income from the previous fiscal year based on the audited financial statements of the Company. The policy changed the previous cash dividend payment ratio of 33% of previous year's net profits. The Company's current dividend policy has been in effect since 2013.

The cash dividends declared by AboitizPower to common stockholders from 2018 to the first quarter of 2020 are shown in the table below:

Year	Cash Dividend Per Share	Total Declared	Declaration Date	Record Date	Payment Date
2020 (regular)	₱1.18	₱8.68 bn	3/6/2020	3/20/2020	4/3/2020
2019 (regular)	₱1.47	₱10.82 bn	3/7/2019	3/21/2019	4/5/2019
2018 (regular)	₱1.36	₱10.00 bn	3/8/2018	3/22/2018	4/12/2018

There are no restrictions that limit the payment of dividends on common shares to stockholders of record as of March 23, 2020.

(4) Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

AboitizPower does not have any recent sales of unregistered or exempt securities including recent issuances of securities constituting an exempt transaction.

Item 6. Management's Discussion and Analysis or Plan of Action

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the Company's consolidated financial condition and results of operations and certain trends, risks, and uncertainties that may affect its business. The critical accounting policies section discloses certain accounting policies and management judgments that are material to the Company's results of operations and financial condition for the periods presented in this report. The discussion and analysis of the Company's results of operations is presented in three comparative sections: the year ended December 31, 2019 compared with the year ended December 31, 2018, the year ended December 31, 2018 compared with the year ended December 31, 2017, the year ended December 31, 2017 compared with the year ended December 31, 2016.

Prospective investors should read this discussion and analysis of the Company's consolidated financial condition and results of operations in conjunction with the consolidated financial statements and the notes thereto set forth elsewhere in this report.

Top Five Key Performance Indicators

Management uses the following indicators to evaluate the performance of the Registrant, and its Subsidiaries:

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

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

2. **Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA).** The Company computes EBITDA as earnings before extra-ordinary items, net finance expense, income tax provision, depreciation and amortization. It provides management and investors with a tool for determining the ability of the Group to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Group's ability to service its debts.
3. **Cash Flow Generated.** Using the Consolidated Statement of Cash Flows, management determines the sources and usage of funds for the period and analyzes how the Group manages its profit and uses its internal and external sources of capital. This aids management in identifying the impact on cash flow when the Group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.
4. **Current Ratio.** Current ratio is a measurement of liquidity, calculated by dividing total current assets by total current liabilities. It is an indicator of the Group's short-term debt paying ability. The higher the ratio, the more liquid the Group
5. **Debt-to-Equity Ratio.** Debt-to-Equity ratio gives an indication of how leveraged the Group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total debt by stockholders' equity.

Year Ended December 31, 2019 versus Year Ended December 31, 2018

The table below shows the comparative figures of the top five key performance indicators for 2019 and 2018.

Key Performance Indicators	2019	2018
<i>Amounts in thousands of ₱s, except for financial ratios</i>		
SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	3,813,962	4,356,825
EBITDA	45,005,022	51,490,894
CASH FLOW GENERATED:		
Net cash flows from operating activities	39,356,962	37,287,900
Net cash flows used in investing activities	(34,060,584)	(7,243,119)
Net cash flows used in financing activities	(14,376,055)	(19,155,753)
Net (Decrease)/Increase in Cash & Cash Equivalents	(9,079,677)	10,889,028
Cash & Cash Equivalents, Beginning	46,343,041	35,699,631
Cash & Cash Equivalents, End	37,433,929	46,343,041
CURRENT RATIO	1.50	1.89
DEBT-TO-EQUITY RATIO	2.07	1.85

Share in net earnings in associates and joint ventures declined by 12% in 2019 compared to 2018 due to lower income contributions from SN Aboitiz Power-Magat, Inc. (SN Aboitiz Power-Magat) and GNPowder Dinginin Ltd. Co. (GNPD). The lower share in net earnings of GNPD was mainly due to a foreign exchange (forex) gain recorded in 2018 as against a forex loss reported in 2019. SN Aboitiz Power-Magat's lower income contribution was primarily driven by a reduction in volume sold due to reduced water levels in 2019.

Consolidated EBITDA decreased by 13% in 2019, mainly due to an increase in cost of purchased power, lower spot market revenues, and lower plant availability across the Power Generation Group.

During 2019, cash and cash equivalents decreased by ₱8.91 bn, due to cash flows used for the acquisition of AA Thermal, Inc. (AA Thermal) and investment in GNPD for the ongoing construction of its 1x668 MW supercritical coal-fired power plant in Bataan.

Current ratio at the end of 2019 was at 1.50x, down from previous year's 1.89x. This is due to the reduction in cash and cash equivalents and the increase in currently maturing debt.

Debt-to-equity ratio as of December 31, 2019 was at 2.07, higher than the 1.85 recorded at the end of 2018 due to the availing of new debts during 2019.

Results of Operations

Net income for 2019 decreased 20% Year-on-Year (YoY), from ₱21.71 bn in 2018 to ₱17.32 bn in 2019, which translated to earnings per share of 2.35. In 2019, there was higher cost of purchased power, lower spot market revenues, and lower plant availability of the Power Generation Group. The Company also recognized non-recurring gains of ₱702 mn, mainly due to net foreign exchange gains from the revaluation of dollar-denominated debts and derivatives, Aseagas, Inc.'s VAT recoveries, and gain on land appraisal. Without these one-off gains, the Company's core net income for 2019 was ₱16.62 bn, 30% lower than the ₱23.8 bn recorded during 2018.

Power Generation and Retail Electricity Supply (RES)

The Power Generation Group and RES' income contribution for 2019 was ₱15.28 bn, down 23% YoY. The decline was largely driven by the higher volume and cost of purchased power, lower spot market revenues, and lower plant availability. Spot market prices were high in the first half of 2019. During this period, the Group purchased replacement power due to outages, and contracted ahead in preparation for Therma Visayas, Inc.'s (TVI) incoming capacity. Plant availability was also lower versus the same period last year due to outages from the Group's local facilities.

As of year-end 2019, AboitizPower's net sellable capacity stood at 3,455 MW.

Power Distribution

The power distribution group's earnings contribution increased slightly by 1% YoY, from ₱4.05 bn in 2018 to ₱4.10 bn in 2019.

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

Consolidated Statements of Income

Consolidated net income attributable to equity holders of the parent decreased by 20% from ₱21.71 bn in 2018 to ₱17.32 bn in 2019. The various movements in line items are shown below to account for the increase:

Consolidated Net Income Attributable to Equity Holders of the Parent for 2018	₱21,707,603
Decrease in operating revenues	(5,936,927)
Increase in operating expenses	(1,703,881)
Increase in interest income	411,618
Increase in interest expense	(1,965,488)
Decrease in share in net earnings of associates and joint ventures	(542,863)
Decrease in other income - net	4,775,698
Higher provision for taxes	(289,875)
Decrease in income attributable to non-controlling interests	866,792
Total	4,384,926
Consolidated Net Income Attributable to Equity Holders of the Parent for 2018	₱17,322,677

Operating Revenues

(5% decrease from ₱131.57 bn to ₱125.64 bn)

The 5% decrease in operating revenues was driven by: (i) lower plant availability, (ii) expiration of contracts with customers of Therma Marine, Inc. (TMI) and Thermal Mobile, Inc. (TMO), and (iii) lower average selling price on the Power Generation Group and RES power supply contracts. This was partly offset by higher electricity sales from the Company's Distribution Utilities.

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

Operating Expenses

(2% increase from ₱96.78 bn to ₱97.36 bn)

Operating expenses increased by 2% during 2019, driven by the increase in depreciation and amortization cost (14%) due to the start of operations of TVI and the full year of operations for both Hedcor Bukidnon, Inc. (Hedcor Bukidnon) and Pagbilao Energy Corporation (PEC). The cost or purchased power and operations and maintenance expenses also increased during the year.

Interest Income

(47% increase from ₱ 880 mn to ₱ 1,292 mn)

The increase in interest income during 2019 was primarily due to the Company's higher cash investments and higher interest income from Therma South, Inc. (TSI), TVI, Hedcor Bukidnon and AP Renewables, Inc. (APRI).

Interest Expense and Other Financing Costs

(16% increase from ₱12.08 bn to ₱14.05 bn)

Interest expense increased in 2019 due to the full-year impact of the ₱10.20 bn in retail bonds issued by the Company in October 2018 and the interest on the Company's ₱7.25 bn retail bonds issued in October 2019. The proceeds from the bonds were used to pay for short-term borrowings and general corporate purpose.

Share in Net Earnings of Associates and Joint Ventures

(12% decrease from ₱4.36 bn to ₱3.81 bn)

Share in net earnings of associates and joint ventures declined by 12% in 2019, mainly due to lower income contributions from SN Aboitiz Power-Magat and GNPD. SN Aboitiz Power-Magat's lower income contribution was primarily driven by a reduction in volume sold due to reduced water levels in 2019. The lower share in net earnings of GNPD was mainly due to a forex gain recorded in 2018 as against a forex loss reported in 2019.

Other Income (Expenses) – net

(Increase from ₱1.29 bn other expense to ₱3.48 bn other income)

The change from an expense position in 2018 to an income position in 2019 was mainly due to lower net forex losses YoY. This movement was due to favorable movements of the Philippine Peso against U.S. Dollar in 2019 versus 2018.

Provision for Taxes

(10% increase from ₱2.93 bn to ₱3.2 bn)

The increase was due to lower net deferred tax benefit arising from deferred taxes on unrealized forex gain.

Net Income Attributable to Non-controlling Interests

(23% decrease from ₱3.73 bn to ₱2.86 bn)

The decrease was due to a decline in the operating results of GMCP combined with a reduction in the Company's non-controlling ownership in GMCP after the acquisition of non-controlling interests in May 2019.

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

Assets

Total assets (as of December 31, 2019 compared to December 31, 2018) increased by ₱20.81 bn, or 5% YoY. The major movements of the accounts leading to the increase were as follows:

- a) Cash and cash equivalents decreased by 19% during 2019. This was due to cash flows used for: (i) acquisition of AA Thermal, (ii) investment in GNPD for its on-going power plant construction, (iii) funding of the Group's capital expenditures, and (iv) debt service. The decrease in cash and cash equivalents was partially offset by operating cash flows and proceeds from the Company's retail bonds issuance in 2019.
- b) Property held for sale of ₱676 mn as of December 31, 2018 pertains to transmission assets was sold to NGCP in February 2019.
- c) Other current assets were lower by 16% (from ₱13.21 bn in 2018 to ₱11.04 bn in 2019) mainly driven by the decrease of TSI's restricted cash. The maintenance of a cash reserve forms part of TSI's compliance with the covenants on its project debt.
- d) Investments and advances increased by ₱26.54 mainly as a result of capital infusions for the AA Thermal acquisition and GNPD plant construction.
- e) Property, plant and equipment (PPE) slightly increased by 1% (from ₱207.11 bn in 2018 to ₱209 bn in 2019) mainly due to the recognition of right-of-use assets on the Group's leases resulting from the adoption of Philippine Financial Reporting Standards (PFRS) 16, *Leases*.

- f) Derivatives assets were down by ₱211 mn in 2019, primarily due to fair value changes on GMCP's interest rate swaps.
- g) Financial assets at fair value through profit or loss went down to ₱4 mn in 2019 from ₱101 mn. This was mainly due to the sale of Parent' Company's financial assets at Fair Value through Profit and Loss (FVPL).
- h) Deferred income tax assets increased by 25% (from ₱2.23 bn in 2018 to ₱2.80 bn in 2019), driven by deferred tax benefits recognized by TMO on its net operating loss and Therma Luzon, Inc. (TLI) on its unrealized forex loss.
- i) Other noncurrent assets increased by ₱2.86 bn or 27% YoY. The increase was due to restricted cash of a Subsidiary that arose from its receipt of proceeds from a damage claim against its contractors, which claim is currently under dispute. This was partly offset by decrease in input VAT and reversal of prepaid rent against lease liabilities upon adoption of PFRS 6, *Leases*.

Liabilities

Consolidated liabilities increased by 9% YoY, from ₱253.09 bn as of end-2018 to ₱276.83 bn as of end-2019. The major movements of the accounts leading to the increase were as follows:

- a) Derivatives liabilities (current and non-current portions) increased by ₱2.31 bn in 2019, due to fair value changes on the Group's foreign currency forward contracts and commodity swap contracts.
- b) Income tax payable increased by 15% YoY (from ₱439 mn in 2018 to ₱506 mn in 2019), mainly due to expiration of the income tax holidays enjoyed by certain Subsidiaries and a corresponding higher current income tax provision.
- c) Long-term debt (current and non-current portions) increased by 13% YoY (from ₱158.06 bn in 2018 to ₱177.97 bn in 2019), primarily due to the ₱7.25 bn bonds issuance in October 2019.
- d) Lease liabilities (current and noncurrent portions) decreased by ₱2.10 bn, since TLI made timely payments on its obligation with PSALM.
- e) Long-term obligation on power distribution system (PDS) decreased by 8% as regular annual payments were made.
- f) Customers' deposits increased by ₱513 mn or 9% primarily, driven by growth in customer base of the Distribution Utilities.
- g) Other noncurrent liabilities went up from ₱3.18 bn in 2018 to ₱6.81 bn in 2019, mainly due to receipt of proceeds from a damage claim against contractors, which claim is now under dispute.

Equity

Equity attributable to equity shareholders of the Parent Company decreased by 2% YoY (from ₱127.71 bn at year-end 2018 to ₱125.54 bn at year-end 2019), after the declaration of dividends in 2019, net of comprehensive income recognized.

- a) Cumulative translation adjustments decreased by ₱1.52 bn due to downward effect of changes in the fair value of foreign currency forward and commodity swap contracts designed as cash flow hedges; and translation effect of GMCP and Luzon Hydro Corporation (LHC) for the current period.
- b) Share in cumulative translation adjustments of associates and joint ventures decreased by ₱475 mn, mainly due to translation effect of GNPD.
- c) Acquisition of non-controlling interests for the period pertains to the difference between the purchase price and fair value of net assets acquired in the acquisition of additional partnership interest in GMCP.

Material Changes in Liquidity and Cash Reserves of Registrant

Cash generated from operations of ₱39.36 bn continued to provide a source of liquidity during 2019, growing by ₱2.07 bn as compared to 2018.

Net cash flows used in investing activities increased to ₱34 bn in 2019 from ₱7 bn in 2018, mainly due to funding for the AA Thermal acquisition.

Despite the cash used to fund acquisition of additional partnership interest in GMCP, the net cash outflows from financing activities amounting to ₱14.38 in 2019 is still lower than 2018. This is due to higher debt availed in 2019.

As of December 31, 2019, the Group's cash and cash equivalents decreased to ₱37.43 bn, compared to ₱46.34 bn as of year-end 2018.

Financial Ratios

Current assets decreased by 13% while current liabilities increased by 10%. The current ratio at year-end 2019 was at 1.50x, versus 1.89x at year-end 2018.

Consolidated debt to equity ratio at year-end of 2019 was at 2.07 versus 1.85 as of year-end 2018, as the Company's liabilities have been higher during the year.

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

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

Despite increased competition in the power generation market, the Company is confident that it has built the foundation to sustain long term growth, as seen in its pipeline of new power generation projects (see Part I Item 1.(a)(i) on Principal Products and Services - Generation of Electricity on page 47 of the Company's Information Statement), where target commercial operation dates for each project are discussed per Business Unit). The Company is on track to reach its target net attributable capacity of 4,000 MW by 2020 with the entry of GNPowr Dinginin.

AboitizPower's goal is to grow its capacity to more than 9,000 MW by 2029, which the Company expects will be sourced from a portfolio of renewables and selective baseload builds. In terms of renewable energy, the Company aims to maximize opportunities from the implementation of the Renewable Portfolio Standards (RPS) by DOE starting in 2020. In line with DOE's aspirational goal of a 35% increase in renewable energy utilization by 2030, RPS is a market-based policy that mandates power distribution utilities, electric cooperatives, and RES to source an agreed portion of their energy supply from renewable energy facilities. The Company will continue to pursue its international aspirations with focus on renewable energy projects in Vietnam, Indonesia, and Myanmar. With all of these combined, it is expected that the Company's portfolio ratio will be close to a 50:50 Cleanenergy (renewable energy) and Thermal energy mix by the end of the current decade.

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

The Company expects that its existing Distribution Utilities will continue to realize modest growth. It continuously seeks efficiency and improvements in its Distribution Utilities' operations in order to maintain healthy margins.

AboitizPower, together with its partners, has allotted ₱41 bn for capital expenditures in 2020, almost 80% of which is for new businesses such as GNPowr Dinginin. The remaining balance is allocated mainly for operating and expansion initiatives.

Other known trends, events, uncertainties which may have a material impact on AboitizPower have been discussed extensively in sections of the Company's Information Statement (e.g. for an extensive discussion on regulatory issues, see Part I Item 1(a) on Effects of Existing or Probable Government Regulations on the Business on page 78 of the Company's Information Statement).

Year Ended December 31, 2018 versus Year Ended December 31, 2017

The table below shows the comparative figures of the top five key performance indicators for 2018 and 2017.

Key Performance Indicators	2018	2017
<i>Amounts in thousands of ₱s, except for financial ratios</i>		
SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	4,356,825	4,697,864
EBITDA	51,490,894	47,650,408
CASH FLOW GENERATED:		
Net cash flows from operating activities	37,287,900	30,235,931
Net cash flows used in investing activities	(7,243,119)	(9,452,925)
Net cash flows used in financing activities	(19,155,753)	(32,122,699)
Net (Decrease)/Increase in Cash & Cash Equivalents	10,889,028	(11,339,693)
Cash & Cash Equivalents, Beginning	35,699,631	47,094,741
Cash & Cash Equivalents, End	46,343,041	35,699,631
CURRENT RATIO	1.89	1.38
DEBT-TO-EQUITY RATIO	1.85	1.92

Share in net earnings in associates and joint ventures declined by 7% in 2018 compared to 2017 due to decreases in contributions from WMPC, SPPC, RP Energy, SFELAPCO, and large hydropower plants, SN AboitizPower-Magat and SN AboitizPower-Benguet. Lower income contributions attributable to large hydropower plants were due to a lower hydrology in 2018 compared to the higher than usual hydrology levels during 2017.

Consolidated EBITDA increased by 8% in 2018, primarily due to the fresh contributions from PEC and Hedcor Bukidnon, which commenced commercial operations in March 2018 and July 2018, respectively, and further augmented by higher contributions from GMCP due to higher availability factor in 2018 as compared to the previous year. These were largely offset by lower contributions arising from: (i) TSI due to higher operating costs; and (ii) TMO due to expiration of power supply contracts in 2018.

During 2018, cash and cash equivalents increased by ₱10.64 bn, due to higher operating cash flows, proceeds from debt-raising activities at parent, and proceeds of the long-term debts of GMCP and TVI. In 2018, the Company also managed to return the same levels of cash dividends to its shareholders, and deploy financial resources to continue the construction of various Greenfield projects.

Current ratio at the end of 2018 was at 1.89x from the previous year's 1.38x, due to the 31% increase in current assets and 5% decrease in current liabilities.

Debt-to-equity ratio as of December 31, 2018 was at 1.85, lower than the 1.92 recorded at the end of 2017.

Results of Operations

Net income for 2018 increased 6% Year-on-Year (YOY), from ₱20.42 bn in 2017 to ₱21.71 bn in 2018. This translated to earnings per share of ₱2.95. During 2018, the Company recognized non-recurring losses of ₱2.08 bn (versus 2017's loss of ₱2.93 bn) mainly resulting from: (i) foreign exchange (forex) losses from revaluation of dollar-denominated liabilities; and (ii) asset impairment. Adjusting for these one-off losses, the Company's core net income for 2018 amounted to ₱23.78 bn, up by 2% YoY.

Power Generation and Retail Electricity Supply (RES)

The power generation group and RES' income contribution for 2018 was ₱19.96 bn, up 12% YoY. The growth was largely driven by fresh income contributions from PEC and Hedcor Bukidnon. Netting out forex losses and impairment costs recognized in 2018, the generation group and RES' core net income contribution remained flat at ₱20.95 bn. Capacity sold during 2018 was flat YoY, from 3,167 MW in 2017 to 3,152 MW in 2018.

As of year-end 2018, AboitizPower's net sellable capacity stood at 3,111 MW.

Power Distribution

The power distribution group's earnings contribution decreased by 5% YoY, from ₱4.27 bn in 2017 to ₱4.05 bn in 2018. Stripping out the impairment loss in 2018, its recurring earnings contribution grew 6% YoY from ₱4.11 bn in 2017 to ₱4.37 bn in 2018. This increase was mainly attributable to electricity sales which increased by 5% YoY, from 5,288 GWh in 2017 to 5,540 GWh in 2018 as energy sales grew across all customer segments.

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

Consolidated net income attributable to equity holders of the parent increased by 6% from ₱20.42 bn in 2017 to ₱21.71 bn in 2018. The various movements in line items are shown below to account for the increase:

Consolidated Net Income Attributable to Equity Holders of the Parent for 2017	₱20,416,442
Increase in operating revenues	12,180,781
Increase in operating expenses	(9,857,828)
Decrease in interest income	(46,927)
Increase in interest expense	(834,378)
Decrease in share in net earnings of associates and joint ventures	(341,039)
Decrease in other expenses	411,689
Lower provision for taxes	932,775
Increase in income attributable to non-controlling interests	(1,153,912)
Total	1,291,161
Consolidated Net Income Attributable to Equity Holders of the Parent for 2018	₱21,707,603

Operating Revenues

(10% increase from ₱119.39 bn to ₱131.57 bn)

The 10% increase in operating revenues was mainly attributable to the higher revenues recorded by the power generation and RES groups, which combined accounted for ₱10.59 bn of the ₱12.18 bn increase. The higher revenues were driven by: (i) fresh contributions from PEC and Hedcor Bukidnon; and (ii) higher sales at TLI. These were offset by lower revenues at some of the oil-fired power generation companies (Oil Group).

The increase in operating revenues was also attributable to higher electricity sales during 2018 by the Company's two largest distribution utilities. This segment of the Company's business experienced a ₱1.35 bn increase in operating revenues.

Operating Expenses

(12% increase from ₱85.22 bn to ₱95.08 bn)

Operating expenses increased by 12% during 2018, driven by the 25% increase in cost of generated power as fuel costs rose during the year. Depreciation and amortization, general and administrative expenses also went up as power plants entered commercial operations during the year.

Interest Income

(5% decrease from ₱ 927 mn to ₱ 880 mn)

The decrease in interest income during 2018 was mainly due to lower average cash and cash equivalent balances carried at the Company and at two of its intermediate holding companies, ARI and TPI, for most of the year.

Interest Expense and Other Financing Costs

(7% increase from ₱11.25 bn to ₱12.08 bn)

Interest expense increased in 2018 as the Company issued a total of ₱10.20 bn in retail bonds in October 2018. PEC also started to recognize interest on its project loans during 2018. These new interest charges were offset by the lower interest expense taken up at TPI as it fully paid its dollar-denominated loan in 2018.

Share in Net Earnings of Associates and Joint Ventures

(7% decrease from ₱4.70 bn to ₱4.36 bn)

Share in net earnings of associates and joint ventures declined by 7% in 2018, as lower contracted capacities at two associate oil companies operating in Mindanao, WMPC and SPPC, led to lower contributions. SFELAPCO also saw a decline in net profits during the year. Lastly, the effects of the El Niño in 2018 led to lower water levels, which adversely affected income contributions from SN AboitizPower-Magat and SN AboitizPower-Benguet.

Other Income (Expenses) – net

(Decrease from ₱1.70 bn other expense to ₱1.29 bn other expense)

This account stayed in an expense position at year-end 2018 due to net unrealized forex loss in 2018, primarily due to the restatement of TLI's dollar-denominated debt on its monthly obligations to the PSALM. The decrease in this expense line item was from other income recognized on supplier settlements recognized at PEC.

Provision for Taxes

(24% decrease from ₱3.86 bn to ₱2.93 bn)

The decrease was due to deferred tax benefits recognized in 2018 at Davao Light for the impairment of assets, and at TLI on unrealized forex losses.

Net Income Attributable to Non-controlling Interests

(45% increase from ₱2.57 bn to ₱ 3.73 bn)

The increase in the contributions from GMCP during 2018 also led to the higher take-up of attributed income for GMCP minority shareholders.

Consolidated Statements of Comprehensive Income

The movements in cumulative translation adjustments led to the increase in total net other comprehensive income for 2018 at ₱1.06 bn (versus ₱378 mn in 2017). Total consolidated comprehensive income was ₱26.49 bn for the year.

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

Assets

Total assets (as of December 31, 2018 compared to December 31, 2017) increased by ₱28.19 bn, or 8% YOY. The major movements of the accounts leading to the increase were as follows:

- a) Cash and cash equivalents increased by 30% during 2018. Cash generated from operations increased supplemented by the lower cash used in financing activities due to loan proceeds. The consolidated cash position of the Company increased by ₱10.64 bn.

- b) Trade and other receivables increased by 25% (from ₱17.36 bn in 2017 to ₱21.72 bn in 2018) mainly due to advances to partners in GMCP and the take-up of the PSALM deferred adjustments at Davao Light and VECO. PSALM deferred adjustment pertains to Generation Rate Adjustment Mechanism and Incremental Currency Exchange Rate Adjustment to be recovered from customers or to be collected from PSALM.
- c) Net derivative assets went down by ₱161 mn during 2018 mainly due to mark-to-market losses on the Group's swap and forward contracts.
- d) Inventories increased by 19% (from ₱5.64 bn in 2017 to ₱6.69 bn in 2018) as the Group recognized inventories held at TPVI, which took over the Naga Power Plant Complex in 2018, and due to higher inventory balances at GMCP, TSI and TVI. This was offset by lower inventory balances at the Oil Group.
- e) Property held for sale of ₱676 mn as of December 31, 2018 pertains to transmission assets that will be transferred and sold to the NGCP. This account was nil in 2017.
- f) Other current assets were higher by 46% (from ₱9.03 bn in 2017 to ₱13.21 bn in 2018) mainly driven by the increase of restricted cash at TSI. The maintenance of a cash reserve forms part of TSI's compliance with the covenants on its project debt. TVI's recognition of a receivable from NGCP on the construction of transmission line also contributed to the increase in this account.
- g) Investments and advances increased mainly as a result of capital infusions into GNPD as it continues the construction of a 1x668 MW supercritical coal-fired power plant in Bataan. The account increased from ₱31.25 bn at the end of 2017 to ₱34.33 bn at the end of 2018.
- h) Property, plant and equipment (PPE) slightly increased by 2% (from ₱204.03 bn in 2017 to ₱207.11 bn in 2018) mainly due to new additions during 2018 for the on-going construction of hydropower facilities under Hedcor and Hedcor Bukidnon, and TVI's coal plant.
- i) Available-for-sale investments went from ₱103 mn in 2017 to nil at the end of 2018 as these were reclassified to Financial Assets at fair value through profit or loss.
- j) Financial assets at fair value through profit or loss went up to ₱101 mn in 2018 from nil as these were reclassified from Available-for-Sale investments.
- k) Net pension assets increased by ₱71 mn in 2018 due to the increase in the fair value of plan assets for contributions made during 2018.
- l) Deferred income tax assets increased by 59% (from ₱1.41 bn in 2017 to ₱2.23 bn in 2018). The increase was driven by the deferred tax benefits recognized by Davao Light in 2018 on the impairment of its assets and at TLI for unrealized forex losses.

Liabilities

Consolidated liabilities increased by 7% YOY, from ₱237.50 bn at the end of 2017 to ₱253.09 bn at the end of 2018. The major movements of the accounts leading to the increase were as follows:

- a) Short term loans were up 145%, or ₱6.83 bn, mainly due to new loans of the Company for working capital purposes.
- b) Trade and other payables increased by 10% (from ₱19.85 bn in 2017 to ₱21.80 bn in 2018), primarily due to the take-up of the PSALM deferred adjustment at Davao Light and VECO. PSALM deferred adjustment refers to the amounts to be remitted to PSALM or refunded to customers.
- c) Income tax payable decreased by 32% (from ₱646 mn in 2017 to ₱439 mn in 2018) primarily due to lower corporate taxes payable at the end of 2018.
- d) Long-term debt (current and non-current portions) increased by 4% (from ₱152.05 bn in 2017 to ₱158.06 bn in 2018). The increase was mainly attributable to the net effect of the following:

- i. The Company's ₱10.20 bn new bonds issued in October 2018;
 - ii. Net increase during 2018 of GMCP's project debt by ₱10.67 bn, which was a combination of new drawdowns and forex adjustment; and
 - iii. TPI's loan payment of ₱15.15 bn.
- e) Finance lease obligation (current and noncurrent portions) decreased by 5% from a total of ₱49.23 bn in 2017 to ₱46.89 bn at the end of 2018, as TLI made timely payments on its obligation to PSALM during 2018.
 - f) Long term obligation on power distribution system (PDS) decreased by 7% as regular annual payments were made.
 - g) Asset retirement obligation increased by 24% (₱2.96 bn in 2017 to ₱3.68 bn in 2018) due to an increase in the estimated future decommissioning costs on the Group's steam field assets.
 - h) Deferred income tax liabilities (DTL) decreased by 6% (₱913 mn in 2017 to ₱858 mn in 2018), mainly due to unrealized gain on forward contract in 2017 that was reversed in 2018.
 - i) Net pension liabilities decreased by 32% (₱361 mn in 2017 to ₱245 mn in 2018) on account of benefits paid to retired employees during the year.
 - j) Other noncurrent liabilities went from ₱403 mn in 2017 to ₱3.18 bn at the end of 2018 due to the recognition of the PSALM deferred adjustment.

Equity

Equity attributable to equity shareholders of the parent company increased by 11% YOY (from ₱115.40 bn at the end of 2017 to ₱127.71 bn at the end of 2018), driven mainly by the recognition of income during 2018 of ₱21.71 bn, net of dividends declared and paid to the Company's shareholders.

Material Changes in Liquidity and Cash Reserves of Registrant

Cash generated from operations of ₱37.29 bn continued to provide a source of liquidity during 2018, growing by ₱7.05 bn as compared to 2017. Cash from the operations of fully-commissioned PEC augmented the cash streams from operations.

During 2018, the Group utilized ₱7.24 bn cash for investing activities. This was ₱2.21 bn more than during 2017, the largest portion of which was used to construct a coal plant in the Visayas for TVI. Meanwhile, the Company continued to deploy financial resources in the construction of other Greenfield projects. Funds were also invested to infuse more capital to GNPD. The outflows were supported by dividends received during 2018.

In 2018, the Company availed of long-term debt through a bond issuance, fresh loans availed of by certain subsidiaries, and draw down on project finance facilities. In the first half of 2018, the Company declared ₱10.23 bn in dividends to its shareholders. These activities led to cash flow used in financing activities of ₱19.16 bn during 2018.

As of December 31, 2018, the Group's cash and cash equivalents increased to ₱46.34 bn, compared to ₱35.70 bn as of the end of 2017.

Financial Ratios

Current assets increased by 31% while current liabilities decrease by 5%, the current ratio at the end of 2018 was at 1.89x, versus 1.38x at the end of 2017.

Consolidated debt to equity ratio at the end of 2018 was at 1.85 versus 1.92 as of end 2017, as the Company's increase in equity surpassed the increase in liabilities.

Year Ended December 31, 2017 versus Year Ended December 31, 2016

The table below shows the comparative figures of the top five key performance indicators for 2017 and 2016.

Key Performance Indicators	2017	2016
<i>Amounts in thousands of ₱s, except for financial ratios</i>		
SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	4,697,864	3,641,210
EBITDA	47,650,408	38,085,726
CASH FLOW GENERATED:		
Net cash flows from operating activities	30,235,931	29,887,980
Net cash flows used in investing activities	(9,452,925)	(81,380,348)
Net cash flows from/ (used in) financing activities	(32,122,699)	47,483,228
Net (Decrease)/Increase in Cash & Cash Equivalents	(11,339,693)	(4,009,140)
Cash & Cash Equivalents, Beginning	47,094,741	51,098,269
Cash & Cash Equivalents, End	35,699,631	47,094,741
CURRENT RATIO	1.38	2.25
DEBT-TO-EQUITY RATIO	1.92	2.18

Share in net earnings in associates and joint ventures grew by 29% in 2017, as contributions from SN Aboitiz Power-Magat and SN Aboitiz Power-Benguet increased. The improved hydrology experienced by both companies during the first half of 2017 led to higher revenues.

The primary driver of the 25% growth in EBITDA during 2017 was the full year EBITDA contributions of GNPowder Mariveles, which was acquired by the Company at the close of 2016.

Supported by increased cash flows from operations and inflows from new loans, the Company continued to infuse capital to its Subsidiaries in 2017 to complete various projects, made timely payments on its obligations, and distributed dividends to its shareholders. During 2017, net outflows relating to financing and investing activities outpaced cash inflow from operations, which led to the ₱11.34 bn decrease in cash and cash equivalents as of year-end 2017.

Current ratio at the end of 2017 was 1.38x, down from end-2016's 2.25x. This was driven by the 8% decrease in current assets mainly due to the decrease in cash and cash equivalents, coupled with a 50% increase in current liabilities as certain long-term debt are expected to fall due in 2018.

Debt-to-equity ratio as of December 31, 2017 was at 1.92:1, down from end-2016's 2.18:1, as long-term debts were paid down in 2017.

Results of Operations

The Company's net income for 2017 increased to ₱20.42 bn from ₱20.00 bn in 2016, a 2% year-on-year (YoY) increase. This translated to earnings per share of ₱2.77 for 2017. During 2017, the Company recognized non-recurring losses of ₱2.90 bn (versus 2016's non-recurring loss of ₱611 mn), primarily due to asset impairment costs related to Aseagas and debt prepayment costs on an existing loan of GMCP, which were partially offset by a one-off recognition of lower interest expense from an acquired loan. Without these one-off adjustments, the Company's core net income grew to ₱23.35 bn in 2017 from ₱20.61 bn in 2016, or an increase of 13% YoY.

Power Generation

On a full year basis, the power generation group recorded a consolidated EBITDA share of ₱38.79 bn in 2017, up 27% YoY, and accounted for 83% of the EBITDA contributions from the Company's business segments. This was driven by the full-year fresh contribution from GMCP, and the higher EBITDA of the hydro group as power generation increased during 2017 due to higher water inflows. At the core net income level, the power generation group grew 18% YoY, from ₱17.16 bn in 2016 to ₱20.20 bn in 2017. Non-recurring charges relating to impairment costs, prepayment charges

on GMCP's loan upon refinancing, and the one-off recognition of lower interest expense from the foregoing acquired loan, brought the power generation group's net income contribution in 2017 to ₱17.07 bn.

The Company's capacity sold increased by 41% YoY, from 2,223 MW in 2016 to 3,124 MW in 2017. This was mainly driven by the additional capacities from GMCP, increased generation by its HEPPs, and additional capacities contracted.

Power Distribution

The distribution group's EBITDA increased by 14% YoY, to ₱7.76 bn in 2017. Net income contribution in 2017 increased by 16% YoY to ₱4.27 bn.

The distribution group's gross margin on a per kWh basis increased by 9% YoY, to ₱1.73 in 2017 from ₱1.59 in 2016. The improved margins were driven by more adequate power supply, better supply mix, and recoveries on purchased power costs.

The distribution group's attributable sales for 2017 was 5,288 GWh, registering a 4% YoY increase from 2016.

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

Consolidated Statements of Income

Consolidated net income attributable to equity holders of the parent company increased by 2% YoY, from ₱20.00 bn in 2016 to ₱20.42 bn in 2017. The various movements in line items are shown below to account for the increase:

Consolidated Net Income Attributable to Equity Holders of the Parent for 2016	₱20,002,582
Increase in operating revenues	30,228,034
Increase in operating expenses	(22,364,605)
Increase in interest income	(156,523)
Increase in interest expense	(3,543,769)
Decrease in share in net earnings of associates and joint ventures	1,056,654
Increase in other income	(3,373,212)
Lower provision for taxes	(362,258)
Increase in income attributable to non-controlling interests	(1,070,461)
Total	413,860
Consolidated Net Income Attributable to Equity Holders of the Parent for 2017	₱20,416,442

Operating Revenues

(34% increase from ₱89.16 bn to ₱119.39 bn)

Revenues of the power distribution group decreased by 2% YoY, while the power generation group saw a 61% YoY increase from ₱35.69 bn in 2016 to ₱57.42 bn in 2017. The full year consolidation of the operating revenues of GMCP accounted for 96% of the increase in the power generation group's revenue. The balance of this increase was attributed to higher operating revenues at the small HEPPs (increase of 14% YoY) due to better hydrology in 2017 and the full commercial operations of TSI two units during 2017. The higher operating revenues were partly offset by lower operating revenues at TMI during 2017 as a result of expiring contracts.

In anticipation of the commercial operations of PEC and TVI in 2018, the RES companies progressively entered into contracts throughout 2017, resulting in a ₱9.59 bn increase in operating revenues.

Operating Expenses

(36% increase from ₱62.85 bn to ₱85.22 bn)

Cost of purchased power increased by ₱6.48 bn during 2017 as RES companies incur higher costs to serve their new contracts.

Cost of generated power increased during 2017 as the costs at GMPC were consolidated during the year. This accounted for ₱7.35 bn of the ₱11.24 bn increase in this account for 2017. The balance came from higher cost of steam at APRI, as well as higher fuel costs at the thermal companies due to the price increases on coal and oil during 2017.

All other operating expenses relating to general and administrative expenses, operations and maintenance, and depreciation and amortization increased during 2017 as a result of the full year consolidation of GMCP's expenses.

Interest Income

(14% decrease from ₱1.08 bn to ₱ 927 mn)

The decrease in interest income in 2017 was mainly due to lower average cash balances carried at the Parent Company and at its intermediate holding companies, ARI and TPI, during most of the year.

Interest Expense and Other Financing Costs

(46% increase from ₱7.70 bn to ₱11.25 bn)

Higher interest expense incurred on TPI's bridge loan, full year recognition of GMCP's interest expenses, and interest payments made on the Company's corporate retail bonds led to the 46% YoY increase during 2017 in this account as compared to 2016. This increase was net of lower debt service costs from the Company's other Subsidiaries, as timely principal payments were made during 2017 on project debts.

Share in Net Earnings of Associates and Joint Ventures

(29% increase from ₱3.64 bn to ₱4.70 bn)

The higher volumes sold and ancillary revenues at SN Aboitiz Power-Magat and SN Aboitiz Power-Benguet led to an increase in contributions in 2017 as compared to 2016, as these companies experienced better hydrology in 2017 as compared to very low hydrology during 2016.

Other Income (Expenses) – net

(from ₱1.67 bn other income to ₱ 1.70 bn other expense)

The shift from an Other Income position in 2016 to an Other Expense position in 2017 was primarily due to an impairment loss on Property, Plant and Equipment (PPE) at Aseagas (₱ 3.13 bn) during 2017, as compared to a non-recurring gain in 2016 relating to supplier settlements.

Provision for Taxes

(10% increase from ₱3.50 bn to ₱3.86 bn)

The increase was due to the full year consolidation of tax provisions taken by GMCP.

Net Income Attributable to Non-controlling Interests

(71% increase from ₱1.50 bn to ₱2.57 bn)

The increase in this account during 2017 was mainly from the take-up of the minority shareholders' participation in the income of GMCP in 2017.

Consolidated Statements of Comprehensive Income

The movements in cumulative translation adjustments, the share of an associate's unrealized mark-to-market gains on its available-for-sale (AFS) investments, and the recognition of losses and gains on defined benefit plans led to higher comprehensive income recognized for 2017. Total consolidated comprehensive income attributable to equity holders of the Parent was ₱20.62 bn for 2017.

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

Assets

Total assets (as of December 31, 2017 vs. December 31, 2016 as restated) increased by ₱4.47 bn or by 1%. The major movements of the accounts leading to the increase were as follows:

- (a) Cash and cash equivalents decreased by 24%, or by ₱11.40 bn, during 2017. Cash generated from operations continue to provide significant liquidity for the Company. Long-term debt payments were made during 2017, including approximately ₱16 bn on TPI's bridge financing obtained in 2016 to fund the acquisitions of GMCP and GNPD; and ₱2.43 bn as prepayment of Aseagas' project debt. During 2017, the Company also made timely payments on its other obligations as they became due, and also paid dividends to its shareholders.
- (b) Trade and other receivables increased by 12% (from ₱15.47 bn in 2016 to ₱17.36 bn in 2017), due to the increase in receivables as new contracts were signed by the Company's RES-licensed companies, AESI and AdventEnergy, as well as higher trade receivable balances of the Company's distribution utilities. The increases noted in the RES companies and distribution utilities constituted 80% of the increase, with the balance mainly coming from higher trade receivables at TLI and TSI.
- (c) Inventories increased by 27% (from ₱4.45 bn in 2016 to ₱5.64 bn in 2017) as higher inventory balances as of year-end 2017 were noted at the Company's thermal plants.
- (d) Other current assets increased by 40% during 2017, driven mainly by higher prepaid insurance and prepaid taxes of the Company's Subsidiaries.
- (e) At the end of 2017, PPE increased by 6% [from ₱192.98 bn at end-2016 (as restated) to ₱204.03 bn at end-2017], as various projects entered the final stages of their construction activities, in particular, Hedcor Bukidnon's hydro project, and TVI and PEC's coal plants.
- (f) The increase in derivative assets (both current and non-current) of the Group by ₱50.08 mn as of end-2017 was driven by fair value changes during the course of 2017.
- (g) Net pension assets went up by ₱11 mn, or 24% during 2017, due to the increase in the fair value of plan assets as contributions made during the year.
- (h) Due to the refinancing of GMCP's outstanding loan in 2017, previously recognized deferred tax assets relating to the loan were written down, resulting in a 22% decrease in the deferred income tax asset account as of end-2017.
- (i) Other non-current assets decreased by 7% as of end-2017, mainly from the Group's acquisition of Sacasun loan payable during 2017, which offset the Group's receivables from Sacasun.

Liabilities

Consolidated liabilities decreased by 3%, from ₱244.80 bn as of December 31, 2016 to ₱237.50 bn as of December 31, 2017.

- (a) Short term loans increased by 14% or ₱562 mn, mainly from an increase in the number of short-term debts incurred by the distribution utilities to meet working capital requirements.
- (b) Trade and other payables increased by 14% or ₱2.45 bn, as payables to suppliers and contractors increased as construction of various power plants continued.
- (c) Long-term debt (current and non-current) decreased by ₱7.32 bn (from ₱159.37 bn in 2016 to ₱152.05 bn in 2017). The decrease was mainly due to the ₱15.93 bn prepayment of TPI's bridge loan obtained in 2016 to fund the acquisition of GMCP and GNPD, and the ₱2.43 bn prepayment of Aseagas' project debt. The decrease was net of drawdowns on various project loans and the issuance of the first tranche of corporate retail bonds amounting to ₱3 bn during 2017.

- (d) Finance lease obligations (current and non-current) decreased by 6% (from ₱52.34 bn in 2016 to ₱49.22 bn in 2017), as TLI continues to make timely payments to the PSALM on its obligations as IPPA.
- (e) Asset retirement obligation account increased as a result of the revaluation of the future obligation on APRI's asset retirement obligations. The account increased by 62% (from ₱1.82 bn in 2016 to ₱2.96 bn in 2017).
- (f) Long term obligation on power distribution system (PDS) decreased by 6%, as regular annual payments were made in 2017.
- (g) Derivative liabilities (current and non-current) decreased by 87% (from ₱361 mn as of December 31, 2016 to ₱48 mn as of December 31, 2017) due to the de-recognition of the derivative liability related to the loan prepayment of GNPow Mariveles during 2017.
- (h) Customers' deposits decreased by 11% (from ₱6.83 bn in 2016 to ₱6.09 bn in 2017), as special deposits were refunded by distribution utilities to its customers during 2017.
- (i) Other non-current liabilities increased by 20%, driven by an increase of retention payables to suppliers during 2017.
- (j) Pension liability increased by 46% (from ₱247 mn in 2016 to ₱361 mn in 2017) on account of additional retirement costs, net of retirement contributions, made by certain Subsidiaries during 2017.
- (k) Deferred income tax liabilities (DTL) decreased by 13% (from ₱1.04 bn in 2016 to ₱912 mn in 2017), mainly due to lower deferred tax provisions on unrealized foreign exchange gains and valuation changes recognized during 2017.

Equity

Equity attributable to equity shareholders of the Parent increased by 10% (from ₱105.11 bn at year-end 2016 to ₱115.40 bn at year-end 2017) driven mainly by the recognition of income totalling to ₱20.42 bn in 2017, net of dividends declared and paid to the Company's shareholders.

Material Changes in Liquidity and Cash Reserves of Registrant

Cash generated from operations during 2017 were consistent with previous cash flows from operations, bringing in ₱30.24 bn in 2017 as compared to ₱29.89 bn in 2016.

During 2017, the Group's net cash used for investing activities of ₱9.45 bn was used primarily to continue the construction of various power projects. The Group received cash dividends from Associates amounting to ₱5.07 bn during 2017, which provided inflows from investing activities.

In 2017, cash outflows from the payment of long-term debt exceeded cash inflows from availment of long term debt, driven primarily by the Group's prepayment of ₱2.43 bn for the Aseagas project debt, and approximately ₱16 bn payment on TPI's bridge loan. During 2017, the Company also raised ₱3.0 bn in corporate retail bonds.

Various Subsidiaries also drew down on their project loans, as necessary to bring their respective on-going projects to completion. Net cash outflows for financing activities is ₱32.12 bn during 2017.

As of December 31, 2017, the Group's cash and cash equivalents decreased by 24%, or from ₱47.09 bn as of year-end 2016 to ₱35.70 bn as of year-end 2017.

Item 7. Financial Statements

The consolidated financial statements of AboitizPower are incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary schedules are filed as part of this SEC Form 17-A.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has engaged the services of SyCip Gorres Velayo & Co. (SGV) during the two most recent fiscal years. There were no disagreements with SGV on accounting and financial disclosure.

Information on Independent Public Accountant

As a matter of policy, the Board Audit Committee (the "Committee") selects, monitors, and reviews the independence, performance and effectiveness, scope of work, fees, and remuneration of external auditors, in consultation with the Chief Executive Officer, the Chief Financial Officer, and the Group Internal Audit Head. Where appropriate, the Committee may recommend to the Board of Directors the re-appointment or replacement of the current external auditor.

During the March 6, 2020 board meeting, the Chairman of the Audit Committee, Mr. Carlos C. Ejercito, reported to the Board that the Committee evaluated and assessed the performance for the previous year of the Company's external auditor, SyCip Gorres Velayo & Co. (SGV). Based on the results of its evaluation, the Committee advised the Board of Directors that it is satisfied with SGV's performance for the previous year and recommended SGV's re-appointment as the Company's external auditor for 2020.

The Board of Directors discussed the Audit Committee's recommendation, and after discussion, approved the re-appointment of SGV. The Board of Directors will endorse to the shareholders the re-appointment of SGV as the Company's external auditor for 2020.

The accounting firm of SGV has been AboitizPower's Independent Public Accountant for the last 21 years. Ms. Maria Veronica Andresa R. Pore has been AboitizPower's audit partner since audit year 2017. AboitizPower complies with the requirements of Section 3(b)(ix) of SRC Rule 68 on the rotation of external auditors or signing partners and the two-year cooling-off period. There was no event in the past 20 years wherein AboitizPower and SGV (or its handling partner) had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

Representatives of SGV will be present during the 2020 Annual Stockholders' Meeting and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions, if needed.

The Chairman of the Audit Committee is Mr. Carlos C. Ejercito, an Independent Director. The members are Messrs. Romeo L. Bernardo and Eric Ramon O. Recto, both Independent Directors, and Messrs. Danel C. Aboitiz and Erramon I. Aboitiz, directors of AboitizPower.

External Audit Fees and Services

The following table sets out the aggregate fees billed to the Company for each of the last two years for professional services rendered by SGV.

Fee	2019	2018
Audit Fees		
Audit Fees	₱500,000.00	₱460,000.00
Audit Related Fees	-	-
Total	500,000.00	460,000.00
Financial and Tax Due Diligence	4,000,000.00	4,470,000.00
Bond Related Fees	6,600,000.00	6,600,000.00
Total	10,600,000.00	11,070,000.00
Total Audit and Non-Audit Fees	₱11,100,000.00	₱11,530,000.00

SGV was engaged by the Company to audit its 2019 and 2018 annual financial statements. AboitizPower engaged SGV to conduct post reviews and other procedures for the purpose of issuing a comfort letter in connection with the issuance of the ₱7.3 bn Bonds in 2019 and ₱10.2 bn Bonds in 2018. In 2019 and 2018, the Company also engaged SGV to provide financial and tax due diligence in relation to the Company's participation in biddings, acquisitions, and other projects.

As a policy, the Board Audit Committee makes recommendations to the Board of Directors concerning the

choice of external auditor and pre-approves audit plans, scope, and frequency before the audit is conducted.

Audit services of SGV for 2019 and 2018 were pre-approved by the Board Audit Committee. The Board Audit Committee also reviewed the extent and nature of these services to ensure that the independence of the external auditors was preserved. SGV does not have any direct or indirect interest in the Company.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has engaged the services of SGV during the two most recent fiscal years. There are no disagreements with SGV on accounting and financial disclosure.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers

(a) Directors and Officers for 2019-2020

(1) Directors for 2019-2020

The Company currently has nine directors, three of whom are Independent Directors. Below is the profile of the directors for 2019-2020 with their corresponding positions, offices, and business experience held for the past five years. Except for Mr. Emmanuel V. Rubio who assumed his directorship on January 1, 2020, the directors were elected during AboitizPower's ASM to serve for a term of one year, and until their successors are duly elected and qualified.

ERRAMON I. ABOITIZ

Chairman of the Board of Directors

Age: 63

Citizenship: Filipino

Committee Memberships:

Member – Board Executive Committee (Chairman of the Committee since May 21, 2018 and Member since January 1, 2020)

– Board Audit Committee (since January 1, 2020)

– Board Corporate Governance Committee (since May 17, 2010)

Mr. Erramon I. Aboitiz was appointed as Chairman of the Board of AboitizPower effective January 1, 2020. He has been a Director of the Company since February 13, 1998 and has served as Chief Executive Officer from 1998 to May 2018. He was Chairman of the Board from May 2018 to September 2018, and served as President and Chief Executive Officer until December 2019.

Mr. Aboitiz is currently a Director of AEV, a publicly-listed company, a position he has held since 1994. He was AEV's Executive Vice President and Chief Operating Officer from 1994 to 2009, and President and Chief Executive Officer from 2009 to 2019. Mr. Aboitiz is also Chairman of the Board of Directors of the following companies: Manila-Oslo Renewable Enterprise, Inc. (MORE), San Fernando Electric Light and Power Co., Inc. (SFELAPCO), and CRH Aboitiz Holdings, Inc. (CRH Aboitiz). He is Vice Chairman of Republic Cement and Building Materials, Inc. (RCBM) and of Union Bank of the Philippines (UnionBank), a publicly-listed company. He is also Chairman of UnionBank's Executive Committee and Nominations Committee. He is Director of Aboitiz & Company, Inc. (ACO), AEV CRH Holdings, Inc. (AEV CRH), and the Philippine Disaster Recovery Foundation.

Mr. Aboitiz was awarded the Management Association of the Philippines Management Man of the Year and Ernst & Young's Entrepreneur of the Year both in 2011.

Mr. Aboitiz earned a Bachelor of Science degree in Business Administration, Major in Accounting and Finance from Gonzaga University in Spokane, Washington, U.S.A. He was also conferred an Honorary Doctorate Degree in Management by the Asian Institute of Management. He is not connected with any government agency or instrumentality.

MIKEL A. ABOITIZ

Vice Chairman of the Board of Directors

Age: 65

Citizenship: Filipino

Committee Memberships:

Member – Board Corporate Governance Committee (since December 11, 2019)

– Board Executive Committee (since May 21, 2018)

Mr. Mikel A. Aboitiz was appointed Vice Chairman of AboitizPower effective January 1, 2020. He has been a Director since February 13, 1998, and was the Company's Chairman of the Board from September 2018 to December 2019.

Mr. Aboitiz was formerly Vice Chairman of City Savings Bank, Inc. from 2015 to 2016, and its President and Chief Executive Officer from 2001 to 2014. He is currently Chairman of the Board of ACO; Vice Chairman of AEV, a publicly-listed company, since December 2018; and Trustee and Chairman of Ramon Aboitiz Foundation, Inc. (RAFI).

Mr. Aboitiz holds a degree in Bachelor of Science in Business Administration from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.

ENRIQUE M. ABOITIZ

Director

Age: 66

Citizenship: Filipino

Committee Memberships:

Chairman – Board Risk and Reputation Management Committee (since May 16, 2011)

Member – Board Executive Committee (since December 11, 2018)

Mr. Enrique M. Aboitiz has served as Director of the Company since May 18, 2009. He was Chairman of the Board of Directors from 2009 to May 2018, and Vice Chairman from December 2018 to December 2019. On December 11, 2018, Mr. Aboitiz was appointed the Chairman of the Board of AEV, a publicly-listed company. He is also the Vice Chairman of ACO.

Mr. Aboitiz graduated with a degree in Bachelor of Science in Business Administration, Major in Economics from Gonzaga University, Spokane, Washington, U.S.A. Mr. Aboitiz is not connected with any government agency or instrumentality.

EMMANUEL V. RUBIO

Director/President and Chief Executive Officer

Age: 55

Citizenship: Filipino

Committee Memberships:

Chairman – Board Executive Committee (since January 1, 2020)

Member – Board Risk and Reputation Management Committee (since January 1, 2020)

Mr. Emmanuel V. Rubio was appointed as President and Chief Executive Officer and Director of AboitizPower effective January 1, 2020. He previously served as the Company's Executive Vice President and Chief Operating Officer – Power Generation Group from 2014 to July 2018, and as Executive Vice President - Chief Operating Officer from June 2018 to December 2019.

Mr. Rubio is currently Chairman of Aboitiz Renewables, Inc. (ARI) the SN AboitizPower Group, and Therma Power, Inc. (TPI); Director of the Hedcor Group, MORE, Cotabato Light and Power Company (Cotabato Light), Davao Light & Power Co., Inc. (Davao Light), Cebu Private Power Corporation (CPPC), and various companies under the Coal Business Units, including Cebu Energy Development Corporation (Cebu Energy), STEAG State Power, Inc. (STEAG Power), Therma South, Inc. (TSI), Therma Visayas, Inc. (TVI), and Redondo Peninsula Energy, Inc. (RP Energy). He holds directorship and management positions in GNPowr Mariveles Coal Plant Ltd. Co. (GMCP) and GNPowr Dinginin Ltd. Co. (GNPD) and their holding companies. He is also a member of

the Board of Trustees and President of Philippine Electricity Market Corporation (PEMC) and Trustee of Aboitiz Foundation, Inc. (Aboitiz Foundation).

Mr. Rubio is a graduate of Bachelor of Science in Industrial Management Engineering with a minor in Mechanical Engineering from De La Salle University, where he also completed his post-graduate studies. He is also a certificate course graduate of the University of Michigan Executive Education Program, the LEAD program of Columbia University, and the Strategic Management Course of the Nanyang Technological University in Singapore. He recently completed the Advanced Management Program of Columbia University. Mr. Rubio is a holder of the Executive Certificate in Directorship from the Singapore Management University-Singapore Institute of Directors (SMU-SID). He is not connected with any government agency or instrumentality. He is not a Director of any other publicly-listed company.

JAIME JOSE Y. ABOITIZ

Director/Executive Vice President – Chief Operating Officer

Age: 58

Citizenship: Filipino

Committee Memberships:

Member – Board Risk and Reputation Management Committee (September 1, 2018)
– Board Executive Committee (May 21, 2018)

Mr. Jaime Jose Y. Aboitiz was Director of AboitizPower from 2004 to April 2007, and was re-elected as Director on May 18, 2009. He was appointed as the Company's Executive Vice President – Chief Operating Officer effective January 1, 2020. He was previously the Company's Executive Vice President and Chief Operating Officer-Power Distribution Group, a position which he held from August 2008 to December 2019.

Mr. Aboitiz is a member of the Board of Advisers of ACO; Chairman of the Board of Aboitiz Construction, Inc. (ACI), AboitizPower Distributed Energy, Inc. (APX1), AboitizPower Distributed Renewables, Inc. (APX2), Abovant Holdings, Inc. (Abovant), Cebu Industrial Park Developers, Inc. (CIPDI), Hedcor Group; and Director of ARI, Cotabato Light, Davao Light, Enerzone Group, SFELAPCO, Aboitiz Land, Inc. (AboitizLand), Tsuneishi Heavy Industries (Cebu), Inc. (THICI), Visayan Electric Company, Inc. (Visayan Electric), and Apo Agua Infraestructura, Inc. (Apo Agua). He holds Chairman and Director positions in various Oil Business Units, such as East Asia Utilities Corporation (EAUC), Therma Marine, Inc. (TMI), Therma Mobile, Inc. (TMO), Therma Power-Visayas, Inc. (TPVI); and Coal Business Units, such as AA Thermal, Inc. (AA Thermal), Pagbilao Energy Corporation (PEC), TSI, and TVI. He holds directorship and management positions in GMCP and its holding company.

Mr. Aboitiz holds a degree in Mechanical Engineering from Loyola Marymount University in California, U.S.A., and a Master's Degree in Management from the Asian Institute of Management. He is not connected with any government agency or instrumentality. He is not a Director of any other publicly-listed company.

DANEL C. ABOITIZ

Director/Senior Vice President – Government Relations and Regulatory Affairs of AboitizPower

Age: 38

Citizenship: Filipino

Committee Memberships:

Member – Board Audit Committee (since January 28, 2020)

Mr. Danel C. Aboitiz was appointed as Director of AboitizPower on December 11, 2018, and as Senior Vice President – Government Relations and Regulatory Affairs of AboitizPower effective January 1, 2020.

Mr. Aboitiz is also Director of PEC, Cebu Energy, STEAG Power, Abovant, and RP Energy. He holds directorship and management positions in GMCP and GNPD and their holding companies.

Mr. Aboitiz is also Director of various companies under AboitizPower's Oil Business Units, such as Therma Mobile, Inc. (TMO), Therma Power-Visayas, Inc. (TPVI), East Asia Utilities Corporation (EAUC), and Therma Marine, Inc. (TMI), and Coal Business Units, such as AA Thermal, TLI, TSI, and TVI. He also serves as a Member of the Board of Advisers of ACO and as Observer of CRH Aboitiz Holdings, Inc.

Mr. Aboitiz obtained his Master of Arts (MA) in Philosophy and Politics degree from the University of Edinburgh, where he graduated with honors. He also studied the Chinese language at the Beijing Language and Culture University.

He is not connected with any government agency or instrumentality. He is not a Director of any other publicly-listed company.

ROMEO L. BERNARDO

Lead Independent Director

Age: 65

Citizenship: Filipino

Committee Memberships:

Chairman – Board Corporate Governance Committee (December 11, 2018)

Member – Board Audit Committee (since May 19, 2008)

– Board Risk and Reputation Management Committee (since May 18, 2015)

– Board Related Party Transactions Committee (since May 15, 2017)

Mr. Romeo L. Bernardo was elected Lead Independent Director of AboitizPower on May 15, 2017. He has been an Independent Director of the Company since May 19, 2008.

He is the Managing Director of Lazaro Bernardo Tiu and Associates, a boutique financial advisory firm based in Manila. He is also an economist of GlobalSource in the Philippines. He is Chairman of ALFM Family of Funds and Philippine Stock Index Fund. He is a Director of the following publicly-listed corporations: Globe Telecom, Inc. (Globe Telecom) and Bank of the Philippine Islands (BPI), and Independent Director of RFM Corporation and PHINMA Corporation. He is also currently affiliated in various capacities with the Foundation for Economic Freedom and World Bank Philippine Advisory Group.

Mr. Bernardo previously served as Undersecretary for International Finance of the Department of Finance, and as Alternate Executive Director of the Asian Development Bank. He has held various positions in government, including the National Power Corporation (NPC) and Philippine National Bank. He was a member of the Board of Trustees of the Philippine Institute for Development Studies from October 2005 until March 2016. He was an Advisor of the World Bank and the International Monetary Fund, and served as Deputy Chief of the Philippine Delegation to the General Agreement on Tariffs and Trade (World Trade Organization) in 1979. In the same year, he was Finance Attaché of the Philippine Mission to the United Nations in Geneva, Switzerland. He was formerly President of the Philippine Economics Society, Chairman of the Federation of ASEAN Economic Societies, and a faculty of the College of Business Administration of the University of the Philippines.

Mr. Bernardo holds a Bachelor of Science degree in Business Economics from the University of the Philippines (magna cum laude) and a Master's degree in Development Economics from Williams College in Williamstown, Massachusetts, U.S.A. where he graduated top of the class. He is not connected with any government agency or instrumentality.

CARLOS C. EJERCITO

Independent Director

Age: 74

Citizenship: Filipino

Committee Memberships:

Chairman – Board Audit Committee (since May 19, 2014)

Member – Board Risk and Reputation Management Committee (since May 19, 2014)

– Board Corporate Governance Committee (since May 19, 2014)

– Board Related Party Transactions Committee (since May 15, 2017)

Mr. Carlos C. Ejercito, has been an Independent Director of AboitizPower since May 19, 2014.

He is Independent Director and Chairman of the Board Audit Committee of Bloomberry Resorts Corporation and an Independent Director of Century Properties Group, Inc., both publicly-listed companies. He is also an Independent Director of Monte Oro Resources and Energy Corporation.

Mr. Ejercito is President and Chief Executive Officer of Mount Grace Hospitals, Inc., Chairman and Chief Executive Officer of Forum Cebu Coal Corporation, and Chairman of Northern Access Mining, Inc. He is a Board Member of 16 hospitals, including Medical Center Manila, VR Potenciano Medical Center, Tagaytay Medical Center, Pinehurst Medical Services Inc., Grace General Hospital, Healthserv Medical Center, Lorma Medical Center, Mary Mediatrix Medical Center, and Silvermed Corporation, and Capitol Medical Center. He was formerly Chairman of the Board of United Coconut Planters Bank, and a former Director of National Grid Corporation of the Philippines (NGCP). He was also the President and Chief Executive Officer of United Laboratories, Inc., Unilab Group of Companies, Univet Agricultural Products, Inc., and Greenfield Development Corporation, as well as the Vice President and Senior Country Operation Officer of Citibank, NA. Prior to Citibank, Mr. Ejercito was a System Engineer in IBM Philippines, and Accounting Unit Head in Procter & Gamble Philippines, Inc. He was a member of the Board of Governors of Management Association of the Philippines.

Mr. Ejercito graduated cum laude from the University of the East with a degree in Bachelor of Science in Business Administration. He also completed the Management Development Program of Harvard Business School in 1983, and has completed the coursework for Masters in Business Administration at Ateneo Graduate School of Business.

Mr. Ejercito is a certified public accountant. He is not connected with any government agency or instrumentality.

ERIC RAMON O. RECTO

Independent Director

Age: 56

Citizenship: Filipino

Committee Memberships:

Chairman – Board Related Party Transaction Committee (since May 21, 2018)

Member – Board Audit Committee since May 21, 2018)

– Board Corporate Governance Committee (since May 21, 2018)

– Board Risk and Reputation Management Committee (since May 21, 2018)

Mr. Eric Ramon O. Recto was elected as Independent Director of AboitizPower on May 21, 2018.

He currently holds positions in the following publicly-listed companies: Chairman of the Philippine Bank of Communications; Vice Chairman and President of Atok-Big Wedge Co., Inc.; Director of ISM Communications Corporation; and Independent Director in PH Resorts Group Holdings, Inc. He is also the Chairman of the Board and President of Bedfordbury Development Corporation; Vice Chairman of Alphaland Corporation; President/Director of Q-Tech Alliance Holdings, Inc.; and Supervisory Board Member of Acentic GmbH and Ltd.

Mr. Recto held various positions in Philweb Corporation from 2005 to 2015. He was also the Vice Chairman of Alphaland Corporation from 2007 to 2014; Director of San Miguel Corporation from 2010 to 2014, and of Manila Electric Company (Meralco) from 2010 to 2013 and President of Top Frontier Investment Holdings, Inc. from 2010 to 2013. Mr. Recto was formerly the Undersecretary of the Philippine Department of Finance from 2002 to 2005.

Mr. Recto earned his Bachelor of Science degree in Industrial Engineering from the University of the Philippines-Diliman. He completed his Masters in Business Administration, with concentration in Finance and Operation Management, from the Johnson Graduate School of Management at the Cornell University in Ithaca, New York, U.S.A. He is not connected with any government agency or instrumentality.

Nominations for Independent Directors and Procedure for Nomination

The procedure for the nomination and election of the Independent Directors is in accordance with Rule 38 of the Securities Regulation Code ("SRC Rule 38"), AboitizPower's Amended By-Laws, and AboitizPower's Amended Guidelines for the Nomination and Election of Independent Directors approved by the Board of Directors on March 23, 2017 (the "Guidelines").

Nominations for Independent Directors were opened beginning January 1, 2020 and the table for nominations was closed on February 15, 2020, in accordance with Section C(1) of the Guidelines. The period may be extended by unanimous vote of the Board Corporate Governance Committee for meritorious reasons.

SRC Rule 38 further requires the Board Corporate Governance Committee to meet and pre-screen all nominees and submit a Final List of Nominees to the Corporate Secretary, so that such list will be included in the Company's Preliminary and Definitive Information Statements. Only nominees whose names appear on the Final List shall be eligible for election as Independent Directors. No other nominations shall be entertained after the Final List of nominees has been prepared. The name of the person or group of persons who nominates an Independent Director shall be identified in such report including any relationship with the nominee.

In approving the nominations for Independent Directors, the Board Corporate Governance Committee considered the guidelines on the nominations of Independent Directors prescribed in SRC Rule 38, the Amended Guidelines, and AboitizPower's Revised Manual on Corporate Governance (the "Revised Manual"). The Revised Manual was approved by the AboitizPower Board of Directors on July 24, 2014, and was last amended on January 31, 2019. All amendments to the Revised Manual were timely disclosed to all stockholders. The Board Corporate Governance Committee performs the functions of the Board Nominations and Compensation Committee. In 2019, Mr. Romeo L. Bernardo was the Chairman of the Board Corporate Governance Committee. The voting members are Messrs. Erramon I. Aboitiz, Mikel A. Aboitiz, Carlos C. Ejercito, and Eric Ramon O. Recto, while the *ex-officio* non-voting members are Mr. Joseph Trillana T. Gonzales and Ms. Susan V. Valdez.

No nominations for Independent Director shall be accepted at the floor during the ASM at which such nominee is to be elected. Independent Directors shall be elected in the ASM during which other members of the Board are to be elected.

Messrs. Romeo L. Bernardo, Carlos C. Ejercito, and Eric Ramon O. Recto are the nominees for Independent Directors of AboitizPower for the 2020 ASM. They are neither officers nor employees of AboitizPower or any of its Affiliates, and do not have any relationship with AboitizPower which would interfere with the exercise of independent judgment in carrying out the responsibilities of an Independent Director. Attached as Annexes "B-1", "B-2", and "B-3" are the Certifications of Qualification as Independent Director of Messrs. Bernardo, Ejercito, and Recto, respectively.

AboitizPower stockholders, Ms. Adella Villegas, Ms. Catherine Alvarez, and Ms. Maricar Suico-Le, have respectively nominated Messrs. Bernardo, Ejercito, and Recto as AboitizPower's Independent Directors. None of the nominating stockholders have any relation to the respective independent director they are nominating.

Other Nominees for Election as Members of the Board of Directors

As the Board Corporate Governance Committee conveyed to the Corporate Secretary on February 19, 2020, the following were also nominated and qualified as candidates to the AboitizPower Board of directors for the ensuing year 2020-2021:

Erramon I. Aboitiz
Mikel A. Aboitiz
Enrique M. Aboitiz
Emmanuel V. Rubio
Jaime Jose Y. Aboitiz
Danel C. Aboitiz

Pursuant to Section 7, Article I of the Amended By-Laws of AboitizPower, nominations for members of the Board, other than Independent Directors, for the ensuing year must be submitted in writing to the Corporate Secretary at least 15 working days prior to the ASM on April 27, 2020 or not later than April 6, 2020.

All other information regarding the positions and offices by the abovementioned nominees are integrated in Item 9 (a)(1) above.

(2) Officers for 2019-2020

Below is the list of AboitizPower's officers for 2019-2020 with their corresponding positions and offices held for the past five years. Unless otherwise indicated, the officers assumed their positions during AboitizPower's organizational meeting in 2019 for a term of one year

ERRAMON I. ABOITIZ

Chairman of the Board

Refer to Item 9 (a)(1) for the profile of Mr. Erramon I. Aboitiz.

MIKEL A. ABOITIZ

Vice Chairman of the Board of the Board

Refer to Item 9 (a)(1) for the profile of Mr. Mikel A. Aboitiz.

EMMANUEL V. RUBIO

Director/ President and Chief Executive Officer

Refer to Item 9 (a)(1) for the profile of Mr. Emmanuel V. Rubio.

JAIME JOSE Y. ABOITIZ

Director/ Executive Vice President – Chief Operating Officer

Refer to Item 9 (a)(1) for the profile of Mr. Jaime Jose Y. Aboitiz.

DANEL C. ABOITIZ

Director/ Senior Vice President – Government Relations and Regulatory Affairs of AboitizPower

Refer to Item 9 (a)(1) for the profile of Mr. Danel C. Aboitiz.

LUIS MIGUEL O. ABOITIZ

Executive Vice President – Chief Strategy Officer

Mr. Luis Miguel O. Aboitiz, 55 years old, Filipino, was appointed as Executive Vice President – Chief Strategy Officer of AboitizPower on May 21, 2018. He also previously served as Director of the Company from September 2018 to December 2019, as Executive Vice President and Chief Operating Officer – Corporate Business Group from 2016 to 2018, and as Senior Vice President-Power Marketing and Trading from 2009 to 2015.

Mr. Aboitiz is also currently Senior Vice President of AEV, a publicly-listed company, a position which he held since 2015. He is also Director and First Vice President of ACO. He also serves as Director and President of MORE; and Director of Abovant, ARI, APX1, APX2, TPI, Pilmico Animal Nutrition Corporation (PANC), TSI, TLI, Aboitiz InfraCapital, Inc., Sacasun, STEAG Power, and UnionBank, a publicly-listed company. He is also Chairman of UnionBank's Technology Steering Committee and member of the Audit Committee and Operations Risk Management Committee, and alternate member of the Executive Committee. Mr. Aboitiz is also a member of the Board of Trustees of the Philippine Independent Power Producers Association, Inc. (PIPPA).

Mr. Aboitiz graduated from Santa Clara University, California, U.S.A. with a degree of Bachelor of Science in Computer Science and Engineering, and earned his Master's degree in Business Administration from the University of California in Berkeley, U.S.A. He is not connected with any government agency or instrumentality.

ANTON MARI G. PERDICES

Senior Vice President and Chief Operating Officer – Power Distribution Group

Mr. Anton Mari G. Perdices, 47 years old, Filipino, appointed as Senior Vice President and Chief Operating Officer – Power Distribution Group effective January 1, 2020.

He currently serves as Chairman of the Board of Visayan Electric, Cotabato Light, Davao Light, CPPC, Enerzone Group; President of APX1 and APX2; and President and Chief Executive Officer of Abovant. He is also Director of ACI, SFELAPCO, THICI, and a member of the Board of Advisers of ACO.

Mr. Perdices was previously the President and Chief Operating Officer of Visayan Electric, where he was instrumental in encouraging collaboration across the Power Distribution Group, decentralizing customer service centers, and improving overall customer satisfaction. Prior to joining Visayan Electric in 2014, Mr. Perdices was connected with the Aboitiz Group's construction business unit, where he was instrumental in building relationship with key stakeholders and developing risk management and quality control, keeping with the highest standard and requirements of the oil and gas industry.

Mr. Perdices holds a Bachelor of Business Administration degree in Management Information Systems from Loyola College in Maryland, U.S.A, and completed the Advanced Management Program from Harvard Business School in Boston, Massachusetts, U.S.A. He is a member of the Cebu City Water Advisory Committee. He is not a director of any publicly-listed company.

ALEXANDER B. COO

Chief Operating Officer – Renewable Power Generation Group

Mr. Alexander B. Coo, 48 years old, Filipino, was appointed as the Company's Chief Operating Officer – Renewable Power Generation Group effective January 1, 2020, where he focuses on the various renewable business units which operate the Company's run-of-river hydros, large hydros, geothermal, and solar plants.

He is currently Chairman of the Board of San Carlos Sun Power Inc. (Sacasun), President and Chief Operating Officer of ARI and MORE, Chief Executive Officer of APRI, and Director of Hedcor Group and LHC. Mr. Coo previously served as President and Chief Operating Officer of APRI and Sacasun, and Vice President for Corporate Services of the Oil Business Units.

Prior to joining the Aboitiz Group, Mr. Coo held various positions in Linde Philippines, Inc. and Linde Phil (South), Inc., where he served as Managing Director from April 2015 to September 2016, National Sales and Marketing Director from 2013 to 2015, and General Manager from 2012 to 2013.

Mr. Coo graduated cum laude with a Bachelor of Science Degree in Chemical Engineering from the University of Santo Tomas. He has completed the Executive Education course from INSEAD Singapore and the Linde Executive Management Program from Linde University, Munich, Germany. He is not connected with any government agency or instrumentality. He is not a director of any publicly-listed company.

MARIA VERONICA C. SO

Group Treasurer

Ms. Maria Veronica C. So, 47 years old, Filipino, was appointed as AboitizPower's Group Treasurer effective January 1, 2020. She is also Group Treasurer and First Vice President – Group Treasurer of AEV, a publicly listed company.

She joined the Aboitiz Group as AEV's Vice President – Treasury Services in 2017 and was promoted to First Vice President - Deputy Group Treasurer under AEV's Treasury Services Group on April 1, 2019.

Prior to joining the Aboitiz Group, Ms. So held various treasury and finance positions at Globe Telecom from 2001 to 2017.

Ms. So holds a Masters degree in Business Management from the Asian Institute of Management and a Bachelor of Science degree in Business Management from Ateneo de Manila University. She is not connected with any government agency or instrumentality. She is not a director of any publicly-listed company.

LIZA LUV T. MONTELIBANO

Senior Vice President/Chief Financial Officer/Corporate Information Officer
Ex-Officio Member – Board Risk and Reputation Management Committee
Ex-Officio Member – Board Executive Committee

Ms. Liza Luv T. Montelibano, 44 years old, Filipino, was appointed as Senior Vice President/Chief Financial Officer/Corporate Information Officer on May 16, 2016.

Ms. Montelibano joined the Company as Chief Financial Officer-Power Generation Group on January 2, 2014 until she was promoted as First Vice President/ Chief Financial Officer/ Corporate Information Officer on May 18, 2015.

Ms. Montelibano is Director and Senior Vice President-Finance of ARI, and Director and Treasurer/Chief Financial Officer of AA Thermal, and Director of Cotabato Light, Davao Light, MORE, Visayan Electric, Hedcor Group, LHC, Subic Enerzone, AboitizPower International Pte. Ltd., and Archipelago Insurance Pte. Ltd. She holds a management position in GMCP and its holding company.

Prior to joining AboitizPower, Ms. Montelibano was the Country Controller of NXP Semiconductors. Her background is in finance, risk assessment, and internal audit, arising from her previous experience with various multinational companies. She also served as Chief Financial Officer of SteelAsia Manufacturing Corporation from September 2012 to March 2013, and as General Manager for Finance and Administration at L’Oreal Philippines, Inc. from March 2006 to August 2012.

Ms. Montelibano graduated cum laude from Ateneo de Manila University with a degree in Bachelor of Science in Management, Minor in Finance. She is also a Certified Internal Auditor under the Institute of Internal Auditors. She is not connected with any government agency or instrumentality. She is not a director of a publicly-listed company.

ROBERT MCGREGOR

Executive Director – Chief Investment Officer

Mr. Robert McGregor, 60 years old, British, was appointed as Executive Director – Chief Investment Officer of AboitizPower on June 1, 2018. He was Executive Director for Business Development of AboitizPower from May 2017 to May 2018, and Executive Director – Investments from 2015 to 2017. Mr. McGregor is concurrently the Executive Director – Chief Investment Officer of AEV, a publicly-listed company. He first joined the Aboitiz Group as AEV’s Senior Vice President - Chief Strategy Officer in May 2014, and was appointed as Chief Strategy and Investment Officer in November of the same year.

Mr. McGregor has a wealth of experience in management, investment banking, and private equity investing, with almost 40 years of experience in energy markets. He also has extensive experience in corporate strategy, marketing and business planning in oil, gas and electricity industries in the United Kingdom. He moved to Hong Kong in 1997 and enjoyed an 11-year career in regional investment banking, before moving to Singapore to take up a partnership in Actis, an emerging market private equity company. In 2012, he returned to Hong Kong with Hongkong and Shanghai Banking Corporation Limited as an investment banker.

Mr. McGregor completed his honours degree in Applied Chemistry from The University of Strathclyde in Glasgow, United Kingdom and obtained his Masters Degree in Business Administration from the same university. He is not connected with any government agency or instrumentality. He is also not a director of a publicly-listed company.

JOSEPH TRILLANA T. GONZALES

First Vice President – General Counsel and Compliance Officer
Ex-Officio Member – Board Corporate Governance Committee

Mr. Joseph Trillana T. Gonzales, 53 years old, Filipino, was appointed General Counsel of AboitizPower on January 1, 2015. He was appointed as the Company's First Vice President – General Counsel and Compliance Officer and *Ex-officio* member of the Board Corporate Governance Committee on March 1, 2018.

He previously served as Assistant Corporate Secretary of the Company from August 2007 to May 2016. He was Vice President for Legal and Corporate Services of AEV from 2008 to 2014.

Mr. Gonzales was Special Counsel of SyCip Salazar Hernandez & Gatmaitan Law Offices until he joined the Aboitiz Group as Assistant Vice President of the Corporate and Legal Services of ACO in 2007.

Mr. Gonzales is a graduate of Bachelor of Arts, Major in Economics, and Bachelor of Laws from the University of the Philippines. He has a Master of Laws degree from the University of Michigan in Ann Arbor, Michigan, U.S.A. He is a member of good standing of the Integrated Bar of the Philippines. He is not connected with any government agency or instrumentality. He is not a director of a publicly-listed company.

MANUEL ALBERTO R. COLAYCO

Corporate Secretary

Mr. Manuel Alberto R. Colayco, 50 years old, Filipino, has been Corporate Secretary of AboitizPower since March 1, 2018. Mr. Colayco is concurrently Senior Vice President - Chief Legal Officer/Chief Compliance Officer/Corporate Secretary of AEV, a publicly listed company. He first joined the Aboitiz Group as AEV's First Vice President and Chief Legal Officer on July 11, 2016 and was appointed as AEV's Corporate Secretary and Compliance Officer on March 1, 2018.

Mr. Colayco has practiced in various areas of corporate law, including mergers and acquisitions, joint ventures, securities regulation, corporate and financial restructuring, and litigation. Prior to joining the Aboitiz Group, Mr. Colayco acted as independent legal consultant providing professional advice, representation, and transactional assistance to private companies and individuals. His previous work experience includes: General Counsel for AGP International Holdings Ltd. and Atlantic, Gulf & Pacific Company of Manila, Inc. from August 2013 to December 2014; Executive Director and Assistant General Counsel of J.P. Morgan Chase Bank N.A. from July 2010 to August 2013; and Vice President and Legal Counsel of DKR Oasis (Hong Kong) LLC, a private investment management firm, from August 2007 until March 2010. He was an Associate at Skadden, Arps, Slate, Meagher & Flom, LLP from 2000 to 2007, and at Romulo Mabanta Buenaventura Sayoc & de los Angeles from 1996 to 2000.

Mr. Colayco earned his undergraduate and Juris Doctor degrees from Ateneo de Manila University, and a Master of Laws degree from New York University School of Law in New York, U.S.A. He is a member of good standing of the Integrated Bar of the Philippines. He is not connected with any government agency or instrumentality. He is not a director of any publicly-listed company.

MAILENE M. DE LA TORRE

Assistant Corporate Secretary

Ms. Mailene M. de la Torre, 38 years old, Filipino, was appointed Assistant Corporate Secretary of AboitizPower on November 24, 2016. She is concurrently Assistant Vice President - Governance and Compliance and Assistant Corporate Secretary of AEV, a publicly-listed company. She was previously Senior Associate General Counsel for Governance and Compliance of AEV until November 2016, and was Associate General Counsel for Legal and Corporate Services from May 2010 to October 2014.

Ms. de la Torre is also the Corporate Secretary and Assistant Corporate Secretary of various Subsidiaries of the Aboitiz Group.

Ms. de la Torre has practice in the areas of corporate structuring, acquisitions, joint ventures, compliance and corporate governance, corporate law, securities law, and litigation. Prior to joining the Aboitiz Group, she was

an Associate at Esguerra & Blanco Law Office from 2007 to 2010. She graduated cum laude with a Bachelor of Arts Degree in Political Science from the University of the Philippines Diliman and earned her Bachelor of Laws degree from the same university. She is a graduate member of the Institute of Corporate Directors, after completing the Professional Director's Program. She is a member of good standing of the Integrated Bar of the Philippines. She is not connected with any government agency or instrumentality. She is not a director of a publicly-listed company.

SAMMY DAVE A. SANTOS

Assistant Corporate Secretary

Mr. Sammy Dave A. Santos, 35 years old, Filipino, was appointed Assistant Corporate Secretary of AboitizPower on November 5, 2019. He is currently an Associate General Counsel for Governance and Compliance Team of AEV since July 2017.

Mr. Santos currently serves as Corporate Secretary of various Subsidiaries of the Aboitiz Group, and Assistant Corporate Secretary of the Good Governance Advocates and Practitioners of the Philippines (GGAPP).

Mr. Santos has experience in practice areas of corporate law, corporate structuring, special projects, corporate housekeeping, corporate governance, and compliance for non-listed and publicly-listed companies. Prior to joining the Aboitiz Group, he was Legal Counsel for Alliance Select Foods International, Inc. from 2016 to 2017. He was also Counsel for the Privatization Group and Office of Special Concerns of the Department of Finance in 2016. He was a Junior Associate at the Law Firm of Quiason Makalinta Barot Torres Ibarra Sison & Damaso from 2014 to 2016.

Mr. Santos earned his Juris Doctor degree from the Ateneo Law School in 2013 and was admitted to the Philippine Roll of Attorneys in 2014. He also holds a degree of Master of Science in Industrial Economics from the University of Asia and the Pacific. He is a member of good standing of the Integrated Bar of the Philippines. He is not connected with any government agency or instrumentality. He is not a director of a publicly-listed company.

MARNIE F. MAÑALAC

Data Privacy Officer

Ex-Officio Member – Board Risk and Reputation Management Committee

Ms. Marnie F. Mañalac, 53 years old, Filipino, was appointed as Data Privacy Officer effective January 1, 2020. She is concurrently Vice President for Risk and Organizational Performance Management of the Company. Ms. Mañalac also assumed the position of *Ex-officio* member of the Company's Board Risk and Reputation Management Committee. Prior to her appointment, Ms. Mañalac was Assistant Vice President for Organizational Performance and Portfolio Management.

Prior to joining the Aboitiz Group, she was an Independent Consultant and Trainer on Advanced Cost and Performance Management from 2008 to 2015, and served as Head of Activity-Based Costing & Management under the President and Chief Operating Officer of Meralco, where she also held various positions from 1990 to 2008.

Ms. Mañalac obtained her Bachelor of Science Degree in Industrial Engineering from the University of the Philippines. She is a Professional Industrial Engineer and a Certified Management Accountant. She is not connected with any government agency or instrumentality. She is not a director of any publicly-listed company.

SATURNINO E. NICANOR, JR.

Group Internal Audit Head

Mr. Saturnino E. Nicanor, Jr., 57 years old, Filipino, was appointed as Group Internal Audit Head of AboitizPower on July 26, 2018. He is concurrently the Company's Assistant Vice President for Internal Audit, a position which he has held since July 2017. He has extensive experience in internal audit and controllership in various industries. He also served as Internal Audit Head for the Company's Generation Group from August 2012 to July 2018, and held various audit-related positions in the Aboitiz Group from 1983 to 2005.

Mr. Nicanor earned his Bachelor of Science in Commerce, Major in Accounting (magna cum laude) degree from the University of San Jose Recoletos, Cebu City. He is an Accredited Training Facilitator of the Institute of Internal Auditors Philippines. He is not connected with any government agency or instrumentality. He is not a director of any publicly-listed company.

Period in which the Directors and Executive Officers Should Serve

The directors shall serve for a period of one year.

Term of Office of a Director

Pursuant to the Amended By-Laws of AboitizPower, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election or for a term of one year and until his successor is duly elected, unless he resigns, dies or is removed prior to such election.

Any vacancy in the Board, other than by removal or expiration of term, may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose, if they still constitute a quorum. The director so chosen shall serve for the unexpired term of his/her predecessor in office.

(3) Significant Employees

AboitizPower considers the contribution of every employee important to the fulfillment of its goals.

(4) Family Relationships

Messrs. Jaime Jose and Luis Miguel Aboitiz are first cousins. Messrs. Erramon and Enrique Aboitiz are brothers. Mr. Enrique Aboitiz is the father of Mr. Danel Aboitiz. Other than these, no other officers or directors are related within the fourth degree of consanguinity.

(5) Involvement in Certain Legal Proceedings as of March 31, 2020

To the knowledge and/or information of AboitizPower, none of its nominees for election as directors, its present members of the Board, or its executive officers, is presently involved in any legal proceeding or bankruptcy petition or has been convicted by final judgment, or being subject to any order, judgment or decree or has violated the securities or commodities law in any court or government agency in the Philippines or elsewhere, for the past five years and the preceding years until March 31, 2020, which would put to question his/her ability and integrity to serve AboitizPower and its stockholders.

(6) Parent Company

AboitizPower's parent company is AEV. As of March 31, 2020, AEV owns 77.00% of the voting shares of AboitizPower. In turn, ACO owns, as of March 31, 2020, 48.59% of the voting shares of AEV.

(b) Resignation or Refusal to Stand for Re-election by Members of the Board of Directors

No director has resigned or declined to stand for re-election to the Board since the date of AboitizPower's last Annual Stockholders' Meeting because of a disagreement with AboitizPower on matters relating to its operations, policies and practices.

Item 10. Compensation of Directors and Executive Officers

(a) Summary of Compensation of Executive Officers

Information as to the aggregate compensation paid or accrued to AboitizPower's Chief Executive Officer and four most highly compensated executive officers, as well as other directors and officers during the last two completed fiscal years and the ensuing fiscal year, are as follows:

Name of Officer and Principal Position*	Year	Salary	Bonus	Other Compensation
Chief Executive Officer and the Four Most Highly Compensated Officers:				
1. ERRAMON I. ABOITIZ - President & Chief Executive Officer (Chairman starting Jan 1, 2020)				
2. EMMANUEL V. RUBIO - Chief Operating Officer (President & CEO starting Jan 1, 2020)				
3. LIZA LUV T. MONTELIBANO - Senior Vice President/Chief Financial Officer/Corporate Information Officer				
4. LUIS MIGUEL O. ABOITIZ - Executive Vice President & Chief Strategy Office				
5. JOSEPH TRILLANA T. GONZALES - First Vice President - General Counsel and Compliance Officer				
All above named officers as a group	Actual 2019	₱98,270,000.00	₱14,110,000.00	₱8,180,000.00
	Actual 2018	₱203,300,000.00	₱9,370,000.00	₱17,730,000.00
	Projected 2020	₱104,200,000.00	₱15,000,000.00	₱8,700,000.00
All other officers and directors as a group	Actual 2019	₱17,200,000.00	₱1,130,000.00	₱26,270,000.00
	Actual 2018	₱60,790,000.00	₱3,470,000.00	₱34,180,000.00
	Projected 2020	₱18,200,000.00	₱1,200,000.00	₱27,800,000.00

* The most highly compensated officers in 2018 were Messrs. Erramon I. Aboitiz, Antonio Moraza (retired on August 31, 2018), Juan Antonio E. Bernad (retired on December 31, 2018), Emmanuel V. Rubio, Jaime Jose Y. Aboitiz, and Christopher B. Sangster (separated on November 5, 2019).

The 2014 Amended By-Laws of the Company, as approved by the Securities and Exchange Commission (SEC) on May 16, 2014, defined corporate officers as follows: the Chairman of the Board, the Vice Chairman, the Chief Executive Officer(s), the Chief Operating Officer(s), the Treasurer, the Corporate Secretary, the Assistant Corporate Secretary, and such other officers as may be appointed by the Board of Directors. For the year 2020, the Company's Summary of Compensation of Executive Officers covers the compensation of officers as reported under Item 5 (a)(1) of the Information Statement.

Except for the regular company retirement plan, which by its very nature will be received by the officers concerned only upon retirement from the Company, the above-mentioned officers do not receive any other compensation in the form of warrants, options, and/or profit-sharing.

There is no compensatory plan or arrangement between the Company and any executive in case of resignation or any other termination of employment or from a change-in-control of the Company.

(b) Compensation of Directors

(1) Standard Arrangements

Following the April 22, 2019 ASM, the directors receive a monthly allowance of ₱150,000.00, while the Chairman of the Board receives a monthly allowance of ₱200,000.00. In addition, each director/member and the Chairmen of the Board and the Board Committees receive a per diem for every Board or Board Committee meeting attended as follows:

Type of Meeting	Directors	Chairman of the Board
Board Meeting	₱150,000.00	₱200,000.00

Type of Meeting	Members	Chairman of the Committee
Board Committee Meeting	₱100,000.00	₱130,000.00

In compliance with Section 29 of the Revised Corporation Code, the total compensation of each of the Company's directors as of December 31, 2019 is as follows:

Name of Director	Total Compensation Received as a Director ⁵
MIKEL A. ABOITIZ⁶ <i>Chairman of the Board of the Board</i>	₱4,520,000.00
ENRIQUE M. ABOITIZ⁷ <i>Vice Chairman of the Board of the Board</i>	₱2,950,000.00
ERRAMON I. ABOITIZ*⁸ <i>President and Chief Executive Officer</i>	₱2,620,000.00
LUIS MIGUEL O. ABOITIZ*⁹ <i>Director/ Executive Vice President – Chief Strategy Officer</i>	₱2,330,000.00
JAIME JOSE Y. ABOITIZ* <i>Director/ EVP and Chief Operating Officer – Power Distribution Group</i>	₱2,710,000.00
DANEL C. ABOITIZ* <i>Director</i>	₱1,830,000.00
ROMEO L. BERNARDO <i>Lead Independent Director</i>	₱4,100,000.00
CARLOS C. EJERCITO <i>Independent Director</i>	₱4,140,000.00
ERIC RAMON O. RECTO <i>Independent Director</i>	₱3,820,000.00

* A portion of the director's compensation was paid to their nominating company.

(2) Other Arrangements

Other than payment of the directors' per diem and monthly allowance as stated, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director.

(c) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There is no compensatory plan or arrangement between AboitizPower and any executive officer in case of resignation or any other termination of employment or from a change in the management or control of AboitizPower.

(d) Warrants and Options Outstanding

To date, AboitizPower has not granted any stock option to its directors or officers

⁵ Consisting of the monthly allowance and per diem. Per diem is based on the directors' attendance in the Board and Board Committee meetings, and their Committee memberships for the period January 1 to December 31, 2019.

⁶ Mr. Mikel A. Aboitiz was Chairman of the Board until December 31, 2019. He was appointed Vice Chairman on January 1, 2020. He became a member of the Board Corporate Governance Committee on December 11, 2019 only. He was a member of the Board Audit Committee and Board Risk and Reputation Management Committees until December 31, 2019.

⁷ Mr. Enrique M. Aboitiz was Vice Chairman of the Board until December 31, 2019. He was a member of the Board Audit Committee until December 31, 2019.

⁸ Mr. Erramon I. Aboitiz was President and Chief Executive Officer of AboitizPower, until his appointment as Chairman of the Board on January 1, 2020. He was Chairman of the Board Executive Committee until December 31, 2019.

⁹ Mr. Luis Miguel O. Aboitiz was Director of AboitizPower and Member of the Executive Committee until December 31, 2019. He currently holds the position of Executive Vice President-Chief Strategy Officer, and is no longer a director or Board Committee member of the Company.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners (more than 5%) as of March 31, 2020

Title of Class of Shares	Name and Address of Record Owner, and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held and Nature of Ownership (Record and/or Beneficial)	Percentage of Ownership
Common	1. Aboitiz Equity Ventures Inc. (AEV)¹⁰ 32nd Street, Bonifacio Global City, Taguig City (Stockholder)	Aboitiz Equity Ventures Inc. ¹¹	Filipino	5,657,530,774 (Record and Beneficial)	76.88%
Common	2. PCD Nominee Corporation (Filipino)¹² 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers ¹³	Filipino	1,028,832,249 (Record)	13.98%
Common	3. PCD Nominee Corporation (Foreign)¹⁴ 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers ¹⁵	Non-Filipino	389,177,197 (Record)	5.29%

AEV is the public holding and management company of the Aboitiz Group, one of the largest conglomerates in the Philippines. As of March 31, 2020, the following entities own at least five per centum (5%) or more of AEV:

Title of Class of Shares	Name and Address of Stockholder and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares and Nature of Ownership (Record and/or Beneficial)	Percentage of Ownership
Common	1. Aboitiz & Company, Inc. Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City (Stockholder)	Aboitiz & Company, Inc.	Filipino	2,735,600,915 (Record and Beneficial)	48.59%
Common	2. PCD Nominee Corporation (Filipino) 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers	Filipino	899,514,597 (Record)	15.98%

¹⁰ AEV is the parent company of AboitizPower.

¹¹ Mr. Sabin M. Aboitiz, President and Chief Executive Officer of AEV, will vote the shares of AEV in AboitizPower in accordance with the directive of the AEV Board of Directors.

¹² PCD Nominee Corporation (Filipino and Foreign) is not related to the Company. The beneficial owners of the shares held through a PCD participant are the beneficial owners thereof to the extent of the number of shares registered under the respective accounts with the PCD participant.

¹³ Each beneficial owner of shares, through a PCD participant, is the beneficial owner of such number of shares he owns in his account with the PCD participant. AboitizPower has no record relating to the power to decide how the shares held by PCD are to be voted. As advised to the Company, none of the beneficial owners under a PCD participant own more than 5% of the Company's common shares.

¹⁴ *Supra* note 3.

¹⁵ *Supra* note 4.

Title of Class of Shares	Name and Address of Stockholder and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares and Nature of Ownership (Record and/ or Beneficial)	Percentage of Ownership
Common	3. Ramon Aboitiz Foundation, Inc. 35 Lopez Jaena St., Cebu City (Stockholder)	Ramon Aboitiz Foundation, Inc.	Filipino	426,804,093 (Record and Beneficial)	7.58%
Common	4. PCD Nominee Corporation (Foreign) 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers	Non-Filipino	413,033,108 (Record)	7.34%

(2) Security Ownership of Management as of March 31, 2020 (Record and Beneficial)

Title of Class of Shares	Name of Owner and Position	No. of Shares and Nature of Ownership (Direct and/or Indirect)		Citizenship	Percentage of Ownership
Common	Erramon I. Aboitiz Chairman of the Board	1,300,001	Direct	Filipino	0.02%
		85,597,214	Indirect		1.16%
Common	Mikel A. Aboitiz Vice Chairman of the Board	1	Direct	Filipino	0.00%
		23,844,159	Indirect		0.32%
Common	Enrique M. Aboitiz Director	1,138,658	Direct	Filipino	0.02%
		0	Indirect		0.00%
Common	Emmanuel V. Rubio Director/President and Chief Executive Officer	89,130	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	Jaime Jose Y. Aboitiz Director/Executive Vice President – Chief Operating Officer	5,367,397	Direct	Filipino	0.07%
		4,719,302	Indirect		0.06%
Common	Danel C. Aboitiz Director/Senior Vice President – Government Relations and Regulatory	4,081,636	Direct	Filipino	0.06%
		458,760	Indirect		0.01%
Common	Romeo L. Bernardo Lead Independent Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	Carlos C. Ejercito Independent Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	Eric Ramon O. Recto Independent Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	Luis Miguel O. Aboitiz Executive Vice President – Chief Strategy Officer	11,167,081	Direct	Filipino	0.15%
		3,437,362	Indirect		0.04%
Common	Anton Mari G. Perdices Senior Vice President and Chief Operating Officer – Power Distribution Group	1,787,364	Direct	Filipino	0.02%
		103,899	Indirect		0.00%
Common	Alexander B. Co Chief Operating Officer – Renewable Power Generation Group	0	Direct	Filipino	0.00%
		0	Indirect		0.00%

Title of Class of Shares	Name of Owner and Position	No. of Shares and Nature of Ownership (Direct and/or Indirect)		Citizenship	Percentage of Ownership
Common	Veronica C. So Group Treasurer	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	Liza Luv T. Montelibano Senior Vice President/Chief Financial Officer/Corporate Information Officer	500	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	Robert McGregor Executive Director – Chief Investment Officer	0	Direct	British	0.00%
		5,000	Indirect		0.00%
Common	Joseph Trillana T. Gonzales First Vice President - General Counsel and Compliance Officer	62,527	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	Manuel Alberto R. Colayco Corporate Secretary	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	Mailene M. de la Torre Assistant Corporate Secretary	0	Direct	Filipino	0.00%
		5,000	Indirect		0.00%
Common	Sammy Dave A. Santos Assistant Corporate Secretary	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	Marnie F. Mañalac Data Privacy Officer and Vice President for Risk and Organizational Performance Management	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	Saturnino E. Nicanor, Jr Group Internal Audit Head	26,896	Direct	Filipino	0.00%
		0	Indirect		0.00%
	TOTAL	143,193,887			1.95%

(3) Voting Trust Holders of Five Per Centum (5%) or More of Common Equity

No person holds under a voting trust or similar agreement more than five per centum (5%) of AboitizPower's common equity.

(4) Changes in Control

There are no arrangements that may result in a change in control of AboitizPower during the period covered by this report.

Item 12. Certain Relationships and Related Transactions

AboitizPower and its Subsidiaries (the "Group"), in their regular conduct of business, have entered into related party transactions consisting of professional fees, advances, various guarantees, construction contracts, and rental fees. These are made on an arm's length basis as of the time of the transactions. AboitizPower and its Subsidiaries (the "Group"), in their regular conduct of business, have entered into related party transactions consisting of professional fees, advances, various guarantees, construction contracts, and rental fees. These are made on an arm's length basis as of the time of the transactions.

AboitizPower ("Parent") has provided support services to its Business Units, such as marketing, trading, billing and other technical services, necessary for the effective and efficient management and operations among and between the Subsidiaries and Associates.

The Group has existing Service Level Agreements (SLAs) with its parent company, AEV, for corporate center services, such as human resources, internal audit, legal, information technology, treasury and corporate finance, among others. These services are obtained from AEV to enable the Group to realize cost synergies

and optimize expertise at the corporate center. AEV maintains a pool of highly qualified professionals with business expertise specific to the businesses of the Group. Transaction costs are always benchmarked on third party rates to ensure competitive pricing and consistency with prevailing industry standards. SLAs are in place to ensure quality of service.

Material and significant related party transactions are reviewed and approved by the Related Party Transactions Committee of the Board.

No other transactions, without proper disclosure, were undertaken by the Company in which any director or executive officer, any nominee for election as director, any beneficial owner (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

AboitizPower employees are required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are brought to the attention of the management.

In October 2019, the Board of Directors approved the Revised Related Party Transactions (RPT) Policy in compliance with the SEC Memorandum Circular No. 10 series of 2019. The new rule focuses and regulates only material RPTs or RPTs amounting to ten percent (10%) or higher of a company's total assets. The new rule also specified an approval process for material RPTs and mandates publicly listed companies to notify the SEC of their RPTs that breach the threshold. The Company's current revised RPT Policy continues to ensure that RPTs are conducted at arms-length and at market prices, and underwent the appropriate approval process. The Company is considering further revisions its current RPT Policy in order to align it with best corporate governance practices.

For detailed discussion on related party transactions, please refer to Note 32 of the Consolidated Financial Statements.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Pursuant to Memorandum Circular No. 15, Series of 2017 issued by the Securities and Exchange Commission (SEC), the Company's 2019 Integrated Annual Corporate Governance Report (IACGR) will be filed with the SEC on or before May 30, 2020. The 2019 IACGR will also available in the Company's website at www.aboitzpower.com. Other reports such as the Company's Annual Corporate Governance Reports and the 2018 IACGR are also available at the Company's website.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

- (a) Exhibits. None
- (b) Reports on SEC Form 17-C

Reports filed by AboitizPower on SEC Form 17-C from April 2019 to March 2020 are as follows:

Date Reported	Disclosure Details
April 10, 2019	Signing of Facility Agreement with Various Banks to partially finance the Acquisition of AA Thermal, Inc.
April 16, 2019	Press Release: Therma Visayas power plant now online
April 22, 2019	Appointment of Officer
April 22, 2019	Press Release: Therma Mobile signs Power Supply contract with Meralco
April 22, 2019	Results of the 2019 Annual Stockholders' Meeting
April 22, 2019	Results of the 2019 Organizational Meeting
April 30, 2019	First Quarter 2019 Financial and Operating Results
May 2, 2019	Completion of the Acquisition of AA Thermal, Inc.
May 2, 2019	Press Release: AboitizPower Q1 net income dips by 6% to ₱3.6 bn

Date Reported	Disclosure Details
May 22, 2019	Press Release: Iloilo City gets Cleanergy from AboitizPower
June 4, 2019	Press Release: WalterMart strengthens partnership with AboitizPower
July 3, 2019	Press Release: Widus Hotel and Casino Clark promotes sustainable tourism, switches to AboitizPower's Cleanergy
July 25, 2019	Appointments for Third Tranche Bonds of the ₱30 bn Bonds
July 30, 2019	Second Quarter 2019 Financial and Operating Results
July 31, 2019	Press Release: AboitizPower posts P8.6-bn first half net income
August 5, 2019	Press Release: Nestlé pursues renewable energy with AboitizPower
August 23, 2019	Filing of Third Tranche of ₱30 bn Bonds with SEC
August 23, 2019	AboitizPower International Pte. Ltd. Acquisition of Dam Nai Wind Project in Ninh Thuan Province, Southern Vietnam
August 30, 2019	Receipt of "PRS Aaa" Rating from the Philippine Rating Services Corporation for Third Tranche of ₱30 bn Bonds
September 30, 2019	Receipt of the Certificate of Permit to Offer Securities for Sale from SEC in relation to the Company's Application for the Issuance of the Third Tranche of the ₱30 bn Bonds
October 7, 2019	Updating of the Company's Contact Details
October 14, 2019	Listing with the Philippine Dealing and Exchange Corporation of the Third Tranche of the ₱30 bn debt securities program, equivalent to ₱7.25 bn
October 28, 2019	Resignation of Officer
November 5, 2019	Appointment of Officers
November 5, 2019	Third Quarter 2019 Financial and Operating Results
November 6, 2019	Press Release: AboitizPower posts ₱13.5 bn net income from January to September 2019
November 22, 2019	Luzon Hydro Corporation's Filing of Petition for Prohibition and Mandamus with prayer for Temporary Restraining Order (TRO) and Preliminary Injunction to enjoin the Municipality of Alilem from auctioning its real properties located in Alilem, Ilocos Sur
December 2, 2019	Issuance of a TRO in favor of Luzon Hydro Corporation
December 3, 2019	Luzon Hydro Corporation's Filing of another Petition to enjoin the Municipality of Alilem from auctioning another set of its real properties located in Alilem, Ilocos Sur
December 16, 2019	Issuance of another TRO in favor of Luzon Hydro Corporation in relation to another set of its real properties located in Alilem, Ilocos Sur
December 26, 2019	Changes in Officers
January 28, 2020	Matters Approved by the Board during its January 28, 2020 Board Meeting
February 19, 2020	Nominees to the Board of Directors for 2020-2021
March 6, 2020	Amendment of Articles of Incorporation
March 6, 2020	Amendment of By-Laws
March 6, 2020	Matters Approved by the Board during its March 6, 2020 Board Meeting
March 6, 2020	Declaration of Regular Cash Dividends
March 6, 2020	Notice and Agenda of AboitizPower's Annual Stockholders' Meeting on April 27, 2020
March 9, 2020	Full Year 2019 Financial and Operating Results
March 10, 2020	Press Release: AboitizPower posts ₱17.3 bn net income in 2019
March 16, 2020	AboitizPower's Response to SEC's Notice re COVID-19
March 19, 2020	Revised Notice and Agenda of AboitizPower's Annual Stockholders' Meeting on April 27, 2020
March 30, 2020	Filing of Fourth Tranche of ₱30 bn Bonds with SEC

(c) **Sustainability Report** - Please refer to Annex C (Reporting Template for Sustainability Report).

The 2019 Aboitiz Group Annual Report and Sustainability Report (the "2019 Integrated Annual Report") is available for download at the Company's website at <https://abotizpower.com/investor-relations/latest-annual-report/>.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 177 of the Revised Corporation Code, AboitizPower has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Taguig on April 14, 2020.

By:



EMMANUEL V. RUBIO
Principal Executive Officer



JAIME DSEY ABOITIZ
Principal Operating Officer



LIZA LUV T. MONTELIBANO
Principal Financial Officer



Corporate Secretary



CHARISSE P. BACURIO
Controller/Principal Accounting Officer

Before me, a notary public in and for the city named above, personally appeared:

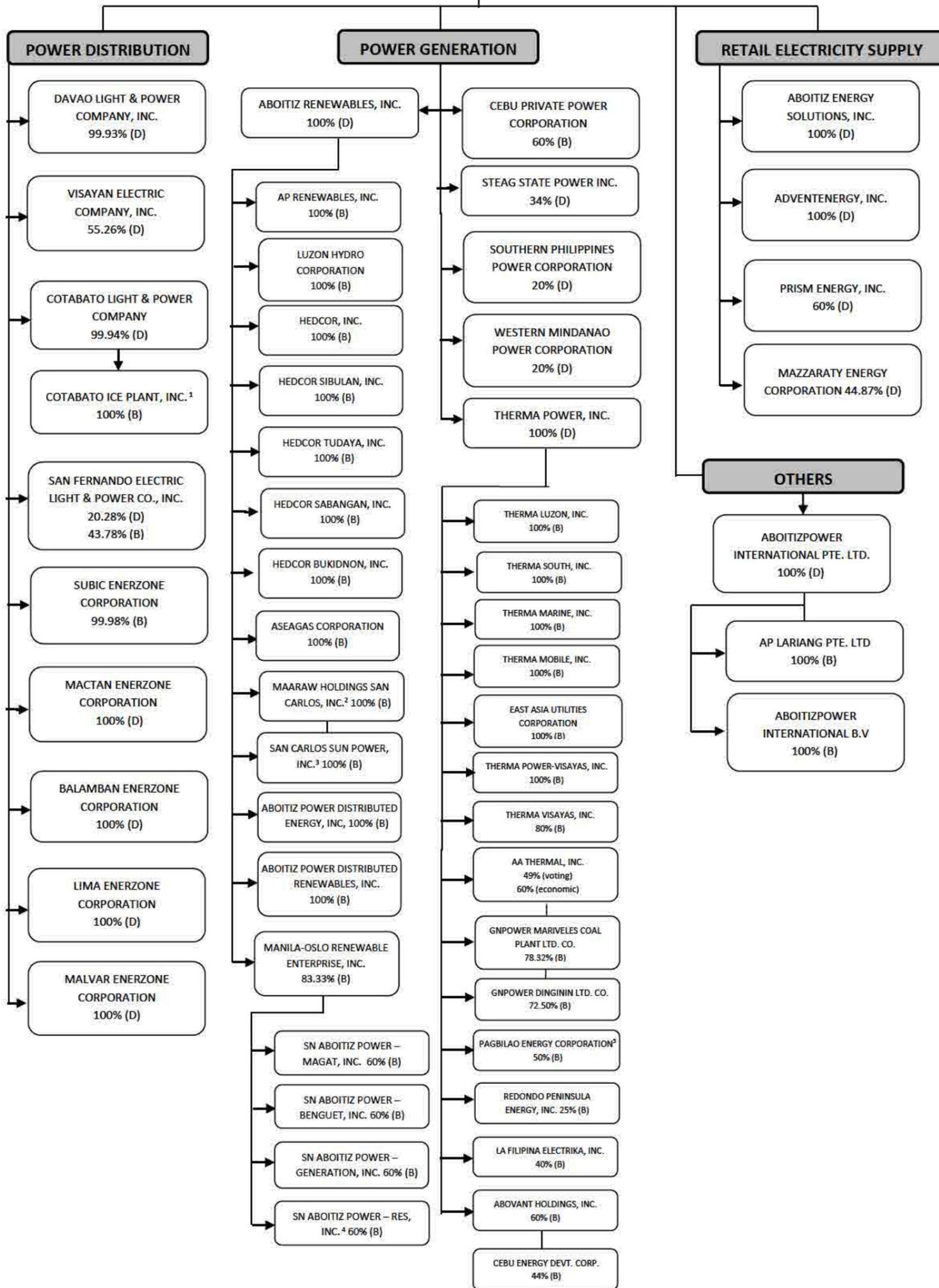
NAME	GOVT ISSUED ID	DATE / PLACE OF ISSUE	CTC NO.	DATE / PLACE OF ISSUE
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

who were identified by me through competent evidence of identity to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath/affirmation before me as to such instrument.

Witness my hand and seal this _____.

Doc. No. _____;
 Page No. _____;
 Book No. _____;
 Series of 2020.

ABOITIZ POWER CORPORATION



Legend:

B – Beneficial Ownership
D – Direct Ownership

¹ Other services

² ARI has a 60% direct ownership in Maaraw San Carlos; AboitizPower International B.V. has a 40% direct ownership in Maaraw San Carlos

³ ARI has a 75% direct ownership in Sacasun; AboitizPower International has 15% direct ownership in Sacasun

⁴ Engages in Retail Electricity Supply Business

⁵ Joint operations



SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Aboitiz Power Corporation is responsible for the preparation and fair presentation of the Parent financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

[Redacted signature]

ERRAMON I. ABOITIZ
Chairman of the Board

[Redacted signature]

EMMANUEL V. RUBIO
President & Chief Executive Officer

[Redacted signature]

LIZA LUV T. MONTELIBANO
SVP & Chief Financial Officer/Corporate Information Officer

Signed this 6th day of March 2020.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Power Corporation
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Aboitiz Power Corporation (the Company), which comprise the parent company balance sheets as at December 31, 2019 and 2018, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 22 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Company. The information has been subjected to the auditing procedures applied in our audit of the parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is
Maria Veronica Andresa R. Pore

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-4 (Group A),
November 21, 2019, valid until November 20, 2022

Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021

PTR No. 8125281, January 7, 2020, Makati City

March 6, 2020



ABOITIZ POWER CORPORATION
PARENT COMPANY BALANCE SHEETS

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	P4,210,064,412	P11,875,188,311
Trade and other receivables (Note 5)	1,073,494,475	981,463,758
Derivative asset (Note 19)	-	855,000
Other current assets (Note 6)	889,854,388	941,778,180
Total Current Assets	6,173,413,275	13,799,285,249
Noncurrent Assets		
Investments and advances (Note 7)	120,634,208,641	88,931,823,265
Project development costs (Note 10)	623,339,367	388,468,001
Property and equipment (Note 8)	105,024,712	65,585,230
Derivative asset - net of current portion (Note 19)	80,134,271	-
Pension asset (Note 15)	-	38,061,504
Deferred income tax assets (Note 16)	-	101,466,266
Fair value through profit or loss (FVTPL) investment	-	97,535,436
Other noncurrent assets (Note 9)	16,375,794	89,121,203
Total Noncurrent Assets	121,459,082,785	89,712,060,905
TOTAL ASSETS	127,632,496,060	103,511,346,154
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	627,503,138	356,110,573
Current portion of lease liabilities (Note 20)	13,886,300	-
Bank loans	-	4,700,000,000
Total Current Liabilities	641,389,438	5,056,110,573
Noncurrent Liabilities		
Long-term debts - net of deferred financing cost (Note 12)	50,079,825,067	22,997,821,292
Pension liability (Note 15)	219,744,469	-
Lease liabilities - net of current portion (Note 20)	37,715,847	-
Total Noncurrent Liabilities	50,337,285,383	22,997,821,292
Total Liabilities	50,978,674,821	28,053,931,865
Equity		
Capital stock (Note 13a)	7,358,604,307	7,358,604,307
Additional paid-in capital (Note 13a)	12,588,894,332	12,588,894,332
Cash flow hedge reserve (Note 19)	80,134,271	-
Actuarial losses on defined benefit plan (Note 15)	(556,796,826)	(208,521,187)
Retained earnings (Note 13b)		
Appropriated	33,660,000,000	34,060,000,000
Unappropriated	23,522,985,155	21,658,436,837
Total Equity	76,653,821,239	75,457,414,289
TOTAL LIABILITIES AND EQUITY	P127,632,496,060	P103,511,346,154

See accompanying Notes to Parent Company Financial Statements



ABOITIZ POWER CORPORATION
PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUE			
Dividends	P13,985,410,862	P9,736,042,939	P9,792,258,034
Technical, management and other service fees (Note 17)	1,964,330,515	1,679,158,424	1,403,850,375
Interest income (Notes 4 and 17e)	163,380,755	137,277,764	147,551,430
	16,113,122,132	11,552,479,127	11,343,659,839
GENERAL AND ADMINISTRATIVE EXPENSES			
Interest and other financing charges (Notes 12 and 20)	2,547,531,855	1,042,597,749	674,025,682
Personnel (Note 14)	841,147,414	955,955,320	890,915,629
Service fees (Note 17)	114,024,341	63,850,939	82,072,061
Taxes and licenses	98,277,343	111,156,568	19,038,303
Professional fees (Note 17)	84,589,126	87,132,534	100,474,104
Transportation and travel (Note 17)	55,316,885	49,791,744	50,593,806
Depreciation and amortization (Notes 8 and 9)	35,961,127	23,345,806	22,220,782
Training	19,972,985	35,117,465	17,750,495
Entertainment, amusement and recreation	15,218,626	10,734,116	8,212,799
Advertising and sponsorships	11,935,333	17,017,558	22,272,248
Repairs and maintenance	7,583,781	6,518,422	6,839,603
Rent (Note 17)	7,027,319	27,559,033	28,159,917
Office supplies	6,106,790	3,515,178	5,013,861
Communication	3,756,593	2,647,639	2,982,031
Light and water	1,202,157	1,406,312	1,304,803
Project and bidding expenses (Note 10)	-	51,122,382	76,839,564
Others	9,621,206	7,770,467	8,917,061
	3,859,272,881	2,497,239,232	2,017,632,749
OTHER INCOME (CHARGES) - net			
Foreign exchange gains (loss) (Note 18)	104,238,709	(16,965,185)	69,842,921
Gain on redemption of preferred shares	-	-	19,558,250
Provision for impairment of investment in a subsidiary (Note 7)	-	(45,933,000)	(169,469,408)
Others	5,656,727	4,338,316	2,767,574
	109,895,436	(58,559,869)	(77,300,663)
INCOME BEFORE INCOME TAX	12,363,744,687	8,996,680,026	9,248,726,427
PROVISION FOR INCOME TAX (Note 16)	59,382,106	1,372,898	36,452,711
NET INCOME	12,304,362,581	8,995,307,128	9,212,273,716
EARNINGS PER COMMON SHARE (Note 13c)			
Basic and diluted, for net income for the year	P1.67	P1.22	P1.25

See accompanying Notes to Parent Company Financial Statements.



ABOITIZ POWER CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
NET INCOME	₱12,304,362,581	₱8,995,307,128	₱9,212,273,716
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gains (loss) on defined benefit plans (Note 15)	(258,909,416)	25,906,863	44,705,980
Income tax effect (Note 16)	(89,366,223)	(7,772,059)	(13,411,794)
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods	(348,275,639)	18,134,804	31,294,186
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Unrealized gain on AFS investments	-	-	2,685,599
Changes in fair value of cash flow hedge (Note 19)	80,134,271	-	-
Total other comprehensive income (loss) for the year, net of tax	(268,141,368)	18,134,804	33,979,785
TOTAL COMPREHENSIVE INCOME	₱12,036,221,213	₱9,013,441,932	₱9,246,253,501

See accompanying Notes to Parent Company Financial Statements.



ABOITIZ POWER CORPORATION

**PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**

	Capital Stock (Note 13a)	Additional Paid-In Capital (Note 13a)	Cash Flow Hedge Reserve (Note 19)	Actuarial Losses on Defined Benefit Plan		Retained Earnings (Note 13b)		Total
				Benefit Plan	Unappropriated	Appropriated	Unappropriated	
Balances at January 1, 2019, as previously reported	₱7,358,604,307	₱12,588,894,332	₱-	(₱208,521,187)	₱34,060,000,000	₱21,658,436,837	₱75,457,414,289	
Effect of adoption - PFRS 16 (Note 2)	-	-	-	-	-	(22,665,932)	(22,665,932)	
Balances at January 1, 2019, as restated	7,358,604,307	12,588,894,332	-	(208,521,187)	34,060,000,000	21,635,770,905	75,434,748,357	
Net income for the year	-	-	-	-	-	12,304,362,581	12,304,362,581	
Other comprehensive income	-	-	80,134,271	(348,275,639)	-	-	(268,141,368)	
Total comprehensive income	-	-	80,134,271	(348,275,639)	-	12,304,362,581	12,036,221,213	
Cash dividends (Note 13b)	-	-	-	-	-	(10,817,148,331)	(10,817,148,331)	
Appropriation during the year (Note 13b)	-	-	-	-	11,900,000,000	(11,900,000,000)	-	
Reversal of appropriation (Note 13b)	-	-	-	-	(12,300,000,000)	12,300,000,000	-	
Balances at December 31, 2019	₱7,358,604,307	₱12,588,894,332	₱80,134,271	(₱556,796,826)	₱33,660,000,000	₱23,522,985,155	₱76,653,821,239	

	Capital Stock (Note 13a)	Additional Paid-In Capital (Note 13a)	Unrealized Valuation on AFS Investments	Actuarial Losses on Defined Benefit Plan		Retained Earnings (Note 13b)		Total
				Benefit Plan	Unappropriated	Appropriated	Unappropriated	
Balances at January 1, 2018, as previously reported	₱7,358,604,307	₱12,588,894,332	(₱625,169)	(₱226,655,991)	₱34,060,000,000	₱22,892,214,864	₱76,672,432,343	
Effect of adoption - PFRS 9	-	-	625,169	-	-	(625,169)	-	
Balances at January 1, 2018, as restated	7,358,604,307	12,588,894,332	-	(226,655,991)	34,060,000,000	22,891,589,695	76,672,432,343	
Net income for the year	-	-	-	-	-	8,995,307,128	8,995,307,128	
Other comprehensive income	-	-	-	18,134,804	-	-	18,134,804	
Total comprehensive income	-	-	-	18,134,804	-	8,995,307,128	9,013,441,932	
Cash dividends (Note 13b)	-	-	-	-	-	(10,228,459,986)	(10,228,459,986)	
Balances at December 31, 2018	₱7,358,604,307	₱12,588,894,332	₱-	(₱208,521,187)	₱34,060,000,000	₱21,658,436,837	₱75,457,414,289	

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	Capital Stock (Note 13a)	Additional Paid-In Capital (Note 13a)	Unrealized Valuation on AFS Investments	Actuarial Losses on Defined Benefit Plan	Retained Earnings (Note 13b)		Total
					Appropriated	Unappropriated	
Balances at January 1, 2017	P7,358,604,307	P12,588,894,332	(P9,310,768)	(P257,950,177)	P34,060,000,000	P23,687,643,006	P77,433,880,700
Net income for the year:	-	-	-	-	-	9,212,273,716	9,212,273,716
Other comprehensive income	-	-	2,685,599	31,294,186	-	-	33,979,785
Total comprehensive income	-	-	2,685,599	31,294,186	-	9,212,273,716	9,246,253,501
Cash dividends (Note 13b)	-	-	-	-	-	(10,007,701,858)	(10,007,701,858)
Balances at December 31, 2017	P7,358,604,307	P12,588,894,332	(P625,169)	(P226,655,991)	P34,060,000,000	P22,892,214,864	P76,672,432,343

See accompanying Notes to Parent Company Financial Statements.



ABOITIZ POWER CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P12,363,744,687	P8,996,680,026	P9,248,726,427
Adjustments for:			
Interest and other financing charges (Notes 12 and 20)	2,547,531,855	1,042,597,749	674,025,682
Depreciation and amortization (Notes 8 and 9)	35,961,127	23,345,806	22,220,782
Provision for impairment of investment in a subsidiary (Note 7)	-	45,933,000	169,469,408
Project and bidding expenses (Note 10)	-	51,122,382	76,839,564
Gain on redemption of investments	-	-	(19,558,250)
Gain on disposal of financial assets at FVTPL	(1,250,542)	-	-
Losses (gain) on disposal of assets (Note 8)	(1,329,856)	1,253,111	418,659
Unrealized fair valuation loss (gain) on financial assets at FVTPL	(2,464,564)	1,839,395	-
Interest income (Notes 4 and 17a)	(163,380,755)	(137,277,764)	(147,551,430)
Unrealized foreign exchange losses (gain)	(605,762,999)	162,355,812	8,809,781
Operating income before working capital changes	14,173,048,953	10,187,849,517	10,033,400,623
Decrease (increase) in:			
Trade and other receivables	(123,992,097)	(428,309,647)	293,236,492
Other current assets	168,232,322	(2,764,943)	(145,859,575)
Pension asset	38,061,504	(3,730,594)	(16,196,106)
Increase (decrease) in:			
Trade and other payables	103,142,505	16,275,537	(171,627,870)
Pension liability	(39,164,947)	-	24,052,095
Net cash generated from operations	14,319,328,240	9,769,319,870	10,017,005,659
Income taxes paid	(168,612,212)	(173,434,916)	(159,547,151)
Net cash flows from operating activities	14,150,716,028	9,595,884,954	9,857,458,508
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	195,342,135	103,769,811	260,454,071
Decrease (increase) in recoverable deposits:	75,420,311	(75,710,456)	340,990
Proceeds from:			
Disposal of financial asset at FVTPL	101,250,542	-	-
Redemption on preferred shares (Note 7)	5,340,000	2,122,216,000	9,784,493,862
Disposal of property and equipment (Note 8)	4,344,811	5,998,846	1,966,529
Additions to:			
Investments and advances	(31,707,725,376)	(11,061,708,241)	(6,897,269,177)
Project development costs - net of transfers (Note 10)	(234,871,366)	(177,031,239)	(65,673,997)
Property and equipment (Note 8)	(29,851,823)	(14,283,786)	(39,018,488)
Computer software license (Note 9)	(4,535,865)	(93,500)	(20,982)
Net cash flows from (used in) investing activities	(31,595,286,631)	(9,096,842,565)	3,045,272,808
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debts (Note 12)	27,881,500,000	10,200,000,000	3,000,000,000
Availment of bank loans	-	4,700,000,000	-
Payments of:			
Cash dividends (Note 13b)	(10,817,148,331)	(10,228,459,986)	(10,007,701,858)
Bank loans	(4,700,000,000)	-	-
Interest and other financing charges	(2,301,301,047)	(878,938,176)	(699,256,650)
Transaction costs from availment of long-term debt	(431,396,357)	(121,924,252)	(32,938,058)
Lease liability (Note 20)	(17,825,560)	-	-
Net cash flows from (used in) financing activities	9,613,828,705	3,670,677,586	(7,739,896,566)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,830,741,898)	4,169,719,975	5,162,834,750
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	165,617,999	(120,700,812)	(51,319,781)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,875,188,311	7,826,169,148	2,714,654,179
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P4,210,064,412	P11,875,188,311	P7,826,169,148

See accompanying Notes to Parent Company Financial Statements



ABOITIZ POWER CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Aboitiz Power Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission on February 13, 1998. The Company is a publicly-listed holding company of the entities engaged in power generation and power distribution in the Aboitiz Group. As of December 31, 2019, Aboitiz Equity Ventures, Inc. (AEV, a publicly-listed Company incorporated in the Philippines) owns 76.98% of the Company. The Company's ultimate parent is Aboitiz & Company, Inc. (ACO).

The Company's registered office address is 32nd Street, Bonifacio Global City, Taguig City, Metro Manila.

The parent company financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 6, 2020.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Financial Statement Preparation

The accompanying parent company financial statements 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 parent company financial statements are presented in Philippine peso which is the Company's functional currency.

Statement of Compliance

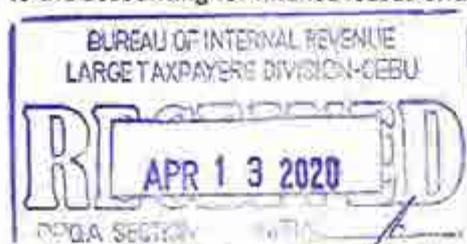
The parent company financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures

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

• *PFRS 16, Leases*

PFRS 16 was issued in January 2016 and it replaces Philippine Accounting Standard (PAS) 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17.



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

The Company adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application without restating comparative information. The Company has elected to apply PFRS 16 transition relief to contracts that were previously identified as leases applying PAS 17 and IFRIC 4. The Company will therefore not apply PFRS 16 to contracts that were not previously identified as containing a lease applying PAS 17 and IFRIC 4.

The Company has elected to use the exemption proposed by the standard on the lease contracts for which the lease terms end within 12 months from the date of initial application. Lease payments on short term leases are recognized as expense on a straight-line basis over the lease term.

The effects of adoption on the financial statements are as follows:

	As at January 1, 2019
Increase (decrease) in balance sheets:	
Other current assets	(₱5,021,619)
Property and, plant and equipment	46,702,778
Total Assets	₱41,681,159
Lease liabilities	₱64,347,091
Retained earnings	(22,665,932)
Total Liabilities and Equity	₱41,681,159

Based on the above, as at January 1, 2019:

- Property and equipment were recognized amounting to ₱46.7 million representing the amount of right-of-use assets set up on transition date.
- Additional lease liabilities of ₱64.4 million were recognized.
- Prepayments of ₱5.0 million related to previous operating leases were derecognized.
- The net effect of these adjustments had been adjusted to retained earnings amounting to ₱22.7 million.

Prior to adoption of PFRS 16, the Company classified each of its leases (as lessee) at the inception dates as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the lease asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the lease property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payment



were recognized as rent expense in the statements of comprehensive income on a straight-line basis over the lease term. Any prepaid rent was recognized under "Other current assets."

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

Leases previously accounted for as operating leases

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

The Company also applied the following practical expedients provided by the standard:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics, and
- Apply the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application (short-term leases).

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

Operating lease commitments as at December 31, 2018	₱77,469,182
Incremental borrowing rate as at January 1, 2019	8.52%
<u>Lease liabilities as at January 1, 2019</u>	<u>₱64,347,091</u>

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

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

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



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

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

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

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

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

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

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

Since the Company does not have such long-term interests in associates and joint ventures, the amendments do not have an impact on its financial statements.

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

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



The interpretation specifically addresses the following:

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

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

Upon adoption of the Interpretation, the Company has assessed whether it has any uncertain tax position. The Company applies significant judgement in identifying uncertainties over its income tax treatments. The Company determined, based on its assessment, that it is probable that its uncertain tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the financial statements.

- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - *Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*

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

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

These amendments are currently not applicable to the Company but may apply to future transactions.



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

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

These amendments are not relevant to the Company because dividends declared by the Company do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

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

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

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

New Standards and Interpretation Issued and Effective after December 31, 2019

The Company will adopt the standards enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRSs, PAS and Philippine Interpretations to have significant impact on its financial statements.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Company.



- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.



On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

Current versus Noncurrent Classification

The Company presents assets and liabilities in the parent company balance sheet based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.



A fair value measurement of a non-financial asset takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Foreign Currency Translation

The Company's financial statements are presented in Philippine Peso, which is the Company's functional currency. Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at balance sheet date. Exchange gains and losses arising from foreign currency transactions and translations of foreign currency denominated monetary assets and liabilities are credited to or charged against current operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions

Cash and Cash Equivalents

Cash and cash equivalents in the parent company balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the parent company statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.



Financial Instruments - Classification and Measurement in Accordance with PFRS 9 (applicable in 2019 and 2018)

Classification of financial assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Company's business model for managing the financial assets. The Company classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at fair value through profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Financial assets at amortized cost

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest method. The amortization is included in 'Interest income' in the statement of income and is calculated by applying the effective interest method to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the effective interest method is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Provision for credit and impairment losses' in the parent company statement of income.

The Company's financial assets at amortized cost as of December 31, 2019 and 2018 consist of cash in banks, cash equivalents and trade and other receivables (see Note 18). The Company assessed that the contractual cash flows of these financial assets are SPPI and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Company concluded these financial assets are to be measured at amortized cost.

Financial assets at Fair Value through Other Comprehensive Income (FVOCI)

A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial



asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

The Company may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Company's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Company; and
- the amount of the dividend can be measured reliably.

The Company does not have any financial asset at FVOCI as of December 31, 2019 and 2018.

Financial assets at Fair Value through Profit or Loss (FVTPL)

Financial assets at FVTPL are measured as at unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent SPPI. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the parent company statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the parent company statement of income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Company may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Company, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Company's investments in unquoted equity shares are measured at FVTPL as of December 31, 2018 (see Note 18).

Classification of financial liabilities

Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Company retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.



A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a Company of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Company's financial liabilities measured at amortized cost which comprise of trade and other payables, bank loans, long-term debts and lease liability (see Note 18).

Reclassifications of financial instruments

The Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

The Company does not reclassify its financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at fair value through profit or loss.

Financial Instruments - Initial Recognition and Subsequent Measurement in Accordance with PAS 39 (applicable in 2017)

Date of recognition

The Company recognizes a financial asset or a financial liability in the parent company balance sheet on the date when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date, which is the date that the Company commits to purchase the asset. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS investments. For financial liabilities, the Company also classifies them into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were



acquired and whether they are quoted in an active market. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every balance sheet date.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the parent company statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the parent company statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

(a) Financial assets or financial liabilities at FVPL

Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated and considered as hedging instruments in an effective hedge.

Financial assets and liabilities may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities, or recognizing gains or losses on them on a different basis; (ii) the assets and liabilities are part of a group of financial assets, liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk managing strategy; or (iii) the financial instruments contains an embedded derivative that would need to be recorded separately, unless the embedded derivative does not significantly modify the cash flow or it is clear, with little or no analysis, that it would not be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial asset or financial liability at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets and liabilities at FVPL are recorded at the parent company balance sheet at fair value. Subsequent changes in fair value are recognized in the parent company statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payments has been established.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS investments or financial assets at FVPL. Loans and receivables are carried at amortized cost less allowance for



impairment. Amortization is determined using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Gains and losses are recognized in the parent company statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

(c) HTM investments

HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Parent has the positive intention and ability to hold to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Where the Parent sells other than an insignificant amount of HTM investments, the entire category would be tainted and would have to be reclassified as AFS investments. Gains and losses are recognized in the parent company statement of income when the investments are derecognized or impaired, as well as through the amortization process.

(d) AFS investments

AFS investments are non-derivative financial assets that are either designated as AFS or not classified in any of the other categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Quoted AFS investments are measured at fair value with gains or losses being recognized as other comprehensive income, until the investments are derecognized or until the investments are determined to be impaired at which time, the accumulated gains or losses previously reported in other comprehensive income are included in the parent company statement of income. Unquoted AFS investments are carried at cost, net of impairment. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognized in the parent company statement of income when the right of payment has been established.

(e) Other financial liabilities

This category pertains to issued financial liabilities or their components that are neither held for trading nor designated as at FVPL upon the inception of the liability and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Other financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable financing costs. Deferred financing costs are amortized, using the effective interest rate method, over the term of the related long-term liability. After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortized cost using the effective interest rate method.



Gains and losses are recognized in the parent company statement of income when liabilities are derecognized, as well as through amortization process.

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at FVTPL, unless designated as effective hedge. Changes in fair value of derivative instruments not accounted as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. An embedded derivative is separated from the host financial or non-financial contract and accounted for as a separate derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. The Company uses derivative financial instruments, such as short-term forward contracts and interest rate swaps (IRS) to hedge its foreign currency risks and interest rate risk, respectively.

For the purpose of hedge accounting, the Company's hedge are classified as cash flow hedges. Hedges are classified as cash flow hedge when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Under PAS 39, the documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the Company will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period for which they were designated.



Under PFRS 9, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

The Company's hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognized in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the parent company statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company uses IRS contracts to manage its floating interest rate exposure on its loans. The ineffective portion relating to these contracts are recognized in other operating income or expenses as realized gain or loss on derivative instruments.

The Company designated its IRS as hedging instrument. The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive must be accounted for depending on the nature of the underlying transaction as described above.

As of December 31, 2019 and 2018, the Company has derivative assets classified as financial asset at FVTPL (see Note 19).



Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognized when, and only when:

- the rights to receive cash flows from the asset expires;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Company treats the transaction as a transfer of a financial asset if the Company:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it retains control over the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. The extent of the Company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Company's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Company's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Company could be required to repay ('the guarantee amount'). When the Company's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Company's continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Company's continuing involvement is measured in the same way as that which results from non-cash settled options.

Modification of contractual cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest method



(or credit-adjusted effective interest method for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the parent company statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial liabilities

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the parent company statement of income.

Impairment of Financial Assets in Accordance with PFRS 9 (applicable in 2019 and 2018)

PFRS 9 introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

The Company recognizes expected credit losses (ECL) for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL

For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the balance sheet date are recognized.



Stage 2: Lifetime ECL - not credit-impaired

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Determining the stage for impairment

At each balance sheet date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the balance sheet date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to 'Trade receivables'. The Company has established a provision matrix for customer segments that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of Financial Assets in Accordance with PAS 39 (applicable in 2017)

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or



collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the parent company statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the financial asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the parent company statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments

For AFS investments, the Company assesses at each balance sheet date whether there is objective evidence that an investment or group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income) is removed from other comprehensive income and recognized in the parent company statement of income. Impairment losses on equity investments are not reversed through the parent company statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on rate of interest used to discount future cash flows for measuring impairment loss. Such accrual is recorded as part of "Interest income" in the parent company statement of income. If, in subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event



occurring after the impairment loss was recognized in the parent company statement of income, the impairment loss is reversed through the parent company statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements whereby the related assets and liabilities are presented gross in the parent company balance sheet.

Classification of financial instruments between liability and equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as income or expense. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Investments in Subsidiaries and Associates

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decision of the investee, but is not control or joint control over those policies.

Investments in subsidiaries and associates are carried at cost, less impairment in value, in the parent company financial statements.



The Company recognizes income from the investments only to the extent that the Company receives distributions or establishes a right to receive distributions from accumulated profits of the subsidiaries and associates arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value, if any. The initial cost of property and equipment comprises its purchase price, including import duties, if any, nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing parts of such property and equipment when that cost is incurred if the recognition criteria are met. Repairs and maintenance costs are recognized in the parent company statement of income as incurred.

Depreciation is computed using the straight-line method over the useful lives of the assets as follows:

<u>Category</u>	<u>Number of years</u>
Transportation equipment	5
Office equipment	3
Communication equipment	3
Leasehold improvements	10

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the parent company statement of income in the year the asset is derecognized.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each financial year-end to ensure that the periods, residual values and method of depreciation are consistent with the expected pattern of economic benefit from the items of property and equipment.

When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses, if any, are removed from the accounts, and any resulting gain or loss is credited or charged to current operations.



Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the parent company statement of income in the year in which the expenditure is incurred.

Computer software license

Computer software license is initially recognized at cost. Following initial recognition, the computer software license cost is carried at cost less accumulated amortization and any accumulated impairment in value, if any.

The computer software license is amortized on a straight-line basis over its estimated useful economic life of three to five years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the computer software license is available for use. The amortization period and the amortization method for the license are reviewed at each financial year end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the parent company statement of income in the expense category consistent with the function of the computer software license.

Project Development Costs

Project development costs include power plant projects in the development phase which meet the “identifiability” requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to “Property and equipment” when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

Research and Development Expenditure

The Company’s policy is to record research expenses in the parent company statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the parent company balance sheet if the Company can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Impairment of Nonfinancial Assets

Other current assets, project development costs, property and equipment and other noncurrent assets

The Company assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset’s recoverable amount. An asset’s



recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the parent company statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investments and advances

The Company performs impairment review on its investments and advances whenever an impairment indicator exists. This requires an estimation of the value in use of the investees. Estimating the value in use requires the Company to make an estimate of the future cash flows of the investees and to use a suitable discount rate to calculate the present value of those future cash flows. Impairment losses, if any, are recognized in the statement of income.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against an equity reserve account.



Retained Earnings

The amount included in retained earnings includes accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial balance sheet date are dealt with as an event after the financial balance sheet date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Revenue Recognition

Revenue from contracts with customers under PFRS 15 is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Under PAS 18, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Under PAS 18, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.

The following specific recognition criteria must also be met before revenue is recognized:

Dividend income

Dividend income is recognized when the Company's right to receive payment is established.

Technical, management and service fees

Technical, management and other fees are recognized when the related services are rendered.

Interest income

Interest is recognized as it accrues taking into account the effective interest method.

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Leases (prior to adoption of PFRS 16)

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- (d) there is a substantial change to the asset.



Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Operating lease

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term.

Leases (upon adoption of PFRS 16)

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

Effective January 1, 2019, it is the Company's policy to classify right-of-use assets as part of property and equipment. Prior to that date, all of the Company's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the balance sheet. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets only pertain to office spaces and are depreciated on a straight-line basis over the shorter of the lease term of 5 to 10 years and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.



In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases of conference rooms (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Pension benefits

The Company has defined benefit pension plans which require contributions to be made to separately administered funds. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the parent company statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to parent company statement of income in subsequent periods.



Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in the parent company statement of comprehensive income and not in the parent company statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.



Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused net operating loss carryover (NOLCO) and excess minimum corporate income tax (MCIT), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused NOLCO and excess MCIT can be utilized in the future, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the account profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the balance sheet date. Income tax relating to items recognized directly in other comprehensive income is also recognized in other comprehensive income and not in the parent company statement of income.

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company balance sheet. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the parent company balance sheet to the extent of the recoverable amount.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the parent company statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the



risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies

Contingent liabilities are not recognized in the parent company financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the parent company financial statements when an inflow of economic benefits is probable.

Events After the Reporting Period

Post year-end events that provide additional information about the Company's position at balance sheet date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Common Share

Basic earnings per common share are computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Company does not have dilutive common stock equivalents.

3. Significant Accounting Judgment, Estimates and Assumptions

The preparation of the Company's parent company financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. The judgment, estimates and assumptions used in the parent company financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's parent company financial statements. Actual results could differ from such estimates. Judgments, estimates and assumptions 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 following items are those matters which the Company assess to have significant risk arising from judgement and estimation uncertainty:

Judgments

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

Classification of financial instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial



asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the parent company balance sheet.

Contractual cash flows characteristics under PFRS 9 in 2019 and 2018

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Company assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

Evaluation of business model in managing financial instruments under PFRS 9 in 2019 and 2018

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

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

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

Identifying performance obligations under PFRS 15 in 2019 and 2018

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



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

Revenue recognition under PFRS 15 in 2019 and 2018

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

The Company will continue to recognize revenue from rendering of services over time, since customers simultaneously receives and consumes the benefits as the Company provides the services.

Identifying methods for measuring progress of revenue recognized over time under PFRS 15 in 2019 and 2018

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

Estimates and assumptions

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

Measurement of expected credit losses under PFRS 9 in 2019 and 2018

ECLs are derived from unbiased and probability-weighted estimates of expected loss. Financial assets that are not credit-impaired at the balance sheet date are measured as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive.

The Company leverages existing risk management indicators (e.g., internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Company to identify whether the credit risk of financial assets has significantly increased.

No allowance for expected credit losses was recognized in 2019 and 2018. Trade and other receivables amounted to ₱1.1 billion and ₱1.0 billion as of December 31, 2019 and 2018, respectively (see Note 5).



Inputs, assumptions and estimation techniques under PFRS 9 in 2019 and 2018

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *PD*
The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures. The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.
- *LGD*
Loss Given Default represents the Company's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD.
- *EAD*
EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the balance sheet date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by counterparty.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies.



The assumptions underlying the ECL calculation such as how the maturity profile of the PDs change are monitored and reviewed on a quarterly basis.

Simplified approach for trade receivables under PFRS 9 in 2019 and 2018

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial segment, the historical default rates are adjusted. At every balance sheet date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of forward-looking information under PFRS 9 in 2019 and 2018

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Company has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

Estimating allowance for impairment of losses on investment in and advances to subsidiaries and associates

Investments in and advances to subsidiaries and associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No impairment loss recognized in 2019 and 2018. The aggregate carrying amount of the investments in and advances to subsidiaries and associates amounted to ₱120.6 billion and ₱88.9 billion as of December 31, 2019 and 2018, respectively (see Note 7).



Estimating impairment of project development costs

Impairment is determined for development costs by assessing the recoverable amount of each projects. Where the recoverable amount of the project is less than the carrying amount, an impairment loss is recognized. When calculating recoverable amount, the future cash flow is discounted by a discount factor that takes into consideration risk free interest and the risk associated with the specific project.

The Company did not recognize impairment loss on project development costs in 2019 and 2018. The carrying amount of the Company's project development costs amounted to ₱623.3 million and ₱388.5 million as of December 31, 2019 and 2018, respectively (see Note 10).

Estimating useful lives of property and equipment

The Company estimates the useful lives of property and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of December 31, 2019 and 2018, the net book values of property and equipment amounted to ₱105.0 million and ₱65.6 million, respectively (see Note 8).

Estimating residual value of property and equipment

The residual value of the Company's property and equipment is estimated based on the amount that would be obtained from disposal of the asset, after deducting estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life. Such estimation is based on the prevailing price of property and equipment of similar age and condition. The estimated residual value of each asset is reviewed periodically and updated if expectations differ from previous estimates due to changes in the prevailing price of a property and equipment of similar age and condition. As of December 31, 2019 and 2018, the aggregate net book values of property and equipment amounted to ₱105.0 million and ₱65.6 million, respectively (see Note 8).

Assessing impairment of nonfinancial assets

The Company assesses whether there are any indicators of impairment for nonfinancial assets at each balance sheet date. These nonfinancial assets (property and equipment and other current and noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of the assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect its financial statements. Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.



As of December 31, 2019, the carrying values of property and equipment and other current and noncurrent assets amounted to ₱105.0 million, ₱889.9 million, and ₱16.4 million, respectively. As of December 31, 2018, the carrying values of property and equipment and other current and noncurrent assets amounted to ₱65.6 million, ₱941.8 million, and ₱89.1 million, respectively (see Notes 6, 8, and 9).

Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure its lease liability. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. The Company's lease liability amounted to ₱51.6 million as of December 31, 2019 (see Note 20).

Pension benefits

The cost of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 15.

Net benefit expense amounted to ₱29.8 million in 2019, ₱41.9 million in 2018 and ₱50.0 million in 2017. Net pension liability amounted to ₱219.7 million as of December 31, 2019. Net pension asset amounted to ₱38.1 million as of December 31, 2018 (see Note 15).

Recognition of deferred income tax assets

The Company reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. Deferred income tax asset amounted to ₱130.3 million and ₱202.3 million as of December 31, 2019 and 2018, respectively (see Note 16).

No deferred income tax assets were recognized for deductible temporary difference and carryforward benefit from unused NOLCO and excess MCIT as disclosed in Note 16.



Legal contingencies

The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Company's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Company's parent company financial statements for the years ended December 31, 2019 and 2018.

4. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	₱25,680,412	₱33,107,511
Short-term deposits	4,184,384,000	11,842,080,800
	₱4,210,064,412	₱11,875,188,311

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

Interest income earned from cash in banks and short-term deposits amounted to ₱163.4 million, ₱137.3 million and ₱147.6 million in 2019, 2018 and 2017, respectively.

5. Trade and Other Receivables

	2019	2018
Trade (see Note 17)	₱1,027,767,981	₱617,445,732
Nontrade	18,428,595	18,406,566
Interest (see Note 17)	11,816,301	43,777,681
Dividends	-	288,579,777
Others	15,481,598	13,254,002
	₱1,073,494,475	₱981,463,758

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

For terms and conditions relating to related party receivables, refer to Note 17.

6. Other Current Assets

	2019	2018
Prepaid tax	₱878,228,543	₱926,898,393
Others	11,625,845	14,879,787
	₱889,854,388	₱941,778,180



7. Investments and Advances

The details of the Company's investments and advances follow:

	2019	2018
<i>Investments in Subsidiaries</i>		
Therma Power, Inc. (TPI)	₱30,116,058,873	₱30,116,058,873
Aboitiz Renewables, Inc. (ARI)	25,172,988,814	25,172,988,814
Therma Visayas, Inc. (TVI)	7,118,681,570	7,118,681,570
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	2,997,000,000	2,794,460,000
Hedcor Sabangan, Inc. (Hedcor Sabangan)	1,732,643,142	1,732,643,142
Lima Enerzone Corporation (LEZ)	1,329,696,667	1,329,696,667
Hedcor, Inc. (HI)	974,875,000	605,125,000
Therma South, Inc. (Therma South)	877,892,679	877,892,679
Therma Mobile, Inc. (Therma Mobile)	742,400,000	742,400,000
Davao Light & Power Co., Inc. (DLPC)	738,472,506	738,472,506
Visayan Electric Co., Inc. (VECO)	665,438,202	665,438,202
Hedcor Tudaya, Inc. (HTI)	656,250,000	656,250,000
Mactan Enerzone Corporation (MEZC)	609,532,287	609,532,287
Balamban Enerzone Corporation (BEZC)	444,869,161	444,869,161
Subic Enerzone Corporation (SEZC)	227,000,000	227,000,000
Cotabato Light & Power Co. (CLPC)	214,047,443	214,047,443
Retensol, Inc. (RI)	135,000,000	135,000,000
AboitizPower International Pte. Ltd. (AP Int)	120,733,027	120,733,027
East Asia Utilities Corporation (EAUC)	100,914,275	100,914,275
Malvar Enerzone Corporation (Malvez)	70,400,000	17,900,000
AP Renewable Energy Corporation (APREC)	25,000,000	25,000,000
Aboitiz Energy Solutions, Inc. (AESI)	21,000,000	21,000,000
Cebu Private Power Corporation (CPPC)	17,806,608	17,806,608
Prism Energy, Inc. (PEI)	12,648,600	12,648,600
AdventEnergy, Inc. (AI)	812,500	812,500
	75,122,161,354	74,497,371,354
<i>Investments in Associates</i>		
AA Thermal, Inc.	31,082,935,376	-
STEAG State Power, Inc. (STEAG)	4,400,611,465	4,400,611,465
Hijos de F. Escaño, Inc. (Hijos)	858,069,586	858,069,586
Pampanga Energy Ventures, Inc. (PEVI)	209,465,106	209,465,106
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	180,863,801	180,863,801
AEV Aviation, Inc. (AAI)	163,935,000	169,275,000
Western Mindanao Power Corporation (WMPC)	79,099,377	79,099,377
Southern Philippines Power Corporation (SPPC)	45,776,067	45,776,067
	37,020,755,778	5,943,160,402
Less allowance for impairment loss	1,071,358,480	1,071,358,480
	111,071,558,652	79,369,173,276
<i>Advances</i>	9,562,649,989	9,562,649,989
	₱120,634,208,641	₱88,931,823,265



Investment in Malvez

The Company subscribed additional 47.61 million and 17.8 million Redeemable Preferred Shares (RPS) for ₱47.6 million and ₱17.8 million, in 2019 and 2018 respectively.

Investment in HI

The Company subscribed additional 369.75 million RPS for ₱369.75 million and 360.1 million RPS for ₱360.1 million in 2019 and 2018, respectively.

Investment in Hedcor Bukidnon

In 2019, the Company subscribed additional 202.5 million RPS for ₱202.5 million.

Investment in AA Thermal, Inc.

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

This follows the execution of a share purchase agreement for the transaction in 2018, and the completion of all conditions precedent. The Philippine Competition Commission approved the transaction last February 28, 2019. The transaction is valued at ₱30.2 billion, after adjustments.

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

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

In 2019, the Company subscribed additional RPS amounting to USD 18.1 million (₱929.3 million)

Investment in AAI

AAI redeemed shares attributable to the Company at 5,340 RPS for ₱5.34 million and 80,216 RPS for ₱80.2 million in 2019 and 2018, respectively at ₱1,000 per share

Investment in RI

In 2018, the Company subscribed 135.0 million RPS for ₱135.0 million.

Investment in BEZC

In 2018, BEZC redeemed shares attributable to the Company at 42.0 million RPS for ₱42.0 million at ₱1 per share.

In 2018, it was determined that the carrying value of the investment in BEZC exceeded its recoverable amount. The recoverable amount of the investment has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

The discount rates applied to cash flow projections are from 10.63% to 14.80% in 2018 and cash flows beyond the five-year period are extrapolated using a zero percent growth rate. As a result, an impairment loss amounting to ₱45.9 million was recognized.



Investment in APREC

In 2018, the Company subscribed 25.0 million RPS for ₱25.0 million.

Investment in PEI

In 2018, PEI advances were reclassified to investment amounting to ₱11.9 million.

Investment in VECO

In 2018, the Company subscribed 0.0005 million RPS for ₱0.05 million.

Investment in TVI

The Company subscribed additional 8.8 million RPS for ₱5.38 billion in 2018.

Investment in ARI

In 2018, ARI redeemed shares attributable to the Company at 200.0 million RPS for ₱2.00 billion at ₱10 per share.

Advances

These advances include advances to subsidiaries that will be applied against future subscriptions of the Company to the shares of stock of the subsidiaries.

In 2018, the Company has additional advances to TPI amounting to ₱5.14 billion.

The Company's subsidiaries, all incorporated in the Philippines except for AP Int which was incorporated in Singapore, and the corresponding percentage equity ownership are as follows:

Name of Company	Nature of Business	2019		2018	
		Direct	Indirect	Direct	Indirect
TPI	Holding company	100.00%	–	100.00%	–
ARI	Holding company	100.00%	–	100.00%	–
TVI*	Power generation	–	80.00%	–	80.00%
Hedcor Bukidnon	Power generation	–	100.00%	–	100.00%
Hedcor Sabangan	Power generation	–	100.00%	–	100.00%
LEZ	Power distribution	100.00%	–	100.00%	–
HI	Power generation	–	100.00%	–	100.00%
Therma South	Power generation	–	100.00%	–	100.00%
Therma Mobile	Power generation	–	100.00%	–	100.00%
DLPC	Power distribution	99.93%	–	99.93%	–
VECO	Power distribution	55.26%	–	55.26%	–
HTI	Power generation	–	100.00%	–	100.00%
MEZC	Power distribution	100.00%	–	100.00%	–
BEZC	Power distribution	100.00%	–	100.00%	–
SEZC	Power distribution	65.00%	34.98%	65.00%	34.98%
CLPC	Power distribution	99.94%	–	99.94%	–
RI**	Power generation	–	100.00%	–	100.00%
EAUC	Power generation	50.00%	50.00%	50.00%	50.00%
Malvez**	Power distribution	100.00%	–	100.00%	–
AP Int	Holding company	100.00%	–	100.00%	–
APREC**	Power generation	–	100.00%	–	100.00%
AESI	Retail electricity supplier	100.00%	–	100.00%	–
CPPC	Power generation	60.00%	–	60.00%	–
PEI	Retail electricity supplier	60.00%	–	60.00%	–
AI	Retail electricity supplier	100.00%	–	100.00%	–

*No commercial operations as of December 31, 2018.

** No commercial operations as of December 31, 2019



The percentage of the Company's ownership in associates is as follows:

Name of Company	Nature of Business	Percentage of Ownership	
		2019	2018
AAI	Service	49.25%	49.25%
AA Thermal, Inc.	Holding company	49.00%	—
Hijos	Holding company	46.73%	46.73%
PEVI*	Holding company	42.84%	42.84%
STEAG	Power generation	34.00%	34.00%
SFELAPCO*	Power distribution	20.29%	20.29%
SPPC	Power generation	20.00%	20.00%
WMPC	Power generation	20.00%	20.00%

*PEVI has direct ownership in SFELAPCO of 54.83% while the Company's direct ownership in SFELAPCO is 20.29% resulting to the Company's effective ownership in SFELAPCO of 43.78%.

8. Property and Equipment

December 31, 2019

	Transportation Equipment	Office Equipment	Communication Equipment	Leasehold Improvements	Right-of-use asset - Office Space	Total
Cost:						
Balances at beginning of year, as previously stated	₱70,562,199	₱38,119,555	₱752,009	₱39,504,153	₱—	₱148,937,916
Effect of adoption - PFRS 16 (see Note 2)	—	—	—	—	46,702,778	46,702,778
Balances at beginning of year, as restated	70,562,199	38,119,555	752,009	39,504,153	46,702,778	195,640,694
Additions	20,357,166	8,354,518	—	1,140,139	—	29,851,823
Disposals	(8,333,130)	(42,857)	—	—	—	(8,375,987)
Balances at end of year	82,586,235	46,431,216	752,009	40,644,292	46,702,778	217,116,530
Accumulated Depreciation:						
Balances at beginning of year	33,327,228	32,611,441	752,009	16,662,008	—	83,352,686
Depreciation	13,451,801	5,207,053	—	3,950,625	11,490,685	34,100,164
Disposals	(5,361,032)	—	—	—	—	(5,361,032)
Balances at end of year	41,417,997	37,818,494	752,009	20,612,633	11,490,685	112,091,818
Net Book Values	₱41,168,238	₱8,612,722	₱—	₱20,031,659	₱35,212,093	₱105,024,712

December 31, 2018

	Transportation Equipment	Office Equipment	Communication Equipment	Leasehold Improvements	Total
Cost:					
Balances at beginning of year	₱81,552,753	₱34,833,791	₱752,009	₱38,766,658	₱155,905,211
Additions	9,979,554	3,566,737	—	737,495	14,283,786
Disposals	(20,970,108)	(280,973)	—	—	(21,251,081)
Balances at end of year	70,562,199	38,119,555	752,009	39,504,153	148,937,916
Accumulated Depreciation:					
Balances at beginning of year	33,706,486	28,268,718	752,009	12,881,274	75,608,487
Depreciation	13,407,483	4,555,106	—	3,780,734	21,743,323
Disposals	(13,786,741)	(212,383)	—	—	(13,999,124)
Balances at end of year	33,327,228	32,611,441	752,009	16,662,008	83,352,686
Net Book Values	₱37,234,971	₱5,508,114	₱—	₱22,842,145	₱65,585,230



The Company recognized gain of ₱1.3 million on disposal of property and equipment in 2019 and loss of ₱1.3 million in 2018. There are no restrictions on the title and no property and equipment are pledged as security for liabilities.

Fully depreciated property and equipment with cost amounting to ₱42.9 million and ₱50.1 million as of December 31, 2019 and 2018, respectively, are still carried in the books of the Company and still in use.

9. **Other Noncurrent Assets**

	2019	2018
Computer software licenses	₱10,589,929	₱7,915,027
Recoverable deposits	5,785,865	81,206,176
	₱16,375,794	₱89,121,203

The rollforward analysis of computer software licenses is presented below:

	2019	2018
Cost:		
Balances at beginning of year	₱16,691,665	₱16,598,165
Additions	4,535,865	93,500
Balances at end of year	21,227,530	16,691,665
Accumulated amortization:		
Balances at beginning of year	8,776,638	7,174,155
Amortization for the year	1,860,963	1,602,483
Balances at end of year	10,637,601	8,776,638
Net book values	₱10,589,929	₱7,915,027

10. **Project Development Costs**

	2019	2018
Balances at beginning of year	₱388,468,001	₱262,559,144
Additions	234,871,366	177,031,239
Write-offs	-	(51,122,382)
Balances at end of year	₱623,339,367	₱388,468,001

Project development costs consist of rights, titles and interests for various power plant development projects.



11. Trade and other payables

	2019	2018
Trade payables (see Note 17)	₱45,852,175	₱55,903,519
Accrued interest (see Note 12)	380,430,960	212,180,900
Accrued taxes and fees	93,395,503	43,272,258
Output VAT	57,142,953	38,456,614
Nontrade payables	49,736,029	5,609,030
Others	945,518	688,252
	₱627,503,138	₱356,110,573

Trade payables are noninterest-bearing and generally on 30-day term. Accrued taxes and fees represent taxes withheld on compensation, benefits, interests and other fees.

12. Bank Loans and Long-term Debts

Bank Loans

The Company obtained unsecured bank loans from financial institutions with a total principal amount of ₱4.70 billion at an annual interest rate ranging from 3.25% to 5.20% for working capital purposes in 2018. 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. These have been fully paid in 2019.

Interest expense on bank loans amounted to ₱380.3 million and ₱140.9 million in 2019 and 2018, respectively.

Long-Term Debts

	Interest Rate	2019	2018
Financial and non-financial institutions - unsecured			
2014 7-year retail bonds	5.21%	₱6,600,000,000	₱6,600,000,000
2014 12-year retail bonds	6.10%	3,400,000,000	3,400,000,000
2017 10-year retail bonds	5.34%	3,000,000,000	3,000,000,000
2018 5.25-year retail bonds	7.51%	7,700,000,000	7,700,000,000
2018 10-year retail bonds	8.51%	2,500,000,000	2,500,000,000
2019 5-year long-term loan	LIBOR + 1.20%	15,190,500,000	-
2019 7-year retail bonds	5.28%	7,250,000,000	-
2019 7-year long-term loan	5.28%	5,000,000,000	-
		50,640,500,000	23,200,000,000
Less deferred financing costs		560,674,933	202,178,708
		₱50,079,825,067	₱22,997,821,292

Long-term Loan - ₱5.0 billion

In November 2019, the Company obtain a ₱5.0 billion 7-year long term loan from the BDO Unibank, Inc. at a fixed rate of 5.28% p.a.



Under the facility agreement, the Company shall not incur any obligation with a maturity of more than 1 year, if on the date of such borrowing, the net debt to consolidated equity ratio will exceed 3:1. The Company is in compliance with the debt covenants as of December 31, 2019.

Dollar Loan - \$300 million

On April 2019, the Company executed and availed a US\$300,000,000 syndicated bridge loan facility loan agreement with DBS Bank Ltd., Mizuho Bank, Ltd., MUFG Bank, Ltd., and Standard Chartered Bank as lead arrangers and bookrunners to finance the AA Thermal, Inc. acquisition. The loan bears a floating interest based on credit spread over applicable LIBOR plus 1.2% margin. The loan will mature on the 5th anniversary of the first utilization date.

Under the facility agreement, the Company shall ensure that the net consolidated debt to net consolidated equity ratio is not more than 3:1 at all times and the leverage ratio is not more than 5:50:1 at all times. The Company is in compliance with the debt covenants as of December 31, 2019.

Retail Bonds - ₱7.25 billion

In October 2019, the Company issued ₱7.25 billion 7-year bond due 2026 at a fixed rate of 5.28% p.a. The bonds have been rated PRS Aaa by PhilRatings.

Retail Bonds - ₱10.2 billion

In October 2018, the Company issued a total of ₱10.2 billion bonds, broken down into a ₱7.7 billion 5.25-year bond due 2024 at a fixed rate equivalent to 7.51% p.a. and a ₱2.5 billion 10-year bond due 2028 at a fixed rate equivalent to 8.51% p.a. The bonds have been rated PRS Aaa by PhilRatings.

Retail Bonds - ₱3.0 billion

In July 2017, the Company issued ₱3.0 billion 10-year bond due 2027 at an annual fixed rate of 5.34% p.a. The bonds have been rated PRS Aaa by PhilRatings.

Retail Bonds - ₱10.0 billion

In September 2014, the Company issued a total of ₱10.0 billion bonds, broken down into a ₱6.6 billion 7-year bond due 2021 at a fixed rate equivalent to 5.21% p.a. and a ₱3.4 billion 12-year bond due 2026 at a fixed rate equivalent to 6.10% p.a. The bonds have been rated PRS Aaa by PhilRatings.

The principal amount of these bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

Under the bond trust agreements, the Company shall not permit its debt-to-equity ratio to exceed 3:1 calculated based on the year-end debt and consolidated equity. The Company is in compliance with the debt covenants as of December 31, 2019.

Unamortized deferred financing cost reduced the carrying amount of long-term debt by ₱560.7 million and ₱202.2 million as of December 31, 2019 and 2018, respectively.

Total interest expense recognized amounted to ₱2.1 billion, ₱858.2 million and ₱630.5 million in 2019, 2018 and 2017, respectively.



13. Equity and Earnings per Common Share

a. Paid-in Capital

	2019	2018
Capital Stock:		
Authorized - ₱1 par value:		
Common shares - 16,000,000,000 shares		
Preferred shares - 1,000,000,000 shares		
Issued:		
Common shares - 7,358,604,307 shares	₱7,358,604,307	₱7,358,604,307
Additional Paid-in Capital	12,588,894,332	12,588,894,332
	₱19,947,498,639	₱19,947,498,639

On May 25, 2007, the Company listed with the Philippine Stocks Exchange its 7,187,664,000 common shares with a par value of ₱1.00 to cover the initial public offering (IPO) of 1,787,664,000 common shares at an issue price of ₱5.80 per share. On March 17, 2008, the Company listed an additional 170,940,307 common shares, which it issued pursuant to a share swap agreement at the IPO price of ₱5.80 per share. The total proceeds from the issuance of new shares amounted to ₱10.37 billion. The Company incurred transaction costs incidental to the initial public offering amounting to ₱412.4 million, which is charged against "Additional paid-in capital" in the parent company balance sheet.

As of December 31, 2019, 2018 and 2017, the Company has 631, 629 and 629 shareholders, respectively.

Preferred shares are non-voting, non-participating, non-convertible, redeemable, cumulative, and may be issued from time to time by the BOD in one or more series. The BOD is authorized to issue from time to time before issuance thereof, the number of shares in each series, and all the designations, relative rights, preferences, privileges and limitations of the shares of each series. Preferred shares redeemed by the Company may be reissued. Holders thereof are entitled to receive dividends payable out of the unrestricted retained earnings of the Company at a rate based on the offer price that is either fixed or floating from the date of the issuance to final redemption. In either case, the rate of dividend, whether fixed or floating, shall be referenced, or be a discount or premium, to market-determined benchmark as the BOD may determine at the time of issuance with due notice to the SEC.

In the event of any liquidation or dissolution or winding up of the Company, the holders of the preferred stock shall be entitled to be paid in full the offer price of their shares before any payment in liquidation is made upon the common stock.

There are no preferred shares issued and outstanding as of December 31, 2019 and 2018.



b. Retained Earnings

As of December 31, 2019 and 2018, the Company has an appropriated retained earnings amounting to ₱33.66 billion and ₱34.06 billion, respectively, with regards to the development and construction of power plants. The BOD has approved the appropriation of ₱13.16 billion and ₱20.90 billion on November 24, 2016 and November 27, 2014, respectively.

On March 7, 2017, the BOD approved the declaration of regular cash dividends of ₱1.36 per share (₱10.01 billion) to all stockholders of record as of March 21, 2017. These dividends were paid on April 10, 2017.

On March 8, 2018, the BOD approved the declaration of regular cash dividends of ₱1.39 per share (₱10.23 billion) to all stockholders of record as of March 22, 2018. These dividends were paid on April 12, 2018.

On March 7, 2019, the BOD approved the declaration of regular cash dividends of ₱1.47 per share (₱10.82 billion) to all stockholders of record as of March 21, 2019. These dividends were paid on April 5, 2019.

On March 7, 2019, the BOD also approved the following:

- Appropriation of ₱11.90 billion retained earnings for the equity infusion into GNPD to fund the construction of GNPD units 1 & 2, which is expected to have full commercial operations by end of 2020.
- Reversal of ₱12.30 billion retained earnings appropriation that was set up in 2014 for the equity requirements of the 300 MW Davao Coal and 14 MW Sabangan Hydro projects.

To comply with the requirements of Section 43 of the Corporation Code, on March 6, 2020, the BOD approved the declaration of regular cash dividends of ₱1.18 a share (₱8.68 billion) to all stockholders of record as of March 20, 2020. The cash dividends are payable on April 3, 2020.

c. Earnings per Common Share

Earnings per common share amounts were computed as follows:

	2019	2018	2017
a. Net income	₱12,304,362,581	₱8,995,307,128	₱9,212,273,716
b. Weighted average number of common shares issued and outstanding	7,358,604,307	7,358,604,307	7,358,604,307
c. Earnings per common share (a/b)	₱1.67	₱1.22	₱1.25



14. Personnel Costs

	2019	2018	2017
Salaries and wages	₱572,060,660	₱562,610,627	₱533,005,712
Employee benefits	239,240,032	351,449,279	307,935,888
Retirement benefit costs (see Note 15)	29,846,722	41,895,414	49,974,029
	₱841,147,414	₱955,955,320	₱890,915,629

15. Retirement Costs

The Company has a funded, non-contributory, defined benefit pension plan (the “Plan”) covering all regular and full-time employees and requiring contributions to be made to separately administered fund. This retirement benefit fund (the “Fund”) is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also officers of AEV, is responsible for the investment of the Fund assets. Taking into account the Plan’s objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the parent company statements of income and the funded status and amounts recognized in the parent company balance sheets for the plan.

Net benefit expense (recognized as part of personnel costs):

	2019	2018	2017
Retirement expense to be recognized in the parent company statements of income:			
Current service cost	₱32,960,153	₱42,726,275	₱48,922,746
Net interest cost (income)	(3,113,431)	(830,861)	1,051,283
	₱29,846,722	₱41,895,414	₱49,974,029

Remeasurement effect to be recognized in other comprehensive income:

	2019	2018	2017
Actuarial gains (loss) due to:			
Experience adjustments	(₱197,172,700)	(₱4,861,370)	(₱43,972,045)
Changes in financial assumptions	(61,716,402)	44,542,333	1,172,525
Actual return excluding amount included in net interest cost	(20,314)	(13,774,100)	9,300,494
Changes in demographic assumptions	–	–	78,205,006
	(₱258,909,416)	₱25,906,863	₱44,705,980



Pension liability (asset)

	2019	2018
Present value of obligation	₱533,382,355	₱402,201,925
Fair value of plan assets	(313,637,886)	(440,263,429)
	₱219,744,469	(₱38,061,504)

Changes in the present value of the defined benefit obligation are as follows:

	2019	2018
At January 1	₱402,201,925	₱633,459,869
Net benefit expense:		
Current service cost	32,960,153	42,726,275
Interest cost	32,900,117	32,496,491
	65,860,270	75,222,766
Benefits paid	(207,506,511)	(252,616,884)
Employee transfers	13,937,569	(14,182,863)
Remeasurements in other comprehensive income:		
Actuarial gain (loss) due to:		
Experience adjustments	197,172,700	4,861,370
Changes in financial assumptions	61,716,402	(44,542,333)
	258,889,102	(39,680,963)
At December 31	₱533,382,355	₱402,201,925

Changes in the fair value of plan assets are as follows:

	2019	2018
At January 1	₱440,263,429	₱649,655,975
Actual contributions	30,950,165	37,853,949
Interest income included in net interest cost	36,013,548	33,327,352
Benefits paid	(207,506,511)	(252,616,884)
Transfers	13,937,569	(14,182,863)
Actual return excluding amount included in net interest cost	(20,314)	(13,774,100)
At December 31	₱313,637,886	₱440,263,429

Changes in pension liability (asset) recognized in the parent company balance sheets are as follows:

	2019	2018
At January 1	(₱38,061,504)	(₱16,196,106)
Actual contributions	(30,950,165)	(37,853,949)
Actuarial loss (gain) recognized for the year	258,909,416	(25,906,863)
Retirement expense for the year	29,846,722	41,895,414
At December 31	₱219,744,469	(₱38,061,504)



The fair value of plan assets by each class at the end of the reporting period are as follows:

	2019	2018
Assets:		
Financial assets at FVOCI	₱278,197,078	₱278,119,312
Equity instruments - financial institution:		
Financial assets at amortized cost	65,141,440	79,558,475
Holding	5,305	56,066,878
Power	56,654,455	49,415,685
Financial institution	11,190,644	12,686,517
Others	191,025,973	195,487,284
	602,214,895	671,334,151
Liability:		
Financial liability	(288,577,009)	(231,070,722)
Fair value of plan assets	₱313,637,886	₱440,263,429

All equity instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used as of December 31, 2019, 2018 and 2017 in determining net pension liability for the Company's Plan is shown below:

	2019	2018	2017
Discount rate	4.92%	8.18%	5.13%
Salary increase rate	6.00%	7.00%	6.00%

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2019 and 2018, respectively, assuming all other assumptions were held constant:

	Increase (decrease) in basis points	Effect on defined benefit obligation	
		2019	2018
Discount rates	100	(₱30,900,955)	(₱18,442,461)
	(100)	35,877,896	21,068,425
Future salary increases	100	37,627,187	23,118,029
	(100)	(33,087,992)	(20,609,365)

The Company's defined benefit pension plan is funded by the Company.

The Company expects to contribute ₱37.3 million to the defined benefit plans in 2020. The average duration of the defined benefit obligation as of December 31, 2019 and 2018 is 14.86 and 12.94 years respectively.



The BOT reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Company also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

16. Income Tax

Details of provision for income tax are as follows:

	2019	2018	2017
Current:			
Corporate income tax	₱21,180,971	₱23,267,247	₱18,946,168
Final	26,101,092	15,959,091	10,440,532
	47,282,063	39,226,338	29,386,700
Deferred	12,100,043	(37,853,440)	7,066,011
	₱59,382,106	₱1,372,898	₱36,452,711

The provision for corporate income tax represents MCIT in 2019, 2018 and 2017.

Reconciliation between the statutory income tax rate and the Company's effective income tax rates follows:

	2019	2018	2017
At statutory rate of 30%	₱3,709,123,406	₱2,699,004,008	₱2,774,617,928
<i>Additions to (reductions in)</i>			
<i>income tax resulting from:</i>			
Movement on unrecognized			
deferred income tax			
asset on:			
NOLCO	568,058,043	181,865,467	125,884,718
Unamortized past			
service cost	49,398,725	-	-
MCIT	21,180,971	15,959,091	10,440,532
Pension liability	(101,115,717)	-	-
Provision for impairment			
loss on investment			
in a subsidiary	-	13,779,900	50,840,822
Final tax on interest income	26,101,092	23,267,247	18,946,168

(Forward)



	2019	2018	2017
Nondeductible expenses:			
Interest expense	₱15,570,740	₱13,590,499	₱14,607,592
Project and bidding expenses	-	15,336,715	23,051,869
Others	14,986,699	14,363	5,921
Dividend income	(4,195,623,259)	(2,920,812,882)	(2,937,677,410)
Interest income already subjected to final tax at a lower rate	(47,184,062)	(41,183,329)	(44,265,429)
Others	(1,114,532)	551,819	-
	₱59,382,106	₱1,372,898	₱36,452,711

The components of the Company's net deferred income tax assets (liability) are as follows:

	2019	2018
Deferred income taxes recognized in the parent company statement of income:		
Deferred income tax assets:		
NOLCO	₱130,308,641	₱-
Unamortized past service cost	-	61,464,468
Unrealized foreign exchange loss	-	51,420,259
	130,308,641	112,884,727
Deferred income tax liabilities:		
Unrealized foreign exchange gain	(130,308,641)	-
Pension liability	-	(100,784,684)
	(130,308,641)	(100,784,684)
Deferred income tax asset related to remeasurement effects in the parent company statements of other comprehensive income	-	89,366,223
	₱-	₱101,466,266

As of December 31, 2019, the Company has MCIT that can be claimed as deduction from regular income tax liability as follows:

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2016	2017-2019	₱22,262,045	₱-	₱22,262,045	₱-
2017	2018-2020	10,440,532	-	-	10,440,532
2018	2019-2021	15,959,089	-	-	15,959,089
2019	2020-2022	21,180,971	-	-	21,180,971
		₱69,842,637	₱-	₱22,262,045	₱47,580,592



As of December 31, 2019, the Company has NOLCO which can be claimed as deduction against the regular taxable income as follows:

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2017	2018-2020	₱419,615,728	₱-	₱-	₱419,615,728
2018	2019-2021	606,218,323	-	-	606,218,323
2019	2020-2022	2,327,888,945	-	-	2,327,888,945
		₱3,353,722,996	₱-	₱-	₱3,353,722,996

No deferred income tax assets have been recognized in 2019 and 2018 on the following temporary differences as it is probable that no sufficient taxable income will be available to allow the benefit of the net deferred income tax assets to be utilized:

	2019	2018
NOLCO	₱2,919,360,861	₱1,025,834,051
Pension liability	219,744,469	-
Unamortized past service cost	164,662,418	-
MCIT	47,580,592	48,661,666

No deferred income tax has been recognized on the impairment of investment in subsidiaries amounting to ₱1.1 billion as of December 31, 2019 and 2018 as management's intention of recovering this amount through future dividend which exempt from income tax.

The Company has unrecognized deductible and taxable temporary differences that arises from the initial recognition of the lease liability and the right-of-use asset upon adoption of PFRS 16 which affects neither the accounting profit nor taxable profit or loss as at January 1, 2019 amounting to ₱64.4 million and ₱46.7 million, respectively.

17. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

The Company, in its normal course of business, has transactions with its related parties, which principally consist of the following:

- a. The Company has management agreements with each of the following subsidiaries: CLPC, Cotabato Ice Plant, Inc. (CIPI), DLPC, and CPPC for which it is entitled to management fees.
- b. The Company renders various services to related parties such as technical and legal assistance for various projects, trainings and other services, for which it bills technical and service fees.



- c. The Company obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain subsidiaries, associates and joint ventures in connection with certain loans and credit accommodations. As of December 31, 2019, the Company provided SBLCs for AP Renewables, Inc. (APRI), Cebu Energy Development Corporation (CEDC), Luzon Hydro Corporation (LHC), SN Aboitiz Power-Benguet, Inc. (SNAP B), Therma South, Pagbilao Energy Corporation (PEC), Hedcor Bukidnon, STEAG, and TVI in the amount of ₱6.43 billion. As of December 31, 2018, the Company provided SBLCs for APRI, CEDC, LHC, SNAP B, Therma South, STEAG, and TVI in the amount of ₱4.51 billion.
- d. AEV provides human resources, internal audit, legal, treasury and corporate finance services, among others, to the Company and shares with the member companies the business expertise of its highly qualified professionals. Transactions are priced based on agreed rates, and billed costs are always benchmarked to third party rates to ensure competitive pricing. Service Level Agreements are in place to ensure quality of service. This arrangement enables the Company to maximize efficiencies and realize cost synergies.
- e. Cash deposits and money market placements with Union Bank of the Philippines (UBP), an associated of AEV. At prevailing rates, these fixed-rate investments earned interest income amounting to ₱106.7 million and ₱64.34 million in 2019 and 2018, respectively. Outstanding balances amounted ₱22.8 million and ₱6.11 billion as of December 31, 2019, and 2018, respectively.
- f. Rentals paid at current market rates to Cebu Praedia Development Corporation (CPDC) for the use of CPDC's properties by the Company's officers and employees.
- g. Aviation service fees paid at arm's length basis to AAI for the use of aircraft during travel of the Company's officers and employees.



The Company's balance sheets and statements of income include the following accounts resulting from the above transactions with related parties:

Technical, Management and other Service Fees

	Revenue			Receivable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Subsidiaries:</i>							
TVI	₱625,236,619	₱1,364,303	₱2,059,983	₱631,295,206	₱254,670	30-day, non-interest bearing	Unsecured, no impairment
VECO	391,849,526	279,315,539	268,615,438	118,807,969	58,537,920	30-day, non-interest bearing	Unsecured, no impairment
DLPC	367,741,901	454,474,211	413,733,737	31,359,884	105,496,183	30-day, non-interest bearing	Unsecured, no impairment
AESI	57,630,764	57,622,636	96,872,719	5,282,820	5,378,113	30-day, non-interest bearing	Unsecured, no impairment
CLPC	46,897,878	45,559,907	39,639,944	2,168,636	10,240,732	30-day, non-interest bearing	Unsecured, no impairment
GNPower Marivieles Coal Plant Ltd. Co.	43,374,465	43,111,345	50,813,063	3,289,015	4,030,213	30-day, non-interest bearing	Unsecured, no impairment
Therma Luzon, Inc.	41,166,971	42,601,204	30,354,526	11,389,529	3,976,112	30-day, non-interest bearing	Unsecured, no impairment
AI	26,315,382	26,306,785	39,233,874	7,236,730	2,455,300	30-day, non-interest bearing	Unsecured, no impairment
CPPC	20,900,607	58,728,956	20,812,863	82,713,295	62,872,942	30-day, non-interest bearing	Unsecured, no impairment
Therma South	12,674,586	11,064,511	11,209,783	2,393,319	2,065,375	30-day, non-interest bearing	Unsecured, no impairment
SEZC	10,905,487	7,147,207	8,071,653	–	931,499	30-day, non-interest bearing	Unsecured, no impairment
APRI	10,253,796	10,991,418	9,103,675	3,810,994	2,051,731	30-day, non-interest bearing	Unsecured, no impairment
Therma Marine, Inc.	5,979,579	3,560,921	6,330,215	1,644,384	2,228,408	30-day, non-interest bearing	Unsecured, no impairment
MEZC	5,429,535	4,671,093	3,986,055	–	1,051,731	30-day, non-interest bearing	Unsecured, no impairment
HI	5,169,208	5,169,208	7,630,879	1,921,222	482,459	30-day, non-interest bearing	Unsecured, no impairment
BEZC	4,848,405	4,599,602	4,512,723	–	1,134,132	30-day, non-interest bearing	Unsecured, no impairment
LEZ	4,390,866	4,463,298	6,242,089	–	1,095,361	30-day, non-interest bearing	Unsecured, no impairment
EAUC	3,191,420	1,878,478	2,320,980	783,525	318,510	30-day, non-interest bearing	Unsecured, no impairment
PEI	2,627,543	2,657,033	209,822	55,938	805,171	30-day, non-interest bearing	Unsecured, no impairment
CIPI	597,083	746,357	896,063	49,706	277,306	30-day, non-interest bearing	Unsecured, no impairment
San Carlos Sun Power, Inc.	118,706	–	–	11,079	–	30-day, non-interest bearing	Unsecured, no impairment
Malvez	41,235	–	–	–	–	30-day, non-interest bearing	Unsecured, no impairment
Therma Mobile	40,682	467,973	2,142,810	7,458	87,355	30-day, non-interest bearing	Unsecured, no impairment
Aboitiz Power Distributed Energy, Inc.	15,856	–	–	–	–	30-day, non-interest bearing	Unsecured, no impairment
Aboitiz Power Distributed Renewables, Inc.	15,856	–	–	4,469	–	30-day, non-interest bearing	Unsecured, no impairment
ARI	–	–	7,300,000	–	–	30-day, non-interest bearing	Unsecured, no impairment
<i>Associates:</i>							
SFELAPCO	106,760,000	132,622,875	72,157,562	57,439,525	36,765,356	30-day, non-interest bearing	Unsecured, no impairment
CEDC	74,074,000	71,880,000	101,367,000	24,614,950	–	30-day, non-interest bearing	Unsecured, no impairment
GNPower Dinginin Ltd. Co.	41,768,304	42,360,271	40,556,253	3,440,683	3,960,000	30-day, non-interest bearing	Unsecured, no impairment

(Forward)



- -

	Revenue			Receivable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Joint Venture:</i>							
SN Aboitiz Power - Magat, Inc.	₱-	₱30,000	₱-	₱-	₱-	30-day, non-interest bearing	Unsecured, no impairment
<i>Affiliates:</i>							
Apo Agua Infraestructura, Inc.	7,482,550	-	-	8,380,456	-	30-day, non-interest bearing	Unsecured, no impairment
Aboitiz Infracapital, Inc.	907,589	-	-	880,362	-	30-day, non-interest bearing	Unsecured, no impairment
Aboitizland, Inc.	-	321,429	-	-	-	30-day, non-interest bearing	Unsecured, no impairment
Pilmico Foods Corporation	-	133,929	-	-	-	30-day, non-interest bearing	Unsecured, no impairment
Pagbilao Energy Corporation (PEC)	-	292,947,450	-	-	300,000,000	30-day, non-interest bearing	Unsecured, no impairment
	₱1,918,406,399	₱1,613,850,489	₱1,246,173,709	₱998,981,154	₱606,496,579		

Transportation and Travel

	Expense			Payable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Parent</i>							
AEV	₱704	₱-	₱4,097	₱-	₱-	30-day, non-interest bearing	Unsecured
<i>Affiliate</i>							
AAI	17,138,321	18,142,687	22,170,057	2,375,783	-	30-day, non-interest bearing	Unsecured
	₱17,139,025	₱18,142,687	₱22,174,154	₱2,375,783	₱-		

Rent

	Expense			Payable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Parent</i>							
AEV	₱2,212,900	₱3,206,807	₱1,326,732	₱-	₱3,206,807	30-day, non-interest bearing	Unsecured
<i>Affiliate</i>							
CPDC	1,095,894	600,434	842,044	-	68,500	30-day, non-interest bearing	Unsecured
	₱3,308,794	₱3,807,241	₱2,168,776	₱-	₱3,275,307		



- -

Professional, Legal and Service Fees

	Expense			Payable			
	2019	2018	2017	2019	2018	Terms	Conditions
<i>Parents</i>							
AEV	₱80,916,869	₱65,141,015	₱37,966,014	₱4,079,713	₱3,375,449	30-day, non-interest bearing	Unsecured
ACO	836,847	955,452	7,634,588	4,826,847	955,452	30-day, non-interest bearing	Unsecured
	₱81,753,716	₱66,096,467	₱45,600,602	₱8,906,560	₱4,330,901		



The above transactions are expected to be settled in cash.

The Company's Fund is in the form of a trust being maintained and managed by AEV under the supervision of the BOT of the plan. In 2019 and 2018, other than contributions to the Fund, no transactions occurred between the Company or any of its subsidiaries and the Fund.

Total compensation and benefits of key management personnel of the Company are as follows:

	2019	2018	2017
Short-term benefits (see Note 15)	₱182,349,079	₱286,022,170	₱308,010,884
Post-employment benefits (see Note 15)	10,403,791	13,737,830	16,499,116
	₱192,752,870	₱299,760,000	₱324,510,000

18. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash and cash equivalents and long-term debts. The main purpose of these financial instruments is to raise financing for the Company's operations. The Company has various other financial instruments such as trade and other receivables, AFS investment and trade and other payables which arise directly from its operations.

The Company also enters into derivative transactions, particularly foreign currency forwards, to economically hedge its foreign currency risk from foreign currency denominated liabilities and purchases (see Note 19).

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 Company.

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 Company'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 Company's risks in line with the policies and limits.

The main risks arising from the Company's financial instruments are credit risk involving possible exposure to counter party default on its cash and cash equivalents, and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements.



Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flow of financial instrument will fluctuate because of the changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to its long-term debt with a floating interest rate and to its derivative asset.

The Company's policy is to manage its interest cost using effective hedging derivatives subject to BOD approval.

The following tables demonstrate the sensitivity to a reasonably possible change in rates, with all other variables held constant, of the Company's income before tax (through the impact on floating rate borrowings). The effect on equity pertains to the impact of the Company's derivative designated under cash flow hedge accounting:

2019	Increase (decrease) in basis points	Effect on income before tax	Effect on equity before tax
	+200	₱312,630,000	₱156,315,000
	-100	(156,315,000)	(78,157,500)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company's credit risk on cash in banks and cash equivalents and trade and other receivables pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these assets. With respect to cash in banks and cash equivalents, the risk is mitigated by the short-term and/or liquid nature of its short-term deposits mainly in bank deposits and placements, which are placed with financial institutions of high credit standing. With respect to trade and other receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Company's policy that all debtors who wish to trade on credit terms are subject to credit procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company has no significant concentration risk to a counterparty or group of counterparties. The credit quality per class of financial assets as of December 31 is as follows (amounts in thousands):

2019

	Neither past due nor impaired			Past due but not impaired	Total
	High Grade	Standard	Sub-standard		
Cash and cash equivalents*	₱4,208,752	₱-	₱-	₱-	₱4,208,752
Trade and other receivables	570,285	-	-	503,209	1,073,494
Derivative asset	80,134	-	-	-	80,134
Total	₱4,859,171	₱-	₱-	₱503,209	₱5,362,380

*Excluding cash on hand



2018

	Neither past due nor impaired			Past due but not impaired	Total
	High Grade	Standard	Sub-standard		
Cash and cash equivalents*	₱11,874,257	₱-	₱-	₱-	₱11,874,257
Trade and other receivables	660,535	-	-	320,929	981,464
Derivative asset	855	-	-	-	855
Financial assets at FVPTL	97,535	-	-	-	97,535
Total	₱12,633,182	₱-	₱-	₱320,929	₱12,954,111

*Excluding cash on hand

High grade pertains to receivables from customers with good favorable credit standing and have no history of default.

Standard grade pertains to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade pertains to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.

The aging analyses of financial assets as of December 31 are as follows (amounts in thousands):

2019

	Total	Neither past due nor impaired	Past due but not impaired		
			30 days	30 - 60 days	More than 60 days
Cash and cash equivalents*	₱4,208,752	₱4,208,752	₱-	₱-	₱-
Trade and other receivables	1,073,494	570,285	253,123	111,105	138,981
Derivative asset	80,134	80,134	-	-	-
Total	₱5,362,380	₱4,859,171	₱253,123	₱111,105	₱138,981

*Excluding cash on hand

2018

	Total	Neither past due nor impaired	Past due but not impaired		
			30 days	30 - 60 days	More than 60 days
Cash and cash equivalents*	₱11,874,257	₱11,874,257	₱-	₱-	₱-
Trade and other receivables	981,464	660,535	183,003	99,809	38,117
Derivative asset	855	855	-	-	-
Financial assets at FVPTL	97,535	97,535	-	-	-
Total	₱12,954,111	₱12,633,182	₱183,003	₱99,809	₱38,117

*Excluding cash on hand

Liquidity risk

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



In managing its short-term fund requirements, the Company's policy is to ensure that there are sufficient working capital inflows to match repayments of short-term borrowings. With regard to its long-term financing requirements, the Company's policy is that not more than 25% of long-term borrowings should mature in any 12-month period.

The following tables summarize the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as of December 31 (amounts in thousands):

2019

	Total Carrying Value	Contractual undiscounted payments				
		Total	On Demand	Less than 1 year	1 to 5 years	More than 5 years
<i>Financial liabilities:</i>						
Trade and other payables*	₱476,018	₱476,018	₱-	₱476,018	₱-	₱-
Long-term debts	50,079,825	65,046,411	-	2,649,800	39,724,703	22,671,908
Lease liabilities	51,602	59,644	-	17,858	41,786	-
Total	₱50,607,445	₱65,582,073	₱-	₱3,143,676	₱39,776,489	₱22,671,908

*Excluding output VAT, withholding tax and other statutory liabilities

2018

	Total Carrying Value	Contractual undiscounted payments				
		Total	On Demand	Less than 1 year	1 to 5 years	More than 5 years
<i>Financial liabilities:</i>						
Trade and other payables*	₱298,774	₱298,774	₱-	₱298,774	₱-	₱-
Bank loans	4,700,000	4,700,000	-	4,700,000	-	-
Long-term debts	22,997,821	31,438,550	-	1,292,049	19,829,593	10,316,908
Total	₱27,996,595	₱36,437,324	₱-	₱6,290,823	₱19,829,593	₱10,316,908

*Excluding output VAT, withholding tax and other statutory liabilities

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 Company'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.

Foreign exchange risk

The foreign exchange risk of the Company pertains to its foreign currency-denominated cash and cash equivalents.

	2019		2018	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Financial assets:				
Cash and cash equivalents	\$38,479,047	₱1,948,386,531	\$214,821,624	₱11,295,320,990
Financial liability:				
Long-term debt	(300,000,000)	(15,190,500,000)	-	-
Net foreign currency denominated asset (liability)	(\$261,520,953)	(₱13,242,113,469)	\$214,821,624	₱11,295,320,990



The exchange rate for December 31, 2019 and 2018 is ₱50.635:US\$1 and ₱52.58:US\$1, respectively. As a result of the translation of these foreign currency denominated assets, the Company reported net unrealized foreign exchange gain of ₱605.8 million in 2019 and net unrealized foreign exchange loss of ₱162.4 million in 2018.

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Company's income before income tax as of December 31, 2019 and 2018 (amounts in thousands).

	Increase (decrease) in US dollar	Effect on income before tax
2019		
US dollar-denominated accounts	5%	(₱662,106)
US dollar-denominated accounts	-5%	662,106
2018		
US dollar-denominated accounts	5%	564,766
US dollar-denominated accounts	-5%	(₱564,766)

There is no other impact on the Company's equity other than those already affecting the parent company statements of income.

Capital management

The primary objective of the Company'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 Company considers equity as its capital.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. Its policy is to keep the gearing ratio at 70% or below. The Company determines net debt as the sum of interest-bearing short-term and long-term loans less cash and short-term deposits.

	2019	2018
Bank loans	₱—	₱4,700,000,000
Long-term debts	50,079,825,067	22,997,821,292
Cash and cash equivalents	(4,210,064,412)	(11,875,188,311)
Net debt (a)	45,869,760,655	15,822,632,981
Equity	76,653,821,239	75,457,414,289
Equity and net debt (b)	₱122,523,581,894	₱91,280,047,270
Gearing ratio (a/b)	37.44%	17.33%

Part of the Company's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Company is in compliance with the financial covenants attached to its long-term debts as of December 31, 2019 and 2018 (see Note 12).



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

19. 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 (amounts in thousands).

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

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities:				
Long-term debts	₱50,079,825	₱49,456,980	₱22,997,821	₱20,671,106
Lease liabilities	51,602	54,628	–	–
	₱50,131,427	₱49,511,608	₱22,997,821	₱20,671,106

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

Cash and cash equivalents, trade and other receivables and trade and other payables

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

Financial assets at FVTPL

These equity securities are carried at fair value.

Long-term debts

The fair value of long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 5.14% to 5.89% in 2019 and 8.45% to 8.56% in 2018.



Lease liabilities

The fair values are computed using Level 3 of the fair value hierarchy and are based on the discounted value of expected future cash flows using the applicable credit-adjusted risk-free rates of 4.70% to 5.36% in 2019.

Derivative Financial Instruments

The Company entered into short-term forward contracts with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases.

The aggregate notional amount of the par forward contract is nil and \$50.0 million (₱2.63 billion) as of December 31, 2019 and 2018, respectively.

The Company recognized losses from the net fair value changes relating to the forward contracts amounting to ₱126.0 million and ₱11.5 million in 2019 and 2018, respectively, under the “Foreign exchange gains (loss)” account in the parent company statements of income.

IRS

On September 6, 2019, the Company entered into an IRS agreement effective September 30, 2019 to hedge \$150 million of its floating rate exposure on its loan (see Note 12). Under the IRS agreement, the Company, on a quarterly basis, pays a fixed rate of 1.449300% per annum and received variable interest at 3-month LIBOR, subject to a floor of 0%. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the IRS has amortizing notional amounts which cover a period of up to April 30, 2024. The Company designated the swap as a cash flow hedge.

Hedge Effectiveness Results

Since the critical terms of the hedged loan and the IRS match, the hedge was assessed to be highly effective. The effective portion of the changes in the fair value of the swap amounting to ₱80,134,271 in 2019 was deferred in equity under the “Cash flow hedge reserve” account.

The following is the maturity analysis of the notional amount and the corresponding average fixed interest rate as of December 31, 2019 (amounts in thousands):

	Maturity					Total
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	
IRS - Derivative asset						
Notional amount	₱-	₱-	₱-	₱-	₱7,595,250	₱7,595,250
Average fixed interest rate (%)	1.4493%	1.4493%	1.4493%	1.4493%	1.4493%	

The impact of the hedged item and hedging instrument in the parent company balance sheet as of December 31, 2019, and in the parent company statement of income and parent company statement of comprehensive income for the year ended December 31, 2019, is as follows:

	Carrying amount	Change in fair value used for measuring ineffectiveness	Total hedging gain recognized in other comprehensive income	Ineffectiveness recognized in other income (charges)
IRS - Derivative asset	₱80,134,271	₱80,134,271	₱80,134,271	₱-



Fair Value Hierarchy

The Company 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

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

For the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements were made.

20. Lease Agreements

a. Operating Lease Agreement with Manta Equities, Inc. (MEI)

The Company entered into an operating lease agreement with MEI for its use of administrative office space and parking space for a period of ten (10) years from April 1, 2013 to May 31, 2023 and nine (9) years and three (3) months from and March 1, 2014 to May 31, 2023, respectively. Both lease contracts have an escalation rate of 5.0%.

Total prepaid rent pertaining to this agreement amounted to ₱5,021,619 as at December 31, 2018 which was recognized under "Other current assets" account in the balance sheets (see Note 6).

b. Operating Lease Agreement with Limketkai Sons, Inc. (LSI)

The Company entered into an operating lease agreement with LSI for its use of administrative and sales office space for a period of three (3) years from November 1, 2016 to October 31, 2019.

Lease Disclosure in Accordance with PAS 17 (applicable prior January 1, 2019)

Rent expense pertaining to the foregoing leased properties charged to operations amounted to ₱17.5 million and ₱16.5 million for the year ended December 31, 2018 and 2017, respectively.

Future minimum lease payments under the non-cancellable operating leases as of December 31, 2018 are as follows:

Not later than 1 year	₱17,825,546
Later than 1 year but not later than 5 years	59,643,634
	<u>₱77,469,180</u>



Lease Disclosure in Accordance with PFRS 16 (applicable beginning January 1, 2019)

Set out below, are the carrying amounts of the Company's lease liability and the movements during the year ended December 31, 2019:

Effect of Adoption - PFRS 16 (see Note 2)	₱64,347,091
Interest expense	5,080,616
Payment	(17,825,560)
	<hr/>
	₱51,602,147
	<hr/>

The Company also has certain leases of conference rooms with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemptions of these leases.

Set out below, are the amounts recognized in the statements of income for the period ended December 31, 2019:

Amortization expense of right-of-use assets	₱11,490,685
Interest expense on lease liabilities	5,080,616
Rent expense - short-term leases	7,027,319
	<hr/>
	₱23,598,620
	<hr/>



21. Note to Statements of Cash Flows

The following are the cash flow movements of the Company's financing liabilities:

	January 1, 2019	Net cash flows	Non-cash Changes						December 31, 2019
			Adoption of PFRS 16 (see Note 2)	Dividend declaration	Amortized deferred financing costs	Foreign exchange movement	Interest expense	Others	
Lease liability	₱-	(₱17,825,560)	₱64,347,091	₱-	₱-	₱-	₱5,080,616	₱-	₱51,602,147
Current interest-bearing loans and borrowings, excluding obligations under finance leases	4,700,000,000	(4,700,000,000)	-	-	-	-	-	-	-
Non-current interest- bearing loans and borrowings	22,997,821,292	27,450,103,643	-	-	72,900,132	(441,000,000)	-	-	50,079,825,067
Interest on loans and borrowings	212,180,900	(2,301,301,047)	-	-	-	-	2,445,928,121	23,622,986	380,430,960
Dividend payable	-	(10,817,148,331)	-	10,817,148,331	-	-	-	-	-
Total liabilities from financing activities	₱27,910,002,192	₱9,613,828,705	₱64,347,091	₱10,817,148,331	₱72,900,132	(₱441,000,000)	₱2,451,008,737	₱23,622,986	₱50,511,858,174

	January 1, 2018	Net cash flows	Non-cash Changes				December 31, 2018
			Dividend declaration	Amortized deferred financing costs	Interest expense	Others	
Current interest-bearing loans and borrowings, excluding obligations under finance leases	₱-	₱4,700,000,000	₱-	₱-	₱-	₱-	₱4,700,000,000
Non-current interest-bearing loans and borrowings	12,901,981,643	10,078,075,748	-	17,763,901	-	-	22,997,821,292
Interest on loans and borrowings	66,285,228	(878,938,176)	-	-	999,180,246	25,653,602	212,180,900
Dividend payable	-	(10,228,459,986)	10,228,459,986	-	-	-	-
Total liabilities from financing activities	₱12,968,266,871	₱3,670,677,586	₱10,228,459,986	₱17,763,901	₱999,180,246	₱25,653,602	₱27,910,002,192



22. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

The Company also reported and/or paid the following types of taxes for the year:

VAT

The Company's sales are subject to output value added tax (VAT) while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12.0%.

a. Net Receipts and Output VAT declared in the Company's VAT returns in 2019

	Net Sales/ Receipts	Output VAT
Taxable Sales:		
Sales of services	₱1,591,484,256	₱186,845,114

The Company's sales that are subject to VAT are reported under the following accounts:

- Service Income - Management fees
- Service Income - Professional fees
- Service Income - Technical fees
- Miscellaneous Income - Operating
- Miscellaneous Income - Non-operating

The Company's sales of services are based on actual collections received, hence, may not be the same as amounts accrued in the parent company statement of income.

b. Input VAT for 2019

Balance at January 1	₱10,585,384
Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	2,489,344
Capital goods subject to amortization	2,381,763
Capital goods not subject to amortization	135,352
Services lodged under the other accounts	32,915,519
	48,507,362
Claims for tax credit/refund and other adjustments	(29,245,183)
Balance at December 31	₱19,262,179

Other taxes and licenses

Taxes and licenses, local and national, include real estate taxes, licenses and permit fees for 2019:

License and permit fees	₱13,597,152
Documentary stamp taxes (DST)	59,894,045
Deficiency and amnesty taxes	22,037,395
Fringe benefit taxes	2,746,293
Others	2,458
	₱98,277,343



Withholding taxes

Final withholding taxes	₱511,358,438
Withholding taxes on compensation and benefits	200,160,545
Expanded withholding taxes	31,249,895
Withholding VAT	724,139
	<hr/>
	₱743,493,017
	<hr/> <hr/>

Tax Assessment and Cases

The Company has no pending tax cases outside of the administration of the BIR as of December 31, 2019.



COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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	1	6	3	4									

Form Type

A	A	C	F	S
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Department requiring the report

C	F	D
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Secondary License Type, if Applicable

-	N	A	-
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COMPANY INFORMATION

Company's Email Address www.aboitzpower.com	Company's Telephone Number (02) 886-2800	Mobile Number None
No. of Stockholders 631	Annual Meeting (Month / Day) April 27	Fiscal Year (Month / Day) December/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person Liza Luv T. Montelibano	Email Address liza.montelibano@aboitz.com	Telephone Number/s (02) 886-2813	Mobile Number Not Available
--	---	--	---------------------------------------

CONTACT PERSON'S ADDRESS

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

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

By: _____
RECEIVED SUBJECT TO REVIEW BY
FORM AND AGENTS



SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Aboitiz Power Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


ERRAMON I. ABOITIZ
Chairman of the Board


EMMANUEL V. RUBIO
President & Chief Executive Officer


LIZA LUV T. MONTELIBANO
SVP & Chief Financial Officer/Corporate Information Officer

Signed this 6th day of March 2020.

Aboitiz Power Corporation
NAC Tower, 32nd St., Bonifacio
Global City 1634 Taguig City, NCR

T. +632 886 2800
F. +632 817 3560

www.aboitzpower.com

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Power Corporation
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

Opinion

We have audited the consolidated financial statements of Aboitiz Power Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill

As of December 31, 2019, the goodwill amounted to ₱40.88 billion, which is attributable to several cash-generating units, which is considered significant to the consolidated financial statements. We consider the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the significant management assumptions and judgment involved, which includes cash-generating unit identification, discount and growth rate, revenue assumptions and material price inflation.

The Group's disclosures about goodwill are included in Note 13 to the consolidated financial statements.

Audit Response

We involved our internal specialist in assessing the methodology and assumptions used by the Group in estimating value-in-use. We compared significant assumptions, such as growth rate, revenue assumptions and material price inflation, against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

Revenue Recognition of Distribution Utilities

The Group's revenue from the sale of electricity accounts for 37% of the Group's consolidated revenue and is material to the Group. This matter is significant to the audit because the revenue recognized depends on the electric consumption captured, the rates applied across different customers, and the systems involved in the billing process. Electric consumption captured is based on the meter readings taken on various dates for the different types of customers (i.e., industrial, commercial, and residential customers) within the franchise areas of operations of the distribution utilities.

The Group's disclosures related to this matter are provided in Notes 3 and 21 to the consolidated financial statements.

Audit Response

We obtained an understanding and evaluated the design and tested the controls over the billing and revenue process which includes the capture and accumulation of meter data in the billing system and calculation of billed amounts, and uploading of billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in billing statements.



Recoverability of Certain Segments of Property, Plant and Equipment

Based on the assessment of the Group as of December 31, 2019, certain segments of property, plant and equipment totaling ₱3.55 billion, may be impaired. We considered the recoverability of certain segments of property, plant and equipment as a key audit matter because of the amount involved and significant management assumptions and judgment involved which include future electricity generation levels and costs as well as external inputs such as fuel prices, electricity prices and discount rates.

The disclosure about the recoverability of certain segments of property, plant and equipment are included in Note 12 to the consolidated financial statements.

Audit Response

We involved our internal specialist in assessing the methodology and the assumptions used by the Group in estimating value-in-use. We compared the significant assumptions, such as future electricity generation levels and costs, fuel prices and electricity prices against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

Consolidation Process

Aboitiz Power Corporation owns a significant number of domestic and foreign entities at varying equity interests. We considered the consolidation process as a key audit matter because it required significant auditor attention, particularly on the following areas: (a) fair value adjustments arising from business combinations, (b) numerous intercompany transactions, (c) alignment of accounting policies of the investees with the Group's policy on property, plant and equipment and investment properties, (d) translation of investees' foreign-currency-denominated financial information to the Group's functional currency and (e) other equity adjustments.

The Group's disclosure on the basis of consolidation is in Note 3 to the consolidated financial statements.

Audit Response

We obtained an understanding of the consolidation process and the related controls, the Group's process for identifying related parties and related party transactions, as well as the reconciliation of intercompany balances. We also checked the entities included in the consolidation. We reviewed the eliminating entries recorded, including fair value adjustments. In addition, we reviewed the currency translation adjustments, as well as the alignment of accounting policies on property, plant and equipment and investment properties.



Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is
Maria Veronica Andresa R. Pore

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-4 (Group A),

November 21, 2019, valid until November 20, 2022

Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125281, January 7, 2020, Makati City

March 6, 2020



ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	P37,433,929	P46,343,041
Trade and other receivables (Note 6)	21,747,422	21,721,776
Derivative assets (Note 34)	-	71,583
Inventories (Note 7)	6,632,029	6,690,453
Property held for sale (Note 12)	-	675,819
Other current assets (Note 8)	11,083,405	13,205,935
Total Current Assets	76,896,785	88,708,607
Noncurrent Assets		
Investments and advances (Note 10)	60,878,541	34,334,126
Property, plant and equipment (Notes 12 and 35)	209,521,466	207,110,412
Intangible assets (Note 13)	46,712,501	46,165,494
Derivative assets - net of current portion (Note 34)	82,327	221,245
Financial assets at fair value through profit or loss (FVTPL)	3,906	101,441
Net pension assets (Note 27)	68,209	126,977
Deferred income tax assets (Note 29)	2,786,310	2,233,695
Other noncurrent assets (Note 14)	13,519,312	10,660,179
Total Noncurrent Assets	333,572,572	300,953,569
TOTAL ASSETS	P410,469,357	P389,662,176
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans (Note 16)	P10,335,420	P11,546,560
Current portions of:		
Long-term debts (Note 17)	10,386,311	8,697,404
Lease liabilities (Note 35)	5,486,745	4,131,059
Long-term obligation on power distribution system (Note 13)	40,000	40,000
Derivative liabilities (Note 34)	2,255,736	159,926
Trade and other payables (Note 15)	22,376,120	21,801,288
Income tax payable (Note 29)	510,137	438,783
Total Current Liabilities	51,390,469	46,815,020

(Forward)



	December 31	
	2019	2018
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts (Note 17)	P167,585,311	P149,360,287
Lease liabilities (Note 35)	39,302,899	42,763,296
Long-term obligation on power distribution system (Note 13)	159,350	173,496
Derivative liabilities - net of current portion (Note 34)	212,588	-
Customers' deposits (Note 18)	6,521,469	6,008,364
Decommissioning liability (Note 19)	3,567,492	3,678,810
Deferred income tax liabilities (Note 29)	848,471	858,290
Net pension liabilities (Note 27)	426,047	244,857
Other noncurrent liabilities (Notes 40k)	6,812,250	3,183,089
Total Noncurrent Liabilities	225,435,877	206,270,489
Total Liabilities	276,826,346	253,085,509
Equity Attributable to Equity Holders of the Parent		
Paid-in capital (Note 20a)	19,947,498	19,947,498
Share in net unrealized valuation gain on fair value through other comprehensive income (FVOCI) of an associate (Note 10)	101,727	101,727
Cumulative translation adjustments (Note 34)	(994,253)	525,916
Share in cumulative translation adjustments of associates and joint ventures (Note 10)	(153,485)	321,139
Actuarial losses on defined benefit plans (Note 27)	(923,833)	(587,267)
Share in actuarial gain (loss) on defined benefit plans of associates and joint ventures (Note 10)	(14,299)	29,729
Acquisition of non-controlling interests (Note 10)	(6,321,325)	(259,147)
Excess of cost of investments over net assets (Note 9)	(421,260)	(421,260)
Loss on dilution (Note 2)	(433,157)	(433,157)
Retained earnings (Note 20b)		
Appropriated	33,660,000	34,060,000
Unappropriated (Notes 10 and 20c)	81,095,377	74,427,738
	125,542,990	127,712,916
Non-controlling Interests	8,100,021	8,863,751
Total Equity (Note 20c)	133,643,011	136,576,667
TOTAL LIABILITIES AND EQUITY	P410,469,357	P389,662,176

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2019	2018	2017
OPERATING REVENUES			
Sale of power (Notes 21 and 32):			
Generation	P55,895,587	P61,854,685	P57,418,126
Distribution	46,120,403	44,880,546	43,532,403
Retail electricity supply	22,805,450	24,216,767	18,065,832
Technical, management and other fees (Note 32)	813,717	620,086	374,942
OPERATING REVENUES	125,635,157	131,572,084	119,391,303
OPERATING EXPENSES			
Cost of purchased power (Notes 22 and 32)	35,835,144	36,006,080	35,392,094
Cost of generated power (Note 23)	35,526,706	35,674,218	28,557,756
Depreciation and amortization (Notes 12, 13 and 35)	9,895,695	8,681,403	7,596,268
General and administrative (Note 24)	8,155,366	8,188,512	7,222,268
Operations and maintenance (Note 25)	7,366,372	6,525,189	6,449,188
	96,779,283	95,075,402	85,217,574
FINANCIAL INCOME (EXPENSES)			
Interest income (Notes 5 and 32)	1,291,703	880,085	927,012
Interest expense and other financing costs (Notes 16, 17, 33 and 35)	(14,047,646)	(12,082,158)	(11,247,780)
	(12,755,943)	(11,202,073)	(10,320,768)
OTHER INCOME (EXPENSES)			
Share in net earnings of associates and joint ventures (Note 10)	3,813,962	4,356,825	4,697,864
Other income (expenses) - net (Note 28)	3,483,387	(1,292,311)	(1,704,000)
	7,297,349	3,064,514	2,993,864
INCOME BEFORE INCOME TAX	23,397,280	28,359,123	26,846,825
PROVISION FOR INCOME TAX (Note 29)	3,215,498	2,925,623	3,858,398
NET INCOME	P20,181,782	P25,433,500	P22,988,427
ATTRIBUTABLE TO:			
Equity holders of the parent	P17,322,677	P21,707,603	P20,416,442
Non-controlling interests	2,859,105	3,725,897	2,571,985
	P20,181,782	P25,433,500	P22,988,427
EARNINGS PER COMMON SHARE (Note 30)			
Basic and diluted, income for the period attributable to ordinary equity holders of the parent	P2.35	P2.95	P2.77

See accompanying Notes to Consolidated Financial Statements.



ABOITIZ POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2019	2018	2017
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	P17,322,677	P21,707,603	P20,416,442
Non-controlling interests	2,859,105	3,725,897	2,571,985
	20,181,782	25,433,500	22,988,427
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>			
Movement in cumulative translation adjustments	(1,767,498)	584,087	389,254
Share in movement in cumulative translation adjustment of associates and joint ventures	(474,624)	465,646	(16,304)
Share in net unrealized valuation gains (losses) on AFS investments of an associate (Note 10)	-	(22,394)	9,201
Movement in unrealized gain on AFS investments	-	-	2,686
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods	(2,242,122)	1,027,339	384,837
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gain (loss) on defined benefit plans, net of tax (Note 27)	(329,029)	8,893	(13,186)
Share in actuarial gain (loss) on defined benefit plans of associates and joint ventures, net of tax	(44,028)	24,766	6,841
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods	(373,057)	33,659	(6,345)
Total other comprehensive income (loss) for the year, net of tax	(2,615,179)	1,060,998	378,492
TOTAL COMPREHENSIVE INCOME	P17,566,603	P26,494,498	P23,366,919
ATTRIBUTABLE TO:			
Equity holders of the parent	P14,947,290	P22,602,094	P20,617,187
Non-controlling interests	2,619,313	3,892,404	2,749,732
	P17,566,603	P26,494,498	P23,366,919

See accompanying Notes to Consolidated Financial Statements.



ABOUTIZ POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to Equity Holders of the Parent											
	Share in Net Unrealized Valuation Gain on PVOC/AFS Investments of an Associate (Note 10)	Cumulative Translation Adjustments (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Actuarial Gains (Losses) on Defined Benefit Plans of Associates and Joint Ventures (Note 2)	Actuarial Gains (Losses) on Defined Benefit Plans of Associates and Joint Ventures (Note 2)	Share in Actuarial Gains (Losses) on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Excess of cost of Investments over net assets (Note 9)	Acquisition of Non-controlling Interests (Note 10)	Retained Earnings: Appropriated (Note 2(b))	Unappropriated (Note 2(b))	Non-controlling Interests	Total
Balances at January 1, 2019, as previously reported	\$19,947,498	\$525,916	\$321,139	\$29,729	\$587,267	(\$421,260)	(\$259,147)	\$34,060,000	\$74,427,738	(\$217,890)	\$8,863,751	\$136,576,667
Effect of adoption - PFRS 16 (Note 3)	-	-	-	-	-	-	-	-	-	-	(\$40,070)	(\$27,960)
Balances at January 1, 2019, as restated	\$19,947,498	\$525,916	\$321,139	\$29,729	\$587,267	(\$421,260)	(\$259,147)	\$34,060,000	\$74,427,738	(\$217,890)	\$8,863,751	\$136,576,667
Net income for the year	-	-	-	-	-	-	-	-	-	-	(\$207,325)	(\$207,325)
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	-	-	-	-
Movement in cumulative	-	(\$1,520,169)	-	-	-	-	-	-	-	-	-	-
Translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Share in movement in cumulative	-	-	-	-	-	-	-	-	-	-	-	-
translation adjustment of	-	-	(\$14,624)	-	-	-	-	-	-	-	-	(\$14,624)
associates and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains (losses) on defined	-	-	-	-	(\$396,566)	-	-	-	-	-	7,537	(\$329,029)
benefit plans, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Share in actuarial gains on defined	-	-	-	-	-	-	-	-	-	-	-	-
benefit plans of associates and	-	-	-	(\$44,025)	-	-	-	-	-	-	-	(\$44,025)
joint ventures	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (loss)	-	(\$1,520,169)	(\$44,624)	(\$44,025)	(\$396,566)	-	-	(\$12,300,000)	17,322,677	2,639,313	2,639,313	17,566,603
for the year	-	-	-	-	-	-	-	11,990,000	12,300,000	12,300,000	-	-
Reversal of appropriation	-	-	-	-	-	-	-	-	-	-	-	-
Appropriations during the year	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of non-controlling	-	-	-	-	-	-	(\$6,062,178)	-	-	-	(\$710,830)	(\$6,773,008)
interest (Note 10)	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends - \$1.47 per share	-	-	-	-	-	-	-	-	(\$10,817,148)	-	-	(\$10,817,148)
(Note 2(b))	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends paid to	-	-	-	-	-	-	-	-	-	-	-	-
non-controlling interests	-	-	-	-	-	-	-	-	-	-	(\$2,580,724)	(\$2,580,724)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(\$51,419)	(\$51,419)
Balances at December 31, 2019	\$19,547,498	\$995,252	\$153,485	\$14,299	\$923,833	(\$421,260)	(\$433,157)	\$33,660,000	\$81,095,377	(\$61,000,211)	\$8,863,751	\$133,643,011



Attributable to Equity Holders of the Parent

	Share in Net Unrealized Variation	Share in Cumulative Translation Adjustments of Associates and Joint Ventures	Share in Actuarial Gains (Losses) on Defined Benefit Plans of Associates and Joint Ventures	Share in Actuarial Gains (Losses) on Defined Benefit Plans of Associates and Joint Ventures	Excess of cost of investments over net assets	Retained Earnings	Non-controlling Interests	Total
	(Note 10)	(Note 10)	(Note 10)	(Note 27)	(Note 9)	(Note 20b)		
Balances at January 1, 2018, as previously reported	(9675)	8113,637	84,963	(9601,463)	(9421,260)	863,006,308	88,582,054	8123,978,464
Effect of adoption - PFHS 9	625					(57,713)	(3,767)	(60,855)
Balances at January 1, 2018, as restated		8113,637	84,963	(9601,463)	(9421,260)	863,006,308	88,582,054	8123,978,464
Net income for the year								
Other comprehensive income (loss)								
Movement in unrealized loss on FVOCI investments	(122,394)							(122,394)
Movement in cumulative translation adjustments		412,279						412,279
Share in movement in cumulative translation adjustment of associates and joint ventures								
Actuarial gains (losses) on defined benefit plans, net of tax			465,646					465,646
Share in actuarial gains on defined benefit plans of associates and joint ventures								
Total comprehensive income (loss) for the year	(22,394)	412,279	465,646	14,194		21,707,603	3,892,404	26,494,458
Cash dividends - \$1.39 per share (Note 20b)								
Cash dividends paid to non-controlling interests							(4,768,586)	(4,768,586)
Change in non-controlling interests							3,161,616	3,161,616
Balances at December 31, 2018	8101,727	8525,916	8321,139	(8587,267)	(8421,260)	874,427,758	88,863,751	8136,576,667



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

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P23,397,280	P28,359,123	P26,846,825
Adjustments for:			
Interest expense and other financing costs (Note 33)	14,047,646	12,082,158	11,247,780
Depreciation and amortization (Notes 12 and 13)	9,895,695	8,681,403	7,596,268
Losses on disposal of property, plant and equipment (Note 28)	304,631	292,799	86,913
Write-off of project development costs and other assets (Note 13)	31,431	50,922	79,881
Unrealized fair valuation loss (gain) on derivatives and financial assets at FVTPL (Note 34)	1,424	196,297	(451,270)
Share in net earnings of associates and joint ventures (Note 10)	(3,813,962)	(4,356,825)	(4,697,864)
Net unrealized foreign exchange loss (gain)	(1,950,762)	997,010	333,868
Interest income (Notes 5 and 32)	(1,291,703)	(880,085)	(927,012)
Impairment loss (recovery) on property, plant and equipment, goodwill and other assets (Notes 4, 12, 13 and 14)	(245,489)	847,619	3,233,036
Unrealized fair valuation gains on investment property (Note 28)	(126,842)	-	-
Gain on sale of financial assets at FVTPL	(1,251)	-	-
Gain on remeasurement in step acquisition (Note 9)	-	-	(310,198)
Operating income before working capital changes	40,248,098	46,270,421	43,038,227
Decrease (increase) in:			
Trade and other receivables	(5,765,526)	(3,449,871)	(3,062,564)
Inventories	58,424	(1,057,730)	(1,190,795)
Other current assets	2,780,992	(3,401,458)	(2,263,317)
Increase (decrease) in:			
Trade and other payables	5,230,984	2,687,675	(1,834,708)
Long-term obligation on power distribution system	(40,000)	(40,000)	(40,000)
Customers' deposits	513,105	(86,326)	(736,552)
Net cash generated from operations	43,026,077	40,922,711	33,910,291
Income and final taxes paid	(3,669,115)	(3,634,811)	(3,674,360)
Net cash flows from operating activities	39,356,962	37,287,900	30,235,931
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Note 10)	3,784,671	4,346,071	5,070,559
Interest received	1,421,536	919,255	1,135,069
Proceeds from redemption of shares (Note 10)	5,340	80,216	8,809
Decrease (increase) in other noncurrent assets	(2,109,404)	(1,450,074)	1,073,472
Net collection of advances (Note 10)	-	2,054	7,443
Proceeds from sale of property, plant and equipment	63,555	18,388	10,846
Disposal of assets at FVTPL	101,251	-	-
Acquisitions through business combinations, net of cash acquired (Note 9)	-	-	894,655
Additions to:			
Property, plant and equipment (Note 12)	(9,675,816)	(8,607,781)	(16,068,050)
Intangible assets - service concession rights (Note 13)	(60,625)	(52,343)	(86,159)
Additional investments (Note 10)	(27,591,092)	(2,498,905)	(1,499,569)
Net cash flows used in investing activities	(34,060,584)	(7,243,119)	(9,452,925)

(Forward)



	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from avilment of long-term debt (Note 17)	P33,500,091	P24,494,810	P43,957,187
Net availments (payments) of short-term loans (Note 16)	(1,187,800)	6,829,260	561,700
Cash dividends paid (Note 20b)	(10,817,148)	(10,228,460)	(10,007,702)
Payments of:			
Long-term debt (Note 17)	(11,819,230)	(20,626,654)	(50,967,235)
Lease liabilities (Note 35)	(7,424,990)	(7,804,460)	(7,877,292)
Acquisition of non-controlling interest (Note 10)	(6,773,008)	-	-
Changes in non-controlling interests	(2,580,724)	(3,387,726)	(757,071)
Interest paid	(7,273,246)	(8,432,523)	(7,032,286)
Net cash flows used in financing activities	(14,376,055)	(19,155,753)	(32,122,699)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,079,677)	10,889,028	(11,339,693)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	170,565	(245,618)	(55,417)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	46,343,041	35,699,631	47,094,741
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	P37,433,929	P46,343,041	P35,699,631

See accompanying Notes to Consolidated Financial Statements.



ABOITIZ POWER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED 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, retail electricity supply and power distribution in the Aboitiz Group. As of December 31, 2019, Aboitiz Equity Ventures, Inc. (AEV, also incorporated in the Philippines) owns 76.98% of the Company. The ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

The Company's registered office address is 32nd Street, Bonifacio Global City, Taguig City, Metro Manila.

The consolidated financial statements of the Group were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 6, 2020.

2. Group Information

The 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"; see Note 11). The following are the subsidiaries as of December 31 of each year:

	Nature of Business	Percentage of Ownership					
		2019		2018		2017	
		Direct	Indirect	Direct	Indirect	Direct	Indirect
Aboitiz Renewables, Inc. (ARI) and Subsidiaries	Power generation	100.00	-	100.00	-	100.00	-
AP Renewables, Inc. (APRI)	Power generation	-	100.00	-	100.00	-	100.00
Aboitiz Power Distributed Energy, Inc.	Power generation	-	100.00	-	100.00	-	100.00
Aboitiz Power Distributed Renewables, Inc.	Power generation	-	100.00	-	100.00	-	100.00
Hedcor, Inc. (HI)	Power generation	-	100.00	-	100.00	-	100.00
Hedcor Sibulan, Inc. (HSI)	Power generation	-	100.00	-	100.00	-	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power generation	-	100.00	-	100.00	-	100.00
Luzon Hydro Corporation (LHC)	Power generation	-	100.00	-	100.00	-	100.00
AP Solar Tiwi, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
Retensol, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
AP Renewable Energy Corporation*	Power generation	-	100.00	-	100.00	-	100.00
Aseagas Corporation (Aseagas)*	Power generation	-	100.00	-	100.00	-	100.00
Bakun Power Line Corporation*	Power generation	-	100.00	-	100.00	-	100.00
Cleanergy, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
Cordillera Hydro Corporation*	Power generation	-	100.00	-	100.00	-	100.00
Hedcor Benguet, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	Power generation	-	100.00	-	100.00	-	100.00
Hedcor Kabayan, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
PV Sinag Power, Inc. (formerly Hedcor Ifugao, Inc.)*	Power generation	-	100.00	-	100.00	-	100.00
Amihan Power, Inc. (formerly Hedcor Kalinga, Inc.)*	Power generation	-	100.00	-	100.00	-	100.00
Aboitiz Solar Power, Inc. (formerly Hedcor Itogon Inc.)*	Power generation	-	100.00	-	100.00	-	100.00
Hedcor Mariolo Fortich, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
Hedcor Mt. Province, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power generation	-	100.00	-	100.00	-	100.00
Hedcor Tarnagan, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
Mt. Apo Geopower, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
Negron Cuadrado Geopower, Inc. (NCGI)*	Power generation	-	100.00	-	100.00	-	100.00
Tagoloan Hydro Corporation*	Power generation	-	100.00	-	100.00	-	100.00
Luzon Hydro Company Limited*	Power generation	-	99.97	-	99.97	-	99.97
Hydro Electric Development Corporation*	Power generation	-	99.97	-	99.97	-	99.97

(Forward)



	Nature of Business	Percentage of Ownership					
		2019		2018		2017	
		Direct	Indirect	Direct	Indirect	Direct	Indirect
Therma Power, Inc. (TPI) and Subsidiaries	Power generation	100.00	-	100.00	-	100.00	-
Mindanao Sustainable Solutions, Inc.*	Services	-	100.00	-	100.00	-	100.00
Therma Luzon, Inc. (TLU)	Power generation	-	100.00	-	100.00	-	100.00
Therma Marine, Inc. (Therma Marine)	Power generation	-	100.00	-	100.00	-	100.00
Therma Mobile, Inc. (Therma Mobile)	Power generation	-	100.00	-	100.00	-	100.00
Therma South, Inc. (TSI)	Power generation	-	100.00	-	100.00	-	100.00
Therma Power-Visayas, Inc. (TPVI) *	Power generation	-	100.00	-	100.00	-	100.00
Therma Central Visayas, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
Therma Subic, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
Therma Mariveles Holding Cooperatief U.A. (A,D)	Holding company	-	-	-	-	-	100.00
Therma Mariveles Camaya B.V. (A,D)	Holding company	-	100.00	-	100.00	-	100.00
Therma Mariveles Holdings, Inc.	Holding company	-	78.33	-	66.07	-	66.07
GNPower Mariveles Coal Plant Ltd. Co. (GMCP) (A,C)	Power generation	-	-	-	100.00	-	100.00
Therma Dinginin Holding Cooperatief U.A. (B,E)	Holding company	-	-	-	100.00	-	100.00
Therma Dinginin B.V. (B,E)	Holding company	-	100.00	-	100.00	-	100.00
Therma Dinginin Holdings, Inc.	Holding company	-	80.00	-	90.00	-	80.00
Therma Visayas, Inc. (TVI)	Power generation	-	60.00	-	60.00	-	60.00
Abovant Holdings, Inc.	Holding company	100.00	-	100.00	-	100.00	-
AboitizPower International Pte. Ltd. (API)	Holding company	100.00	-	100.00	-	100.00	-
Aboitiz Energy Solutions, Inc. (AESI)	Retail electricity supplier	100.00	-	100.00	-	100.00	-
Adventenergy, Inc. (AI)	Retail electricity supplier	100.00	-	100.00	-	100.00	-
Balabitan Enerzone Corporation (BEZ)	Power distribution	100.00	-	100.00	-	100.00	-
Lima Enerzone Corporation (LEZ)	Power distribution	100.00	-	100.00	-	100.00	-
Mactan Enerzone Corporation (MEZ)	Power distribution	100.00	-	100.00	-	100.00	-
Malvar Enerzone Corporation (MVEZ)	Power distribution	100.00	-	100.00	-	100.00	-
East Asia Utilities Corporation (EAUC)	Power generation	50.00	50.00	50.00	50.00	50.00	50.00
Cotabato Light and Power Company (CLP)	Power distribution	99.94	-	99.94	-	99.94	-
Cotabato Ice Plant, Inc.	Manufacturing	-	100.00	-	100.00	-	100.00
Davao Light & Power Company, Inc. (DLP)	Power distribution	99.93	-	99.93	-	99.93	-
Maaraw Holdings San Carlos, Inc. (MHSCI, see Note 9)	Holding company	-	100.00	-	100.00	-	100.00
San Carlos Sun Power, Inc. (Sacasun, see Note 9)	Power generation	-	100.00	-	100.00	-	100.00
AboitizPower International B.V. (APIBV, see Note 9)	Holding company	-	100.00	-	100.00	-	100.00
Subic Enerzone Corporation (SEZ)	Power distribution	65.00	34.98	65.00	34.98	65.00	34.98
Cebu Private Power Corporation (CPPC)	Power generation	60.00	-	60.00	-	60.00	-
Prism Energy, Inc. (PEI)	Retail electricity supplier	60.00	-	60.00	-	60.00	-
Visayan Electric Company (VECO)	Power distribution	55.26	-	55.26	-	55.26	-

a) Part of Therma Mariveles Group
 b) Part of Therma Dinginin Group
 c) In 2019, ownership increased in relation to AA Thermal, Inc. (ATI) acquisition (Note 10).
 d) Dissolved and liquidated in 2018 as part of TPI's restructuring of its offshore intermediary companies acquired as part of the GNPower acquisition
 e) Dissolved and liquidated in 2018 as part of TPI's restructuring of its offshore intermediary companies acquired as part of the GNPower acquisition
 * No commercial operations as of December 31, 2019.

All of the foregoing subsidiaries are incorporated and registered with the Philippine SEC and operate in the Philippines except for the following:

Subsidiary	Country of incorporation
AboitizPower International Pte. Ltd.	Singapore
AboitizPower International B.V.	Netherlands
Therma Mariveles Holding Cooperatief U.A.	Netherlands
Therma Mariveles Camaya B.V.	Netherlands
Therma Dinginin Holding Cooperatief U.A.	Netherlands
Therma Dinginin B.V.	Netherlands



Material partly-owned subsidiary

Information of subsidiaries that have material non-controlling interests is provided below:

	2019 GMCP	2018 GMCP	2019 VECO	2018 VECO
Summarized balance sheet information				
Current assets	₱10,006,452	₱13,319,702	₱4,989,549	₱5,490,252
Noncurrent assets	32,432,202	34,003,425	13,621,804	11,577,649
Current liabilities	4,612,886	5,490,602	6,869,764	7,945,148
Noncurrent liabilities	35,149,248	37,651,754	4,945,832	3,748,561
Non-controlling interests	2,277,399	1,793,715	2,680,701	2,155,912
Summarized comprehensive income information				
Profit for the year	₱3,803,229	₱6,656,926	₱2,468,943	₱2,282,626
Total comprehensive income	3,428,913	7,470,424	2,482,145	2,268,931
Summarized other financial information				
Profit attributable to non-controlling interests	₱1,289,565	₱2,258,695	₱1,076,870	₱993,505
Dividends paid to non-controlling interests	1,628,509	3,348,883	555,622	979,147
Summarized cash flow information				
Operating	₱9,044,012	₱8,392,378	₱2,779,002	₱2,520,603
Investing	(62,051)	(856,220)	(1,107,726)	(922,612)
Financing	(9,867,586)	(6,258,128)	(732,901)	(1,632,733)
Net increase (decrease) in cash and cash equivalents	(866,957)	1,154,253	938,375	(34,742)

3. **Summary of Significant Accounting Policies**

Basis of Preparation

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

The consolidated financial statements provide comparative information in respect of the previous periods.

Statement of Compliance

The consolidated financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).



Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company, its subsidiaries and joint operation that are subject to joint control as at December 31 of each year. The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company using consistent accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses, cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.



Transactions with Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals of non-controlling interest is also recognized directly in equity.

Changes in Accounting Policies and Disclosures

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

The Group applied PFRS 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2019, but did not have any significant impact on the Group's consolidated financial statements:

- PFRS 16, *Leases*

PFRS 16 was issued in January 2016 and it replaces Philippine Accounting Standard (PAS) 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17.

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

The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application without restating comparative information. The Group has elected to apply PFRS 16 transition relief to contracts that were previously identified as leases applying PAS 17 and IFRIC 4. The Group will therefore not apply PFRS 16 to contracts that were not previously identified as containing a lease applying PAS 17 and IFRIC 4.

The Group has elected to use the exemption proposed by the standard on the lease contracts for which the lease terms end within 12 months from the date of initial application. Lease payments on short term leases are recognized as expense on a straight-line basis over the lease term.



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

	As at January 1, 2019
Increase (decrease) in consolidated balance sheet:	
Property, plant and equipment	P3,170,656
Investments in and advances in associates and joint ventures	(18,691)
Other current and noncurrent assets	(1,133,294)
Total Assets	P2,018,671
Lease liabilities	P49,190,986
Finance lease obligation	(46,894,355)
Retained earnings	(237,890)
Non-controlling interests	(40,070)
Total Liabilities and Equity	P2,018,671

Based on the above, as at January 1, 2019:

- Property, plant and equipment were recognized amounting to P3.17 billion representing the amount of right-of-use assets set up on transition date.
- Adjustment to investment in and advances in associates and joint ventures amounting to P18.69 million pertaining to share of the Group in the transition made by its associates and joint ventures.
- Additional lease liabilities of P49.19 billion were recognized, which includes the reclass of finance lease obligation amounting to P46.89 billion previously recognized.
- Prepayments of P1.13 billion related to previous operating leases under PAS 17 were derecognized.
- The net effect of these adjustments had been adjusted to retained earnings and non-controlling interest amounting to P237.89 million and P40.07 million, respectively.

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

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



Leases previously classified as finance leases

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

Leases previously accounted for as operating leases

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

The Group also applied the following practical expedients provided by the standard:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- Apply the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application,
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application,
- Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

Operating lease commitments as at December 31, 2018	P7,651,372
Incremental borrowing rate as at January 1, 2019	7.04% to 9.75%
Discounted operating lease commitments at January 1, 2019	2,310,811
Less commitments relating to short-term leases	(14,180)
Add commitments to leases previously classified as finance leases	46,894,355
Lease liabilities as at January 1, 2019	P49,190,986

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

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

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



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

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

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

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

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

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

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

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

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

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



The interpretation specifically addresses the following:

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

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

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

- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - *Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*

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

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

These amendments are currently not applicable to the Group but may apply to future transactions.



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

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

These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

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

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

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

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

New Standards and Interpretation Issued and Effective after December 31, 2019

The Group will adopt the standards enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRSs, PAS and Philippine Interpretations to have significant impact on its consolidated financial statements.

Effective beginning on or after January 1, 2020

• Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.



- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.



On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree pertaining to instruments that represent present ownership interests and entitle the holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition-related costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized as "bargain purchase gain" in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.



Impairment of goodwill

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized.

Common control business combination

Business combination of entities under common control is accounted for similar to pooling of interest method, which is scoped out of PFRS 3. Under the pooling of interest method, any excess of acquisition cost over the net asset value of the acquired entity is recorded in equity.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated balance sheet based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.



Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Group's valuation team (the Team) determines the policies and procedures for fair value measurement of its investment properties. External valuers (the Valuers) are involved in the periodic valuation of these assets. The respective subsidiary's Team decides the selection of the external valuers after discussion with and approval by its Chief Financial Officer (CFO). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Team also determines, after discussions with the chosen Valuers, which valuation techniques and inputs to use for each case.



At each reporting date, the Team analyses the movements in the values of the investment properties which are required to be re-measured or re-assessed in accordance with the subsidiaries' accounting policies. The team, in coordination with the Valuers, also compares each of the changes in the fair value of each property with relevant external sources to determine whether the change is reasonable.

On the re-appraisal year, the Team and Valuers present the valuation results and the major assumptions used in the valuation to its CFO.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint



venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Interest in Joint Operations

A joint arrangement is classified as a joint operation if the parties with joint control have rights to the assets and obligations for the liabilities of the arrangement. For interest in joint operations, the Group recognizes:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

The accounting and measurement for each of these items is in accordance with the applicable PFRS.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of its subsidiaries; Therma Mariveles Group, Therma Dinginin Group, and LHC, and its associate; STEAG State Power, Inc. (STEAG), is the United States (US) Dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Group (the Philippine peso) at the rate of exchange ruling at the balance sheet date and their statement of income and statement of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. Upon disposal of the subsidiary and associate, the deferred cumulative amount recognized in other comprehensive income relating to that particular entity is recognized in the consolidated statement of income.

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.



For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

Inventories

Materials and supplies are valued at the lower of cost and net realizable value (NRV). Cost is composed of purchase costs determined on weighted average method. NRV is the current replacement cost. An allowance for inventory obsolescence is provided for slow-moving, defective or damaged goods based on analyses and physical inspection.

Financial Instruments - Classification and Measurement in Accordance with PFRS 9 (applicable in 2019 and 2018)

Classification of financial assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at fair value through profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual cash flows characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model

The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in



determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial assets at amortized cost

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the consolidated statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Provision for credit and impairment losses' in the consolidated statement of income.

The Group's debt financial assets as of December 31, 2019 and 2018 consist of cash in banks, including restricted cash, cash equivalents, and trade and other receivables and the Power Sector Assets and Liabilities Management Corporation (PSALM) deferred adjustment - net of current portion included in "Other noncurrent assets" in the consolidated balance sheets. The Group assessed that the contractual cash flows of its debt financial assets are SPPI and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Group concluded these debt financial assets to be measured at amortized cost.

Financial assets at FVOCI

A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.



Dividends are recognized in profit or loss only when:

- the Group's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Group; and
- the amount of the dividend can be measured reliably.

The Group does not have any financial asset at FVOCI as of December 31, 2019 and 2018.

Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value in the consolidated balance sheet with changes in fair value being recognized in the consolidated statement of income. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of income as incurred.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Group's investments in quoted equity securities and in unquoted equity shares are measured at FVTPL as of December 31, 2019 and 2018.

Classification of financial liabilities

Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.



Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Group's financial liabilities measured at amortized cost as of December 31, 2019 and 2018 include trade and other payables (excluding taxes and fees, output value-added tax (VAT) and unearned revenue), customers' deposits, short-term loans, lease liabilities, long-term obligation on power distribution system, long-term debts, other noncurrent liabilities and lease liabilities (see Note 33).

Reclassifications of financial instruments

The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

The Group does not reclassify its financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at fair value through profit or loss.

Financial Instruments - Initial Recognition and Subsequent Measurement in Accordance with PAS 39 (applicable in 2017)

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet on the date when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS investments. For financial liabilities, the Group also classifies them into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every balance sheet date.



'Day 1' difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

(a) Financial assets or financial liabilities at FVPL

Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated and considered as hedging instruments in an effective hedge.

Financial assets and liabilities may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities, or recognizing gains or losses on them on a different basis; (ii) the assets and liabilities are part of a group of financial assets, liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk managing strategy; or (iii) the financial instruments contains an embedded derivative that would need to be recorded separately, unless the embedded derivative does not significantly modify the cash flow or it is clear, with little or no analysis, that it would not be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial asset or financial liability at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets and liabilities at FVPL are recorded at the consolidated balance sheet at fair value. Subsequent changes in fair value are recognized in the consolidated statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payments has been established.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS investments or financial assets at FVPL. Loans and receivables are carried at amortized cost less allowance for impairment. Amortization is determined using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that



are integral to the effective interest rate. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

(c) HTM investments

HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and would have to be reclassified as AFS investments. Gains and losses are recognized in the consolidated statement of income when the investments are derecognized or impaired, as well as through the amortization process.

(d) AFS investments

AFS investments are non-derivative financial assets that are either designated as AFS or not classified in any of the other categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Quoted AFS investments are measured at fair value with gains or losses being recognized as other comprehensive income, until the investments are derecognized or until the investments are determined to be impaired at which time, the accumulated gains or losses previously reported in other comprehensive income are included in the consolidated statement of income. Unquoted AFS investments are carried at cost, net of impairment. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognized in the consolidated statement of income when the right of payment has been established.

(e) Other financial liabilities

This category pertains to issued financial liabilities or their components that are neither held for trading nor designated as at FVPL upon the inception of the liability and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Other financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable financing costs. Deferred financing costs are amortized, using the effective interest rate method, over the term of the related long-term liability. After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in the consolidated statement of income when liabilities are derecognized, as well as through amortization process.



Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at FVTPL, unless designated as effective hedge. Changes in fair value of derivative instruments not accounted as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. An embedded derivative is separated from the host financial or non-financial contract and accounted for as a separate derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. The Group uses derivative financial instruments, such as foreign currency forward, interest rate swap (IRS) and commodity swap contracts to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively.

For the purpose of hedge accounting, the Group's hedges are classified as cash flow hedges. Hedges are classified as cash flow hedge when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Under PAS 39, the documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period for which they were designated.



Under PFRS 9, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

The Group's hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognized in the cumulative translation adjustment, while any ineffective portion is recognized immediately in the consolidated statement of income. The cumulative translation adjustment is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses foreign currency forward contracts as hedges of its exposure to foreign currency risk in forecast transactions, IRS contracts to manage its floating interest rate exposure on its loans and commodity swap contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to these contracts are recognized in other operating income or expenses as realized gain or loss on derivative instruments.

The Group designated all of the foreign currency forward, IRS and commodity swap contracts as hedging instrument. The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive must be accounted for depending on the nature of the underlying transaction as described above.



Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when, and only when:

- the rights to receive cash flows from the asset expires;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Group treats the transaction as a transfer of a financial asset if the Group:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it retains control over the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Group could be required to repay ('the guarantee amount'). When the Group's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Group's continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Group's continuing involvement is measured in the same way as that which results from non-cash settled options.

Modification of contractual cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the consolidated statement of income.



When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial liabilities

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets in Accordance with PFRS 9 (applicable in 2019 and 2018)
PFRS 9 introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

The Group recognizes ECL for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL

For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the balance sheet date are recognized.

Stage 2: Lifetime ECL - not credit-impaired

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.



Stage 3: Lifetime ECL - credit-impaired

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade', or when the exposure is less than 30 days past due.

Determining the stage for impairment

At each balance sheet date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to 'Trade receivables'. The Company has established a provision matrix for customer segments that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of Financial Assets in Accordance with PAS 39 (applicable in 2017)

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that



an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the financial asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments

For AFS investments, the Group assesses at each balance sheet date whether there is objective evidence that an investment or group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income) is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on rate of interest used to discount future cash flows for measuring impairment loss. Such accrual is recorded as part of "Interest income" in the consolidated statement of income. If, in subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.



Financial Guarantee Contracts and Loan Commitments

Financial guarantees are contracts issued by the Group that require it to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially recognized in the consolidated financial statements at fair value. Subsequently, these are measured at the higher of:

- the amount of the loss allowance determined in accordance with the ECL model and
- the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of PFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans that can be settled net in cash or by delivering or issuing another financial instrument or that are issued at below-market interest rates.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for financial instruments that include both a loan and an undrawn commitment (i.e. loan commitment) component where the Group cannot separately identify the expected credit losses on the loan commitment component from those on the loan component, the expected credit losses on the loan commitment should be recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses should be recognized as a provision.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements whereby the related assets and liabilities are presented gross in the consolidated balance sheet.

Classification of financial instruments between liability and equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as income or expense. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.



The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Property held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Property, Plant and Equipment

Except for land, property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. The initial cost of property, plant and equipment comprises its purchase price, including import duties, if any, and nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing parts of such property, plant and equipment when that cost is incurred if the recognition criteria are met. Cost also include decommissioning liability relating to the decommissioning of power plant equipment, if any. Repairs and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is stated at cost less any accumulated impairment in value.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Category	Estimated Useful Life (in years)
Buildings, warehouses and improvements	10-50
Power plant equipment	2-50
Transmission, distribution and substation equipment:	
Power transformers	30
Poles and wires	20-40
Other components	12-30
Transportation equipment	5-10
Office furniture, fixtures and equipment	2-20
Electrical equipment	5-25
Meters and laboratory equipment	25
Steam field assets	20-25
Tools and others	2-20



Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts, and any resulting gain or loss is credited or charged to current operations. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each financial year-end.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Leases (prior to adoption of PFRS 16)

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Finance lease

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Obligations arising from plant assets under finance lease agreement are classified in the consolidated balance sheet as lease liabilities.



Lease payments are apportioned between financing charges and reduction of the lease liabilities so as to achieve a constant rate of interest on the remaining balance of the liability. Financing charges are recognized in profit or loss.

Capitalized leased assets are depreciated over the estimated useful life of the assets when there is reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Leases (upon adoption of PFRS 16)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Category	Number of years
Land	10-50
Building	2-50
Power plant	20-25
Equipment and others	2-20

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the



lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Service Concession Arrangements

Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls-through ownership, beneficial entitlement or otherwise-any significant residual interest in the infrastructure at the end of the term of the arrangement, are accounted for under the provisions of Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of this Interpretation if the conditions in (a) are met.

This interpretation applies to both: (a) infrastructure that the entities in the Group constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the entity in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of this Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of contractual arrangements within the scope of this Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.



An entity recognizes and measures revenue in accordance with PFRS 15 (PAS 18 in 2017), for the services it performs. If an entity performs more than one service (i.e. construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

When an entity provides construction or upgrades services, the consideration received or receivable by the entity is recognized at its fair value. An entity accounts for revenue and costs relating to construction or upgrade services in accordance with PFRS 15 (PAS 18 in 2017). Revenue from construction contracts is recognized based on the percentage-of-completion method, measured by reference to the percentage of costs incurred to date to estimated total costs for each contract. The applicable entities account for revenue and costs relating to operation services in accordance with PFRS 15 (PAS 18 in 2017).

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entities have contractual obligations it must fulfill as a condition of its license (a) to maintain the infrastructure to a specified level of serviceability or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures these contractual obligations in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the balance sheet date.

Borrowing cost attributable to the construction of the asset if the consideration received or receivable is an intangible asset, is capitalized during the construction phase. In all other cases, borrowing costs are expensed as incurred.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Software and licenses

Software and licenses are initially recognized at cost. Following initial recognition, the software and licenses are carried at cost less accumulated amortization and any accumulated impairment in value.

The software and licenses is amortized on a straight-line basis over its estimated useful economic life of three to five years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software development costs is available for use. The amortization period and the amortization method for the software development costs are reviewed at each financial year-end. Changes in the estimated useful life is



accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the software development costs.

Service concession right

The Group's intangible asset - service concession right pertains mainly to its right to charge users of the public service in connection with the service concession and related arrangements. This is recognized initially at the fair value which consists of the cost of construction services and the fair value of future fixed fee payments in exchange for the license or right. Following initial recognition, the intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses.

The intangible asset - service concession right is amortized using the straight-line method over the estimated economic useful life which is the service concession period, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated economic useful life is ranging from 18 to 25 years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Franchise

The Group's franchise pertains to VECO's franchise to distribute electricity within an area granted by the Philippine Legislature, acquired in the business combination in 2013. The franchise is initially recognized at its fair value at the date of acquisition. Following initial recognition, the franchise is carried at cost less accumulated amortization and any accumulated impairment losses. The Group's franchise is amortized using the straight-line method over the estimated economic useful life, and assessed for impairment whenever there is an indication that the franchise may be impaired. The estimated economic useful life of the franchise is 40 years. The amortization period and amortization method for franchise are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the franchise are accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimates. The amortization expense on franchise is recognized in the consolidated statement of income in the expense category consistent with its function.

Intangible assets - customer contracts

The Group's intangible assets - customer contracts pertain to contracts entered by subsidiaries relating to the provision of utility services to locators within an industrial zone.

These are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.



The intangible assets - customer contracts are amortized using the straight-line method over the remaining life of the contract, and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and method are reviewed at least at each financial year end.

The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Project development costs

Project development costs include power plant projects in the development phase which meet the "identifiability" requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to "Property, plant and equipment" when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

Research and Development Expenditure

The Group's policy is to record research expenses in the consolidated statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the consolidated balance sheet if the Group can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Investment Properties

Investment properties, which pertain to land and buildings, are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development with a view to sale. For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent



accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

Impairment of Non-financial Assets

Property, plant and equipment, intangible assets, investment and advances and other current and noncurrent assets excluding restricted cash and PSALM deferred adjustment

The Group assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Decommissioning Liability

The decommissioning liability arose from the Group's obligation, under their contracts, to decommission, abandon and perform surface rehabilitation at the end of the useful lives of the steam field assets, or the end of the lease term, or upon abandonment of the plant. A corresponding asset is recognized as part of property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of income under "Interest expense" account. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively.



Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of property, plant and equipment. The amount deducted from the cost of property, plant and equipment, shall not exceed its carrying amount.

If the decrease in the liability exceeds the carrying amount of the property, plant and equipment, the excess shall be recognized immediately in the consolidated statement of income.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against equity.

Retained Earnings

The amount included in retained earnings includes accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of power

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



Revenue from power generation and ancillary services is recognized in the period actual capacity is delivered. Revenue is recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power.

Under PAS 18, revenue from power generation is recognized in the period actual capacity is generated. Under PFRS 15, the Group has concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefit as the seller supplies power.

In contracts with fixed capacity payments which are determined at contract inception, the fixed capacity payments for the entire contract period is determined at day 1 and is recognized over time. Specifically, on contracts where capacity payments are fixed but escalates throughout the contract period without any reference to market indices, the fixed escalation is recognized on a straight-line basis over the contract period.

Some contracts with customers provide unspecified quantity of energy, includes provisional Energy Regulatory Commission (ERC) rates, and volume and prompt payment discounts that give rise to variable consideration. Under PFRS 15, the variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of constraint on variable consideration resulted in the same revenue recognition under PAS 18.

Power distribution and retail supply also qualify as a series of distinct goods or services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation. Revenue is recognized over time and based on amounts billed.

Technical, management and other fees

Technical, management and other fees are recognized when the related services are rendered.

Interest income

Interest is recognized as it accrues taking into account the effective interest method.

Other income

Revenue is recognized when non-utility operating income and surcharges are earned.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Pension Benefits

The Group has defined benefit pension plans which require contributions to be made to separately administered funds. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.



Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.



Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.



Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the balance sheet date.

Income tax relating to items recognized directly in other comprehensive income is also recognized in other comprehensive income and not in the consolidated statement of income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

VAT

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated balance sheet up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Input VAT, which is presented as part of "Other current assets" and/or "Other noncurrent assets" in the consolidated balance sheet, is recognized as an asset and will be used to offset the Group's current output VAT liabilities and/or applied for claim for tax credit certificates. Input VAT is stated at its estimated NRV.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.



Events After the Reporting Period

Post year-end events that provide additional information about the Group's position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Common Share

Basic earnings per common share are computed by dividing consolidated net income for the year attributable to the equity holders of the Company by the weighted average number of common shares issued and outstanding during the year, after giving retroactive effect for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the consolidated net income for the year attributable to the equity holders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Group does not have dilutive potential common shares.

Operating Segments

For management purposes, the Group is organized into two major operating segments (power generation and power distribution) according to the nature of the services provided, with each segment representing a significant business segment. The Group's identified operating segments are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker (CODM). Financial information on the operating segment is presented in Note 31.

4. **Significant Accounting Judgments, Estimates and Assumptions**

The Group's consolidated financial statements prepared in accordance with PFRSs require management to make judgment, estimates and assumptions that affect amount reported in the financial statements and related notes. The judgment, estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Group's consolidated financial statements. Actual results could differ from such estimates. Judgments, estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under circumstances. The following items are those matters which the Group assess to have significant risk arising from judgements and estimation uncertainties:

Judgments

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

Determining functional currency

Based on the economic substance of the underlying circumstances relevant to the companies in the Group, the functional currency of the companies in the Group has been determined to be the Philippine Peso except for certain subsidiaries and an associate whose functional currency is the US Dollar. The Philippine Peso is the currency of the primary economic environment in which companies in the Group operates and it is the currency that mainly influences the sale of power and



services and the costs of power and of providing the services. The functional currency of the Group's subsidiaries and associates is the Philippine Peso except for Therma Mariveles Group, Therma Dinginin Group, and LHC (subsidiaries), and STEAG (associate) whose functional currency is the US Dollar.

Service concession arrangements - Group as Operators

Based on management's judgment, the provisions of Philippine Interpretation IFRIC 12 apply to SEZ's Distribution Management Service Agreement (DMSA) with Subic Bay Metropolitan Authority (SBMA); MEZ's Built-Operate-Transfer agreement with Mactan Cebu International Airport Authority (MCIAA) and LHC's Power Purchase Agreement (PPA) with the National Power Corporation (NPC). SEZ, MEZ and LHC's service concession agreements were accounted for under the intangible asset model.

The Company's associate, STEAG, has also determined that the provisions of Philippine Interpretation IFRIC 12 apply to its PPA with NPC. STEAG's service concession agreement was accounted for under the financial asset model. Refer to the accounting policy on service concession arrangements for the discussion of intangible asset and financial asset models.

Determining fair value of customers' deposits

In applying PFRS 9 on transformer and lines and poles deposits, the Group has made a judgment that the timing and related amounts of future cash flows relating to such deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using alternative valuation techniques since the expected timing of customers' refund or claim for these deposits cannot be reasonably estimated. These customers' deposits, which are therefore stated at cost, amounted to ₱6.52 billion and ₱6.01 billion as of December 31, 2019 and 2018, respectively (see Note 18).

Finance lease - Group as the lessee, applicable under Philippine Interpretation IFRIC 4 and PAS 17 (see Note 3 application of transition relief)

In accounting for its Independent Power Producer (IPP) Administration Agreement with PSALM, the Group's management has made a judgment that the IPP Administration Agreement of TLI is an arrangement that contains a lease. The Group's management has made a judgment that TLI has substantially acquired all the risks and rewards incidental to ownership of the power plant principally by virtue of its right to control the capacity of power plant and its right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration. Accordingly, the Group accounted for the agreement as a finance lease and recognized the power plant and lease liability at the present value of the agreed monthly payments to PSALM (see Note 35).

The power plant is depreciated over its estimated useful life, as there is reasonable certainty that the Group will obtain ownership by the end of the lease term. As of December 31, 2019 and 2018, the carrying value of the power plant amounted to ₱33.58 billion and ₱34.67 billion, respectively (see Notes 12 and 35). The carrying value of the lease liability related to this contract amounted to ₱42.07 billion and ₱46.89 billion as of December 31, 2019 and 2018, respectively (see Note 35).



Nonconsolidation of Manila-Oslo Renewable Enterprise, Inc. (MORE) and its investees, ATI and GNPowder Dinginin Ltd. Co. (GNPD)

The Group has 83.33% interest in MORE which has a 60% ownership interest in SN Aboitiz Power-Magat, Inc. (SNAP M), SN Aboitiz Power-Benguet, Inc. (SNAP B), SN Aboitiz Power-RES, Inc. (SNAP RES), and SN Aboitiz Power-Generation, Inc.

The Group has 72.5% interest in GNPD.

The Group does not consolidate MORE and GNPD since it does not have the ability to direct the relevant activities which most significantly affect the returns of MORE and its investees, and GNPD. This is a result of partnership and shareholders' agreements which, among others, stipulate the management and operation of MORE and GNPD. Management of MORE and GNPD are vested in their respective BOD or "Management Committee" and the affirmative vote of the other shareholders or partners is required for the approval of certain company actions which include financial and operating undertakings (see Note 10).

Determining a joint operation

The Group has 50% interest in Pagbilao Energy Corporation (PEC). The Group assessed that the joint arrangement is a joint operation as 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.

Classification of financial instruments

The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet.

Contractual cash flows assessment

For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

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

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

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



Evaluation of business model in managing financial instruments

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

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

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

Identifying performance obligations under PFRS 15 in 2019 and 2018

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

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

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

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

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



Revenue recognition under PFRS 15 in 2019 and 2018

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

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

Identifying methods for measuring progress of revenue recognized over time under PFRS 15 in 2019 and 2018

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

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

For power generation and ancillary services:

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

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

Determining method to estimate variable consideration and assessing the constraint under PFRS 15 in 2019 and 2018

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

Some contracts with customers provide unspecified quantity of energy, provisional ERC rates, and volume and prompt payment discounts that give rise to variable consideration. In estimating the variable consideration, the Group applies the expected value method in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.



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

Allocation of variable consideration under PFRS 15 in 2019 and 2018

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Acquisition accounting

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed be recorded at the date of acquisition at their respective fair values.

The application of the acquisition method requires certain estimates and assumptions especially concerning the determination of the fair values of acquired intangible assets and property, plant and equipment as well as liabilities assumed at the date of the acquisition. Moreover, the useful lives of the acquired intangible assets and property, plant and equipment have to be determined.

The judgments made in the context of the purchase price allocation can materially impact the Group's future results of operations. Accordingly, for significant acquisitions, the Group obtains assistance from third party valuation specialists. The valuations are based on information available at the acquisition date (see Note 9).

Estimating allowance for impairment losses on investments and advances

Investments and advances are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no impairment indicators in 2019 and 2018 based on management's assessment. The carrying amounts of the investments and advances amounted to P60.88 billion and P34.33 billion as of December 31, 2019 and 2018, respectively (see Note 10).

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2019



and 2018 amounted to P40.88 billion and P40.22 billion, respectively. Goodwill impairment recognized in 2018 amounted to P45.93 million (see Note 13). No impairment of goodwill was recognized in 2019 and 2017.

Estimating useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of December 31, 2019 and 2018, the net book values of property, plant and equipment, excluding land and construction in progress, amounted to P204.07 billion and P170.37 billion, respectively (see Note 12).

Estimating residual value of property, plant and equipment

The residual value of the Group's property, plant and equipment is estimated based on the amount that would be obtained from disposal of the asset, after deducting estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life. Such estimation is based on the prevailing price of property, plant and equipment of similar age and condition. The estimated residual value of each asset is reviewed periodically and updated if expectations differ from previous estimates due to changes in the prevailing price of a property, plant and equipment of similar age and condition. As of December 31, 2019 and 2018, the aggregate net book values of property, plant and equipment, excluding land and construction in progress, amounted to P204.07 billion and P170.37 billion, respectively (see Note 12).

Estimating useful lives of intangible asset - franchise

The Group estimates the useful life of VECO distribution franchise based on the period over which the asset is estimated to be available for use over 40 years, which consist of the 15 years remaining contract period from the date of business combination and an expected probable renewal covering another 25 years. As of December 31, 2019 and 2018, the carrying value of the franchise amounted to P2.57 billion and P2.65 billion, respectively (see Note 13).

Estimating useful lives of intangible asset - service concession rights

The Group estimates the useful lives of intangible asset arising from service concessions based on the period over which the asset is expected to be available for use which is 18 to 25 years. The Group has not included any renewal period on the basis of uncertainty, as of balance sheet date, of the probability of securing renewal contracts at the end of the original contract term. As of December 31, 2019 and 2018, the aggregate net book values of intangible asset - service concession rights amounted to P2.41 billion and P2.79 billion, respectively (see Note 13).

Assessing impairment of nonfinancial assets

The Group assesses whether there are any indicators of impairment for nonfinancial assets at each balance sheet date. These nonfinancial assets (property, plant and equipment, intangible assets (excluding goodwill), and other current and noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.



Determining the recoverable amount of non-financial assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the property, plant and equipment, intangible assets (excluding goodwill), and other current and noncurrent assets are impaired. Any resulting impairment loss could have a material adverse impact on the consolidated balance sheet and consolidated statement of income.

As of December 31, 2019 and 2018, the aggregate net book values of these assets amounted to ₱228.70 billion and ₱228.45 billion, respectively (see Notes 8, 12, 13 and 14). Impairment losses recognized on these non-financial assets in 2019, 2018 and 2017 amounted to nil, ₱740.3 million and ₱3.13 billion, respectively (see Notes 12, 13 and 14).

Measurement of expected credit losses under PFRS 9 in 2019 and 2018

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- *Financial guarantee contracts:* as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The Group leverages existing risk management indicators (e.g. internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Group to identify whether the credit risk of financial assets has significantly increased.

Inputs, assumptions and estimation techniques under PFRS 9 in 2019 and 2018

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of default*
The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures. The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.



- *Loss given default*
Loss Given Default represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD.
- *Exposure at default*
EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by customer segment.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies including contracted debt sales and price.

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs change are monitored and reviewed on a quarterly basis.

Simplified approach for trade receivables under PFRS 9 in 2019 and 2018

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for various customer segments that have similar loss patterns (i.e., by geography, customer segment and coverage by letters of credit).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial segment, the historical default rates are adjusted. At every balance sheet date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.



The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of forward-looking information under PFRS 9 in 2019 and 2018

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: unemployment rates, inflation rates, gross domestic product growth and net personal income growth.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

An increase in the Group's allowance for expected credit losses of trade and other receivables will increase the Group's recorded expenses and decrease current assets. As of December 31, 2019 and 2018, allowance for expected credit losses amounted to ₱1.97 billion and ₱1.75 billion, respectively. Trade and other receivables, net of allowance for ECL, amounted to ₱21.75 billion and ₱21.72 billion as of December 31, 2019 and 2018, respectively (see Note 6).

Estimating allowance for inventory obsolescence

The Group estimates the allowance for inventory obsolescence based on the age of inventories. The amounts and timing of recorded expenses for any period would differ if different judgments or different estimates are made. An increase in allowance for inventory obsolescence would increase recorded expenses and decrease current assets. As of December 31, 2019 and 2018, allowance for inventory obsolescence amounted to ₱88.2 million and ₱34.2 million, respectively. The carrying amount of the inventories amounted to ₱6.63 billion and ₱6.69 billion as of December 31, 2019 and 2018, respectively (see Note 7).



Estimating the incremental borrowing rate (IBR)

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. The carrying amount of the lease liabilities amounted to ₱44.79 billion and ₱46.89 billion as of December 31, 2019 and 2018, respectively, (see Note 35).

Estimating decommissioning liability

Under the Geothermal Resource Service Contract (GRSC), the Group has a legal obligation to decommission, abandon and perform surface rehabilitation on its steam field asset at the end of its useful life. The Group also has a legal obligation under its land lease agreements to decommission the power plants at the end of its lease term. The Group recognizes the present value of the obligation to decommission the plant, abandon and perform surface rehabilitation of the steam field asset and capitalizes the present value of these costs as part of the balance of the related property, plant and equipment, which are being depreciated and amortized on a straight-line basis over the useful life of the related asset.

These costs are accrued based on in-house estimates, which incorporates estimates of the amount of obligations and interest rates, if appropriate. Assumptions used to compute the provision are reviewed and updated annually. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense, included under "interest expense" in the consolidated statement of income.

Changes in the decommissioning liability that result from a change in the current best estimate of cash flow required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset and the periodic unwinding of the discount on the liability is recognized in the consolidated statement of income as it occurs.

While the Group has made its best estimate in establishing the decommissioning provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Group's current estimates.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Decommissioning liability amounted to ₱3.57 billion and ₱3.68 billion as of December 31, 2019 and 2018, respectively, (see Note 19).

Recognition of deferred income tax assets

The Group reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. The



Group recognize deferred taxes based on enacted or substantially enacted tax rates for renewable of 10% and for non-renewable of 30%. The Group has deferred income tax assets amounting to ₱4.36 billion and ₱4.27 billion as of December 31, 2019 and 2018, respectively (see Note 29).

The Group did not recognize deferred income tax assets on Minimum Corporate Income Tax (MCIT) amounting to ₱67.7 million and ₱58.3 million as of December 31, 2019 and 2018, respectively, and Net Operating Loss Carryover (NOLCO) amounting to ₱7.80 billion and ₱5.44 billion as of December 31, 2019 and 2018, respectively, since management expects that it will not generate sufficient taxable income in the future that will be available to allow all of the deferred income tax assets to be utilized (see Note 29).

Pension benefits

The cost of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 27.

Net benefit expense amounted to ₱182.3 million in 2019, ₱195.7 million in 2018, and ₱219.4 million in 2017. The net pension assets as of December 31, 2019 and 2018 amounted to ₱68.2 million and ₱127.0 million, respectively. Net pension liabilities as of December 31, 2019 and 2018 amounted to ₱426.0 million and ₱244.9 million, respectively.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be derived from active markets, their fair value is determined using valuation techniques which include the discounted cash flow model and other generally accepted market valuation model. The inputs for these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The fair values of the Group's financial instruments are presented under Note 34.

Legal contingencies

The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Group's consolidated financial statements for the years ended December 31, 2019, 2018 and 2017.



5. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	₱14,177,919	₱11,426,051
Short-term deposits	23,256,010	34,916,990
	₱37,433,929	₱46,343,041

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposits rates. Interest income earned from cash and cash equivalents amounted to ₱1.29 billion in 2019, ₱880.1 million in 2018, and ₱907.6 million in 2017.

6. Trade and Other Receivables

	2019	2018
Trade receivables - net of allowance for expected credit losses of ₱1.97 billion and ₱1.75 billion in 2019 and 2018, respectively (Notes 32 and 33)	₱12,958,429	₱12,810,034
Others:		
Dividends receivable (Note 10)	1,199,068	665,783
Advances to contractors	63,339	148,300
Accrued revenue	3,462,523	3,476,120
Non-trade receivable	2,450,311	2,872,224
Interest receivable	48,666	91,992
PSALM deferred adjustment (Note 40k)	1,042,861	1,042,861
Others	522,225	614,462
	₱21,747,422	₱21,721,776

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

For terms and conditions relating to related party receivables, refer to Note 32.

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

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

Non-trade receivable relates mostly to receivable of GMCP from NGCP related to the sale of transmission assets in 2019 and advances to partners in GMCP which are subject to offset against any cash dividends declared by GMCP and due to the partners in 2018.



The rollforward analysis of allowance for expected credit losses as of December 31, 2019 and 2018, which pertains to trade receivables, is presented below:

	2019	2018
January 1	P1,749,991	P1,774,838
Transition adjustment and translation effect	-	86,936
Provision (see Note 24)	87,086	235,818
Write-off	(89,496)	(347,601)
Effect of changes in foreign exchange rate	225,939	-
December 31	<u>P1,973,520</u>	<u>P1,749,991</u>

7. Inventories

	2019	2018
Fuel	P2,514,447	P3,521,390
Plant spare parts and supplies	2,507,832	2,245,805
Transmission and distribution supplies	1,492,222	915,168
Other parts and supplies	117,528	8,090
	<u>P6,632,029</u>	<u>P6,690,453</u>

Inventories are carried at lower of cost and NRV as of December 31, 2019 and 2018.

The cost of inventories recognized as part of cost of generated power in the consolidated statements of income amounted to P29.39 billion in 2019, P29.42 billion in 2018, and P22.32 billion in 2017 (see Note 23). The cost of inventories recognized as part of operations and maintenance in the consolidated statements of income amounted to P353.70 million in 2019, P286.71 million in 2018, and P412.1 million in 2017 (see Note 25). Write-down on inventories to arrive at NRV amounted to P54.0 million and nil in 2019 and 2018, respectively.

8. Other Current Assets

	2019	2018
Restricted cash (Note 17)	P4,449,716	P5,289,145
input VAT	2,049,496	2,673,822
Prepaid tax	1,854,792	2,171,352
Advances to National Grid Corporation of the Philippines (NGCP)	1,727,028	1,725,176
Prepaid expenses	610,426	722,066
Prepaid rent (Note 35)	-	93,894
Others	391,947	530,480
	<u>P11,083,405</u>	<u>P13,205,935</u>

Restricted cash represents proceeds from sale of power under the control of trustees of TVI and TSI's lenders as per loan agreement (see Note 17). The asset will be used to pay the current portion of loans payable and interest payments in the following period.



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

Prepaid expenses mainly include prepayments for insurance.

9. Business Combination

Step-acquisition of Sacasun

In 2014, ARI and SunEdison Inc. (SEI), entered into a joint framework agreement to develop solar photovoltaic projects in the Philippines. Pursuant to their agreement, SEI, the ultimate parent company of SunE Solar B.V. (SunE BV) and Sunedison Philippines Helios B.V. (Helios BV), and ARI invested in MHSCI and Sacasun for the 59-MWp solar project in San Carlos City, Negros Occidental.

On December 27, 2017, API completed its acquisition of 100% equity interest in Helios BV from SunE BV. The transaction resulted in API owning all the issued and outstanding shares of Helios BV, which owns a 40% equity interest in each of MHSCI and Sacasun. MHSCI owns 25% of Sacasun. This increased the Company's indirect ownership interest in MHSCI and SACASUN to 100%.

The transaction was accounted for as a business combination achieved in stages. The purchase price allocation in the step-acquisition of Sacasun was finalized in 2018. The fair value of the previously-held interest as at the date of acquisition is P330.9 million. The resulting bargain purchase gain of P328.7 million and the loss on remeasurement of previously held interest of P18.5 million are included in other income as "Bargain purchase gain" in the 2017 consolidated statement of income (see Note 28). The bargain purchase gain is mainly due to the purchase price reflecting the ongoing difficulty of SEI as confirmed by its bankruptcy declaration which affected its ability to fulfill loan obligations.



10. Investments and Advances

	2019	2018
Acquisition cost:		
Balance at beginning of the year	P30,559,245	P28,140,556
Additions during the year	27,591,092	2,498,905
Redemptions during the year	(5,340)	(80,216)
Balance at end of year	58,144,997	30,559,245
Accumulated equity in net earnings:		
Balance at beginning of the year	3,867,849	3,666,971
Transition adjustment (see Note 3)	(18,691)	-
Share in net earnings	3,813,962	4,356,825
Dividends received or receivable	(4,317,956)	(4,155,947)
Balance at end of year	3,345,164	3,867,849
Share in net unrealized valuation gain on FVOCI investment of an associate	101,727	101,727
Share in actuarial gain (loss) on defined benefit plans of associates and joint ventures	(14,299)	29,729
Share in cumulative translation adjustments of associates and joint ventures	(153,485)	321,139
	(66,057)	452,595
	61,424,104	34,879,689
Less allowance for impairment losses	568,125	568,125
Investments at equity	60,855,979	34,311,564
Advances	22,562	22,562
	P60,878,541	P34,334,126

As of December 31, 2019 and 2018, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings amounting to P3.35 billion and P3.87 billion, respectively, are not available for distribution to the stockholders unless declared by the investees (see Note 20).

2019

In 2019, the Group, through TPI and ATI, made capital contributions to GNPD amounting to US\$81.45 million (P4.21 billion).

In 2019, AEV Aviation, Inc. (AAI) redeemed 5,340 redeemable preferred shares (RPS) held by the Company for P5.34 million.

Acquisition of ATI

On May 2, 2019, the Company completed its acquisition of a 49% voting stake and a 60% economic stake in ATI, AC Energy's thermal platform in the Philippines. The transaction is valued at \$572.9 million (P29.79 billion).

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



The completion of the transaction increases the Company's economic interests in GMCP, and GNPD to 78.3%, and 75.0%, respectively.

2018

In 2018, the Group, through TPI, made capital contributions to GNPD amounting to US\$47.0 million (P2.50 billion).

In 2018, AEV Aviation, Inc. (AAI) redeemed 80,216 RPS held by the Company for P80.2 million.

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

	Nature of Business	Percentage of Ownership		
		2019	2018	2017
MORE ¹	Holding company	83.33	83.33	83.33
GNPD ^(L, J)	Power generation	72.50	45.00	47.50
ATI ³	Holding company	60.00	-	-
Hijos de F. Escañó, Inc. (Hijos)	Holding company	46.73	46.73	46.73
Mazzaraty Energy Corporation (MEC)	Retail electricity supplier	44.87	44.87	44.87
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	43.78	43.78	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding company	42.84	42.84	42.84
La Filipina Elektrika, Inc. (LFEI) [*]	Power generation	40.00	40.00	40.00
STEAG	Power generation	34.00	34.00	34.00
AAI	Service	26.69	26.69	26.69
Cebu Energy Development Corporation (CEDC)	Power generation	26.40	26.40	26.40
RPEI ⁴	Power generation	25.00	25.00	25.00
Southern Philippines Power Corporation (SPPC)	Power generation	20.00	20.00	20.00
Western Mindanao Power Corporation (WMPC)	Power generation	20.00	20.00	20.00

¹ Joint ventures

² GNPD change in ownership based on the Partnership Agreement and in 2019 due to ATI acquisition.

³ Economic interest

^{*} No commercial operations as of December 31, 2019.

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

All ownership percentages presented in the table above are direct ownership of the Group except for GNPD and SFELAPCO. As of December 31, 2019, ATI has an indirect ownership in GNPD of 50% while the Group's direct ownership in GNPD is 42.50% resulting to the Group's effective ownership in GNPD of 72.50%. PEVI has direct ownership in SFELAPCO of 54.83% while the Group's direct ownership in SFELAPCO is 20.29% resulting to the Group's effective ownership in SFELAPCO of 43.78%.



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

	2019	2018
ATI	P24,084,947	P-
GNPD	17,172,530	14,789,971
MORE	10,180,552	10,235,695
STEAG	4,032,405	4,185,758
CEDC	3,447,491	3,192,609
RPEI	525,769	528,383
PEVI	508,895	472,095
SFELAPCO	372,917	385,272
Hijos	176,037	176,037
WMPC	142,577	106,524
SPPC	61,497	81,856
Others	150,362	157,364
	P60,855,979	P34,311,564

Following is the summarized financial information of significant associates and joint ventures:

	2019	2018	2017
MORE:			
Total current assets	P681,925	P141,293	P126,125
Total noncurrent assets	12,222,826	12,196,002	11,889,592
Total current liabilities	(610,443)	(54,462)	(56,336)
Total noncurrent liabilities	(75,721)	-	-
Equity	P12,218,587	P12,282,833	P11,959,381
Gross revenue	P198,636	P180,236	P170,236
Operating profit	3,750,522	4,133,911	4,893,753
Net income	3,732,874	4,125,996	4,891,630
Other comprehensive income (loss)	(152,630)	96,116	55,115
Group's share in net income	P3,110,204	P3,439,589	P4,160,480
Additional information:			
Cash and cash equivalents	P34,480	P31,873	P16,134
Current financial liabilities	11,745	54,462	56,336
Noncurrent financial liabilities	43,821	-	-
Depreciation and amortization	18,163	7,347	11,272
Interest income	1,175	808	740
Interest expense	(4,272)	-	-
Income tax expense	14,373	9,043	2,868

(Forward)



	2019	2018	2017
WMPC:			
Total current assets	P643,983	P717,162	P695,570
Total noncurrent assets	348,174	454,108	418,808
Total current liabilities	(193,157)	(551,781)	(457,032)
Total noncurrent liabilities	(83,804)	(74,341)	(82,718)
Equity	P715,196	P545,148	P574,628
Gross revenue	P1,157,772	P1,393,417	P1,439,482
Operating profit	280,417	13,006	98,838
Net income	196,693	20,521	71,933
Other comprehensive loss	-	-	-
Group's share in net income	P36,053	P4,104	P14,387
SPPC:			
Total current assets	P148,228	P182,303	P344,106
Total noncurrent assets	265,422	311,472	364,648
Total current liabilities	(39,137)	(36,361)	(221,096)
Total noncurrent liabilities	(76,324)	(58,491)	(68,326)
Equity	P298,189	P398,923	P419,332
Gross revenue	P-	P160,831	P523,854
Operating profit	(88,013)	(19,307)	133,508
Net income (loss)	(77,296)	(23,407)	272,756
Other comprehensive income	-	-	-
Group's share in net income (loss)	(P20,359)	(P4,681)	P19,101
SFELAPCO*:			
Total current assets	P1,135,431	P1,104,307	P1,576,530
Total noncurrent assets	2,691,104	2,567,663	2,215,130
Total current liabilities	(868,787)	(763,966)	(770,041)
Total noncurrent liabilities	(784,368)	(699,175)	(751,789)
Equity	P2,173,380	P2,208,829	P2,269,830
Gross revenue	P4,448,624	P4,088,124	P4,211,674
Operating profit	479,553	408,160	366,492
Net income	342,199	302,677	671,268
Other comprehensive income (loss)	(51,500)	(63,679)	334,246
Group's share in net income	P164,080	P168,307	P323,674
STEAG:			
Total current assets	P3,107,046	P3,459,931	P2,688,544
Total noncurrent assets	9,967,406	10,477,098	10,348,729
Total current liabilities	(1,379,138)	(1,672,896)	(1,394,855)
Total noncurrent liabilities	(2,840,129)	(3,262,770)	(3,453,496)
Equity	P8,855,185	P9,001,363	P8,188,922
Gross revenue	P4,812,414	P4,468,016	P4,502,920
Operating profit	1,250,028	1,115,567	1,020,846
Net income	1,150,501	687,186	516,893
Other comprehensive income (loss)	(29,106)	(37,173)	4,750
Group's share in net income	P249,432	P87,508	P25,744

(Forward)



	2019	2018	2017
CEDC:			
Total current assets	P5,199,140	P4,986,619	P5,419,700
Total noncurrent assets	12,842,201	13,371,586	14,308,208
Total current liabilities	(2,496,096)	(2,158,754)	(2,444,036)
Total noncurrent liabilities	(7,672,244)	(8,943,522)	(10,422,073)
Equity	P7,873,001	P7,255,929	P6,861,799
Gross revenue	P8,578,452	P9,728,163	P8,751,540
Operating profit	3,017,831	3,300,164	3,183,144
Net income	2,317,071	1,880,853	1,686,941
Other comprehensive income	29,483	13,277	2,451
Group's share in net income	P1,002,882	P827,576	P742,254
ATI			
Total current assets	P75,243	P-	P-
Total noncurrent assets	14,827,626	-	-
Total current liabilities	(7,762)	-	-
Total noncurrent liabilities	-	-	-
Equity	P14,895,107	P-	P-
Gross revenue	P-	P-	P-
Operating profit	-	-	-
Net income	-	-	-
Other comprehensive income	-	-	-
Group's share in net loss	P-	P-	P-
GNPD			
Total current assets	P1,612,549	P1,705,863	P2,486,668
Total noncurrent assets	67,043,356	40,707,048	16,762,108
Total current liabilities	(5,623,202)	(3,342,924)	(539,651)
Total noncurrent liabilities	(48,514,482)	(29,473,440)	(14,242,277)
Equity	P14,518,221	P9,596,547	P4,466,848
Gross revenue	P-	P-	P-
Operating loss	(1,161,098)	(352,858)	(251,703)
Net loss	(1,160,004)	(68,174)	(376,336)
Other comprehensive income	-	-	-
Group's share in net loss	(P726,682)	(P15,435)	(P188,167)
Additional Information:			
Cash and cash equivalents	P1,093,991	P911,642	P1,869,486
Current financial liabilities	2,033,297	3,246,671	513,281
Noncurrent financial liabilities	48,514,482	29,473,440	14,019,562
Depreciation and amortization	61,005	41,169	26,252
Interest income	590	487	182
Interest expense	(63,928)	(28,073)	(30,809)
Income tax expense	395,945	158,506	91,790

(Forward)



	2019	2018	2017
Others**:			
Total current assets	P403,979	P453,445	P1,116,846
Total noncurrent assets	2,831,067	2,842,300	3,395,270
Total current liabilities	(31,272)	(62,706)	(16,405)
Total noncurrent liabilities	(111,875)	(110,557)	(5,497)
Gross revenue	P150,059	P160,695	P133,022
Net income (loss)	(8,856)	(727,830)	13,318

*Amounts are based on appraised values which are adjusted to historical amounts upon equity take-up of the Group. Using cost method in accounting for property, plant and equipment net income amounted to P374.8 million, P952.8 million and P745.1 million in 2019, 2018, and 2017, respectively, for SFELAPCO.
 **The financial information of insignificant associates and joint ventures is indicated under "Others".

11. Joint Operation

Name of Joint Operation	Nature of Business	Percentage of Ownership		
		2019	2018	2017
PEC	Power generation	50.00	50.00	50.00

*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 consolidated financial statements on a line-by-line basis.



12. Property, Plant and Equipment

December 31, 2019

Cost:	Land	Improvements	Buildings, warehouses and improvements	Power plant equipment and steam field assets (Note 19)	Transmission, distribution and substation equipment	Transportation equipment	Office furniture, fixtures and equipment	Leasehold improvements	Electrical equipment	Meters and laboratory equipment	Tools and others	Construction in progress	ROU assets (Note 35)	Total
Balances at beginning of year, as previously stated	\$1,541,756	\$21,356,246	\$168,443,359	\$19,458,140	\$1,570,064	\$1,652,237	\$2,774,370	\$5,685,213	\$1,892,174	\$1,335,213	\$37,835,549	\$37,840,369	\$266,114,977	
Effect of adoption - PFRS 16 (see Note 3)	-	-	[34,669,713]	-	-	-	-	-	-	-	-	-	-	
Balances at beginning of year, as restated	1,541,756	21,356,246	133,773,646	19,458,140	1,570,064	1,652,237	2,774,370	5,685,213	1,892,174	1,335,213	37,835,549	37,840,369	266,114,977	
Additions (see Notes 15 and 19)	286,097	240,684	1,032,129	198,729	136,388	136,388	5,994	32,589	7,830,741	32,465	24,289	-	9,700,065	
Disposals	-	[3,849]	[413,521]	[29,832]	[18,132]	[27,537]	-	(400)	[1,511]	-	[2,363]	-	(597,745)	
Reclassifications and others	57,357	15,625,247	7,556,067	1,867,104	[22,940]	13,555	13,178	2,091,459	373,198	[137,174]	[39,352,442]	-	[11,915,411]	
Balances at end of year	1,785,250	37,218,338	141,948,261	21,295,612	1,626,721	1,774,543	2,793,542	7,789,261	2,265,372	1,228,593	6,311,485	37,864,618	263,391,886	
Accumulated Depreciation and Amortization	-	-	4,489,697	37,371,244	948,524	847,093	595,409	2,482,478	78,758	657,930	-	-	52,699,469	
Balances at beginning of year	-	-	749,417	5,970,481	168,397	123,588	131,678	278,904	93,374	80,343	-	-	1,223,073	
Depreciation and amortization	-	-	(3,849)	(70,556)	(29,432)	(95,904)	(27,346)	(400)	-	(2,072)	-	-	(229,559)	
Disposals	-	-	(258,105)	(11,181,920)	(24,273)	(17,830)	(45,283)	5,430	(115,262)	-	-	-	(11,567)	
Reclassifications and others	-	4,977,159	32,089,849	5,738,598	956,744	870,505	681,894	3,281,314	177,562	620,939	-	-	1,211,506	
Balances at end of year	-	-	486,283	486,283	2,088	792	251	-	-	2,645,029	-	-	3,134,440	
Accumulated impairment	\$1,785,250	\$17,241,169	\$109,372,132	\$15,557,214	\$627,889	\$303,346	\$2,111,487	\$4,507,547	\$608,054	\$1,666,456	\$36,553,112	\$209,571,466	-	
Net book values	-	-	-	-	-	-	-	-	-	-	-	-	-	



December 31, 2018

	Land	Buildings, warehouses and improvements	Power plant equipment and stored field assets (Note 19)	Transmission, distribution and substation equipment	Transportation equipment	Office furniture and equipment	Leasehold improvements	Electrical equipment	Meters and laboratory equipment	Toile and related	Construction in progress	Total
Cost:												
Balances at beginning of year	\$1,596,788	\$21,495,721	\$141,380,362	\$17,401,054	\$1,405,923	\$924,894	\$2,762,709	\$5,500,971	\$1,551,939	\$1,253,071	\$55,263,403	\$251,534,835
Additions (see Notes 15 and 19)	32,391	86,872	1,496,624	3,121,508	218,259	156,385	11,770	169,545	98,907	74,095	7,905,143	11,371,473
Disposals	(4,316)	(178,389)	(461,778)	(18,163)	(74,429)	(54,926)	-	(6,089)	-	(40)	-	(797,930)
Reclassifications and others	(83,107)	(48,158)	26,028,351	953,741	30,311	25,884	(109)	20,786	261,328	9,113	(26,331,997)	835,943
	1,541,756	21,356,246	168,443,359	19,458,140	1,570,064	1,052,237	2,774,370	5,685,213	1,892,174	1,335,213	37,835,549	261,944,321
Balances at end of year												
Accumulated Depreciation and Amortization:												
Balances at beginning of year	-	3,660,718	31,734,935	4,665,817	836,705	678,802	468,165	2,725,590	(9,518)	500,048	-	44,861,372
Depreciation and amortization	-	773,309	5,958,157	585,036	165,986	173,959	127,244	258,944	89,272	(8,648)	-	8,189,355
Disposals	-	(151,677)	(225,945)	(24,030)	(62,592)	(10,893)	-	(2,054)	-	(562)	-	(486,743)
Reclassifications and others	-	207,547	(95,303)	903	8,425	14,135	-	(2)	4	(224)	-	135,485
Balances at end of year	-	4,489,097	37,371,844	5,227,736	948,524	847,993	595,409	2,482,478	78,758	657,930	-	52,699,469
Accumulated impairment:												
Balances at beginning of year	-	-	-	-	2,088	792	251	-	-	-	2,645,029	2,648,160
Impairment (see Note 28)	-	-	486,280	-	-	-	-	-	-	-	2,645,029	486,280
Balances at end of year	-	-	486,280	-	2,088	792	251	-	-	-	2,645,029	3,134,440
Net book values	\$1,541,756	\$16,866,549	\$130,985,235	\$14,230,404	\$619,452	\$204,352	\$2,178,710	\$3,202,735	\$1,813,416	\$677,283	\$35,190,520	\$207,110,412



In 2019 and 2018, the Group has determined that an impairment test has to be performed on certain segments of its property, plant and equipment amounting to ₱3.55 billion and ₱5.44 billion, respectively. In performing an impairment test calculation, the Group determined the recoverable amount of the relevant property, plant and equipment through value in use (VIU). VIU is derived based on financial budgets prepared by senior management covering the project's entire life. Pre-tax discount rate of 9.83% in 2019 and 13.00% - 16.14% in 2018 was used.

The calculation of value in use of these property, plant and equipment are most sensitive to the following assumptions:

- Discount rate - Discount rate reflects the management's estimate of risks applicable to these projects. The benchmark used by the management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, consideration has been given to various market information, including, but not limited to, government bond yield, bank lending rates and market risk premium.
- Material price inflation - Estimates are obtained from published indices from which the materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available, otherwise past actual material price movements are used as an indicator of future price movement.
- Growth rate - The long-term rate used to extrapolate future cash flows excludes expansions and potential improvements in the future. Management also recognized the possibility of new entrants, which may have significant impact on existing growth rate assumptions. Management however, believes that new entrants will not have a significant adverse impact on the forecasts included in the financial budget.

The impairment test calculation has not resulted to any recognition of an impairment loss in 2019 and 2018.

In 2019 and 2018, movements to power plant equipment and steam field assets includes adjustment in the decommissioning liability due to the change in accounting estimate amounting to ₱321.9 million and ₱560.0 million, respectively (see Note 19).

In 2019 and 2018, additions to "Construction in progress" include capitalized borrowing costs, net of interest income earned from short-term deposits amounted to ₱890.0 million and ₱2.51 billion, respectively (see Note 17). The rate used to determine the amount of borrowing costs eligible for capitalization ranged from 5.7% to 9.4% and 4.9% to 9.4% which are the effective interest rate of the specific borrowings in 2019 and 2018, respectively.

Property, plant and equipment with carrying amounts of ₱124.00 billion and ₱126.90 billion as of December 31, 2019 and 2018, respectively, are used to secure the Group's long-term debts (see Note 17).

Fully depreciated property and equipment with gross carrying amount of ₱5.91 billion and ₱5.00 billion as of December 31, 2019 and 2018, respectively, are still in use.



A significant portion of the Group's property, plant and equipment relates to various projects under "Construction in progress" as of December 31, 2019 and 2018, as shown below:

Project Company	Estimated Cost to Complete (in millions)		% of Completion	
	2019	2018	2019	2018
TVI	₱114	₱7,246	99.7%	81%

As of December 31, 2018, the Group classifies its transmission assets as property held for sale as an ongoing negotiation for the sale of these assets with NGCP which is expected to be consummated in 2019. The property held for sale was recorded at its recoverable amount of ₱675.8 million (see Note 28). In 2019, the Deed of Sale was signed and executed.

13. Intangible Assets

	2019	2018
Goodwill	₱40,876,082	₱40,224,411
Service concession rights	2,406,320	2,789,610
Franchise	2,571,772	2,648,732
Project development costs	622,491	388,468
Customer contracts	—	8,582
Software and licenses	235,836	105,691
	₱46,712,501	₱46,165,494



The table below shows the rolforward of intangible assets:

December 31, 2019

	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
Cost:						
Balances at beginning of year	₱5,478,607	₱3,078,431	₱388,468	₱60,068	₱107,338	₱9,312,912
Additions during the year	60,625	-	234,023	-	160,785	455,433
Exchange differences	(82,316)	-	-	-	-	(82,316)
Balances at end of year	5,456,916	3,078,431	622,491	60,068	468,123	9,686,029
Accumulated amortization:						
Balances at beginning of year	2,688,997	429,699	-	51,486	201,647	3,371,829
Amortization	361,599	76,960	-	8,582	30,640	477,781
Balances at end of year	3,050,596	506,659	-	60,068	232,287	3,849,610
Net book values	₱2,406,320	₱2,571,772	₱622,491	₱-	₱235,836	₱5,836,419

December 31, 2018

	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
Cost:						
Balances at beginning of year	₱5,299,470	₱3,078,431	₱263,436	₱60,068	₱252,690	₱8,954,095
Additions during the year	50,410	-	175,954	-	54,648	281,012
Impairment	-	-	(50,922)	-	-	(50,922)
Exchange differences	128,727	-	-	-	-	128,727
Balances at end of year	5,478,607	3,078,431	388,468	60,068	307,338	9,312,912
Accumulated amortization:						
Balances at beginning of year	2,827,513	352,738	-	40,045	159,485	2,879,781
Amortization	361,484	76,961	-	11,441	42,162	492,048
Balances at end of year	2,688,997	429,699	-	51,486	201,647	3,371,829
Net book values	₱2,789,610	₱2,648,732	₱388,468	₱8,582	₱105,691	₱5,941,083



Impairment Testing of Goodwill

Goodwill acquired through business combinations have been attributed to individual CGUs.

The carrying amount of goodwill follows:

	2019	2018
GMCP	P39,996,797	P39,345,126
LEZ	467,586	467,586
HI	220,228	220,228
BEZ	191,471	191,471
	P40,876,082	P40,224,411

The recoverable amounts of the investments have been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

Key assumptions used in value-in-use calculation for December 31, 2019 and 2018

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Discount rates and growth rates

The discount rates applied to cash flow projections are from 9.87% to 11.81% in 2019 and 10.63% to 14.80% in 2018, and cash flows beyond the five-year period are extrapolated using a zero percent growth rate.

Revenue assumptions

Revenue assumptions are based on the expected electricity to be sold. In 2019, revenue growth of 10% in year 1, 0% in year 2 and 4% in the next three years was applied for LEZ; 4% in year 1, -6% in year 2, 1% in year 3, -3% in year 4 and -2% in year 5 for BEZ; 0% in year 1, 2% in year 2, 7% in year 3, 3% in year 4 and 10% in year 5 for GMCP; and -6% in year 1, 16% in year 2, 15% in year 3, 12% in year 4, and 5% in year 5 was applied for HI.

In 2018, revenue growth of 6% in year 1, 4% for the next two years, 3% in year 4 and 5% in year 5 was applied for LEZ; 9% in year 1, 5% in year 2 and 2% in the next three years to BEZ; 4% in year 1, 0% in year 2, 2% in year 3, 7% in year 4 and 3% in year 5 for GMCP; and 45% in year 1, -1% in year 2, 0% in year 3, 11% in year 4, and -4% in year 5 was applied for HI.

Materials price inflation

In 2019, the assumption used to determine the value assigned to the materials price inflation is 3.30% in 2020, decreases to 3.20% in 2021 and settles at 3.00% for the next 3 years until 2024. The starting point of 2020 is consistent with external information sources. The starting point of 2020 is consistent with external information sources.

In 2018, the assumption used to determine the value assigned to the materials price inflation is 3.47% in 2019, decreases to 3.37% in 2020 and 3.10% in 2021. It then settles at 3.00% for the next 2 years until 2023.



Foreign exchange rates

In 2019, the assumption used to determine foreign exchange rate is a weakening Philippine peso which starts at a rate of ₱54.70 to a dollar in 2020 and depreciates annually at an average of 2.67% until 2024. In 2018, the assumption used to determine foreign exchange rate is a steady Philippine peso at a rate of ₱55.00 to a dollar from 2019 until 2023.

Based on the impairment testing, no impairment of goodwill was recognized in 2019. In 2018, an impairment loss on goodwill amounting to ₱45.9 million on the investment in BEZ was recognized. No impairment of goodwill was recognized in 2017.

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

Service Concession Rights

Service concession arrangements entered into by the Group are as follows:

- a. On November 24, 1996, LHC entered into a PPA with NPC, its sole customer, for the construction and operation of a 70-megawatt hydroelectric power generating facility (the Power Station) in Bakun River in Benguet and Ilocos Sur Provinces on a build-operate-transfer scheme. Under the PPA, LHC shall deliver to NPC all electricity generated over a cooperation period of 25 years until February 5, 2026.

On the Transfer Date, as defined in the PPA, LHC shall transfer to NPC, free from any lien or encumbrance, all its rights, title and interest in and to the Power Station and all such data as operating manuals, operation summaries/transfer notes, design drawings and other information as may reasonably be required by NPC to enable it to operate the Power Station.

Since NPC controls the ownership of any significant residual interest of the Power Station at the end of the PPA, the PPA is accounted for under the intangible asset model as LHC has the right to charge users for the public service under the service concession arrangement.

The Power Station is treated as intangible asset and is amortized over a period of 25 years, which is the service concession period, in accordance with Philippine Interpretation IFRIC 12. The intangible asset with a carrying value of ₱1.62 billion and ₱1.97 billion as of December 31, 2019 and 2018, respectively, was used as collateral to secure LHC's long-term debt (see Note 17).

- b. On May 15, 2003, the SBMA, AEV and DLP entered into a DMSA for the privatization of the SBMA Power Distribution System (PDS) on a rehabilitate-operate-and-transfer arrangement; and to develop, construct, lease, lease out, operate and maintain property, structures and machineries in the Subic Bay Freeport Zone (SBFZ).

Under the terms of the DMSA, SEZ was created to undertake the rehabilitation, operation and maintenance of the PDS (the Project), including the provision of electric power service to the customers within the Subic Bay Freeport Secured Areas of the SBFZ as well as the collection of the relevant fees from them for its services and the payment by SBMA of the service fees throughout the service period pursuant to the terms of the DMSA. The DMSA shall be effective for 25-year period commencing on the turnover date.



For and in consideration of the services and expenditures of SEZ for it to undertake the rehabilitation, operation, management and maintenance of the Project, it shall be paid by the SBMA the service fees in such amount equivalent to all the earnings of the Project, provided, however, that SEZ shall remit the amount of ₱40.0 million to the SBMA at the start of every 12-month period throughout the service period regardless of the total amount of all earnings of the Project. The said remittances may be reduced by the outstanding power receivables from SBMA, including streetlights power consumption and maintenance, for the immediate preceding year.

Since SBMA controls ownership of the equipment at the end of the agreement, the PDS are treated as intangible assets and are amortized over a period of 25 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

The carrying value of the intangible asset arising from the service concession arrangement amounted to ₱700.3 million and ₱720.3 million as of December 31, 2019 and 2018, respectively.

- c. The transmission and distribution equipment of MEZ are located within Mactan Export Processing Zone (MEPZ) II. Since MCIAA controls ownership of the equipment at the end of the agreement, the equipment are treated as intangible assets and are amortized over a period of 21 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱84.5 million and ₱97.2 million as of December 31, 2019 and 2018, respectively.

Customer Contracts

Customer contracts pertain to agreements between LEZ and the locators within Lima Technology Center relating to the provision of utility services to the locators. These contracts are treated as intangible assets and are amortized over a period of 5.25 years since 2014.

The amortization of intangible assets is included in "Depreciation and amortization" under "Operating Expenses" in the consolidated statements of income.

14. Other Noncurrent Assets

	2019	2018
Restricted cash	₱4,672,031	₱-
Input VAT and tax credit receivable, net of impairment loss of ₱9.9 million and ₱253.2 million in 2019 and 2018 (see Note 28)	4,434,349	5,276,346
PSALM deferred adjustment - net of current portion (see Notes 6 and 40k)	2,140,219	3,183,089
Prepaid rent - net of current portion (see Note 35)	-	1,051,102
Advances to contractors and projects	553,280	464,139
Refundable deposits	326,850	375,014
Investment properties	132,300	3,300
Prepaid taxes	879,439	159,942
Others	380,844	147,247
	₱13,519,312	₱10,660,179



Restricted cash pertains to the amount drawn by TVI on June 11, 2019 on the performance securities under its Engineering, Procurement and Construction agreement with the contractors. The contractors have disputed the draw on the securities in dispute resolution proceedings.

15. Trade and Other Payables

	2019	2018
Trade payables (see Note 33)	P9,947,733	P8,999,633
Output VAT	3,022,048	2,768,254
Amounts due to contractors and other third parties	1,159,984	1,735,685
PSALM deferred adjustment (see Note 40k)	1,042,861	1,042,861
Accrued expenses:		
Interest	2,350,811	2,101,531
Materials and supplies cost	470,588	82,098
Taxes and fees	1,246,863	1,196,611
Energy fees and fuel purchase	937,988	413,141
Claims conversion costs	102,808	239,377
Insurance	18,437	17,764
Dividends payable	94,976	59,834
Unearned revenues	37,425	38,765
Customers' deposit	19,360	6,633
Nontrade	1,270,946	2,725,289
Others	653,292	373,812
	P22,376,120	P21,801,288

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

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

Amounts due to contractors and other third parties include liabilities arising from the power plant construction (see Note 12).

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

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



16. Short-term Loans

	Interest Rate	2019	2018
Peso loans - financial institutions - unsecured	2.68% - 4.95% in 2019 5.00% - 6.75% in 2018	₱9,727,800	₱10,915,600
Temporary advances (see Note 32)		607,620	630,960
		₱10,335,420	₱11,546,560

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

Interest expense on short-term loans amounted to ₱797.6 million in 2019, ₱374.6 million in 2018, and ₱131.2 million in 2017 (see Note 33).



17. Long-term Debts

	Annual Interest Rate	2019	2018
Company:			
Bonds due 2024	7.51%	₱7,700,000	₱7,700,000
Bonds due 2026	5.28%	7,250,000	-
Bonds due 2021	5.21%	6,600,000	6,600,000
Bonds due 2026	6.10%	3,400,000	3,400,000
Bonds due 2027	5.34%	3,000,000	3,000,000
Bonds due 2025	8.51%	2,500,000	2,500,000
Financial institutions- unsecured	5.28%	5,000,000	-
Financial institutions- unsecured	LIBOR + 1.2%	15,190,500	-
Subsidiaries:			
GMCP			
Financial institutions - unsecured	LIBOR + 1.7% - 4.00% in 2019 LIBOR + 1.7% - 4.85% in 2018	37,247,830	41,375,202
TVI			
Financial institutions - secured	5.56% - 9.00% in 2019 5.50% - 9.00% in 2018	31,520,000	31,520,000
TSI			
Financial institutions - secured	5.05% - 5.70% in 2019 5.05% - 5.69% in 2018	20,039,365	21,349,704
APRI			
Financial institutions - secured	4.48% - 5.20%	8,124,160	9,374,400
Hedcor Bukidnon			
Financial institutions - secured	4.75% - 7.36% in 2019 4.75% - 6.78% in 2018	9,416,666	9,327,700
TPVI			
Fixed rate corporate notes - unsecured	5.06% - 5.25%	1,300,000	-
Hedcor Sibulan			
Fixed rate corporate notes - unsecured	4.05% - 5.42%	3,801,400	3,900,400
HI			
Financial institution - secured	5.25% - 7.41% in 2019 5.25% - 7.41% in 2018	423,000	450,000
Financial institution - secured	7.87%	1,327,000	1,390,000
VECO			
Financial institution - unsecured	4.59% - 4.81% in 2019 4.58% - 4.81% in 2018	776,000	975,000
LHC			
Financial institutions - secured	3.94% - 4.81% in 2019 3.63% - 4.81% in 2018	564,580	875,458
DLP			
Financial institution - unsecured	4.59% - 4.81% in 2019 4.58% - 4.81% in 2018	582,000	731,250
AI			
AEV - unsecured (see Note 32)	4.60% - 6.25%	300,000	300,000
SEZ			
Financial institution - unsecured	5.00%	113,000	169,500
CLP			
Financial institution - unsecured	4.59% - 4.81% in 2019 4.58% - 4.81% in 2018	116,400	146,250
Joint operation (see Note 11)			
Financial institutions - secured	5.50% - 8.31% in 2019 5.50% - 8.31% in 2018	13,380,097	14,473,052
		179,671,998	159,557,916
		1,700,376	1,500,225
Less deferred financing costs		177,971,622	158,057,691
Less current portion - net of deferred financing costs		10,386,311	8,697,404
		₱167,585,311	₱149,360,287

*London Interbank Offered Rate (LIBOR)



Interest expense and other financing costs on long-term debt amounted to P8.65 billion in 2019, P6.86 billion in 2018, and P6.33 billion in 2017 (see Note 33).

Company

In September 2014, the Company issued a total of P10.00 billion bonds, broken down into a P6.60 billion 7-year bond due 2021 at an annual fixed rate equivalent to 5.21% and a P3.40 billion 12-year bond due 2026 at an annual fixed rate equivalent to 6.10%. The bonds have been rated PRS Aaa by PhilRatings.

In July 2017, the Company issued a P3.00 billion 10-year bond due 2027 at an annual fixed rate equivalent to 5.34%. The bonds have been rated PRS Aaa by PhilRatings.

In October 2018, the Company issued a total of P10.20 billion bonds, broken down into a P7.70 billion 5.25-year bond due 2024 at an annual fixed rate equivalent to 7.51% and a P2.50 billion 7-year bond due 2025 at an annual fixed rate equivalent to 8.51%. The bonds have been rated PRS Aaa by PhilRatings.

In October 2019, the Company issued P7.25 billion 7-year bond due 2026 at a fixed rate of 5.28% p.a. The bonds have been rated PRS Aaa by PhilRatings.

The principal amount of the bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

In April 2019, the Company executed and availed a US\$300,000,000 syndicated bridge loan facility loan agreement with DBS Bank Ltd., Mizuho Bank, Ltd., MUFG Bank, Ltd., and Standard Chartered Bank as lead arrangers and bookrunners to finance the AA Thermal, Inc. acquisition. The loan bears a floating interest based on credit spread over applicable LIBOR plus 1.2% margin. The loan will mature on the 5th anniversary of the first utilization date.

In November 2019, the Company obtained a P5.0 billion 7-year long term loan from the BDO Unibank, Inc. at a fixed rate of 5.28% p.a.

GMCP

On August 29, 2017, GMCP entered into a Notes Facility Agreement (NFA) with local banks with BDO Capital and Investment Corporation as Lead Arranger, with the maximum principal amount of \$800.0 million, the proceeds of which will be used to refinance GMCP's existing loan obligation and for other general corporate purposes.

On September 29, 2017, \$600.0 million was drawn from the NFA, out of which \$462.4 million was used to prepay the outstanding loans. In February 2018, the remaining principal amount of \$200.0 million was drawn from the NFA.

GMCP also has an existing facility agreement with BDO to finance the GMCP's working capital requirements.



Loans payable consist of the following dollar denominated loans as of December 31, 2019 and 2018:

	2019	2018	Interest Rate Per Annum	Payment Schedule
<i>NFA</i> Fixed Rate Loan	\$448,164	\$483,450	(i) Fixed rates of 2.5514% and 3.4049% plus 1.45% margin for the first seven-year period and (ii) Fixed Rate Loan Benchmark plus 1.45% margin for the subsequent five-year period	24 semi-annual payments starting from the first Interest Payment Date
LIBOR Loan	267,450	288,450	Six-month LIBOR plus 1.70% margin	24 semi-annual payments starting from the first Interest Payment Date
<i>Working Capital</i> BDO	20,000	15,000	LIBOR plus 1.7% applicable margin	Payable within three months
Total borrowings	735,614	785,900		
Less unamortized portion of deferred financing costs	(4,017)	(4,049)		
	731,597	782,851		
Less current portion	63,583	70,229		
Loans payable - net of current portion	\$668,014	\$712,622		

TVI

On June 18, 2015, TVI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱31.97 billion. As of December 31, 2019 and 2018, ₱31.52 billion has been drawn from the loan facility.

The loan is available in two tranches, as follows:

- Tranche A, in the amount of ₱25.60 billion, with interest rate fixed for the first eight years and will be repriced and fixed for another seven years.
- Tranche B, in the amount of ₱5.9 billion, with a fixed interest rate for fifteen years.

70% of the principal amount of the loan is payable in 20 equal semi-annual installments, with the remaining 30% payable in full on the final maturity date. TVI may prepay the loan in part or in full beginning on the end of the fourth year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

The loan is secured by a mortgage of all its assets with carrying amount of ₱50.81 billion as of December 31, 2019, and a pledge of TVI's shares of stock held by its shareholders.

TSI

On October 14, 2013, TSI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱24.00 billion, which was fully drawn in 2014.

On October 28, 2015, TSI entered into an additional loan agreement with principal amount of ₱1.68 billion, which was fully drawn in 2016.

The loan is secured by a mortgage of all its assets with carrying amount of ₱36.41 billion as of December 31, 2019, and a pledge of TSI's shares of stock held by the Company and TPI.



Interest rate ranging from 4.50% - 5.15% is fixed for the first seven years and will be repriced and fixed for another five years. In 2018, upon release of AP guarantee, interest was increased by 0.5%.

Fifty percent of the principal amount of the loan is payable at semi-annual installments within 12 years with a two-year grace period, with the remaining 50% payable in full on the final maturity date.

TSI may prepay the loan in part or in full beginning on the end of the third year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

APRI

On February 29, 2016, APRI entered into an omnibus agreement with BPI, Asian Development Bank (ADB) and Credit Guarantee and Investment Facility (CGIF). This has been certified to have met the requirements of the Climate Bond Standard. The loan proceeds were used for return of equity to shareholders and to fund necessary operating and capital expenditures.

The loan is available in two tranches, as follows:

- a. The Notes Facility Agreement, in the amount of ₱10.7 billion, with interest rate already fixed for ten years. 41.6% of the principal amount is payable in ten equal semi-annual installments and the balance payable in another ten semi-annual installments
- b. The ADB Facility Agreement, in the amount of ₱1.8 billion, with interest rate fixed for five years and principal repayments made in ten equal semi-annual installments.

The loan is secured by mortgage of its assets with carrying amount of ₱25.15 billion as of December 31, 2019, and pledge of APRI's shares of stock held by shareholders and assignment of Project Agreements and Project Accounts.

Hedcor Bukidnon

On September 22, 2015, Hedcor Bukidnon entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of up to ₱10.00 billion. As of December 31, 2019, ₱9.33 billion has been drawn from the loan facility based on the agreed schedule.

The term of the loan is 15 years, and the first principal repayment will take place 42 months after the financial close, or six months after project completion. Principal repayments shall be made in equal semi-annual installments, with a balloon payment not to exceed 30% of the loan amount. Interest rate on the loan is computed at the time of each drawdown, as designated under the agreement.

The loan is secured by an assignment of trade receivables amounting to ₱263.47 million, a pledge of all issued share capital of Hedcor Bukidnon, and corporate suretyship from AP to guarantee the debt service until (a) project completion and (b) receipt of Feed-In-Tariff payments or contracting power supply agreements equivalent to at least the break-even capacity.



TPVI

On December 26, 2019, the TPVI was granted a loan with an aggregate amount of P1.30 billion by the Philippine National Bank (PNB). The loan is payable for 15 years, with a grace period of 3 years. The mode of repayment is sculpted with balloon payment of 70%. The Company will pay PNB an interest of 5.0593% for the first 8 years, with the rate being expected to go up to 5.25% for the rest of the term due to: (1) continued inflation, and; (2) liquidity tightness due to funds held and additional borrowings by the Bureau of Treasury. The interest is payable semi-annually, every 30th of June and 31st of December.

Hedcor Sibulan

On November 17, 2016, Hedcor Sibulan entered into a NFA with various institutions with Metrobank - Trust Banking Group as the Notes Facility Agent, for a loan facility with an aggregate principal amount of up to P4.10 billion to return equity to shareholders, and for other general corporate purposes.

The unsecured notes were issued in ten tranches with interest payable semi-annually at annual fixed rates ranging from 4.05% - 5.42% with principal maturity as follows:

Tranche	Maturity Date	Principal Amount
1	Fifteen months from issue date	96.8 million
2	Two (2) years from issue date	96.8 million
3	Three (3) years from issue date	84.0 million
4	Four (4) years from issue date	84.0 million
5	Five (5) years from issue date	284.0 million
6 (Series A&B)	Six (6) years from issue date	388.4 million
7 (Series A&B)	Seven (7) years from issue date	445.8 million
8	Eight (8) years from issue date	451.4 million
9	Nine (9) years from issue date	508.1 million
10 (Series A&B)	Ten (10) years from issue date	1,660.7 million

Prior to maturity date, Hedcor Sibulan may redeem in whole or in part the relevant outstanding notes on any interest payment date plus a one percent prepayment penalty.

HI

On August 6, 2013, HI availed of a ten-year P900 million loan from a local bank. This loan is subject to a semi-annual principal payment with annual interest fixed at 5.25% for the first 5 years. For the remaining five years, interest rate will be repriced and fixed on the fifth anniversary from the drawdown date. The debt is secured by a pledge of HI's shares of stock held by ARI.

On December 14, 2018, HI entered into a Notes Facility Agreement with a local bank to borrow P1.39 billion, which will mature on August 31, 2033, to finance the rehabilitation and/or expansion of the Bineng hydropower plant, refinance its short-term loans and for other general corporate purposes. This loan is subject to a semi-annual principal payment with annual interest fixed at 7.8747% for the first 5 years. For the next five years, interest rate will be repriced and fixed one banking day prior to August 31, 2023. For the remaining five years, interest rate will be repriced and fixed one banking day prior to August 31, 2028. The debt is secured by a continuing suretyship from ARI.



VECO

On December 20, 2013, VECO availed of a ₱2.00 billion loan from the NFA it signed on December 17, 2013 with Land Bank of the Philippines (LBP). The unsecured notes were issued in ten tranches of ₱200 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱200M balloon payment on maturity date
C	December 20, 2016	₱1M each on first 2 years; ₱198M on maturity date
D	December 20, 2017	₱1M each on first 3 years; ₱197M on maturity date
E	December 20, 2018	₱1M each on first 4 years; ₱196M on maturity date
F	December 20, 2019	₱1M each on first 5 years; ₱195M on maturity date
G	December 20, 2020	₱1M each on first 6 years; ₱194M on maturity date
H	December 20, 2021	₱1M each on first 7 years; ₱193M on maturity date
I	December 20, 2022	₱1M each on first 8 years; ₱192M on maturity date
J	December 20, 2023	₱1M each on first 9 years; ₱191M on maturity date

Prior to maturity date, VECO may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

LHC

On April 24, 2012, LHC entered into an omnibus agreement with Philippine National Bank and Banco De Oro to borrow US\$43.1 million with maturity on April 26, 2022 and payable in 20 semi-annual installments. Interest is repriced and paid semi-annually. Annual interest rate ranges from 2.00% to 2.75%.

Intangible asset arising from service concession arrangement with carrying value of ₱1.62 billion as of December 31, 2019, was used as collateral to secure LHC's long-term debt (see Note 13).

DLP

On December 20, 2013, DLP availed of a ₱1.50 billion loan from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱150 million with interest payable semi-annually at annual fixed rates ranging from 3.50% to 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱150M balloon payment on maturity date
C	December 20, 2016	₱0.75M each on first 2 years; ₱148.5M on maturity date
D	December 20, 2017	₱0.75M each on first 3 years; ₱147.8M on maturity date
E	December 20, 2018	₱0.75M each on first 4 years; ₱147M on maturity date
F	December 20, 2019	₱0.75M each on first 5 years; ₱146.2M on maturity date
G	December 20, 2020	₱0.75M each on first 6 years; ₱145.5M on maturity date
H	December 20, 2021	₱0.75M each on first 7 years; ₱144.8M on maturity date
I	December 20, 2022	₱0.75M each on first 8 years; ₱144M on maturity date
J	December 20, 2023	₱0.75M each on first 9 years; ₱143.2M on maturity date

Prior to maturity date, DLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.



SEZ

On July 7, 2011, SEZ issued P565.0 million worth of fixed rate notes to Metropolitan Bank and Trust Company. Interest on the notes is subject to quarterly payment at 5% annual fixed interest rate. Principal is payable annually over 10 years at an equal amortization of P56.5 million.

CLP

On December 20, 2013, CLP availed of a P300 million loan from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of P30.0 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	P30M balloon payment on maturity date
C	December 20, 2016	P0.15M each on first 2 years; P29.7M on maturity date
D	December 20, 2017	P0.15M each on first 3 years; P29.6M on maturity date
E	December 20, 2018	P0.15M each on first 4 years; P29.4M on maturity date
F	December 20, 2019	P0.15M each on first 5 years; P29.2M on maturity date
G	December 20, 2020	P0.15M each on first 6 years; P29.1M on maturity date
H	December 20, 2021	P0.15M each on first 7 years; P29.0M on maturity date
I	December 20, 2022	P0.15M each on first 8 years; P28.8M on maturity date
J	December 20, 2023	P0.15M each on first 9 years; P28.62M on maturity date

Prior to maturity date, CLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

Long-term debt of Joint Operation (see Note 11)

This pertains to TPI's share of the outstanding project debt of its joint operation.

In May 2014, PEC entered into an omnibus agreement with various local banks for a loan facility in the aggregate principal amount of up to P33.31 billion with maturity period of 15 years.

The loan facility is subject to a semi-annual interest payment with annual fixed interest ranging from 5.50% - 8.31%. The loans may be voluntarily prepaid in full or in part commencing on and from the third year of the date of initial drawdown with a prepayment penalty.

The loans are secured by a mortgage of substantially all its assets with carrying amount of P38.70 billion as of December 31, 2019, and a pledge of the shares of stock held by the joint operators.

Loan covenants

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

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



18. Customers' Deposits

	2019	2018
Lines and poles	₱1,149,552	₱1,101,664
Transformers	1,077,175	1,044,037
Bill and load	4,294,742	3,862,663
	<u>₱6,521,469</u>	<u>₱6,008,364</u>

Transformers and lines and poles deposits are obtained from certain customers principally as cash bond for their proper maintenance and care of the said facilities while under their exclusive use and responsibility.

Effective April 1, 2010, the Amended Distribution Services and Open Access Rules (Amended DSOAR), increased the refund rate from 25% to 75% of the gross distribution revenue generated from the extension lines and facilities until such amounts are fully refunded.

Bill deposit serves to guarantee payment of bills by a customer which is estimated to equal one month's consumption or bill of the customer.

Both the Magna Carta and Distribution Services and Open Access Rules (DSOAR) also provide that residential and non-residential customers, respectively, must pay a bill deposit to guarantee payment of bills equivalent to their estimated monthly billing. The amount of deposit shall be adjusted after one year to approximate the actual average monthly bills. A customer who has paid his electric bills on or before due date for three consecutive years, may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of his service; otherwise, bill deposits and accrued interests shall be refunded within one month from termination of service, provided all bills have been paid.

In cases where the customer has previously received the refund of his bill deposit pursuant to Article 7 of the Magna Carta, and later defaults in the payment of his monthly bills, the customer shall be required to post another bill deposit with the distribution utility and lose his right to avail of the right to refund his bill deposit in the future until termination of service. Failure to pay the required bill deposit shall be a ground for disconnection of electric service.

Interest expense on customers' deposits amounted to ₱4.3 million in 2019, ₱2.1 million in 2018, ₱3.2 million in 2017 (see Note 33).

The Group classified customers' deposit under noncurrent liabilities due to the expected long-term nature of these deposits. The portion of customers' deposit to be refunded amounted to ₱19.4 million and ₱6.6 million as of December 31, 2019 and 2018, respectively, and are presented as part of "Trade and other payables" (see Note 15).



19. Decommissioning liability

Decommissioning liability includes the estimated costs to decommission, abandon and perform surface rehabilitation on the steam field assets at the end of their useful lives, and the best estimate of the expenditure required to settle the obligation to decommission power plant at the end of its lease term (see Note 12).

	2019	2018
Balances at beginning of year	P3,678,810	P2,959,060
Change in accounting estimate (see Note 12)	(321,948)	559,996
Accretion of decommissioning liability (see Note 33)	210,630	159,754
	P3,567,492	P3,678,810

The actual dismantling and removal cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment or actual time required to complete all dismantling and removal activities. Adjustment, if any, to the estimated amount will be recognized prospectively as they become known and reliably estimable.

20. Equity

a. Paid-in Capital (number of shares in disclosed figures)

	2019	2018
Capital Stock		
Authorized - P1 par value		
Common shares - 16,000,000,000 shares		
Preferred shares - 1,000,000,000 shares		
Issued		
Common shares - 7,358,604,307 shares	P7,358,604	P7,358,604
Additional Paid-in Capital	12,588,894	12,588,894
	P19,947,498	P19,947,498

On May 25, 2007, the Company listed with the PSE its 7,187,664,000 common shares with a par value of P1.00 to cover the initial public offering (IPO) of 1,787,664,000 common shares at an issue price of P5.80 per share. On March 17, 2008, the Company listed an additional 170,940,307 common shares, which it issued pursuant to a share swap agreement at the IPO price of P5.80 per share. The total proceeds from the issuance of new shares amounted to P10.37 billion. The Company incurred transaction costs incidental to the initial public offering amounting to P412.4 million, which is charged against "Additional paid-in capital" in the consolidated balance sheet.

As of December 31, 2019, 2018 and 2017, the Company has 631, 629 and 628 shareholders, respectively.

Preferred shares are non-voting, non-participating, non-convertible, redeemable, cumulative, and may be issued from time to time by the BOD in one or more series. The BOD is authorized to issue from time to time before issuance thereof, the number of shares in each series, and all



the designations, relative rights, preferences, privileges and limitations of the shares of each series. Preferred shares redeemed by the Company may be reissued. Holders thereof are entitled to receive dividends payable out of the unrestricted retained earnings of the Company at a rate based on the offer price that is either fixed or floating from the date of the issuance to final redemption. In either case, the rate of dividend, whether fixed or floating, shall be referenced, or be a discount or premium, to market-determined benchmark as the BOD may determine at the time of issuance with due notice to the SEC.

In the event of any liquidation or dissolution or winding up of the Company, the holders of the preferred stock shall be entitled to be paid in full the offer price of their shares before any payment in liquidation is made upon the common stock.

There are no preferred shares issued and outstanding as of December 31, 2019 and 2018.

b. Retained Earnings

As of December 31, 2019, the Company has an appropriated retained earnings amounting to with regard to the development and construction of power plants. The BOD has approved the appropriation of ₱13.16 billion and ₱20.90 billion on November 24, 2016 and November 27, 2014, respectively.

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

On March 8, 2018, the BOD approved the declaration of regular cash dividends of ₱1.39 a share (₱10.23 billion) to all stockholders of record as of March 22, 2018. These dividends were paid on April 12, 2018.

On March 7, 2019, the BOD approved the declaration of regular cash dividends of ₱1.47 a share (₱10.82 billion) to all stockholders of record as of March 21, 2019. These dividends were paid on April 5, 2019.

On March 7, 2019, the BOD also approved the following:

- Appropriation of ₱11.90 billion retained earnings for the equity infusions into GNPD to fund the construction of GNPD units 1 & 2, which is expected to have full commercial operations by end of 2020.
- Reversal of ₱12.30 billion retained earnings appropriation that was set up in 2014 for the equity requirements of the 300 MW Davao Coal and 14 MW Sabangan Hydro projects.

To comply with the requirements of Section 43 of the Corporation Code, on March 6, 2020, the BOD approved the declaration of regular cash dividends of ₱1.18 a share (₱8.68 billion) to all stockholders of record as of March 20, 2020. The cash dividends are payable on April 3, 2020.

- c. The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangement amounting to ₱57.57 billion and ₱52.77 billion as at December 31, 2019 and 2018, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangement (see Note 10).



21. Sale of Power

Sale from Distribution of Power

- a. The Uniform Rate Filing Requirements on the rate unbundling released by the Energy Regulatory Commission (ERC) on October 30, 2001, specified that the billing for sale and distribution of power and electricity will have the following components: Generation Charge, Transmission Charge, System Loss Charge, Distribution Charge, Supply Charge, Metering Charge, the Currency Exchange Rate Adjustment and Interclass and Lifeline Subsidies. National and local franchise taxes, the Power Act Reduction (for residential customers) and the Universal Charge are also separately indicated in the customer's billing statements.
- b. Pursuant to Section 43(f) of Republic Act (R.A.) No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), and Rule 15, section 5(a) of its Implementing Rules and Regulations (IRR), the ERC promulgated the Distribution Wheeling Rates Guidelines on December 10, 2004. These were subsequently updated and released on July 26, 2006 as the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Utilities entering Performance Based Regulation (PBR).

Details of the PBR regulatory period and the date of implementation of the approved rates are as follows:

	CLP	DLP	VECO	SEZ
Current regulatory period	April 1, 2009 to March 31, 2013	July 1, 2010 to June 30, 2014	July 1, 2010 to June 30, 2014	October 1, 2011 to September 30, 2015
Date of implementation of approved distribution supply and metering charges	May 1, 2009	August 1, 2010	August 1, 2010	November 26, 2011

The reset process for the Third Regulatory Period to adjust the previously approved distribution supply and metering charges were deferred due to the changes on PBR rules.

Through ERC Resolution No. 25 Series of 2016 dated July 12, 2016, the ERC adopted the Resolution Modifying the RDWR. Based on this Resolution, the Fourth Regulatory Period shall be as follows:

- (i) CLP: April 1, 2017 to March 31, 2021
- (ii) DLP and VECO: July 1, 2018 to June 30, 2022
- (iii) SEZ: October 1, 2019 to September 30, 2023

The reset process for the Fourth Regulatory Period has not started for all private DUs as the above-mentioned ERC rules have not been published, which is a condition for their effectivity. Total sale from distribution of power amounted to ₱46.12 billion, ₱44.88 billion, and ₱43.53 billion in 2019, 2018 and 2017, respectively.

Sale from Generation of Power and Retail Electricity

- a. Energy Trading through the Philippine Wholesale Electricity Spot Market (WESM)
Certain subsidiaries are trading participants and direct members under the generator sector of the WESM. These companies are allowed to access the WESM Market Management System through its Market Participant Interface (MPI). The MPI is the facility that allows the trading participants to submit and cancel bids and offers, and to view market results and reports. Under



its price determination methodology as approved by the ERC, locational marginal price method is used in computing prices for energy bought and sold in the market on a per node, per hour basis. In the case of bilateral power supply contracts, however, the involved trading participants settle directly with their contracting parties.

Total sale of power to WESM amounted to ₱6.37 billion, ₱6.77 billion and ₱3.80 billion in 2019, 2018 and 2017, respectively.

b. Power Supply Agreements

i. *Power Supply Contracts assumed under Asset Purchase Agreement (APA) and IPP Administration Agreement*

Revenue recognition for customers under the power supply contracts assumed under the APA and IPP Administration Agreements are billed based on the contract price which is calculated based on the pricing structure approved by the ERC. Rates are calculated based on the time-of-use pricing schedule with corresponding adjustments using the GRAM and the ICERA.

ii. *Power Purchase/Supply Agreement and Energy Supply Agreement (PPA/PSA and ESA)*
Certain subsidiaries have negotiated contracts with NPC, Private Distribution Utilities, Electric Cooperatives and Commercial and Industrial Consumers referred to as PPA/PSA or ESA. These contracts provide a tariff that allows these companies to charge for capacity fees, fixed operating fees and energy fees.

iii. *Feed-in-Tariff (FIT)*
Certain subsidiaries were issued a FIT Certificate of Compliance from the ERC which entitles them to avail the FIT rate. These subsidiaries also signed agreements with the National Transmission Corporation (NTC), the FIT administrator. These agreements enumerate the rights and obligations under the FIT rules and FIT-All guidelines, in respect to the full payment of the actual energy generation of the generator, at a price equivalent to the applicable FIT rate, for the entire duration of its FIT eligibility period.

Total sale of power under power supply agreements amounted to ₱46.78 billion in 2019, ₱55.08 billion in 2018, and ₱53.61 billion in 2017.

c. Retail Electricity Supply Agreements (see Note 40i)

Certain subsidiaries have negotiated contracts with contestable customers. These contracts provide supply and delivery of electricity where capacity fees, fixed operating fees and energy fees are at fixed price/kwh or time of use.

Total sale of power under retail electricity supply agreements amounted to ₱22.81 billion, ₱24.22 billion, and ₱18.07 billion in 2019, 2018 and 2017, respectively.



22. Purchased Power

Distribution

The Group's distribution utilities entered into contracts with NPC/PSALM and generation companies for the purchase of electricity, and into Transmission Service Agreements with NGCP for the transmission of electricity.

To avail of opportunities in the competitive electricity market, some of the Group's distribution utilities registered as direct participants of the WESM.

Total purchased power amounted to ₱22.38 billion, ₱24.18 billion, ₱22.47 billion in 2019, 2018 and 2017, respectively.

Generation

Purchased power takes place during periods when power generated from power plants are not sufficient to meet customers' required power as stated in the power supply contracts. Insufficient supply of generated energy results from the shutdowns due to scheduled maintenance or an emergency situation. The Group purchases power from WESM to ensure uninterrupted supply of power and meet the requirements in the power supply contracts.

The Group entered into Replacement Power Contracts with certain related parties (see Note 32). Under these contracts, the Group supplies power to counterparties when additional power is needed. Correspondingly, when faced with energy shortfalls, the Group purchases power from counterparties.

Total purchased power amounted to ₱7.60 billion, ₱4.87 billion, ₱6.63 billion in 2019, 2018 and 2017, respectively.

Retail Electricity Supply

AESI pays PSALM monthly generation payments using the formula specified in the IPP Administration Agreement. In October 2019, a compromise agreement with PSALM was effected, which includes the termination of supply and ₱125.0 million payment of AESI as termination fee.

The Group also purchases from WESM in order to supply its contestable customers.

Total purchased power amounted to ₱6.43 billion, ₱7.55 billion, ₱6.29 billion in 2019, 2018 and 2017, respectively.

23. Cost of Generated Power

	2019	2018	2017
Fuel costs (see Note 7)	₱29,394,773	₱29,423,013	₱22,324,825
Steam supply costs (see Note 36a)	5,008,607	5,227,807	4,981,187
Energy fees	694,696	646,317	668,558
Ancillary charges	360,095	355,260	547,291
Wheeling expenses	68,535	21,821	35,895
	₱35,526,706	₱35,674,218	₱28,557,756



24. General and Administrative

	2019	2018	2017
Personnel costs (see Note 26)	₱2,641,365	₱2,647,636	₱2,609,400
Taxes and licenses	1,680,928	1,496,779	1,033,227
Outside services (see Note 32)	1,031,326	1,132,345	1,087,347
Professional fees (see Note 32)	814,149	608,107	256,779
Repairs and maintenance	306,316	420,524	377,788
Corporate social responsibility (CSR) (see Note 40)	299,595	308,918	331,027
Transportation and travel (see Note 32)	206,861	230,658	195,016
Insurance	205,998	209,590	226,712
Information technology and communication	181,746	108,332	106,213
Training	156,027	70,080	80,482
Provision for expected credit losses of trade receivables (see Note 6)	87,086	235,818	77,708
Rent (see Notes 32 and 35)	44,916	224,758	95,974
Entertainment, amusement and recreation	40,916	39,689	23,862
Advertisements	33,798	41,768	53,583
Guard services	25,570	2,960	10,463
Freight and handling	4,264	2,343	5,245
Gasoline and oil	1,020	1,631	1,339
Supervision and regulatory fees	584	797	2,413
Market service and administrative fees	-	30,818	23,075
Others	392,901	374,961	624,615
	₱8,155,366	₱8,188,512	₱7,222,268

"Others" include host community-related expenses, provision for probable losses, claims conversion costs and utilities expenses.



25. Operations and Maintenance

	2019	2018	2017
Repairs and maintenance	₱2,076,988	₱1,659,288	₱1,262,634
Personnel costs (see Note 26)	1,586,624	1,781,283	1,482,775
Taxes and licenses	1,167,990	861,626	1,052,800
Outside services	944,561	684,074	808,436
Insurance	787,983	752,425	789,210
Materials and supplies (see Note 7)	275,814	201,903	339,734
Transportation and travel	104,858	37,444	69,795
Fuel and lube oil (see Note 7)	77,880	84,806	72,412
Rent (see Note 35)	11,980	171,989	204,818
Others	331,694	290,351	366,574
	₱7,366,372	₱6,525,189	₱6,449,188

"Others" include environmental, health and safety expenses, and transmission charges.

26. Personnel Costs

	2019	2018	2017
Salaries and wages	₱3,105,859	₱3,798,218	₱2,978,818
Employee benefits (see Note 27)	1,122,130	630,701	1,113,357
	₱4,227,989	₱4,428,919	₱4,092,175

27. Pension Benefit Plans

Under the existing regulatory framework, RA 7641, otherwise known as *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. It further states that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Company and its subsidiaries have funded, non-contributory, defined retirement benefit plans ("Plan") covering all regular and full-time employees and requiring contributions to be made to separately administered funds. The retirement benefit fund ("Fund") of each subsidiary is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also corporate officers, is responsible for the investment of the Fund assets. Taking into account the Plan's objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets for the respective plans.



Net benefit expense (recognized as part of personnel costs under operations and maintenance and general and administrative expenses):

	2019	2018	2017
Current service cost	P179,269	P189,906	P193,346
Net interest cost	5,012	15,379	10,730
Past service cost	(1,975)	(9,564)	15,319
	P182,306	P195,721	P219,395

Remeasurement effects to be recognized in other comprehensive income:

	2019	2018	2017
Actuarial gain (losses) due to:			
Changes in financial assumptions	(P145,431)	P61,493	(P4,455)
Changes in demographic assumptions	31,693	34,416	182,355
Return on assets excluding amount included in net interest cost	(18,050)	(96,856)	27,498
Experience adjustments	(82,122)	15,705	(252,957)
	(P213,910)	P14,758	(P47,559)

Net pension assets

	2019	2018
Fair value of plan assets	P342,117	P1,150,771
Present value of the defined benefit obligation	(273,908)	(1,023,794)
	P68,209	P126,977

Net pension liabilities

	2019	2018
Present value of the defined benefit obligation	P2,138,190	P1,153,382
Fair value of plan assets	(1,712,143)	(908,525)
	P426,047	P244,857



Changes in the present value of the defined benefit obligation are as follows:

	2019	2018
At January 1	₱2,177,176	₱2,331,322
Net benefit expense:		
Current service cost	179,269	189,906
Net interest cost	129,804	119,262
Past service cost	(1,975)	(9,564)
	307,098	299,604
Benefits paid	(271,204)	(330,546)
Transfers and others	3,168	(11,590)
Remeasurements in other comprehensive income:		
Actuarial loss (gain) due to:		
Experience adjustments	₱82,122	(₱15,705)
Changes in demographic assumptions	(31,693)	(34,416)
Changes in financial assumptions	145,431	(61,493)
	195,860	(111,614)
At December 31	₱2,412,098	₱2,177,176

Changes in the fair value of plan assets are as follows:

	2019	2018
At January 1	₱2,059,296	₱2,026,494
Contribution by employer	156,252	367,917
Interest income included in net interest cost	124,792	103,883
Fund transfer from affiliates	3,174	(11,596)
Return on assets excluding amount included in net interest cost	(18,050)	(96,856)
Benefits paid	(271,204)	(330,546)
At December 31	₱2,054,260	₱2,059,296

Changes in net pension liability recognized in the consolidated balance sheets are as follows:

	2019	2018
At January 1	₱117,880	₱304,828
Retirement expense during the year	182,306	195,721
Transfers and others	(6)	6
Contribution to retirement fund	(156,252)	(367,917)
Actuarial loss (gain) recognized during the year	213,910	(14,758)
At December 31	₱357,838	₱117,880



The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2019	2018
Cash and fixed-income investments:	₱473,840	₱1,470,918
Financial assets at FVOCI	715,814	-
Financial assets at amortized cost	394,522	-
Equity instruments:		
Financial Institution	31,551	39,582
Power	145,155	103,193
Holding	147,253	178,538
Others	146,125	267,065
	1,580,420	588,378
Fair value of plan assets	₱2,054,260	₱2,059,296

All equity instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets are diverse and do not have any concentration risk.

The BOT reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Retirement plan in the subsequent year.

The principal assumptions used as of December 31, 2019, 2018 and 2017 in determining pension benefit obligations for the Group's plans are shown below:

	2019	2018	2017
Discount rates	4.36%-6.00%	4.87%-8.18%	3.48%-5.21%
Salary increase rates	6.00%	7.00%	6.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2019, assuming if all other assumptions were held constant:

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100	(₱28,519)
	(100)	235,579
Future salary increases	100	290,709
	(100)	(5,115)

The Group's defined benefit pension plans are funded by the Company and its subsidiaries.



The Group expects to contribute P161.08 million to the defined benefit plans in 2020. The average durations of the defined benefit obligation as of December 31, 2019 and 2018 are 7.0 to 22.02 years and 7.78 to 28.76 years, respectively.

28. Other Income (Expense) - net

	2019	2018	2017
Net foreign exchange gains (loss)	P1,130,743	(P2,055,085)	P203,083
Surcharges	536,856	508,492	435,428
Non-utility operating income	170,640	142,363	145,948
Unrealized fair valuation gain on investment property	126,842	-	-
Rental income	67,854	42,290	39,704
Bargain purchase gain (see Note 9)	-	-	310,198
Write off of project costs and other assets	(31,431)	(50,922)	(79,881)
<i>(Forward)</i>			
Losses on disposal of property, plant and equipment	(P304,631)	(P292,799)	(P86,193)
Reversal of (impairment) losses on property, plant and equipment, goodwill and other assets	245,489	(847,619)	(3,233,036)
Others - net	1,541,025	1,260,969	560,749
	P3,483,387	(P1,292,311)	(P1,704,000)

Included in "Net foreign exchange gain (losses)" are the net gains and losses relating to currency forward transactions (see Note 34).

Reversal of (impairment) losses on property, plant and equipment, goodwill and other assets includes the following:

- The income from the 2019 recovery of a certain Aseagas asset previously impaired in 2017 amounting to P245.5 million.
- The P486.5 million net book value of the Bajada Power Plant which was fully impaired when it ceased operations in 2018 and the loss of P282.3 million from recognizing the recoverable amount of transmission assets which were classified as property held for sale.
- The P2.64 billion impairment loss of Aseagas biomass plant which temporarily ceased its operation due to unavailability of the supply of organic effluent wastewater from source and in January 2018, Aseagas decided to make the plant shutdown permanently. In the year ending December 31, 2017, the recoverable amount of Aseagas' property, plant and equipment was determined based on their fair value less costs of disposal. The fair value of the property, plant and equipment was based on valuation performed by an accredited independent appraiser (see Note 12).



"Others" include reversal of APRI and TLI's liability to PSALM pertaining to GRAM and ICERA of P924.0 million in 2019 and income arising from the proceeds from claims of liquidating damages from contractor due to the delay of the completion of PEC's power plant amounting to P340.7 million in 2018. "Others" also include non-recurring items like sale of scrap and sludge oil, and reversal of provisions.

29. Income Tax

The provision for income tax account consists of:

	2019	2018	2017
Current:			
Corporate income tax	P3,460,636	P3,713,410	P3,772,375
Final tax	221,149	143,714	119,833
	3,681,785	3,857,124	3,892,208
Deferred	(466,287)	(931,501)	(33,810)
	P3,215,498	P2,925,623	P3,858,398

Reconciliation between the statutory income tax rate and the Group's effective income tax rates follows:

	2019	2018	2017
Statutory income tax rate	30.00%	30.00%	30.00%
Tax effects of:			
Nondeductible interest expense	6.43	5.77	6.42
Nondeductible depreciation expense	1.42	1.18	1.22
Deductible lease payments	(11.53)	(9.57)	(9.89)
Income under income tax holiday (ITH)	(7.41)	(11.90)	(9.29)
Nontaxable share in net earnings of associates and joint ventures	(4.89)	(4.61)	(5.25)
Interest income subjected to final tax at lower rates - net	(1.57)	(0.89)	(0.78)
Others	1.30	0.34	1.94
	13.75%	10.32%	14.37%



Deferred income taxes of the companies in the Group that are in deferred income tax assets and liabilities position consist of the following at December 31:

	2019	2018
Net deferred income tax assets:		
Allowances for impairment and probable losses	P329,278	P325,356
Net income from commissioning	1,536,161	1,562,631
Difference between the carrying amount of nonmonetary assets and related tax base	(1,299,507)	(1,673,699)
Unrealized foreign exchange loss	372,732	1,324,958
Net operating loss carryover (NOLCO)	1,298,227	189,267
Pension asset (liability):		
Unamortized contributions for past service	34,923	96,333
Recognized in other comprehensive income	20,662	127,234
Recognized in statements of income	25,609	(80,907)
Unamortized streetlight donations capitalized	(685)	(822)
Unamortized customs duties and taxes capitalized	(47,626)	(50,281)
Net provision for rehabilitation and restoration costs	427,114	393,397
Others	89,422	20,228
Net deferred income tax assets	P2,786,310	P2,233,695

	2019	2018
Net deferred income tax liabilities:		
Unamortized franchise	P771,532	P794,620
Fair value adjustments of property, plant and equipment	137,740	144,117
Unrealized foreign exchange gains	2,749	4,004
Unamortized customs duties and taxes capitalized	5,618	9,008
Pension asset (liability):		
Recognized in other comprehensive income	147,884	127,798
Recognized in statements of income	(168,678)	(149,723)
Unamortized past service cost	(35,972)	(42,743)
Allowances for impairment and probable losses	(22,934)	(33,738)
Others	10,532	4,947
Net deferred income tax liabilities	P848,471	P858,290

In computing for deferred income tax assets and liabilities, the rates used were 30% and 10%, which are the rates expected to apply to taxable income in the years in which the deferred income tax assets and liabilities are expected to be recovered or settled and considering the tax rate for renewable energy (RE) developers as allowed by the Renewable Energy Act of 2008 (see Note 40).

No deferred income tax assets were recognized on the Group's NOLCO and MCIT amounting to P7.80 billion and P67.7 million, respectively, as of December 31, 2019 and P5.44 billion and P58.3 million, respectively, as of December 31, 2018, since management expects that it will not generate sufficient taxable income in the future that will be available to allow all of the deferred income tax assets to be utilized.



There are no income tax consequences to the Group attaching to the payment of dividends to its shareholders.

30. Earnings Per Common Share

Earnings per common share amounts were computed as follows:

	2019	2018	2017
a. Net income attributable to equity holders of the parent	₱17,322,677	₱21,707,603	₱20,416,442
b. Weighted average number of common shares issued and outstanding	7,358,604,307	7,358,604,307	7,358,604,307
Earnings per common share (a/b)	₱2.35	₱2.95	₱2.77

There are no dilutive potential common shares for the years ended December 31, 2019, 2018 and 2017.

31. 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 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 (see Note 40i) 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:

2019

	Power Generation	Power Distribution	Parent and Others	Total
Revenue from power supply contracts	₱46,783,955	-	-	₱46,783,955
Revenue from distribution services	-	46,120,403	-	46,120,403
Revenue from retail electricity sales	-	-	22,805,450	22,805,450
Revenue from non-power supply contracts	9,111,632	-	-	9,111,632
Revenue from technical and management services	-	-	813,717	813,717
	₱55,895,587	₱46,120,403	₱23,619,167	₱125,635,157

2018

	Power Generation	Power Distribution	Parent and Others	Total
Revenue from power supply contracts	₱54,237,387	₱-	₱-	₱54,237,387
Revenue from distribution services	-	44,880,546	-	44,880,546
Revenue from retail electricity sales	-	-	24,216,767	24,216,767
Revenue from non-power supply contracts	7,617,298	-	-	7,617,298
Revenue from technical and management services	-	-	620,086	620,086
	₱61,854,685	₱44,880,546	₱24,836,853	₱131,572,084

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 consolidated statement of income. Interest expense and financing charges, depreciation and amortization expense and income taxes are managed on a per segment basis.

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

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

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group, and that the revenue can be reliably measured. Sale of power to Manila Electric Company



(MERALCO) accounted for 22%, 22%, and 24% of the power generation revenues of the Group in 2018, 2018, and 2017 respectively.

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

2019

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱55,895,587	₱46,120,403	₱23,619,167	₱-	₱125,635,157
Inter-segment	28,483,698	1,327,759	2,911,436	(32,722,893)	-
Total Revenue	₱84,379,285	₱47,448,162	₱26,530,603	(₱32,722,893)	₱125,635,157
Segment Results	₱21,830,533	₱5,885,145	₱1,140,196	₱-	₱28,855,874
Unallocated corporate income - net	2,406,999	956,784	119,604	-	3,483,387
INCOME FROM OPERATIONS	24,237,532	6,841,929	1,259,800	-	32,339,261
Interest expense and other financing costs	(10,957,821)	(507,019)	(2,592,806)	-	(14,047,646)
Interest income	943,542	41,972	306,189	-	1,291,703
Share in net earnings of associates and joint ventures	3,648,999	164,080	19,003,726	(19,002,843)	3,813,962
Provision for income tax	(1,230,697)	(1,742,500)	(242,301)	-	(3,215,498)
NET INCOME	₱16,641,555	₱4,798,462	₱17,744,608	(₱19,002,843)	₱20,181,782
OTHER INFORMATION					
Investments	₱59,646,763	₱881,812	₱161,528,818	(₱161,201,414)	₱60,855,979
Capital Expenditures	₱6,237,592	₱3,319,554	₱31,393	₱-	₱9,588,539
Segment Assets	₱298,890,572	₱33,688,098	₱191,993,277	(₱114,102,590)	₱410,469,357
Segment Liabilities	₱190,812,375	₱27,267,433	₱71,179,680	(₱12,433,142)	₱276,826,346
Depreciation and Amortization	₱8,694,303	₱1,010,396	₱37,397	₱153,599	₱9,895,695

2018

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱61,854,685	₱44,880,546	₱24,836,853	₱-	₱131,572,084
Inter-segment	23,725,675	1,518,792	3,041,129	(28,285,596)	-
Total Revenue	₱85,580,360	₱46,399,338	₱27,877,982	(₱28,285,596)	₱131,572,084
Segment Results	₱27,643,753	₱6,039,597	₱2,813,332	₱-	₱36,496,682
Unallocated corporate income - net	(1,611,364)	429,911	(110,858)	-	(1,292,311)
INCOME FROM OPERATIONS	26,032,389	6,469,508	2,702,474	-	35,204,371
Interest expense and other financing costs	(10,178,990)	(370,814)	(1,532,354)	-	(12,082,158)
Interest income	574,737	47,394	257,954	-	880,085
Share in net earnings of associates and joint ventures	4,152,912	168,307	22,444,396	(22,408,790)	4,356,825
Provision for income tax	(459,775)	(1,681,315)	(784,533)	-	(2,925,623)
NET INCOME	₱20,121,273	₱4,633,080	₱23,087,937	(₱22,408,790)	₱25,433,500
OTHER INFORMATION					
Investments	₱33,119,798	₱857,368	₱133,369,580	(₱133,095,182)	₱34,311,564
Capital Expenditures	₱5,973,352	₱2,642,276	₱15,155	₱-	₱8,630,783
Segment Assets	₱280,845,233	₱32,008,694	₱170,041,730	(₱93,233,481)	₱389,662,176
Segment Liabilities	₱185,274,861	₱25,093,441	₱55,420,889	(₱12,703,682)	₱253,085,509
Depreciation and Amortization	₱7,511,495	₱988,911	₱24,537	₱156,460	₱8,681,403



2017

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱57,418,126	₱44,391,734	₱18,440,774	(₱859,331)	₱119,391,303
Inter-segment	20,833,785	-	2,937,047	(23,770,832)	-
Total Revenue	₱78,251,911	44,391,734	₱21,377,821	(₱24,630,163)	₱119,391,303
Segment Results	₱27,493,307	₱5,623,677	₱1,056,745	₱-	₱34,173,729
Unallocated corporate income - net	(2,808,401)	773,943	330,458	-	(1,704,000)
INCOME FROM OPERATIONS	24,684,906	6,397,620	1,387,203	-	32,469,729
Interest expense and other financing costs	(9,225,679)	(293,339)	(1,728,762)	-	(11,247,780)
Interest income	413,527	34,014	479,471	-	927,012
Share in net earnings of associates and joint ventures	4,362,804	323,674	20,540,260	(20,528,874)	4,697,864
Provision for income tax	(1,799,796)	(1,667,979)	(390,623)	-	(3,858,398)
NET INCOME	₱18,435,762	₱4,793,990	₱20,287,549	(₱20,528,874)	₱22,988,427
OTHER INFORMATION					
Investments	₱29,896,526	₱889,166	₱115,650,315	(₱115,212,028)	₱31,223,979
Capital Expenditures	₱13,549,936	₱2,565,221	₱39,052	₱-	₱16,154,209
Segment Assets	₱252,921,514	₱26,977,414	₱151,029,118	(₱69,451,047)	₱361,476,999
Segment Liabilities	₱173,675,992	₱19,266,696	₱52,829,898	(₱8,274,051)	₱237,498,535
Depreciation and Amortization	₱6,532,040	₱884,511	₱23,257	₱156,460	₱7,596,268

32. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

The Group enters into transactions with its parent, associates, joint ventures and other related parties, principally consisting of the following:

- a. The Company provides services to certain associates and joint ventures such as technical and legal assistance for various projects and other services.
- b. Energy fees are billed by the Group to related parties and the Group also purchased power from associates and joint ventures, arising from the following:
 - PPA/PSA or ESA (Note 21)
 - Replacement power contracts (Note 22)
- c. AEV provides human resources, internal audit, legal, treasury and corporate finance services, among others, to the Group and shares with the member companies the business expertise of its highly qualified professionals. Transactions are priced based on agreed rates, and billed costs are always benchmarked to third party rates. Service level agreements are in place to ensure quality of service. This arrangement enables the Group to maximize efficiencies and realize cost synergies. These transactions result to professional and technical fees paid by the Group to AEV (see Note 24).



- d. Aviation services are rendered by AAI, an associate, to the Group.
- e. Lease of commercial office units by the Group from Cebu Praedia Development Corporation (CPDC) and Aboitizland, Inc. and subsidiaries. CPDC and Aboitizland, Inc. are subsidiaries of AEV.
- f. Aboitiz Construction, Inc. (ACI), a wholly owned subsidiary of ACO, rendered its services to the Group for various construction projects.
- g. LEZ entered into a Concession Agreement with Lima Land, Inc. (LLI) for which it is entitled to the exclusive right to distribute and supply electricity to LLI's locators.
- h. Interest-bearing advances from AEV availed by the Group. The annual interest rates are determined on arm's length basis.
- i. Cash deposits with Union Bank of the Philippines (UBP) earn interest at prevailing market rates (see Note 5). UBP is an associate of AEV.
- j. The Company obtained Standby Letter of Credit (SBLC) and is acting as surety for the benefit of certain associates and joint ventures in connection with loans and credit accommodations. The Company provided SBLC for STEAG, CEDC, and SNAP B in the amount of P958.3 million in 2019, P1.02 billion in 2018 and P1.04 billion in 2017.

The above transactions are settled in cash.

The consolidated balance sheets and consolidated statements of income include the following significant account balances resulting from the above transactions with related parties:

- a. Revenue - Technical, management and other fees

	Revenue			Receivable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Associates:</i>							
SFELAPCO	P106,760	P132,623	P72,158	P57,440	P36,851	30-day; interest-free	Unsecured; no impairment
CEDC	74,074	71,880	101,367	24,615	-	30-day; interest-free	Unsecured; no impairment
GNPD	41,768	42,360	40,556	3,441	3,960	30-day; interest-free	Unsecured; no impairment
APO AGUA	24,545	-	-	24,194	-	30-day; interest-free	Unsecured; no impairment
Aboitiz InfraCapital, Inc.	1,055	-	-	281	-	30-day; interest-free	Unsecured; no impairment
	P248,202	P246,863	P214,081	P109,970	P40,811		



b) Revenue - Sale of power

	Revenue			Receivable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>AEV and subsidiaries-</i>							
Pilmico Foods Corporation	₱203,398	₱166,121	₱216,330	₱19,850	₱5,765	30-day; interest-free	Unsecured; no impairment
Lima Land, Inc.	9,842	47,947	3,031	2,708	1,509	30-day; interest-free	Unsecured; no impairment
Cebu Industrial Park Developers, Inc.	2,540	2,640	2,650	156	237	30-day; interest-free	Unsecured; no impairment
Aboitizland, Inc. and subsidiaries	-	14,588	18,060	-	1,698	30-day; interest-free	Unsecured; no impairment
Lima Water Corporation	-	1,943	17,141	-	2,084	30-day; interest-free	Unsecured; no impairment
<i>Associates and joint ventures</i>							
SFELAPCO	2,655,153	2,290,390	2,487,557	227,478	160,375	30-day; interest-free	Unsecured; no impairment
MEC	312,055	-	-	44,017	-	30-day; interest-free	Unsecured; no impairment
GNPD	37,212	-	-	-	-	30-day; interest-free	Unsecured; no impairment
SNAP RES	28,983	19,442	14,209	1	1,583	30-day; interest-free	Unsecured; no impairment
SNAP M	22,802	9,193	-	-	-	30-day; interest-free	Unsecured; no impairment
<i>Other related parties</i>							
Republic Cement & Building Materials, Inc. (an associate of AEV)	1,295,957	1,341,456	101,092	52,320	129,905	30-day; interest-free	Unsecured; no impairment
Aboitiz Construction International, Inc.	-	11,218	2,410	-	1,263	30-day; interest-free	Unsecured; no impairment
	₱4,733,196	₱4,256,884	₱3,268,846	₱346,533	₱343,897		

c. Cost of purchased power

	Purchases			Payable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Associates and joint ventures</i>							
CEDC	₱3,619,999	₱4,196,052	₱4,540,798	₱339,494	₱303,563	30-day; interest-free	Unsecured
SNAP M	109,142	110,432	158,015	8,012	8,722	30-day; interest-free	Unsecured
SFELAPCO	-	14,287	23,592	-	-	30-day; interest-free	Unsecured
SNAP B	-	-	126,731	-	-	30-day; interest-free	Unsecured
	₱3,729,141	₱4,320,771	₱4,849,136	₱347,506	₱312,285		



d. Expenses

	Nature	Purchases/Expenses			Payable		Terms	Conditions
		2019	2018	2017	2019	2018		
<i>Ultimate Parent</i>								
ACO	Professional fees	₱1,663	₱9,105	₱18,296	₱1,309	₱955	30-day; Interest-free	Unsecured
<i>AEV and subsidiaries</i>								
AEV	Professional and Technical fees	591,310	487,770	766,866	91,168	18,858	30-day; Interest-free	Unsecured
Lima Land, Inc.	Concession fees	78,516	67,044	59,151	5,378	5,421	30-day; Interest-free	Unsecured
NAI	Aviation Services	55,537	46,217	61,189	10,847	-	30-day; Interest-free	Unsecured
CPDC	Rental	34,862	26,939	34,711	-	-	30-day; Interest-free	Unsecured
AEV	Rental	2,213	-	-	-	-	30-day; Interest-free	Unsecured
Abotitland, Inc. and subsidiaries	Rental	280	258	1,163	-	-	30-day; Interest-free	Unsecured
CPDC	Professional and Technical fees	64	-	7	-	-	30-day; Interest-free	Unsecured
ACI	Professional and Technical fees	-	-	16,789	-	-	30-day; Interest-free	Unsecured
		₱764,445	₱637,333	₱958,172	₱108,702	₱25,234		

e. Capitalized construction and rehabilitation costs

	Purchases			Payable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Other related parties</i>							
ACI	₱458,564	₱399,105	₱727,378	₱212,358	₱-	30-day; Interest-free	Unsecured

f. Capitalized construction and rehabilitation costs

	Interest Expense			Payable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Parent</i>							
AEV	₱17,919	₱22,390	₱44,299	₱607,620	₱930,960	Promissory note; Interest-bearing	Unsecured

g. Notes receivable

	Interest Income			Receivable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Joint venture</i>							
Sacasun	₱-	₱-	₱151,040	₱-	₱-	Loan agreement; Interest-bearing	Unsecured



h. Cash deposits and placements with UBP

Company	Interest Income			Outstanding Balance		Terms	Conditions
	2019	2018	2017	2019	2018		
Company	₱106,743	₱67,982	₱54,450	₱22,806	₱6,143,040	90 days or less; interest-bearing	No impairment
TPI and subsidiaries	67,184	269,597	57,888	4,644,453	6,091,050	90 days or less; interest-bearing	No impairment
ARI and subsidiaries	40,802	71,686	47,101	1,708,116	3,243,580	90 days or less; interest-bearing	No impairment
AESI	15,026	9,556	14,084	856,115	880,422	90 days or less; interest-bearing	No impairment
AI	15,332	7,091	3,501	729,907	1,241,725	90 days or less; interest-bearing	No impairment
CPPC	11,710	5,234	2,396	607,526	405,191	90 days or less; interest-bearing	No impairment
VECO	10,144	2,304	3,525	988,027	57,761	90 days or less; interest-bearing	No impairment
EAUC	5,740	3,932	4,629	212,010	229,886	90 days or less; interest-bearing	No impairment
DLP	3,025	1,564	3,505	122,147	156,235	90 days or less; interest-bearing	No impairment
PEI	888	121	76	175,572	99,358	90 days or less; interest-bearing	No impairment
CLP	402	157	306	3,025	40,783	90 days or less; interest-bearing	No impairment
MEZ	311	153	213	3,145	37,875	90 days or less; interest-bearing	No impairment
SEZ	262	176	1,575	4,044	73,548	90 days or less; interest-bearing	No impairment
BEZ	205	156	174	2,515	20,375	90 days or less; interest-bearing	No impairment
LEZ	41	2,635	2,034	27,872	28,819	90 days or less; interest-bearing	No impairment
MVEZ	35	-	-	32,290	3,280	90 days or less; interest-bearing	No impairment
CIPI	-	-	-	200	200	90 days or less; interest-bearing	No impairment
MHSCI	-	-	-	49	49	90 days or less; interest-bearing	No impairment
SACASUN	-	-	-	178	-	90 days or less; interest-bearing	No impairment
APint	-	-	-	105	105	90 days or less; interest-bearing	No impairment
	₱277,850	₱442,344	₱195,457	₱10,140,102	₱18,753,282		

The Company's Fund is in the form of a trust being maintained and managed by AEV. In 2019 and 2018, other than contributions to the Fund, no transactions occurred between the Company or any of its direct subsidiaries and the Fund.

Compensation of BOD and key management personnel of the Group follows:

	2019	2018	2017
Short-term benefits	₱456,844	₱439,859	₱461,779
Post-employment benefits	30,616	25,998	28,518
	₱487,460	₱465,857	₱490,297



33. 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 (see Note 34).

Risk Management Structure

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

Financial risk committee

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

Treasury service group

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

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

Liquidity risk

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

In managing its long-term financial requirements, the Group's policy is that not more than 25% of long-term borrowings should mature in any twelve-month period. 6.97% and 6.08% of the Group's debt will mature in less than one year as of December 31, 2019 and 2018 respectively. 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 that have contractual undiscounted cash flows amounting to ₱37.50 billion and ₱23.90 billion, respectively, as of December 31, 2019 and ₱46.34 billion and ₱24.90 billion, respectively, as of December 31, 2018 (see Notes 5 and 6). Cash and cash equivalents can be withdrawn anytime while trade and other receivables are expected to be collected/realized within one year.



The following tables summarize the maturity profile of the Group's financial liabilities as of December 31, 2019 and 2018 based on contractual undiscounted payments:

December 31, 2019

	Total Carrying Value	Contractual undiscounted payments				
		Total	On demand	<1 year	1 to 5 years	> 5 years
Short-term loans	P10,335,420	P10,547,767	P-	P10,547,767	P-	P-
Trade and other payables*	24,882,034	24,882,034	2,115,302	15,954,482	6,812,250	-
Long-term debts	177,971,622	243,705,445	-	17,883,835	129,204,381	96,617,229
Customers' deposits	6,521,469	6,521,469	-	25,199	184,625	6,311,645
Lease liabilities	44,789,644	63,070,543	-	9,117,883	44,872,854	9,079,806
Long-term obligation on PDS	199,350	360,000	-	40,000	200,000	120,000
Derivative liabilities	2,468,324	2,468,324	-	2,255,736	212,588	-
	P267,167,863	P351,555,582	P2,115,302	P55,824,902	P181,486,698	P112,128,680

*Includes the noncurrent portion of the PSALM deferred adjustment presented under other noncurrent liabilities in the consolidated balance sheet.

December 31, 2018

	Total Carrying Value	Contractual undiscounted payments				
		Total	On demand	<1 year	1 to 5 years	> 5 years
Short-term loans	P11,546,560	P11,595,877	P-	11,595,877	P-	P-
Trade and other payables*	20,980,747	20,980,747	2,249,319	15,548,339	3,183,089	-
Long-term debts	158,057,691	196,167,005	-	12,385,044	69,567,926	114,214,035
Customers' deposits	6,008,364	6,008,364	-	24,546	80,334	5,903,484
Lease liabilities	46,894,355	66,433,090	-	9,052,200	41,790,990	15,589,900
Long-term obligation on PDS	213,496	400,000	-	40,000	200,000	160,000
Derivative liabilities	159,926	159,926	-	159,926	-	-
	P243,861,139	P301,745,009	P2,249,319	P48,805,932	P114,822,339	P135,857,419

*Includes the noncurrent portion of the PSALM deferred adjustment presented under other noncurrent liabilities in the consolidated balance sheet.

Market risk

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

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of December 31, 2019, 16% of the Group's long-term debt had annual floating interest rates ranging from 3.09% to 4.81%, and 84% have annual fixed interest rates ranging from 4.05% to 9.00%. As of December 31, 2018, 10% of the Group's long-term debt had annual floating interest rates ranging from 2.94% to 4.31%, and 90% have annual fixed interest rates ranging from 4.11% to 9.00%.



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

As of December 31, 2019

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	₱1,887,609	₱23,257,354	₱4,183,912	₱29,328,875

As of December 31, 2018

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	₱2,134,417	₱9,816,871	₱4,303,409	₱16,254,697

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 (see Note 34).

The following table demonstrates the sensitivity to a reasonable 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
December 2019	200	(₱586,577)
	(100)	293,289
December 2018	200	(₱325,094)
	(100)	162,547

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

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

	2019	2018	2017
Short-term loans and long-term debt (see Notes 16 and 17)	₱9,443,882	₱7,237,217	₱6,458,347
Lease liabilities (see Note 35)	4,350,043	4,659,794	4,757,379
Customers' deposits (see Note 18)	4,353	2,143	3,230
Other long-term obligations (see Notes 13 and 19)	249,368	183,004	28,824
	₱14,047,646	₱12,082,158	₱11,247,780

Commodity Price Risk

Commodity price risk of the Group arises from transactions on the world commodity markets to secure the supply of fuel, particularly coal, which is necessary for the generation of electricity.



The Group's objective is to minimize the impact of commodity price fluctuations and this exposure is hedged in accordance with the Group's commodity price risk management strategy.

Based on a 36-month forecast of the required coal supply, the Group hedges the purchase price of coal using commodity swap contracts. The commodity swap contracts do not result in physical delivery of coal, but are designated as cash flow hedges to offset the effect of price changes in coal.

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 32% and 31% of total consolidated borrowings as of December 31, 2019 and 2018, respectively.

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

	December 31, 2019		December 31, 2018	
	US Dollar	Philippine Peso equivalent ¹	US Dollar	Philippine Peso equivalent ²
Financial assets:				
Cash and cash equivalents	\$43,352	₱2,195,129	\$227,911	₱11,983,534
Trade and other receivables	18,725	948,140	26,591	1,398,184
Advances to associates	-	-	592	31,127
Total financial assets	62,077	3,143,269	255,094	13,412,845
Financial liabilities:				
Short-term loans	12,000	607,620	12,000	630,960
Trade and other payables	13,439	680,493	2,934	154,294
Long-term debt	300,000	15,190,500	-	-
Lease liabilities	443,002	22,431,406	479,512	25,212,741
Total financial liabilities:	768,441	38,910,019	494,446	25,997,995
Total net financial liabilities	(\$706,364)	(₱35,766,750)	(\$239,352)	(₱12,585,150)

¹US\$1 = ₱50.64

²US\$1 = ₱52.58

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

	Increase (decrease) in US Dollar	Effect on income before tax
2019		
US Dollar denominated accounts	US Dollar strengthens by 5%	(₱1,788,338)
US Dollar denominated accounts	US Dollar weakens by 5%	1,788,338
2018		
US Dollar denominated accounts	US Dollar strengthens by 5%	(₱629,257)
US Dollar denominated accounts	US Dollar weakens by 5%	629,257



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.

The following table presents LHC's and GMCP's foreign currency denominated assets and liabilities:

	2019		2018	
	Philippine Peso	US Dollar Equivalent ¹	Philippine Peso	US Dollar Equivalent ²
Financial assets:				
Cash and cash equivalents	₱718,508	\$14,190	₱1,212,747	\$23,065
Trade and other receivables	461,052	9,105	801,466	15,243
	1,179,560	23,295	2,014,213	38,308
Financial liabilities:				
Trade and other payables	842,075	16,630	608,306	11,569
Net foreign currency denominated assets	₱337,485	\$6,665	₱1,405,907	\$26,739

¹US\$1 = ₱50.64

²US\$1 = ₱52.58

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rate in relation to Philippine peso, with all variables held constant, of the Group's income before tax as of December 31:

	Effect on income before tax
2019	
U.S. dollar appreciates against Philippine peso by 5.0%	(\$333)
U.S. dollar depreciates against Philippine peso by 5.0%	333
2018	
U.S. dollar appreciates against Philippine peso by 5.0%	(\$1,337)
U.S. dollar depreciates against Philippine peso by 5.0%	1,337

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

Credit risk

For its cash investments (including restricted portion), financial assets at FVTPL and receivables, the Group's credit risk pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these investments. With respect to cash investments and financial assets at FVTPL, the risk is mitigated by the short-term and/or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions and entities of high credit standing. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Group's policy to only enter into transactions with credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales are made to customers with appropriate credit history and it has internal mechanisms to monitor the granting of credit and management of credit exposures.



Concentration risk

Credit risk concentration of the Group's receivables according to the customer category as of December 31, 2019 and 2018 is summarized in the following table:

	2019	2018
Power distribution:		
Industrial	P5,554,969	P4,973,567
Residential	1,825,217	1,676,936
Commercial	437,994	778,623
City street lighting	111,570	30,006
Power generation:		
Power supply contracts	1,481,760	4,567,682
Spot market	5,520,439	2,533,211
	P14,931,949	P14,560,025

The above receivables were provided with allowance for ECL amounting to P1.97 billion in 2019 and P1.75 billion in 2018 (see Note 6).

Maximum exposure to credit risk after collateral and other credit enhancements

The maximum exposure of the Group's financial instruments is equivalent to the carrying values as reflected in the consolidated balance sheets and related notes, except that the credit risk associated with the receivables from customers is mitigated because some of these receivables have collaterals.

Maximum exposure to credit risk for collateralized loans is shown below:

	2019			2018		
	Carrying Value	Financial Effect of Collateral in Mitigating Credit Risk	Maximum Exposure to Credit Risk	Carrying Value	Financial Effect of Collateral in Mitigating Credit Risk	Maximum Exposure to Credit Risk
Trade receivables:						
Power distribution	P7,639,069	P7,639,069	P-	P7,619,514	P7,619,514	P-

Financial effect of collateral in mitigating credit risk is equivalent to the fair value of the collateral or the carrying value of the loan, whichever is lower.



Credit quality

The credit quality per class of financial assets is as follows:

December 31, 2019

	Neither past due nor impaired			Past due or individually impaired	Total
	High Grade	Standard	Sub-standard		
Cash and cash equivalents:					
Cash on hand and in banks	₱14,177,919	P-	P-	P-	₱14,177,919
Short-term deposits	23,256,010	-	-	-	23,256,010
	37,433,929				37,433,929
Trade receivables:					
Power supply contracts	2,848,479	-	-	2,671,960	5,520,439
Spot market	84,853	-	-	1,396,907	1,481,760
Industrial	5,274,393	-	-	280,576	5,554,969
Residential	1,346,631	-	-	478,586	1,825,217
Commercial	301,098	-	-	136,896	437,994
City street lighting	99,320	-	-	12,250	111,570
	9,954,774			4,977,175	14,931,949
Other receivables*	10,929,212	-	-	-	10,929,212
Financial assets at FVTPL	3,906	-	-	-	3,906
Restricted cash	9,121,747	-	-	-	9,121,747
Derivative assets	82,327	-	-	-	82,327
Total	₱67,525,895	P-	P-	₱4,977,175	₱72,503,070

*Includes the noncurrent portion of the PSALM deferred adjustment presented under other noncurrent assets in the consolidated balance sheets.

December 31, 2018

	Neither past due nor impaired			Past due or individually impaired	Total
	High Grade	Standard	Sub-standard		
Cash and cash equivalents:					
Cash on hand and in banks	₱11,426,051	P-	P-	P-	₱11,426,051
Short-term deposits	34,916,990	-	-	-	34,916,990
	46,343,041				46,343,041
Trade receivables:					
Power supply contracts	3,510,685	8,857	162	1,047,978	4,567,682
Spot market	653,426	-	-	1,879,785	2,533,211
Industrial	4,704,832	-	-	268,735	4,973,567
Residential	807,292	-	-	869,644	1,676,936
Commercial	477,608	-	-	301,015	778,623
City street lighting	16,495	-	-	13,511	30,006
	10,170,338	8,857	162	4,380,668	14,560,025
Other receivables*	12,074,660	-	-	20,171	12,094,831
Financial assets at FVTPL	101,441	-	-	-	101,441
Restricted cash	5,289,145	-	-	-	5,289,145
Derivative assets	292,828	-	-	-	292,828
Total	₱74,271,453	₱8,857	₱162	₱4,400,839	₱78,681,311

*Includes the noncurrent portion of the PSALM deferred adjustment presented under other noncurrent assets in the consolidated balance sheets.



	2019			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
High grade	₱57,571,121	₱9,954,774	₱-	₱67,525,895
Standard grade	-	-	-	-
Substandard grade	-	-	-	-
Default	-	3,027,476	1,949,699	4,977,175
Gross carrying amount	57,571,121	12,982,250	1,949,699	72,503,070
Loss allowance	-	23,821	1,949,699	1,973,520
Carrying amount	₱57,571,121	₱12,958,429	₱-	₱70,529,550

	2018			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
High grade	₱64,101,115	₱10,170,338	₱-	₱74,271,453
Standard grade	-	8,857	-	8,857
Substandard grade	-	162	-	162
Default	20,171	2,879,856	1,500,812	4,400,839
Gross carrying amount	64,121,286	13,059,213	1,500,812	78,681,311
Loss allowance	-	249,179	1,500,812	1,749,991
Carrying amount	₱64,121,286	₱12,810,034	₱-	₱76,931,320

High grade - pertain to receivables from customers with good favorable credit standing and have no history of default.

Standard grade - pertain to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade - pertain to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.

Trade and other receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings.

The Group evaluated its cash and cash equivalents and restricted cash as high quality financial assets since these are placed in financial institutions of high credit standing.

With respect to other receivables, investments in equity securities and derivative assets, the Group evaluates the counterparty's external credit rating in establishing credit quality.



The tables below show the Group's aging analysis of financial assets:

December 31, 2019

	Total	Neither past due nor impaired	Past due but not impaired			Individually impaired
			Less than 30 days	31 days to 60 days	Over 60 days	
Cash and cash equivalents:						
Cash on hand and in banks	P14,177,919	P14,177,919	P-	P-	P-	P-
Short-term deposits	23,256,010	23,256,010	-	-	-	-
	37,433,929	37,433,929	-	-	-	-
Trade receivables:						
Power supply contracts	5,520,439	2,848,479	208,094	222,758	1,663,483	577,625
Spot market	1,481,760	84,853	9,339	1,405	126,148	1,260,015
Industrial	5,554,969	5,274,393	77,650	18,126	169,528	15,272
Residential	1,825,217	1,346,631	166,663	30,187	182,435	99,301
Commercial	497,994	301,098	39,269	5,628	71,720	20,279
City street lighting	111,570	99,320	8,801	1,931	490	1,028
	14,931,949	9,954,774	509,816	280,035	2,213,804	1,973,520
Other receivables*	10,929,212	10,929,212	-	-	-	-
Financial assets at FVTPL	3,906	3,906	-	-	-	-
Restricted cash	9,121,747	9,121,747	-	-	-	-
Derivative assets	82,327	82,327	-	-	-	-
Total	P72,503,070	P67,525,895	P509,816	P280,035	P2,213,804	P1,973,520

*Includes the noncurrent portion of the PSALM deferred adjustment presented under other noncurrent assets in the consolidated balance sheets.

December 31, 2018

	Total	Neither past due nor impaired	Past due but not impaired			Individually impaired
			Less than 30 days	31 days to 60 days	Over 60 days	
Cash and cash equivalents:						
Cash on hand and in banks	P11,426,051	P11,426,051	P-	P-	P-	P-
Short-term deposits	34,916,990	34,916,990	-	-	-	-
	46,343,041	46,343,041	-	-	-	-
Trade receivables:						
Power supply contracts	4,567,682	3,519,704	166,653	126,484	434,900	319,941
Spot market	2,533,211	653,426	16,619	17,070	603,359	1,242,737
Industrial	4,973,567	4,704,832	170,360	17,184	58,331	22,860
Residential	1,676,936	807,292	435,020	64,942	244,498	125,184
Commercial	778,623	477,608	157,412	19,693	88,052	35,858
City street lighting	30,006	16,495	3,121	266	6,713	3,411
	14,560,025	10,179,357	949,185	245,639	1,435,853	1,749,991
Other receivables*	12,094,831	12,074,660	-	-	20,171	-
Financial assets at FVTPL	101,441	101,441	-	-	-	-
Restricted cash	5,289,145	5,289,145	-	-	-	-
Derivative assets	292,828	292,828	-	-	-	-
Total	P78,681,311	P74,280,472	P949,185	P245,639	P1,456,024	P1,749,991

*Includes the noncurrent portion of the PSALM deferred adjustment presented under other noncurrent assets in the consolidated balance sheets.

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 loans, long-term loans, and lease liabilities less cash and short-term deposits (including restricted cash).

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

	2019	2018
Short-term loans	P10,335,420	P11,546,560
Long-term debt	222,761,266	204,952,046
Cash and cash equivalents	(37,433,929)	(46,343,041)
Restricted cash	(9,121,747)	(5,289,145)
Net debt (a)	186,541,010	164,866,420
Equity	133,643,011	136,576,667
Equity and net debt (b)	320,184,021	301,443,087
Gearing ratio (a/b)	58.26%	54.69%

Part of the Group's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Group is in compliance with the financial covenants attached to its long-term debt as of December 31, 2019 and 2018 (see Note 17).

Certain entities within the Group that are registered with the BOI are required to raise a minimum amount of capital in order to avail of their registration incentives. As of December 31, 2019 and 2018, these entities have complied with the requirement as applicable (see Note 37).

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

34. 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.

	2019		2018	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Asset				
PSALM deferred adjustment	₱3,183,080	₱2,846,279	₱4,225,950	₱3,889,099
Financial Liabilities				
Lease liabilities	₱44,789,644	₱38,495,450	₱46,894,355	₱40,495,647
Long-term debt - fixed rate	148,642,748	152,786,437	141,802,994	138,103,091
PSALM deferred adjustment	3,183,080	2,846,279	4,225,950	3,889,099
Long-term obligation on power distribution system	199,350	320,194	213,496	297,790
	₱196,814,822	₱194,448,360	₱193,136,795	₱182,785,627

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. Interest-bearing loans were discounted using credit-adjusted interest rates ranging from 3.47% to 6.52% in 2019 and 3.15% to 7.53% in 2018.

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 lease liabilities was calculated by discounting future cash flows using discount rates of 3.10% to 4.13% for dollar payments and 6.68% to 7.04% for peso payments in 2019 and 2.33% to 2.73% for dollar payments and 5.26% to 6.67% for peso payments in 2018.

Long-term obligation on PDS and PSALM deferred adjustment. The fair value of the long-term obligations on power distribution system and PSALM deferred adjustment is calculated by discounting expected future cash flows at prevailing market rates. Discount rates used in discounting the obligation ranges from 4.32% to 7.49% in 2018 and 2.70% to 4.66% in 2017.

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 IRS and interest rate cap are determined by generally accepted valuation techniques with reference to observable market data such as interest rates.

The Group entered into an IRS 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 deliverable and non-deliverable short-term forward contracts with counterparty banks to manage its foreign currency risks associated with foreign currency-denominated liabilities, purchases and highly probable forecasted purchases.

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

IRS

In August 2012, LHC entered into an IRS agreement effective October 31, 2012 to fully hedge its floating rate exposure on its US Dollar-denominated loan. Under the IRS agreement, LHC, on a semi-annual basis, pays a fixed rate of 1.505% per annum and receives variable interest at 6-month LIBOR plus margin. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the IRS has amortizing notional amounts which cover a period up to final maturity. LHC designated the swap as a cash flow hedge.

As of December 31, 2019, the outstanding notional amount and derivative asset as a result of the swap amounted to \$11.2 million and ₱2.2 million, respectively. As of December 31, 2018, the outstanding notional amount and derivative asset as a result of the swap amounted to \$16.6 million and ₱19.6 million, respectively.

GMCP has an IRS agreement to hedge the variability in the interest cash flows on the entire amount of its Onshore - Tranche B loans. Under the swap agreement, GMCP pays a fixed rate of 4.37% and receives 6-month LIBOR, semi-annually from January 29, 2010 until March 29, 2021. GMCP designated the swap as a cash flow hedge. On September 29, 2017, the IRS agreement was terminated following the prepayment of the loan (see Note 17). As a result of the termination, the outstanding value of the derivative liability amounting to \$4.5 million was derecognized in cumulative translation adjustments.

On September 29, 2017, GMCP entered into an IRS agreement to hedge the variability in the interest cash flows on the entire amount of its LIBOR Loan (see Note 17), which bears interest based on six-month US LIBOR. Under the swap agreement, GMCP pays a fixed rate of 2.18% and receives six-month US LIBOR, semi-annually from March 29, 2018 until September 27, 2024. The IRS settlement dates coincide with the semi-annual interest payment dates of the NFA. GMCP designated the swap as a cash flow hedge.



As of December 31, 2019, the outstanding notional amount and derivative liability as a result of the swap amounted to \$267.5 million and ₱252.3 million, respectively. As of December 31, 2018, the outstanding notional amount and derivative asset as a result of the swap amounted to \$288.5 million and ₱272.2 million, respectively.

In September 2019, the Company entered into an interest rate swap agreement effective September 30, 2019 to hedge \$150 million of its floating rate exposure on its loan (see Note 17). Under the interest rate swap agreement, the Company, on a quarterly basis, pays a fixed rate of 1.449300% per annum and received variable interest at 3-month LIBOR, subject to a floor of 0%. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the interest rate swap has amortizing notional amounts which cover a period up to April 30, 2024. The Company designated the swap as a cash flow hedge.

As of December 31, 2019, the outstanding notional amount and fair value of the swap amounted to ₱7.60 billion and ₱80.1 million, respectively.

Foreign currency forward contracts

On November 26, 2015, Hedcor Bukidnon entered into a deliverable forward contract to manage its foreign currency risks associated with its Euro denominated purchases. As of December 31, 2018 and 2017, the outstanding sell U.S. Dollar buy Euro forward contract has an aggregate notional of €1.0 million and €2.5 million, respectively. The maturity of the derivatives begins on December 21, 2015 until April 25, 2018.

On November 26, 2015, Hedcor Bukidnon also entered into a non-deliverable forward contract to manage its exposure to exchange rate fluctuations associated with US dollar denominated purchases. As of December 31, 2018 and 2017, the contract has an aggregate notional amount of \$1.2 million and US\$2.6 million, respectively. The contracts were fully settled in January 2019.

Hedcor Bukidnon designated these foreign currency hedging transactions as cash flow hedges.

TLI entered into forward contracts to hedge the foreign currency risk arising from forecasted US dollar denominated coal purchases. These forecasted transactions are highly probable, and they comprise about 20% of the TLI's total expected coal purchases. The forward contracts were designated as cash flow hedges. As of December 31, 2019, the aggregate notional amount of the forward contracts is ₱13.09 billion.

In 2015, TVI entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the Engineering Procurement Construction (EPC) contract related to the construction of a power plant. As of December 31, 2019 and 2018, the aggregate notional amount of the par forward contracts is \$16.8 million (₱0.9 billion) and \$25.2 million (₱1.3 billion), respectively.

In 2014, the Group's Joint Operation entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the EPC contract related to the construction of a power plant. The par forward contracts were designated as cash flow hedges. As of December 31, 2017, the aggregate notional amount of the par forward contracts is ₱254.3 million, these were fully settled in 2018.



The Company enters into short-term forward contracts with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases. As of December 31, 2017, the aggregate notional amount of the par forward contract is US\$39.0 million, these were fully settled in 2018.

Commodity swap contracts

In 2018, TLI 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.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward, IRS and commodity swap contracts match the terms of the expected highly probable foreign currency denominated forecasted purchases and floating rate loans. The Group has established a hedge ration of 1:1 for the hedging relationships as the underlying risk of the foreign currency forward, IRS and commodity swap contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative technique and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Different reference prices linked to the hedged risk of the hedged items and hedging instruments
- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments



The Group is holding the following hedging instruments designated as cash flow hedges:

December 31, 2019

	Maturity					Total
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	
IRS - Derivative Assets						
Notional amount (in PHP)	-	111,397	167,096	278,493	7,602,845	8,159,831
Average fixed interest rate (%)	1.45%-1.51%	1.45%-1.51%	1.45%-1.51%	1.45%-1.51%	1.45%-1.51%	
IRS - Derivative Assets						
Notional amount (in PHP)	505,084	-	319,001	744,335	11,973,912	13,542,332
Average fixed interest rate (%)	2.18%	2.18%	2.18%	2.18%	2.18%	
Foreign Currency Forward Contracts - Derivative Assets						
Notional amount (in PHP)	35,448	-	-	-	-	35,448
Average forward rate (in PHP)	51	-	-	-	-	
Foreign Currency Forward Contracts - Derivative Liability						
Notional amount (in PHP)	2,549,299	2,459,085	4,447,858	2,809,170	861,922	13,127,334
Average forward rate (in PHP)	53	53	53	55	54	
Commodity swaps - Derivative Liability						
Notional amount (in metric tonnes)	361,500	328,500	447,500	651,500	269,000	2,058,000
Notional amount (in PHP)	1,659,132	1,494,677	2,008,052	2,873,693	1,147,704	9,183,258
Average hedged rate (in PHP per metric tonne)	4,590	4,550	4,487	4,411	4,267	

December 31, 2018

	Maturity					Total
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	
IRS - Derivative Assets						
Notional amount (in PHP)	552,090	115,676	725,604	1,144,930	13,503,859	16,042,159
Average fixed interest rate (%)	2.18%	1.51%-2.18%	1.51%-2.18%	1.51%-2.18%	1.51%-2.18%	
Foreign Currency Forward Contracts - Derivative Assets						
Notional amount (in PHP)	-	51,118	-	-	-	51,118
Average forward rate (in PHP)	54	55	55	56	57	
Foreign Currency Forward Contracts - Derivative Liability						
Notional amount (in PHP)	975,740	752,345	933,916	1,372,435	798,837	4,833,273
Average forward rate (in PHP)	54	55	55	56	57	
Commodity swaps - Derivative Asset						
Notional amount (in metric tonnes)	47,000	103,000	161,000	150,000	70,000	531,000
Notional amount (in PHP)	212,949	484,425	749,278	695,381	330,607	2,472,640
Average hedged rate (in PHP per metric tonne)	4,531	4,703	4,654	4,636	4,723	
Commodity swaps - Derivative Liability						
Notional amount (in metric tonnes)	86,000	44,000	289,000	150,000	151,000	720,000
Notional amount (in PHP)	486,652	248,709	1,608,393	800,799	775,024	3,919,577
Average hedged rate (in PHP per metric tonne)	5,659	5,652	5,565	5,339	5,133	



The impact of the hedged items and hedging instruments in the consolidated balance sheet as of December 31, 2019 and 2018, and consolidated statements of income and comprehensive income for the years ended December 31, 2019 and 2018, is as follows:

As at 31 December 2019				
	Carrying amount	Change in fair value used for measuring ineffectiveness	Total hedging gain (loss) recognized in OCI	Ineffectiveness recognized in other comprehensive income (charges)
IRS				
Derivative asset	₱82,328	₱80,134	₱63,429	₱-
Derivative liability	(252,327)	-	(515,811)	-
Forward exchange currency forwards				
Derivative asset	13,116	13,116	13,116	-
Derivative liability	(521,528)	(521,528)	(405,516)	-
Commodity swaps				
Derivative asset	-	-	(195,428)	-
Derivative liability	(1,689,952)	(1,689,952)	(1,461,259)	(8,430)
As at 31 December 2018				
	Carrying amount	Change in fair value used for measuring ineffectiveness	Total hedging gain (loss) recognized in OCI	Ineffectiveness recognized in other comprehensive income (charges)
IRS				
Derivative asset	₱291,764	₱272,185	₱168,841	₱2,095
Forward exchange currency forwards				
Derivative asset	210	(539)	-	-
Derivative liability	(118,596)	(228,658)	(117,304)	(1,292)
Commodity swaps				
Derivative asset	1,200	22,141	195,428	1,003
Derivative liability	(40,311)	(154,829)	(235,351)	(8,141)

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

	2019	2018
At beginning of year	₱132,902	₱294,364
Net changes in fair value of derivatives designated as cash flow hedges	(2,515,732)	(125,642)
Net changes in fair value of derivatives not designated as accounting hedges	(3,889)	(72,252)
Fair value of settled instruments	722	36,432
At end of year	(₱2,385,997)	₱132,902

The net gains and losses from the net fair value changes of derivatives not designated as accounting hedges are included under "Net foreign exchange gain (losses)" in Note 28.

The changes in the fair value of derivatives designated as cash flow hedges were deferred in equity under "Cumulative translation adjustments."



The net movement of changes to Cumulative translation adjustment is as follows:

	2019	2018
Balance at beginning of year (net of tax)	₱261,378	₱139,879
Changes in fair value recorded in equity	(2,495,146)	203,751
	(2,233,768)	343,630
Transfer to construction in progress	-	(77,180)
Changes in fair value transferred to profit or loss	(8,218)	(7,579)
Balance at end of year before deferred tax effect	(2,241,986)	258,871
Deferred tax effect	(15,303)	2,507
Balance at end of year (net of tax)	(₱2,257,289)	₱261,378

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 December 31, 2019 and 2018, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

December 31, 2019

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
Derivative assets	₱110,576	₱-	₱110,576	₱-
Derivative liabilities	2,468,324	-	2,468,324	-
Disclosed at fair value:				
Lease liabilities	38,495,450	-	-	38,495,350
Long-term debt - fixed rate	152,786,437	-	-	152,786,437
Long-term obligation on PDS	320,194	-	-	320,194

December 31, 2018

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
Derivative assets	₱292,828	₱-	₱292,828	₱-
Derivative liabilities	159,926	-	159,926	-
Disclosed at fair value:				
Lease liabilities	40,495,647	-	-	40,495,647
Long-term debt - fixed rate	138,103,091	-	-	138,103,091
Long-term obligation on PDS	297,790	-	-	297,790



The fair values of the Group's investment properties were determined as follows:

- In valuing the land, the Group used the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.
- The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

Fair value investment properties are estimated under Level 3 inputs.

During the years ended December 31, 2019 and 2018, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement

35. Lease Agreements

TLI

TLI was appointed by PSALM as Administrator under the IPP Administration Agreement, giving TLI the right to receive, manage and control the capacity of the power plant for its own account and at its own cost and risk; and the right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration.

In view of the nature of the IPP Administration Agreement, the arrangement has been considered as a finance lease. Accordingly, TLI recognized the capitalized asset and related liability of P44.79 billion (equivalent to the present value of the minimum lease payments using TLI's incremental borrowing rates of 10% and 12% for dollar and peso payments, respectively) in the consolidated financial statements as "Power plant" and "Lease liabilities" accounts, respectively. The discount determined at inception of the IPP Administration Agreement is amortized over the period of the IPP Administration Agreement and is recognized as interest expense in the consolidated statements of income. Interest expense in 2019, 2018 and 2017 amounted to P4.14 billion, P4.66 billion, and P4.76 billion, respectively (see Note 33).



Future minimum monthly dollar and peso payments under the IPP Administration Agreement and their present values as of December 31, 2018 are as follows:

	Dollar payments	Peso equivalent of dollar payments ¹	Peso payments	2018 Total
Within one year	\$90,000	P4,732,200	P4,320,000	P9,052,200
After one year but not more than five years	415,500	21,846,990	19,944,000	41,790,990
More than five years	155,000	8,149,900	7,440,000	15,589,900
Total contractual payments	660,500	34,729,090	31,704,000	66,433,090
Unamortized discount	193,770	9,516,320	10,022,415	19,538,735
Present value	466,730	25,212,770	21,681,585	46,894,355
Less current portion				4,131,059
Noncurrent portion of finance lease obligation				P42,763,296

¹US\$1 = P52.58 in 2018

APRI

On May 25, 2009, APRI entered into a lease agreement with PSALM for a parcel of land owned by the latter on which a portion of the assets purchased under the APA is situated. The lease term is for a period of 25 years commencing from the Closing Date as defined in the APA which falls on May 25, 2009. The rental fees for the whole term of 25 years amounting to P492.0 million were paid in full after the receipt by APRI of the Certificate of Effectivity on the lease (see Notes 8 and 14). Total lease charged to operations amounted to P19.7 million in 2018 and 2017 (see Note 25).

GMCP

In August 2007, a 25-year lease agreement with Authority of the Freeport Area of Bataan for land at Bataan Economic Zone, used as an access road and right of way for electric power transmission lines.

January 2010, a 50-year land lease agreement with PMR Group Retirement Plan, Inc. (PGRPI), used for its power plant facilities. GMCP, upon mutual agreement of PGRPI, has the right and on to extend the lease for a period of twenty-five years. In August 2016, GMCP entered into another lease agreement with PGRPI for land to be used for staff house.

HI, HTI and HSI

HI, HTI and HSI entered into contracts with various lot owners for lease of land where their power plants are located. Terms of contract are for a period of 1 to 50 years renewable upon mutual agreement by the parties.

Sacasun

Sacasun entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties. Prepaid rent amounts to P51.5 million as of December 31, 2018 (see Note 8).

Therma Mobile

On April 26, 2014, a 10-year lease for portions of the breakwater area of the Navotas Fishport Complex (NFPC), including the mooring facility, marine and land transmission lines.

EAUC

Lease agreement with PEZA for a piece of land located inside Mactan Economic Zone for its power plant facilities for a period of 25 years.



TPVI

TPVI entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties. Prepaid rent amounts to P516.0 million as of December 31, 2018. (see Notes 8, 14 and 40e).

Lease Disclosure in Accordance with PAS 17 (applicable prior to January 1, 2019)

Future minimum lease payments under the non-cancellable operating leases of GMCP, Sacasun, HI, HTI, HSI, Therma Mobile, EAUC and TPVI as of December 31, 2018 are as follows (amounts in millions):

Not later than 1 year	P292.9
Later than 1 year but not later than 5 years	749.5
Later than 5 years	6,039.2
	P7,081.6

Total lease charged to operations related to these contracts amounted to P263.5 million in 2018 and P163.7 million in 2017 (see Note 25).

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

Lease Disclosure in Accordance with PFRS 16 (applicable beginning January 1, 2019)

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the year ended December 31, 2019:

	Right-of-use assets				Total	Lease liability
	Land	Building	Power plant	Equipment and others		
As at January 1, as previously stated	P-	P-	P-	P-	P-	P-
Effect of adoption - PFRS 16 (see Note 3)	2,804,819	249,400	34,669,713	116,437	37,840,369	49,190,986
As at January 1, 2019, as restated	2,804,819	249,400	34,669,713	116,437	37,840,369	49,190,986
Additions	24,249	-	-	-	24,249	-
Amortization expense	(98,992)	(19,166)	(1,094,513)	(10,402)	(1,223,073)	-
Interest expense	-	-	-	-	-	4,350,043
Payments	-	-	-	-	-	(7,424,990)
Others	-	-	-	11,567	11,567	(1,326,395)
As at December 31	P2,730,076	P230,234	P33,575,200	P117,602	P36,653,112	P44,789,644

The carrying amount of the Group's right-of-use assets as of December 31, 2019 is presented as part of "Property, plant and equipment".

The Group also has certain leases of equipment, meeting rooms and event sites with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption of these leases.



Set out below, are the amounts recognized in the consolidated statements of income for the year ended December 31, 2019:

Amortization expense of right-of-use assets	₱1,223,073
Interest expense on lease liabilities	4,350,043
Rent expense - short-term leases	58,896
	<u>₱5,632,012</u>

36. Agreements

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.

In view of the nature of the IPP Administration Agreement, the arrangement has been accounted for as a finance lease (see Note 35).

Agreements with Contractors and Suppliers

- a. APRI total steam supply cost reported as part of "Cost of generated power" amounted to ₱5.01 billion in 2019, ₱5.23 billion in 2018, and ₱4.98 billion in 2017 (see Note 23).



On May 26, 2013, APRI's steam supply contract with Chevron Geothermal Philippines Holdings, Inc. (CGPHI) shifted to a GRSC. The change is due to an existing provision under the government's existing contract with CGPHI when the Tiwi-Makban facilities were bidded out under the former's privatization program. Under the GRSC, the effective steam price of APRI payable to PGPC will be a premium to coal.

To ensure that APRI will continue to remain competitive in the market, a two-month interim agreement supplementing the GRSC was implemented on August 14, 2013 and extended until August 25, 2018. On August 24, 2018, a new contract was signed by the Company and Philippine Geothermal Production Company, Inc. which aims to ensure long-term operations of both parties. The Geothermal Resources Supply and Services Agreement took effect August 26, 2018 and shall continue in effect until October 22, 2034, unless earlier terminated or extended by mutual agreement of the Parties.

- b. Construction of civil and electromechanical works, procurement and installation of solar panels and project management related to the construction of the San Carlos Solar Plant. Total purchase commitments entered into by Sacasun from its contracts amounted nil and P526.7 million as of December 31, 2019 and 2018, respectively. Total payments made for the commitments amounted to \$5.7 million and nil as of December 31, 2019 and 2018.
- c. TLI enters into short-term coal supply agreements. Outstanding coal supply agreements as of December 31, 2019 have aggregate supply amounts of 560,000 MT (equivalent dollar value is estimated to be at \$28.6 million), which are due for delivery from January 2020 to April 2020. Outstanding coal supply agreements as of December 31, 2018 have aggregate supply amounts of 1,840,000 MT (equivalent dollar value is estimated to be at \$210 million), which are due for delivery from January 2019 to December 2019. Terms of payment are by letter of credit where payment is due at sight against presentation of documents, and by telegraphic transfer where payment is due within 7 days from receipt of original invoice.
- d. GMCP has a current Coal Supply Agreement (CSA) with PT Arutmin Indonesia (Seller) for the delivery of coal, which is effective until November 2, 2019. The agreement was extended for two (2) months ending on December 31, 2019. In addition a supply backstop deed was included in the coal supply agreement wherein PT Kaltim Prima Coal (Obligor) irrevocably and unconditionally undertakes for the benefit of GMCP the due and punctual performance of the Seller each and all of their obligations, duties and undertakings pursuant to the CSA, when and such obligations, duties and undertakings shall become due and performable according to the terms of the CSA; provided that the undertaking of the Obligor hereunder shall be limited to 1,000,000 tonnes of substitute coal per delivery year.
- e. PEC enters into EPC contracts with suppliers relating to the construction of the 400MW coal fired power plant. Total EPC contract price for the complete performance of these contracts amount to US\$398.0 million and P7.00 billion. The joint operation has a retention payable amounting to P280.3 million as of December 31, 2019 and 2018, which is presented as part of "Trade and other payables" in the consolidated balance sheets.



37. Registration with the Board of Investments (BOI)

Certain power generation subsidiaries in the Group have been registered with the BOI. The following are the incentives granted by the BOI:

a. ITH for a period of four (4) to seven (7) years, as follows:

Subsidiary/Joint operation	BOI Approval Date	Start of ITH Period	ITH Period
Hedcor Sibulan ³	December 27, 2005	March 1, 2010	7 years
APRI ²	June 19, 2009	June 1, 2009	7 years
GMCP	January 29, 2010	July 1, 2013	6 years
TSI	July 15, 2011	February 1, 2016 ¹	4 years
TVI	August 28, 2012	January 1, 2017 ¹	4 years
Hedcor Tudaya	January 31, 2013	August 1, 2014 ¹	7 years
Hedcor, Inc. ⁵	February 20, 2013	February 1, 2013	7 years
Hedcor Sibulan ⁴	April 23, 2013	September 1, 2014 ¹	7 years
Hedcor Sabangan	October 23, 2013	February 1, 2015 ¹	7 years
Hedcor Bukidnon	January 7, 2015	July 2, 2018 ⁶	7 years
PEC	June 26, 2014	March 7, 2018	6 years
Sacasun	October 26, 2015	Start of commercial operations	7 years

¹ Or actual start of commercial operations, whichever is earlier.

² Expired ITH: APRI - June 2016

³ For Sibulan hydroelectric plants with 1 year extension.

⁴ For Tudaya-1 hydroelectric plant.

⁵ For Irian-1 hydroelectric plant.

⁶ For Manolo-1 hydroelectric plant.

The ITH shall be limited only to sales/revenue generated from the sales of electricity of the power plant and revenues generated from the sales of carbon emission reduction credits.

- b. For the first five (5) years from date of registration, the registrant shall be allowed an additional deduction from taxable income of fifty percent (50) of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by BOI of US\$10,000 to one worker and provided that this incentive shall not be availed of simultaneously with the ITH.
- c. Employment of foreign nationals may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration.
- d. Importation of consigned equipment for a period of ten (10) years from the date of registration, subject to the posting of re-export bond.
- e. Special realty tax rates on equipment and machinery and tax credit on domestic capital equipment and services.



- f. For APRI, it may qualify to import capital requirement, spare parts and accessories at zero (0%) duty rate from the date of registration to June 16, 2011 pursuant to Executive Order No. 528 and its Implementing Rules and Regulations.

As a requirement for availment of the incentives, the registrant is required to maintain a minimum equity requirement.

As of December 31, 2019 and 2018, the power generation subsidiaries referred to above, which are currently availing the incentives, have complied with the requirements.



38. Notes to Consolidated Statement of Cash Flows

The following are the cash flow movements of the Group's financing liabilities:

December 31, 2019

	Non-cash Changes							December 31, 2019			
	January 1, 2019	Net cash flows	Adoption - PERS 16 (see Note 3)	Effect of	Dividend declaration	Amortized deferred financing costs	Foreign exchange movement		Changes in Fair values	Accrued interest	Others
Current interest-bearing loans and borrowings, excluding obligations under finance leases	₱20,243,964	(₱9,885,204)	₱-	₱-	₱-	₱-	(₱23,340)	₱-	₱-	₱10,386,311	₱20,721,731
Non-current interest-bearing loans and borrowings, excluding obligations under finance leases	149,360,287	30,378,265	-	7,424,990	-	231,245	(1,506,799)	-	-	(10,877,687)	167,585,311
Current obligations under lease liabilities	-	(7,424,990)	-	41,765,996	-	-	-	-	-	5,486,745	5,486,745
Non-current obligations under lease liabilities	4,131,059	-	-	(4,131,059)	-	-	(2,018,791)	-	-	(4,794,349)	39,302,899
Current obligations under finance leases	42,763,296	-	-	(42,763,296)	-	-	-	-	-	4,350,043	-
Non-current obligations under finance leases	-	(10,817,148)	-	-	10,817,148	-	-	-	-	-	-
Dividends payable	159,926	-	-	-	-	-	-	-	-	-	2,468,324
Derivatives	₱216,658,532	₱2,250,923	₱2,296,631	₱10,817,148	₱233,245	(₱3,548,930)	₱2,308,398	₱4,350,043	₱201,020	₱235,565,010	
Total liabilities from financing activities											

December 31, 2018

	Non-cash Changes							December 31, 2018		
	January 1, 2018	Net cash flows	Dividend declaration	Amortization of deferred financing costs	Foreign exchange movement	Changes in fair values	Accrued interest		Others	
Current interest-bearing loans and borrowings, excluding obligations under finance leases	₱25,410,051	(₱14,075,303)	₱-	₱260,372	(₱48,560)	₱-	₱-	₱8,607,404	₱20,243,964	
Non-current interest-bearing loans and borrowings, excluding obligations under finance leases	131,360,749	24,772,719	-	118,840	1,800,851	-	-	(8,693,872)	149,360,287	
Current obligations under lease liabilities	3,316,265	(7,904,460)	-	-	873,546	-	-	8,619,354	4,131,059	
Non-current obligations under lease liabilities	45,909,089	(10,228,460)	₱10,228,460	-	-	-	-	(4,600,015)	42,763,296	
Dividends payable	47,577	-	-	-	-	-	112,349	-	159,926	
Derivatives	₱206,043,631	(₱7,335,504)	₱10,228,460	₱379,212	₱2,625,837	₱112,349	₱4,600,015	₱4,532	₱216,658,532	
Total liabilities from financing activities										



Others includes the effect of reclassification of noncurrent portion of interest-bearing loans and borrowings

39. 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 SBLC and is acting as surety for the benefit of certain associates and joint ventures in connection with loans and credit accommodations. The Company provided SBLC for STEAG, CEDC, SNAP M and SNAP B in the amount of ₱958.3 million in 2019, ₱1.02 billion in 2018 and ₱1.04 billion in 2017 (see Note 32).

40. Other Matters

a. Temporary Restraining Order (TRO) affecting power generation companies trading in WESM

On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against the ERC and MERALCO with the Supreme Court (SC). On December 20, 2013, National Association of Electricity Consumers for Reforms filed a Petition for Certiorari and/or Prohibition against MERALCO, ERC and Department of Energy (DOE). These cases raised and questioned, among others, the alleged substantial increase in MERALCO's power rates for the billing period of November 2013, the failure of the ERC to protect consumers from high energy prices and perceived market collusion of the generation companies.

These cases were consolidated by the SC which issued a TRO for a period of 60 days from December 23, 2013 to February 21, 2014, preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended for another 60 days ending April 22, 2014 by the SC. Thereafter, the TRO was extended indefinitely.

MERALCO, in turn, filed a counter-petition impleading generation companies supplying power to the WESM. The SC also ordered all the parties in the consolidated cases to file their respective pleadings in response to MERALCO's counter-petition. The SC set the consolidated cases for oral arguments last January 21, 2014, February 4 and 11, 2014. After hearing, all parties were directed to file their comments and/or memorandum. The case is now submitted for resolution.

As a result of the TRO, MERALCO has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs. As of December 31, 2019, the SC has not lifted the TRO.



b. Imposition of financial penalties on Therma Mobile by PEMC

This case involves an investigation of Therma Mobile in the dispatch of its power barges during the November and December 2013 supply periods. As a result of the MERALCO price hike case brought before the SC, the SC ordered the ERC to investigate anti-competitive behavior and abuse of market power allegedly committed by some WESM participants.

PEMC conducted the investigation under the "Must-Offer" rules of the WESM Rules.

PEMC initially found that Therma Mobile violated the "Must-Offer Rule" during the period under investigation. In its letter dated January 30, 2015, the PEM Board imposed financial penalties amounting to ₱234.9 million on Therma Mobile. According to the PEM Board, the penalties will be collected from Therma Mobile through the WESM settlement process.

Therma Mobile maintains that there is no basis for the PEMC decision. It did not violate the Must-Offer Rule for the period covered, as it was physically impossible for Therma Mobile to transmit more than 100MW to MERALCO. Although Therma Mobile's rated capacity is 234 MW (Net), it could only safely, reliably and consistently deliver 100MW during the November and December 2013 supply period because of transmission constraints. Therma Mobile's engines and transmission lines were still undergoing major repairs to address issues on post rehabilitation.

On February 13, 2015, Therma Mobile filed a notice of dispute with the PEMC to refer the matter to dispute resolution under the WEM Rules and the WESM Dispute Resolution Market Manual.

Therma Mobile also filed a Petition for the Issuance of Interim Measures of Protection with the Regional Trial Court (RTC) of Pasig to hold off enforcement of the payment of the penalties during the pendency of the Therma Mobile and PEMC dispute resolution proceedings. On February 24, 2015, the RTC issued in favor of Therma Mobile an ex parte 20-day Temporary Order of Protection directing PEMC to refrain from (a) demanding and collecting from Therma Mobile the ₱234.9 million financial penalty; (b) charging and accruing interest on the financial penalty; and (c) transmitting the PEMC-ECO investigation report to the ERC.

On April 1, 2015, the RTC granted the prayer for the issuance of Writ of Preliminary Injunction, which ruling was assailed by the PEMC and elevated to the Court of Appeals (CA) via Petition for Review. On December 15, 2015, the CA issued a Decision confirming the RTC's findings. PEMC filed a Motion for Reconsideration, and in compliance with a Resolution of the CA, has filed a comment on the said motion.

On June 6, 2016, PEMC filed a petition before the SC questioning the CA's Decision. TMO also filed its Comment on the Petition on November 14, 2016. On June 1, 2017, TMO received the SC Notice dated March 29, 2017. In the Resolution, the SC noted TMO's Comment and PEMC's Reply. As of December 31, 2019, the petition is still pending resolution with the SC.



c. **Therma Marine Cases**

In 2013, ERC issued Final Approval of various ESAs of Therma Marine with some modifications on ERC's provisionally approved rates which directed both parties to devise a scheme for the refund of the difference between the final and the provisionally approved rates.

On November 25, 2013, ERC issued its order for Therma Marine to refund the amount of P180.0 million to its customers for a period of 6 months with equal installments per month.

On August 27, 2014, ERC issued an order directing NGCP to refund its customers the amount of P12.7 million and the corresponding VAT for a period of twelve months. As such, Therma Marine will refund the said amount to NGCP and the latter will refund the same to its customers. In 2015, ERC issued Provisional Approvals (PA) on ESA contracts extensions with capacity fees lower than the previously approved rates. Therma Marine filed MRs on these PAs. During the last quarter of 2015, ERC issued Final Approvals on some of these ESA's sustaining the decision in the PA's, thus Therma Marine filed MRs on the final decisions. As of December 31, 2019, there is no resolution yet on the MRs on the Final Approvals.

d. **ERC Case No. 2013-077 MC**

On August 29, 2013, MERALCO filed a petition for dispute resolution against TLI/APRI, among other Successor Generating Companies ("SGCs") under ERC Case No. 2013-077 MC. The case arose from a claim of refund of the alleged over charging of transmission line losses pursuant to the ERC Order dated March 4, 2013 and July 1, 2013 in ERC Case No. 2008-083 MC.

On September 20, 2013, TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that MERALCO's petition should be dismissed for failure to state a cause of action and ERC's lack of jurisdiction over the subject matter of the case. The SGCs and Meralco have filed their respective comments, reply, rejoinder and sur-rejoinder after the filing of the Joint Motion to Dismiss. The Joint Motion to Dismiss has since then been submitted for resolution with the ERC. As of December 31, 2019, the ERC has yet to render its decision on the Joint Motion to Dismiss.

e. **Sergio Osmena III vs. PSALM, Emmanuel R. Ledesma, Jr., SPC Power Corporation (SPC) & Therma Power Visayas, Inc. (TPVI)**

In 2009, SPC acquired through a negotiated bid the 153.1MW Naga Land-Based Gas Turbine Power Plant ("Naga Plant") in Naga, Cebu. In the same year, it entered into a Land Lease Agreement (LLA) with PSALM, which includes SPC's right to top (RTT) the price of a winning bidder for the sale of any property in the vicinity of the leased premises.

PSALM subsequently bid out the Naga Plant located in the leased premises. On April 30, 2014 and after two failed biddings, PSALM issued a Notice of Award to TPVI for submitting the highest bid for the Naga Plant. SPC wrote PSALM of its intent to exercise its RTT the winning bid, on the condition that the LLA would be for a term of 25 years from closing date.



Senator Sergio Osmeña III filed with the SC a Petition for Certiorari and Prohibition with prayer for issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction dated June 16, 2014 (the "Case") with PSALM, Emmanuel R. Ledesma, SPC and TPVI as respondents to enjoin PSALM from making the award of the Naga Plant to SPC. In his petition, Sen. Osmeña argued that the RTT should be held invalid as it defeats the purpose of a fair and transparent bidding for a government asset and it discourages interested bidders considering the unfair advantage given to SPC.

On July 25, 2014, PSALM awarded the contract to SPC, despite TPVI's objection on the ground that SPC did not validly exercise its right to top because of its qualified offer. Thereafter, an APA for the Naga Plant was executed between PSALM and SPC.

On September 28, 2015, the SC declared in the Case that the RTT and the APA executed in favor of SPC are null and void. The parties thereafter filed various motions for reconsideration which the SC subsequently denied.

On March 16, 2016, TPVI filed its Manifestation/Motion praying that the Notice of Award dated April 30, 2014 be reinstated and that respondent PSALM be ordered to execute the Asset Purchase Agreement ("NPPC-APA"), Land Lease Agreement ("NPPC-LLA") and other documents to implement TPVI's acquisition of the Naga Plant.

On April 6, 2016, the SC issued a Resolution that required PSALM and SPC to comment on TPVI's Manifestation/Motion. In the same Resolution, the SC denied the motion for leave to file and admit SPC's second motion for reconsideration and referral to the SC en banc.

On July 19, 2016, TPVI filed its Manifestation with Omnibus Motion to clarify the motion dated March 16, 2016 and for early resolution. TPVI prayed that the SC Decision dated

September 28, 2015 be clarified, and if necessary, be amended to include in its "fallo" that the Notice of Award in favor of TPVI be reinstated.

In response to various motions, the SC issued a Notice of Judgment and Resolution dated October 5, 2016 clarifying that the nullification of SPC's right to top did not invalidate the entire bidding process. Thus, the SC ordered the reinstatement of the Notice of Award dated April 30, 2014 in favor of TPVI. Further, the SC annulled and set aside the APA and the LLA executed between SPC and PSALM and directed PSALM to execute with dispatch the NPPC-APA and the NPPC-LLA in favor of TPVI.

On October 26, 2016, SPC filed an Urgent Motion for Reconsideration with Alternative Motion to Refer to the En Banc of the SC. SPC reiterated its prayer for the reversal of the October 5, 2016 Resolution, denial of TPVI's Manifestation/Motion and for the conduct of a new round of bidding for the Naga Plant. PSALM also filed its Motion for Reconsideration with Leave and prayed that the SC's October 5, 2016 Resolution be re-examined and/or reconsidered.

In its Resolution dated November 28, 2016, the SC denied SPC's and PSALM's motions for reconsideration (of the October 5, 2016 Resolution) with finality. The SC ordered that no further pleadings, motions, letters, or other communications shall be entertained in the Case, and it ordered the issuance of Entry of Judgment.



Notwithstanding the above SC Resolution, SPC filed its Motion for Leave to File and Admit (Motion for Reconsideration dated 9 December 2016) with attached Motion for Reconsideration dated December 9, 2016. Thereafter, SPC filed its Supplemental Motion/Petition for Referral to the Banc dated January 16, 2017.

On February 14, 2017, TPVI received a copy of the Entry of Judgment which states that the October 5, 2016 Resolution of the SC has become final and executory on November 28, 2016.

In May 2018, TPVI received the Certificate of Effectivity (COE) from PSALM initiating the purchase of the facility. The COE implements the September 28, 2015 decision of the SC, which upheld the April 30, 2014 award of the facility to TPVI. Pursuant to the NPPC-APA, on July 16, 2018 ("Closing date"), the Joint Certificate of Turn-Over was signed and issued and the facility was formally turned-over to TPVI.

In 2018, TPVI paid a total amount ₱1.03 billion for the NPPC-APA and NPPC-LLA and ₱495.97 million for the inventories upon implementation of the acquisition of the Naga Power Plant.

F. DLP Case

On December 7, 1990, certain customers of DLP filed before the then Energy Regulatory Board (ERB) a letter-petition for recovery claiming that with the SC's decision reducing the sound appraisal value of DLP's properties, DLP exceeded the 12% Return on Rate Base (RORB). The ERB's order dated June 4, 1998, limited the computation coverage of the refund from January 19, 1984 to December 14, 1984. No amount was indicated in the ERB order as this has yet to be recomputed.

The CA, in Court of Appeals General Register Special Proceeding (CA-GR SP) No. 50771, promulgated a decision dated February 23, 2001 which reversed the order of the then ERB, and expanded the computation coverage period from January 19, 1984 to September 18, 1989.

The SC in its decision dated November 30, 2006 per GR150253 reversed the CA's decision CA-GR SP No. 50771 by limiting the period covered for the refund from January 19, 1984 to December 14, 1984, approximately 11 months. The respondent/customers filed a Motion for Reconsideration with the SC, which was denied with finality by the SC in its Order dated July 4, 2007.

The SC, following its decision dated November 30, 2006, ordered the ERC to proceed with the refund proceedings instituted by the respondents with reasonable dispatch.

On March 17, 2010, the ERC directed DLP to submit its proposed scheme in implementing the refund to its customers. In compliance with the order, the DLP filed its compliance stating that DLP cannot propose a scheme for implementing a refund as its computation resulted to no refund.

A clarificatory meeting was held where DLP was ordered to submit its memoranda.



On October 4, 2010, in compliance with the ERC directive, DLP submitted its memoranda reiterating that no refund can be made. After which, no resolution has been received by DLP from the ERC as of December 31, 2019.

g. LHC Franchise Tax Assessment

In 2007, the Provincial Treasurer of Benguet issued a franchise tax assessment against LHC, requiring LHC to pay franchise tax amounting to approximately ₱40.4 million, inclusive of surcharges and penalties covering the years 2002 to 2007. In 2008, LHC has filed for a petition for the annulment of the franchise tax assessment, based primarily on the fact that LHC is not liable for franchise tax because it does not have a franchise to operate the business. Section 6 of R.A. No. 9136 provides that power generation shall not be considered a public utility operation. As such, an entity engaged or which shall engage in power generation and supply of electricity shall not be required to secure a national franchise. Accordingly, no provision has been made in the consolidated financial statements. The case remains pending as of December 31, 2019.

h. EPIRA of 2001

R.A. No. 9136 was signed into law on June 8, 2001 and took effect on June 26, 2001. The law provides for the privatization of NPC and the restructuring of the electric power industry. The IRR were approved by the Joint Congressional Power Commission on February 27, 2002.

R.A. No. 9136 and the IRR impact the industry as a whole. The law also empowers the ERC to enforce rules to encourage competition and penalize anti-competitive behavior.

R.A. No. 9136, the EPIRA, and the covering IRR provides for significant changes in the power sector, which include among others:

- i. The unbundling of the generation, transmission, distribution and supply and other disposable assets of a company, including its contracts with IPPs and electricity rates;
- ii. Creation of a WESM; and
- iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity date of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

i. Retail Competition and Open Access

The EPIRA mandates the implementation of Retail Competition and Open Access (RCOA) subject to the fulfilment of the conditions as provided in the EPIRA. The ERC was tasked under the EPIRA Implementing Rules and Regulations to declare, after due notice and public hearing, the initial



implementation of RCOA. Through the RCOA, eligible customers will have the option to source their electricity from eligible suppliers that have secured Retail Electricity Supplier (RES) licenses from the ERC. End users with a monthly average peak demand of at least 1 Megawatt (MW) for the preceding 12 months are eligible to be contestable customers. The 1 MW qualification would gradually be reduced upon evaluation of the ERC.

In June 2011, after due notice and public hearings, the ERC declared December 26, 2011 as the date to mark the commencement of the full operation of RCOA in Luzon and Visayas. However, due to deficiencies in the rules and guidelines governing the RCOA at that time, the December 26, 2011 commencement date was deferred several times until an interim system commenced on July 26, 2013.

The DOE and ERC have issued and revised several circulars, rules and resolutions on the implementation of the RCOA and the issuance of RES licenses, including a Code of Conduct, Rules on Contestability, and Rules on RES Licensing.

On February 21, 2017, the SC issued a TRO enjoining the DOE and ERC from implementing the following issuances:

1. DOE Circular No. DC-2015-06-0010 or the DOE Circular Providing Policies to Facilitate the Full Implementation of RCOA in the Philippine Electric Power Industry;
2. ERC Resolution No. 5, Series of 2016 or the Rules Governing the Issuance of Licenses to RES and Prescribing the Requirements and Conditions Therefor;
3. ERC Resolution No. 10, Series of 2016 or a Resolution adopting the Revised Rules for Contestability;
4. ERC Resolution No. 11, Series of 2016 or a Resolution Imposing Restrictions on the Operations of DUs and RES in the Competitive Retail Electricity Market; and
5. ERC Resolution No. 28, Series of 2016 or the Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, Series of 2016, entitled Revised Rules of Contestability.

The TRO effectively enjoined the DOE and the ERC from imposing the mandatory migration of end-users with average monthly peak demand of at least 1MW and 750 kW on 26 February 2017 and 26 June 2017, respectively, and barring Local RESs and DUs from supplying electricity to the Contestable Market.

Due to the TRO, no new or renewed RES licenses were issued by the ERC due to the perceived risk of being declared in contempt by the SC. The renewal of PEI, AEI and AESI's RES licenses remain pending before the ERC. The application for RES licenses of TLI and APRI are likewise pending.

On November 29, 2017, DOE issued Department Circular No. 2017-12-0013, which provides, among other things, for voluntary participation of Contestable Customers in the Retail Market. On the same date, DOE issued Department Circular No. 2017-12-0014, which provides, among other things, the guidelines on the licensing of RES. Both DOE Circulars enjoin the ERC to promote the supporting guidelines to the DOE Circulars. Once the ERC promulgates these rules, approval of RES license applications and renewals can be expected.



j. Renewable Energy Act of 2008

On January 30, 2009, R.A. No. 9513, An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes, which shall be known as the "Renewable Energy Act of 2008" (the Act), became effective. The Act aims to (a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy; (b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives; (c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and (d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, renewable energy (RE) developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall be entitled to incentives, such as, income tax holiday, duty-free importation of RE machinery, equipment and materials, zero percent VAT rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

k. PSALM deferred adjustment

Deferred Accounting Adjustments (DAA)

The ERC issued a Decision dated March 26, 2012 which granted PSALM DAA pertaining to GRAM and ICERA and in its Order dated June 20, 2017, the ERC authorized PSALM to implement the methodology for the recovery/refund of the approved DAA.

Upon Private Electric Power Operators Association's (PEPOA) motion, the ERC, in an Order dated October 19, 2017, deferred the implementation of the approved DAA pending clarification by the ERC of the queries raised in the motion for clarification.

In its Order dated December 19, 2017, the ERC clarified that the GRAM and ICERA DAA are deferred adjustments, which were incurred by PSALM/NPC in supplying energy during the corresponding period; thus, it should be recovered/refunded by PSALM/NPC to its customers. Hence, the Distribution Utilities (DUs) are not just mere collectors of the said DAA but these are charges that they should pay to NPC/PSALM and charged to their customers as part of their generation charge. In the same Order, the ERC directed the DUs to resume the implementation of the GRAM and ICERA starting the January 2018 billing period.



Automatic Cost Recovery Mechanism (ACRM)

On June 20, 2017, the ERC issued its Decision, authorizing PSALM to recover/refund the True-up Adjustments of Fuel and Purchased Power Costs and Foreign Exchange-Related Costs effective its next billing period.

In an Order dated October 19, 2017, the implementation of the ACRM was deferred to the January 2018 billing period pending the evaluation of the clarifications raised in PEPOA's letter and motion and on 19 December 2017, the Commission issued an Order directing PSALM and the DUS to abide with the clarifications issued by the Commission.

i. CSR Projects

The Group has several CSR projects in 2019, 2018 and 2017 which are presented as part of "General and administrative expenses" (see Note 24).



**INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Board of Directors and Stockholders
Aboitiz Power Corporation
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Power Corporation and Subsidiaries as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andrea R. Pore

Maria Veronica Andrea R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-4 (Group A),

November 21, 2019, valid until November 20, 2022

Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125281, January 7, 2020, Makati City

March 6, 2020



**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
Aboitiz Power Corporation
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Power Corporation and Subsidiaries as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-4 (Group A),

November 21, 2019, valid until November 20, 2022

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BIR Accreditation No. 08-001998-71-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125281, January 7, 2020, Makati City

March 6, 2020



Aboitiz Power Corporation
and Subsidiaries

Supplementary Schedules
to the Financial Statements
Required by the Securities and Exchange Commission
For the Year Ended December 31, 2019

and

Independent Auditors' Report

Philippine
Pesos

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

**Supplementary Schedules Required
By the Securities and Exchange Commission
As of and for the Year Ended December 31, 2019**

	Page
A - Financial Assets	1
B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	NA
C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	2
D - Intangible Assets – Other Assets	3
E - Long-Term Debt	4
F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)	5
G - Guarantees of Securities of Other Issuers	NA
H - Capital Stock	6
I - Trade and Other Receivables from Related Parties which are Eliminated during the Consolidation of Financial Statements	7
J - Trade and Other Payables from Related Parties which are Eliminated during the Consolidation of Financial Statements	8
Reconciliation of Retained Earnings Available for Dividend Declaration	9
Conglomerate Mapping	10
Financial Soundness Indicators	11

NA: NOT APPLICABLE

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2019
(Amounts in Thousands except number of shares)

Name of issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Income received and accrued
CASH IN BANK			
ANZ		P126	P-
Banco de Oro		4,730,415	259,580
Bank of Commerce		836	-
Bank of the Philippine Islands		570,521	17,409
Bank of Tokyo - Mitsubishi UFI		91	-
Citibank		8,328	-
Development Bank of the Philippines		5,152	3
EPCI Bank		51	-
ING Bank N.V.		3,491	-
Land Bank of the Philippines		2,989	8
Metropolitan Bank and Trust Company		223,090	977
Philippine National Bank		99,107	34
Rizal Commercial Banking Corporation		2,443	19
Rural Bank of Davao		9,856	-
Security Bank Corporation		103,361	247
Standard Chartered Bank		59,988	881
Union Bank of the Philippines		8,211,548	125,597
Cash on Hand, Cash in Vault and Revolving Fund		146,428	-
TOTAL		P14,177,919	P404,555
MONEY MARKET PLACEMENT			
Banco de Oro		P1,944,117	P59,719
Bank of the Philippine Islands		690,132	36,986
China Trust Banking Corporation		-	9,707
City Savings Bank		14,267,875	492,210
First Metro Investment Corporation		700,000	3,455
Metropolitan Bank and Trust Company		303,716	18,097
Philippine National Bank		5,884	189
Security Bank Corporation		3,415,086	48,360
Mizuho Corporate Bank, Ltd.		-	67,222
Union Bank of the Philippines		1,928,200	152,253
TOTAL		P23,256,010	P887,148
TRADE AND OTHER RECEIVABLES			
Trade Receivables (net of allowance):			
Residential		P1,725,916	P-
Commercial		417,715	-
Industrial		5,539,697	-
City street Lighting		110,542	-
Spot market		221,745	-
Power supply contracts		4,042,814	-
Dividends Receivable		1,109,068	-
Advances to contractors		63,339	-
Accrued Revenues		3,462,523	-
Non-trade Receivables		2,450,311	-
Interest receivable		48,666	-
PSALM Adjustment		1,042,861	-
Other Receivables		522,225	-
TOTAL		P21,747,422	P-
Financial assets at FVTPL			
Ago Golf & Country Club	3	P2	P-
Banco De Oro	8,050	793	-
Philippine Long Distance Telephone Co.	36,483	458	-
PICOP Resources, Inc.	194	8	-
Alta Vista Golf & Country Club	1	2,265	-
Phillex Mining Corp	2,168	5	-
Others	375,000	375	-
TOTAL		P3,906	P-

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2019
(Amounts in Thousands)**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non-Current	Ending Balance
			Amounts Collected	Amounts Written-Off			
Davao Light & Power Co., Inc.	P673,852	P7,220,068	(P7,148,780)	P-	P745,140	P-	P745,140
Therma Power, Inc. and Subsidiaries	12,956	823,005	(185,943)	-	650,019	-	650,019
Cotabato Light & Power Company	14,137	278,549	(268,619)	-	24,067	-	24,067
Aboitiz Renewables, Inc. and Subsidiaries	2,654	111,744	(108,666)	-	5,732	-	5,732
Subic Enerzone Corporation	170,171	381,307	(376,888)	-	174,590	-	174,590
Visayan Electric Co., Inc.	617,691	6,888,229	(5,682,757)	-	823,163	-	823,163
Aboitiz Energy Solutions, Inc.	1,329,516	9,330,541	(9,313,479)	-	1,346,578	-	1,346,578
Mactan Enerzone Corporation	1,052	5,430	(6,482)	-	0	-	0
Balamban Enerzone Corporation	1,134	4,848	(5,982)	-	0	-	0
Cebu Private Power Corporation	62,974	20,901	(1,162)	-	82,713	-	82,713
Lima Enerzone Corporation	33,338	353,996	(315,758)	-	71,576	-	71,576
East Asia Utilities Corporation	365.00	3,191	(2,772)	-	784	-	784
Prism Energy, Inc.	96,469.00	1,036,535	(1,048,652)	-	84,352	-	84,352
San Carlos Sun Power, Inc.	-	11	-	-	11	-	11
Adventenergy, Inc.	1,314,209	6,696,867	(7,533,449)	-	677,627	-	677,627
TOTAL	P4,330,518	P33,355,223	(P32,999,389)	P-	P4,686,352	P-	P4,686,352

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS

AS OF DECEMBER 31, 2019
(Amount in Thousands)

Description	Beginning Balance	Additions At Cost	DEDUCTIONS		Other Changes Additions (Deductions)	Ending Balance
			Charged to Costs and Expenses	Charged to Other Accounts		
A. Intangibles						
Goodwill	P40,224,411	P-	P-	P-	P651,671	P40,876,082
Service concession rights	2,789,610	60,625	(361,599)	-	(82,316)	2,406,320
Project development costs	388,468	234,023	-	-	-	622,491
Franchise	2,648,732	-	(76,960)	-	-	2,571,772
Customer contracts	8,582	-	(8,582)	-	-	-
Software and licenses	105,691	160,785	(30,640)	-	-	235,836
Total	P46,165,494	P455,433	(P477,781)	P-	P569,355	P46,712,501
B. Other Noncurrent Assets						
Restricted cash	P-	P-	P-	P-	P4,672,031	P4,672,031
Input vat and tax credit receivable	5,276,346	-	-	-	(841,997)	4,434,349
PSALM adjutment - net of current	3,183,089	-	-	-	(1,042,870)	2,140,219
Prepaid taxes	159,942	-	-	-	719,497	879,439
Advances to contractors and projects	464,139	-	-	-	89,141	553,280
Receivable from NGCP	-	-	-	-	(48,164)	326,850
Refundable deposits	375,014	-	-	-	129,000	132,300
Investment properties	3,300	-	-	-	(1,051,102)	-
Prepaid rent	1,051,102	-	-	-	233,597	380,844
Others	147,247	-	-	-	-	-
Total	P10,880,179	P-	P-	P-	P2,859,133	P13,519,312
Total	P56,825,673	P455,433	(P477,781)	P-	P3,428,488	P60,231,813

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

AS OF DECEMBER 31, 2019
(Amounts in Thousands)

Name of Issuer and Type of Obligation	Amount Authorized by Indentures	Amount Shown as Current	Amount Shown as Long-Term	Remarks
Parent:				
Aboitiz Power Corporation	P50,079,825	P-	P50,079,825	
Subsidiaries:				
Hedcor, Inc.	1,739,170	118,729	1,620,441	
Subic Enerzone Corporation	113,000	56,500	56,500	
Luzon Hydro Corporation	563,664	277,839	285,825	
Davao Light & Power Co., Inc.	582,000	147,750	434,250	
Cotabato Light & Power Company	116,400	29,550	86,850	
Therma South, Inc.	19,893,083	1,283,069	18,610,014	
Pagbilao Energy Corp. (Joint Operation)	13,163,854	1,111,887	12,051,967	
Visayan Electric Co., Inc.	774,732	196,476	578,256	
GNPower Mariveles Coal Plant Ltd. Co.	37,044,441	3,219,539	33,824,902	
Therma Visayas, Inc.	31,229,677	2,065,254	29,164,423	
Therma Power - Visayas, Inc.	1,290,250	-	1,290,250	
AP Renewables, Inc.	7,997,979	1,215,355	6,782,624	
Hedcor Sibulan, Inc.	3,770,735	93,171	3,677,564	
Hedcor Bukidnon, Inc.	9,312,812	571,192	8,741,620	
Total	P177,671,622	P10,386,311	P167,285,311	

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

SCHEDULE F - INDEBTEDNESS TO AFFILIATES
(LONG-TERM LOANS FROM AFFILIATED COMPANIES)

AS OF DECEMBER 31, 2019
(Amounts in Thousands)

Name of Affiliate	Beginning Balance	Ending Balance
Aboitiz Equity Ventures, Inc.	P-	P300,000
	-	-
	-	-
Total	P -	P300,000

ABOITIZ POWER CORPORATION

SCHEDULE H - CAPITAL STOCK

AS OF DECEMBER 31, 2019
(Amounts in Thousands)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
COMMON SHARES	16,000,000	7,358,604	-	5,818,935	140,087	1,399,582
PREFERRED SHARES	1,000,000	-	-	-	-	-

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

**SCHEDULE I - TRADE AND OTHER RECEIVABLES FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS**

AS OF DECEMBER 31, 2019
(Amounts in Thousands)

Related Party	Balances			Volume			Terms
	Trade	Non-trade	Total	Sales	Rental	Advances	
Davao Light & Power Co., Inc.	P713,780	P31,360	P745,140	P7,220,068	P-	P-	30 days
Therma Power, Inc. and Subsidiaries	-	650,019	650,019	287,006	-	-	30 days
Cotabato Light & Power Company	21,849	2,218	24,067	278,549	-	-	30 days
Aboitiz Renewables, Inc. and Subsidiaries	-	5,732	5,732	111,744	-	-	30 days
Subic Enerzone Corporation	174,590	-	174,590	381,307	-	-	30 days
Visayan Electric Co., Inc.	704,355	118,808	823,163	6,888,229	-	-	30 days
Aboitiz Energy Solutions, Inc.	1,341,295	5,283	1,346,578	9,330,541	-	-	30 days
Mactan Enerzone Corporation	-	-	-	5,430	-	-	30 days
Balamban Enerzone Corporation	-	-	-	4,848	-	-	30 days
Cebu Private Power Corporation	-	82,713	82,713	20,901	-	-	30 days
Lima Enerzone Corporation	71,576	-	71,576	353,996	-	-	30 days
East Asia Utilities Corporation	-	784	784	3,191	-	-	30 days
Prism Energy, Inc.	84,296	56	84,352	1,036,535	-	-	30 days
San Carlos Sun Power, Inc.	-	11	11	-	-	-	30 days
Adventenergy, Inc.	670,390	7,237	677,627	6,896,867	-	-	30 days
TOTAL	P3,782,131	P904,221	P4,686,352	P32,819,212	P-	P-	

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

**SCHEDULE J - TRADE AND OTHER PAYABLES FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS**

AS OF DECEMBER 31, 2019
(Amounts in Thousands)

Related Party	Balances			Volume			Terms
	Trade	Non-trade	Total	Sales	Rental	Advances	
Parent Company	P-	P904,221	P904,221	P1,151,221	P-	P-	30 days
Aboitiz Renewables, Inc. and Subsidiaries	679,120	-	679,120	6,253,401	-	-	30 days
Cebu Private Power Corporation	122,370	-	122,370	1,346,687	-	-	30 days
Therma Power, Inc. and Subsidiaries	2,691,944	-	2,691,944	20,660,912	-	-	30 days
Aboitiz Energy Solutions, Inc.	206,125	-	206,125	1,760,211	-	-	30 days
East Asia Utilities Corporation	13,867	-	13,867	319,021	-	-	30 days
Subic Enerzone Corporation	18,427	-	18,427	262,946	-	-	30 days
Balamban Enerzone Corporation	4,987	-	4,987	55,143	-	-	30 days
Mactan Enerzone Corporation	6,938	-	6,938	78,566	-	-	30 days
Lima Enerzone Corporation	38,353	-	38,353	478,694	-	-	30 days
Visayan Electric Co., Inc.	-	-	-	452,410	-	-	30 days
TOTAL	P3,782,131	P904,221	P4,686,352	P32,819,212	P-	P-	

Aboitiz Power Corporation
Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2019
(Amount in Philippine Currency)

Unappropriated Retained Earnings, <i>beginning</i>		P21,658,436,837
Less:		400,000,000
Reversal of appropriation for the year 2019		(22,665,932)
Effect of adoption – PFRS 16		<u>22,035,770,905</u>
Net income based on face of audited financial statements	P12,304,362,581	
Less: Non-actual/unrealized income (net of tax)	-	
Add: Non-actual loss (net of tax)	<u>-</u>	
Net income actual/realized for the period		12,304,362,581
Less:		(10,817,148,331)
Dividend declaration during the period		<u>(10,817,148,331)</u>
UNAPPROPRIATED RETAINED EARNINGS, AS ADJUSTED, ENDING		<u><u>P23,522,985,155</u></u>

ABOITIZ POWER CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

	FORMULA	2019	2018
LIQUIDITY RATIOS			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.50	1.89
Acid test ratio	$\frac{\text{Cash + Marketable securities} + \text{Accounts receivable} + \text{Other liquid assets}}{\text{Current liabilities}}$	1.15	1.46
SOLVENCY RATIOS			
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	2.07	1.85
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	3.07	2.85
Net debt to equity ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity}}$	1.40	1.21
Gearing ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity} + (\text{Debt - Cash \& cash equivalents})}$	58.26%	54.69%
Interest coverage ratio	$\frac{\text{EBIT}}{\text{Interest expense}}$	2.83	3.53
PROFITABILITY RATIOS			
Operating margin	$\frac{\text{Operating profit}}{\text{Total revenues}}$	23.0%	27.7%
Return on equity	$\frac{\text{Net income after tax}}{\text{Total equity adjusted for cash dividends}}$	14.48%	20.20%

Annex C. Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

We are pleased to present, on our 11th year of sustainability reporting, the Aboitiz Power Corporation (AboitizPower) Annual and Sustainability Report (the “2019 Integrated Annual Report”). The theme for 2019 report is “*Guided by Values for a Sustainable Future*” as the Aboitiz Group continues to integrate the principles sustainability in fulfilling our purpose and brand promise: to drive change for a better world by advancing business and communities.

The 2019 Integrated Annual Report provides information on AboitizPower’s financial, operational, governance, social, and environmental performance that are material to its businesses and various stakeholders. This report also provides our progress through various programs guided by the UN Sustainable Development Goals. This report has been prepared in accordance with the GRI Standards: Core Option. GRI Materiality Disclosures Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The GRI content index is found starting on page 253 of the 2019 Integrated Annual Report.

This report is in compliance with the Securities and Exchange Commission Memorandum Circular No. 4 Series of 2019: “Sustainability Reporting Guidelines for Publicly Listed Companies.”

Kindly refer to the 2019 Integrated Annual Report: Guided by Values for a Sustainable Future, available for downloading at <https://abotizpower.com/investor-relations/latest-annual-report/>

Contextual Information

Company Details	
Name of Organization	Aboitiz Power Corporation
Location of Headquarters	NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, 1643 Philippines
Location of Operations	The locations where the operations of the Aboitiz Group’s businesses are found on pages 200 to 201 of the 2019 Integrated Annual Report.
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	The reporting scope is found on page 5 of the 2019 Integrated Annual Report.
Business Model, including Primary Activities, Brands, Products, and Services	Kindly refer to pages 6 to 9 of the 2019 Integrated Annual Report.
Reporting Period	January 1, 2019 to December 31, 2019

Highest Ranking Person responsible for this report	Emmanuel V. Rubio President and Chief Executive Officer
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**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.¹

The discussion on the materiality assessment process can be found on page 5 of the 2019 Integrated Annual Report (About the Report)

Materiality, as defined by the GRI reporting framework, includes topics and disclosures that reflect the Group’s significant economic, environmental, and social impacts, or those that would substantially influence the assessments and decisions of our stakeholders. Our process involved an internal analysis of the importance of a broad list of sustainability issues related to our core businesses of power, banking and financial services, food, infrastructure, land, and our corporate foundations. At the parent company level, we integrated the common material issues that are within the medium-term horizon of our reporting parameters.

We used our stakeholder dialogues and company-wide feedback channels to inform the selection of these material issues, which were discussed and approved by the Aboitiz Group Management Committee as part of the focus areas of our Aboitiz Sustainability Framework.

Supporting references are found on pages 139 (Key Dialogue Channel for Stakeholders) and 252 (Summary of Material Concerns) of the 2019 Integrated Annual Report.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

AboitizPower’s financial performance is summarized on pages 12 to 13 (Financial Highlights), and discussed on pages 28 to 37 (CFO Message) of the 2019 Integrated Annual Report.

Disclosure	Amount	Units
Direct economic value generated (revenue)		PhP
Direct economic value distributed:		

¹ See [GRI 102-46](#) (2016) for more guidance.

a. Operating costs		PhP
b. Employee wages and benefits		PhP
c. Payments to suppliers, other operating costs		PhP
d. Dividends given to stockholders and interest payments to loan providers		PhP
e. Taxes given to government		PhP
f. Investments to community (e.g. donations, CSR)		PhP

A discussion on management’s approach in addressing material economic indicators are found on pages 130 to 155 of the 2019 Integrated Annual Report (Management Approach)

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
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Climate-related risks and opportunities²

A discussion on the Aboitiz Group's Climate-related actions is found on pages 142 and 143, and Climate-related risk management on pages 147 to 152 of the 2019 Integrated Annual Report.

In 2019, the Aboitiz Group embarked on preparatory activities to align with the recommendations of the Task Force on Climate-related Financial Disclosures. In February 2020, the Aboitiz Group officially signed to support TCFD and will further improve our reports in the succeeding year to include climate-related risks and opportunities. Kindly refer to the CFO Message on pages 28 to 35 of the 2019 Integrated Annual Report.

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	Disclose the actual and potential impacts ³ of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material
Recommended Disclosures			
a) Describe the board's oversight of climate-related risks and opportunities	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	a) Describe the organization's processes for identifying and assessing climate-related risks	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process
b) Describe management's role in assessing and managing climate-related risks and opportunities	b) Describe the impact of climate-related risks and opportunities on the organization's businesses,	b) Describe the organization's processes for managing climate-related risks	b) Describe the targets used by the organization to manage climate-related risks and opportunities and

² Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

³ For this disclosure, impact refers to the impact of climate-related issues on the company.

	strategy and financial planning.		performance against targets
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers		%

Refer to pages 130 to155 (Management Approach) of the 2019 Integrated Annual Report.

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Anti-corruption

Refer to pages 166 to 181 (Corporate Governance) of the 2019 Integrated Annual Report.
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Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization’s anti-corruption policies and procedures have been communicated to		%
Percentage of business partners to whom the organization’s anti-corruption policies and procedures have been communicated to		%
Percentage of directors and management that have received anti-corruption training		%
Percentage of employees that have received anti-corruption training		%

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Incidents of Corruption

Corruption-related reports or incidents are discussed on page 180 (Key Company Policies) of the 2019 Integrated Annual Report.

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption		#
Number of incidents in which employees were dismissed or disciplined for corruption		#
Number of incidents when contracts with business partners were terminated due to incidents of corruption		#

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ENVIRONMENT

Information on environmental indicators material to the Aboitiz Group are found on pages 257 to 259 (Appendix Table) of the 2019 Integrated Annual Report.

A discussion on the Aboitiz Group’s management approach to environmental stewardship is found on pages 134 to 155 (Management Approach) of the 2019 Integrated Annual Report.

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)		GJ
Energy consumption (gasoline)		GJ
Energy consumption (LPG)		GJ
Energy consumption (diesel)		GJ
Energy consumption (electricity)		kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)		GJ
Energy reduction (LPG)		GJ
Energy reduction (diesel)		GJ
Energy reduction (electricity)		kWh
Energy reduction (gasoline)		GJ

Refer to pages 130 to 155 (Management Approach) of the 2019 Integrated Annual Report.

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<i>linked to impacts through its business relationship)</i>		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
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Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal		Cubic meters
Water consumption		Cubic meters
Water recycled and reused		Cubic meters

Refer to pages 130 to 155 (Management Approach) of the 2019 Integrated Annual Report.

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Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
<ul style="list-style-type: none"> renewable 		kg/liters
<ul style="list-style-type: none"> non-renewable 		kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services		%

Refer to pages 130 to 155 (Management Approach) of the 2019 Integrated Annual Report.

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Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	(identify all sites)	
Habitats protected or restored		ha
IUCN ⁴ Red List species and national conservation list species with habitats in areas affected by operations	(list)	

Refer to pages 130 to155 (Management Approach) of the 2019 Integrated Annual Report.

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⁴ International Union for Conservation of Nature

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions		Tonnes CO ₂ e
Energy indirect (Scope 2) GHG Emissions		Tonnes CO ₂ e
Emissions of ozone-depleting substances (ODS)		Tonnes

Refer to pages 130 to 155 (Management Approach) and 257 to 259 (Appendix Tables) of the 2019 Integrated Annual Report.

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Air pollutants

Disclosure	Quantity	Units
NO _x		kg
SO _x		kg
Persistent organic pollutants (POPs)		kg
Volatile organic compounds (VOCs)		kg
Hazardous air pollutants (HAPs)		kg
Particulate matter (PM)		kg

Refer to pages 130 to 155 (Management Approach) and 257 to 259 (Appendix Tables) of the 2019 Integrated Annual Report.

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Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
------------	----------	-------

Total solid waste generated		kg
Reusable		kg
Recyclable		kg
Composted		kg
Incinerated		kg
Residuals/Landfilled		kg

Refer to pages 130 to155 (Management Approach) of the 2019 Integrated Annual Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>		

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated		kg
Total weight of hazardous waste transported		kg

Refer to pages 130 to155 (Management Approach) of the 2019 Integrated Annual Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>		

Effluents

Disclosure	Quantity	Units
Total volume of water discharges		Cubic meters
Percent of wastewater recycled		%

Refer to pages 130 to155 (Management Approach) of the 2019 Integrated Annual Report.

What is the impact and where does it occur? What is the	Which stakeholders are affected?	Management Approach
--	---	----------------------------

organization's involvement in the impact?		
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>		

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations		PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations		#
No. of cases resolved through dispute resolution mechanism		#

Refer to pages 130 to155 (Management Approach) of the 2019 Integrated Annual Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
--	---	----------------------------

<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p>
<p>What are the Risk/s Identified?</p>	<p>Which stakeholders are affected?</p>	<p>Management Approach</p>
<p><i>Identify risk/s related to material topic of the organization</i></p>		
<p>What are the Opportunity/ies Identified?</p>	<p>Which stakeholders are affected?</p>	<p>Management Approach</p>
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p>		

SOCIAL

Information on social indicators material to the Aboitiz Group are found on pages 257 to 259 (Appendix Table) of the 2019 Integrated Annual Report.

A discussion on the Aboitiz Group's management approach and focus areas focused on people is found on pages 134 to 155 (Management Approach), and pages 110 to 129 (Corporate Social Responsibility) of the 2019 Integrated Annual Report.

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees ⁵		
a. Number of female employees		#
b. Number of male employees		#
Attrition rate ⁶		rate
Ratio of lowest paid employee against minimum wage		ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS			
PhilHealth			
Pag-ibig			
Parental leaves			
Vacation leaves			
Sick leaves			
Medical benefits (aside from PhilHealth))			
Housing assistance (aside from Pag-ibig)			
Retirement fund (aside from SSS)			
Further education support			
Company stock options			

⁵ Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

⁶ Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Telecommuting			
Flexible-working Hours			
(Others)			

Refer to pages 130 to 155 (Management Approach), and pages 158-165 (Talent Management and Talent Analytics) of the 2019 Integrated Annual Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
What are the Risk/s Identified?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>	
What are the Opportunity/ies Identified?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>	

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees		hours
b. Male employees		hours
Average training hours provided to employees		
a. Female employees		hours/employee
b. Male employees		hours/employee

Refer to pages 130 to 155 (Management Approach), and pages 158-165 (Talent Management and Talent Analytics) of the 2019 Integrated Annual Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
What are the Risk/s Identified?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>	
What are the Opportunity/ies Identified?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>	

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements		%
Number of consultations conducted with employees concerning employee-related policies		#

Refer to pages 130 to 155 (Management Approach), and pages 257-259 (Appendix Tables) of the 2019 Integrated Annual Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
What are the Risk/s Identified?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>	

What are the Opportunity/ies Identified?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>	

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce		%
% of male workers in the workforce		%
Number of employees from indigenous communities and/or vulnerable sector*		#

*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

Refer to pages 130 to 155 (Management Approach), and pages 257-259 (Appendix Tables) of the 2019 Integrated Annual Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
What are the Risk/s Identified?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>	
What are the Opportunity/ies Identified?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>	

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours		Man-hours
No. of work-related injuries		#

No. of work-related fatalities		#
No. of work related ill-health		#
No. of safety drills		#

Refer to pages 130 to 155 (Management Approach), and pages 257-259 (Appendix Tables) of the 2019 Integrated Annual Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
What are the Risk/s Identified?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>	
What are the Opportunity/ies Identified?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>	

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor		#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor		
Child labor		
Human Rights		

Refer to pages 130 to 155 (Management Approach) of the 2019 Integrated Annual Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
What are the Risk/s Identified?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>	
What are the Opportunity/ies Identified?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>	

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance		
Forced labor		
Child labor		
Human rights		
Bribery and corruption		

Refer to pages 130 to 155 (Management Approach) of the 2019 Integrated Annual Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms,</i>

<i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>and/or projects, programs, and initiatives do you have to manage the material topic?</i>
What are the Risk/s Identified?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>	
What are the Opportunity/ies Identified?	Management Approach
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Relationship with Community

Significant Impacts on Local Communities

Refer to pages 110 to 129 (Corporate Social Responsibility) of the 2019 Integrated Annual Report.

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____

Certificates	Quantity	Units
FPIC process is still undergoing		#
CP secured		#

What are the Risk/s Identified?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>	
What are the Opportunity/ies Identified?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>	

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction		

Refer to pages 130 to 155 (Management Approach) of the 2019 Integrated Annual Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
What are the Risk/s Identified?	Management Approach

Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	Management Approach
Identify the opportunity/ies related to material topic of the organization	

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*		#
No. of complaints addressed		#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?
What are the Risk/s Identified?	Management Approach
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	Management Approach
Identify the opportunity/ies related to material topic of the organization	

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*		#
No. of complaints addressed		#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
What are the Risk/s Identified?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>	
What are the Opportunity/ies Identified?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>	

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*		#
No. of complaints addressed		#
No. of customers, users and account holders whose information is used for secondary purposes		#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
What are the Risk/s Identified?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>	
What are the Opportunity/ies Identified?	Management Approach

<i>Identify the opportunity/ies related to material topic of the organization</i>	
---	--

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data		#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
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UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

The Value Creation Business model of the Aboitiz Group provides societal value and contribution to the UN SDGs.

Guided by UN SDGs we provide management approaches to minimize our potential negative impacts to various programs we implement across the group. Kindly refer to pages 142-146 (Aboitiz Sustainability Programs) of the 2019 Integrated Annual Report.

Our Businesses	Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Power	Power Generation & Distribution Service	<ul style="list-style-type: none"> • Ample and reliable power supply • Reasonable and competitive price • Availability of a right mix of energy supply <p>SDG 7</p>	Potential negative impacts of Carbon footprint to SDG 13 14 and 15	<ul style="list-style-type: none"> • Managing Carbon footprint of our operations through compliance to regulatory standards and minimizing by promoting Carbon sequestration and biodiversity programs

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*



Mars Sacdalan <strella.sacdalan@abotiz.com>

Fwd: Aboitiz Power Corporation_SEC Form 17-Q_16 November 2020

Kat Arsua <frances.arsua@abotiz.com>
To: Mars Sacdalan <strella.sacdalan@abotiz.com>

Wed, Dec 16, 2020 at 1:19 PM

Fyi

----- Forwarded message -----

From: **ICTD Submission** <ictdsubmission+canned.response@sec.gov.ph>
Date: Mon, Nov 16, 2020 at 4:54 PM
Subject: Re: Aboitiz Power Corporation SEC Form 17 Q 16 November 2020
To: <frances.arsua@abotiz.com>

Dear Cu tomer,

SUCCESSFULLY ACCEPTED
(subject to verification and review of the quality of the attached document)

Thank you.

SEC ICTD.



Mars Sacdalan <strella.sacdalan@aboitiz.com>

Fwd: Aboitiz Power Corporation_SEC Form 17-Q_16 November 2020

Kat Arsua <frances.arsua@aboitiz.com>
To: Mars Sacdalan <strella.sacdalan@aboitiz.com>

Wed, Dec 16, 2020 at 1:19 PM

Fyi

----- Forwarded message -----

From: **MSRD COVID19** <msrd_covid19@sec.gov.ph>
Date: Tue, Nov 17, 2020 at 3:42 PM
Subject Fwd Aboitiz Power Corporation SEC Form 17 Q 16 November 2020
To: Kat Arsua <frances.arsua@aboitiz.com>
Cc: NESSA B. LEGUARDA-RAYOS <nbleguarda@sec.gov.ph>

Sir/Madam,

We acknowledge receipt of your email below and the attached documents thereto.

Thank you.

Regards,

MARKETS AND SECURITIES REGULATION DEPARTMENT
PHILIPPINE SECURITIES AND EXCHANGE COMMISSION

----- Forwarded message -----

From: **Kat Arsua** <frances.arsua@aboitiz.com>
Date: Mon, Nov 16, 2020 at 4:54 PM
Subject Aboitiz Power Corporation SEC Form 17 Q 16 November 2020
To: <ictdsubmission@sec.gov.ph>
Cc: MSRD COVID19 <msrd_covid19@sec.gov.ph>, CGFD Account <cgfd@sec.gov.ph>, cgfd cgd <cgfd_cgd@sec.gov.ph>, Corporate Secretariat <corporate.secretariat@aboitiz.com>

Dear SEC,

In compliance with the SEC CGFD' Advisory dated June 24, 2020, please see attached report for Aboitiz Power Corporation:

1. SEC Form 17-Q (Quarterly Report) for the Third Quarter of 2020; and
2. Certification from the Authorized Officer on the preparation of the Report.

Kindly acknowledge receipt.

Thank you

Regards,
Kat

#OneAboitiz



Frances Katrina Arsua



Paralegal Supervisor for Governance and Compliance
Aboitiz Equity Ventures, Inc.
t 63 2 8886 2800 loc 12724
m +63 917 529 1320



The information contained in this email message is intended for use only by the individual or entity to which it is addressed and such information may be privileged, confidential and/or proprietary, and protected under applicable laws.

2 attachments

 **AboitizPower Certification re SEC Online Submission of Report NewTemplate (11 16 20) 17Q.pdf**
358K

 **(09 30 20) AP SEC FORM 17 Q re Third Quarter Report Full Report (SIGNED).pdf**
824K



May 28, 2020

SECURITIES AND EXCHANGE COMMISSION

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

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

via PSE EDGE

PHILIPPINE STOCK EXCHANGE, INC.

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

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

via electronic mail

PHILIPPINE DEALING & EXCHANGE CORP.

Market Regulatory Services Group
29th Floor BDO Equitable Tower
8751 Paseo de Roxas, Makati City 1226

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

Gentlemen:

Please see enclosed SEC Form 17-Q (1st Quarterly Report 2020) of Aboitiz Power Corporation.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ POWER CORPORATION

By:


Corporate Secretary

COVER SHEET

C 1 9 9 8 0 0 1 3 4

S.E.C. Registration Number

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

(Company's Full Name)

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

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

P H I L I P P I N E S

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

MANUEL ALBERTO R. COLAYCO

Contact Person

(02) 8-886-2338

Company Telephone Number

1 2 3 1

Month Day
Fiscal Year

1st Quarterly Report 2020

1 7 - Q

FORM TYPE

4th Monday of April

0 4 2 7

Month Day
Annual Meeting

Secondary License Type, if Applicable

S E C

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

x

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2020**
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 March 31, 2020)
Common Stock ₱1 Par Value	7,358,604,307
Amount of Debt Outstanding	₱239,436,537,000.00

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 the Company's consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying schedules and disclosures set forth elsewhere in this report.

Key Performance Indicators

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

1. **Share in Net Earnings of Associates and Joint Ventures.** This represents the Group's share in the undistributed earnings or losses of its investees for each reporting period subsequent to 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.

The table below shows the comparative figures of the key performance indicators for the three (3) months of 2020 and 2019 and as of December 31, 2019:

Key Performance Indicators	MARCH 2020 (INTERIM)	MARCH 2019 (INTERIM)	DECEMBER 2019
<i>Amounts in thousands of ₱s, except for financial ratios</i>			
SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	464,473	551,130	3,813,962
EBITDA	9,394,497	10,404,355	45,005,022
CASH FLOW GENERATED:			
Net cash flows from operating activities	9,841,030	6,341,341	39,356,962
Net cash flows used in investing activities	(3,999,152)	(976,223)	(34,060,584)
Net cash flows used in financing activities	660,421	(1,553,471)	(14,376,055)
Net (Decrease)/Increase in Cash & Cash Equivalents	6,502,299	3,881,647	(9,079,677)
Cash & Cash Equivalents, Beginning	37,433,929	46,343,041	46,343,041
Cash & Cash Equivalents, End	44,030,335	50,109,442	37,433,929
CURRENT RATIO	1.20		1.50
DEBT-TO-EQUITY RATIO	2.32		2.07

- Share in net earnings in associates and joint ventures for the first quarter of 2020 decreased by 16% compared to the first quarter of 2019. The decrease was mainly due to lower income contributions from SN Aboitiz Power-Benguet, Inc. (SN Aboitiz Power- Benguet), which was primarily driven by a reduction in volume sold due to reduced water levels during the first quarter of 2020 compared to the same period in 2019.
- EBITDA for the first quarter of 2020 decreased by 10%. In the first quarter of 2019, income from the Generation Rate Adjustment Mechanism (GRAM) and Incremental Currency Exchange Rate Adjustment (ICERA) were included. Other contributing factors during the first quarter of 2020 were lower plant availability and lower spot market revenues across the Power Generation Group.
- For the first quarter of 2020, cash and cash equivalents increased by ₱6.60 billion (bn). During same period in 2019, there were higher (i) cash flows used for the AA Thermal, Inc. (AA Thermal) partial acquisition, and (ii) cash flows used to invest in GNPowr Dinginin Ltd. Co. (GNPD) for its on-going power plant construction and the Group's capital expenditures.
- Current Ratio as of March 31, 2020 was at 1.20x as compared to 1.50x as of December 31, 2019. This is due to an increase in current liabilities during the first quarter of 2020, mainly from higher levels of current debt maturities.

- Debt-to-Equity Ratio as of March 31, 2020 was at 2.32x, higher than the 2.07x recorded at the end of 2019.

Results of Operations

Net income for the first quarter of 2020 of ₱2.06 bn, which was 43% lower than the ₱3.63 bn reported for the same period in 2019. This translated to earnings per share of ₱0.28 for the period. The Company recognized non-recurring losses of ₱27 million (mn) during the period, lower than the ₱440 mn in non-recurring losses recorded during the same period last year. Without these one-off losses, core net income for the first quarter of 2020 was ₱2.09 bn, 49% lower year-on-year (YoY). This was mostly due to the decline in EBITDA, coupled with additional taxes from the expiration of the Income Tax Holiday incentives of Therma South, Inc. (TSI) and GN Power Mariveles Coal Plant Ltd. Co. (GMCP), and the additional interest expense from the Parent Company bond and loan that were taken up late last year.

Power Generation and Retail Electricity Supply (RES)

AboitizPower's generation and retail supply business recorded EBITDA of ₱7.40 bn during the first quarter of 2020, 13% lower than the ₱8.60 bn recorded during the corresponding period last year. The variance was primarily due to the EBITDA for the first quarter of 2019 that included one-time income from GRAM and ICERA. AboitizPower's performance during the first quarter of 2020 was also affected by outages in TSI and GMCP, and by lower selling prices. These offset the fresh contributions of Therma Visayas, Inc. (TVI) and the decreased purchased power costs.

Capacity sold for the first quarter of 2020 increased by 17% to 3,445 megawatts (MW) from 2,947 MW in the same period last year.

Power Distribution

For the first quarter of 2020, AboitizPower's distribution business recorded EBITDA of ₱2.10 bn, 12% higher than the ₱1.90 bn recorded during the same period last year. Energy sales increased by 6% to 1,429 gigawatt-hours (GWh) during the first three months of 2020, from 1,343 GWh in the first quarter of 2019. This was driven by higher energy consumption from the Residential and Commercial customer segments and growth in the number of customers from the Industrial segment.

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 Company decreased by ₱1.57 bn, or 43%. The various movements in line items are shown below to account for the decrease:

Net Income Attributable to Equity Holders of the Parent (January – March 2019)	₱3,625,436
Decrease in operating revenues	(1,944,541)
Decrease in operating expenses	1,741,269
Decrease in interest income	(198,039)
Increase in interest expense	(551,877)
Decrease in share in net earnings of associates and joint ventures	(86,657)
Decrease in other income	(842,447)
Lower provision for taxes	140,143
Decrease in income attributable to non-controlling interests	176,467
Total	(1,565,683)
Net Income Attributable to Equity Holders of the Parent (January – March 2020)	₱2,059,753

Operating Revenues

(7% decrease from ₱29.82 bn to ₱27.88 bn)

The decrease in operating revenues was primarily due to the extended outage of TSI Unit 2, lower indices, and lower spot prices. Forced outages for the first quarter of 2020 were primarily from TSI Unit 2, which is expected to return to service on May 22, 2020 after the plant's reliability run. These decreases were partly offset by higher electricity sales from the Company's distribution utilities.

Operating Expenses

(7% decrease from ₱23.57 bn to ₱21.83 bn)

The decrease in operating expenses was mainly due to lower cost of purchased power and cost of generated power during the first quarter of 2020. During the same period in 2019, the Company bought replacement power at higher spot market prices due to contracting in advance for incoming capacities and outages of AP Renewables Inc. (APRI) and Pagbilao Energy Corporation (PEC).

Interest Income

(46% decrease from ₱430 mn to ₱232 mn)

Interest income during the first quarter of 2019 was higher compared to the same period in 2020 primarily due to the Parent Company's higher cash investments and higher interest income from TSI, Hedcor Bukidnon, Inc., and PEC.

Interest Expense and other financing costs

(17% increase from ₱3.21 bn to ₱3.76 bn)

Interest expense increased in the first quarter of 2020 compared to the same period last year due to interest and financing costs on AboitizPower's ₱7.25 bn retail bonds issued in October 2019 and the recognition of interest expense from TVI's project loans. The proceeds from the October 2019 bond offering were used to pay for short-term borrowings.

Share in Net Earnings of Associates and Joint Ventures

(16% decrease from ₱551 mn to ₱464 mn)

Share in net earnings in associates and joint ventures for the first quarter of 2020 decreased by 16% compared to the first quarter of 2019. The decrease was mainly due to lower income contributions from SN Aboitiz Power-Benguet. SN Aboitiz Power-Benguet lower income contribution was primarily driven by a reduction in volume sold due to reduced water levels during the first half of 2020 compared to the same period in 2019

Other Income (Expenses) – net

(83% decrease from ₱1.01 bn to ₱172 mn other income)

The decrease in other income was mainly due to lower unrealized foreign exchange and derivative losses mostly from dollar-denominated assets and liabilities.

Provision for Taxes

(18% decrease from ₱781 mn to ₱641 mn)

The decrease was due to lower taxable and higher net deferred tax benefit recognized during the first quarter of 2020 compared to the same period in 2019, which offset the additional taxes from the expiration of the Income Tax Holiday incentives of TSI and GMCP.

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

Assets

Total assets (as of March 31, 2020 compared to December 31, 2019) increased by ₱8.19 bn, or 2%. The major movements of the accounts leading to the increase were as follows:

- a) Cash and cash equivalents increased by ₱6.60 bn, or 18% (from ₱37.43 bn to ₱44.03 bn). During the first quarter of 2019 there were higher (i) cash flows used for the AA Thermal partial acquisition, and (ii) cash flows used to invest into GNPD for its on-going power plant construction and the Group's capital expenditures. This was partially offset by proceeds from short term loans.
- b) Inventories increased by ₱593 mn or 9% (from ₱6.63 bn to ₱7.23 bn) mainly driven by an increase in Coal inventory.
- c) Other current assets increased by ₱977 mn, or 9% (from ₱11.08 bn to ₱12.06 bn) mainly driven by an increase in input VAT and prepaid expenses. This was partially offset by a decrease in restricted cash of TSI being held as cash reserves in compliance with its covenants on its project debt.
- d) Property, plant and equipment decreased slightly (from ₱210 bn to ₱208 bn) mainly due depreciation of existing assets.
- e) Financial assets at fair value through profit or loss increased by 135% (from ₱4 mn to ₱9 mn) mainly due mark to market valuations.
- f) Deferred income tax assets increased by ₱414 mn, or 15% (from ₱2.79 bn to ₱3.20 bn) mainly due to the deferred tax benefits recognized by Therma Mobile, Inc. on its net operating loss and Therma Luzon, Inc. (TLI) on its unrealized forex loss.

Liabilities

Compared to December 31, 2019, total liabilities as of March 31, 2020 increased by ₱15.65 bn, or 6%. The major movements of accounts leading to the increase were as follows:

- a) Short-term loans increased by ₱10.70 bn, or 103% (from ₱10.34 bn to ₱21.03 bn), mainly due to new loans availed by the Parent Company, Visayan Electric Company, Inc., and Davao Light & Power Company, Inc. for working capital purposes.
- b) Trade and other payables increased by ₱8.03 bn, or 36% due to the Dividends payable declared during the first quarter of 2020. These dividends were paid on April 3, 2020.
- c) Income tax payable increased by ₱855 mn, or 168%, mainly from a higher provision for taxes at the Company's Distribution Utilities, Adventenergy, Inc., and expiration of the Income Tax Holiday incentives of TSI and GMCP.
- d) Long-term debt (current and non-current portions) decreased by ₱3.30 bn (from ₱177.97 bn to ₱174.67 bn) mainly due to principal payments made on existing loans of GMCP, TVI, APRI, Hedcor Bukidnon, and Hedcor, Inc.
- e) Net Derivative liabilities (current and non-current portions) went up by ₱374 mn, primarily due to fair value changes on GMCP's interest rate swaps.
- f) Lease liabilities (current and noncurrent portions) decreased by ₱1.05 bn (from ₱44.79 bn to ₱43.74 bn), as TLI made timely payments on its obligation to Power Sector Assets and Liabilities Management Corporation (PSALM).

Equity

Equity attributable to equity shareholders of the Parent Company decreased by 5% (from ₱125.54 bn at the end of 2019 to ₱118.78 bn as of March 31, 2020) after the declaration of dividends in March 2020, net of comprehensive income recognized during the first quarter of 2020. Cumulative translation adjustments increased by ₱214 mn, due to (i) downward effect of changes in the fair value of foreign currency forward and commodity swap contracts designated as cash flow hedges, and (ii) translation effect of GMCP and Luzon Hydro Corporation (LHC) for the period.

Material Changes in Liquidity and Cash Reserves of Registrant

The Group continues to realize a significant amount of cash generated from operations, which brought in ₱9.84 bn in the first three months of 2020, a ₱3.50 bn or 55% increase compared to the same period last year. The increase in operating cash flows was due to lower working capital requirements and lower taxes paid during the first quarter of 2020.

Net cash flows used in investing activities increased to ₱4.0 bn in the first quarter of 2020 from ₱976 mn for the same period last year. The increase in cash outflow was mainly due to funding for the GNPD construction of power plant.

The net cash flows from financing activities amounting to ₱660 mn is higher than the same period last year mainly due to higher short-term loan availments.

As of March 31, 2020, the Group's cash and cash equivalents increased by 18% to ₱44.03 bn, from ₱37.43 bn as of December 31, 2019.

Financial Ratios

Current assets increased by 10% and current liabilities increased by 38%. The current ratio as of March 31, 2020 was at 1.20x compared to 1.50x as of December 31, 2020.

Consolidated debt to equity ratio as of March 31, 2020 was at 2.32x, higher than the 2.07x recorded at the end of 2019. The change is mainly due to the 6% increase in total liabilities bolstered by the 6% decrease in equity during the first quarter of 2020.

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

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

Despite increased competition in the power generation market, the Company believes that it has built the foundation to sustain its long term growth, as seen in its pipeline of new power generation projects (Naga Power Plant Complex project and GNPower Dinginin project).

For the Naga Power Plant Complex Project in Cebu, the six diesel engine units passed the grid compliance tests of the National Grid Corporation of the Philippines and were successfully rehabilitated in January 2020. The units have demonstrated a combined net capacity of 39 MW. The issuance of a Certificate of Compliance (CoC) and a Provisional Authority to Operate (PAO) are both pending from the Energy Regulatory Commission (ERC). The plant is expected to go into commercial operations once either a PAO or a final CoC is obtained.

The GNPowr Dinginin project is in the final stages of construction but continues to face numerous challenges due to the COVID-19 pandemic and the imposition of the travel ban on China. Construction has slowed down because of the preventive measures taken to ensure the safety of workers on-site. As previously disclosed, the travel ban prevented the return of a number of its EPC Contractor's workers from their Lunar New Year holiday, as well as the arrival of technicians critical to the commissioning of Unit 1. As a result, commissioning works are ongoing only in areas where the presence of technical field assistants from China is not required. Due to these circumstances, Unit 1 is now expected to synchronize and earn commissioning revenues by the fourth quarter of 2020 and to commence commercial operations by the first quarter of 2021. On the other hand, Unit 2 is expected to synchronize and earn commissioning revenues by the first quarter of 2021 and to commence commercial operations by the second quarter of 2021.

By 2020, is on track to meet its 2020 target of 4,000 MW net attributable capacity. By year end, AboitizPower will own 4,432 MW of attributable capacity, with the entry of GNPD, both units of which are under construction.

AboitizPower is committed to growing its attributable capacity to 9,300 MW by 2029, which it expects will be sourced from a portfolio of renewables and selective baseload builds. In terms of renewable energy, the Company aims to maximize opportunities from the implementation of the Renewable Portfolio Standards (RPS) by the Department of Energy (DOE) starting this year. In line with DOE's aspirational goal of a 35% share in renewable energy utilization by 2030, RPS is a market-based policy that mandates power distribution utilities, electric cooperatives, and retail electricity suppliers to source an agreed portion of their energy supplies from renewable energy facilities. The Company will continue to pursue its international aspirations with a continued focus on renewable energy projects in the ASEAN region. With all of these combined, it is expected that the Company's portfolio ratio will be close to a 50:50 Cleanergy (renewable energy) and thermal capacity mix by the end of the current decade.

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

AboitizPower, together with its partners, had initially budgeted ₱41 bn in capital expenditures for 2020 but is currently reviewing its capex program for the year in order to take into consideration the impact of COVID-19.

Despite the challenges posed by the global pandemic and the unusual business situation, the Company continues to operate with its business continuity plans in force, in accordance with the protocols and guidelines of the government's community quarantine. The Company will continue to provide the country with the much-needed power supply for the hospitals, government institutions, and critical businesses, while ensuring the safety of its teams, partners, and communities.

Other known trends, events, uncertainties which may have a material impact on AboitizPower have been discussed extensively in sections of the Company's Information Statement (e.g. for an extensive discussion on regulatory issues, see Effects of Existing or Probable Government Regulations on the Business on page 80 of the Company's 2020 Definitive Information Statement.

PART II--OTHER INFORMATION

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

Aboitiz Power Corporation and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of March 31, 2020 (with Comparative Figures as of December 31, 2019) and
For the Three-Month Periods Ended March 31, 2020 and 2019

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

(With Comparative Figures as of December 31, 2019)

(Amounts in Thousands)

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱44,030,335	₱37,433,929
Trade and other receivables (Note 6)	21,606,602	21,747,422
Inventories	7,225,466	6,632,029
Other current assets (Note 7)	12,073,640	11,083,405
Total Current Assets	84,936,043	76,896,785
Noncurrent Assets		
Investments and advances (Note 8)	62,646,765	60,878,541
Property, plant and equipment	207,925,958	209,521,466
Intangible assets (Note 10)	46,783,636	46,712,501
Derivative assets - net of current portion (Note 20)	–	82,327
Financial assets at fair value through profit or loss (FVTPL)	9,160	3,906
Net pension assets	68,209	68,209
Deferred income tax assets	3,205,595	2,786,310
Other noncurrent assets	13,105,359	13,519,312
Total Noncurrent Assets	333,744,682	333,572,572
TOTAL ASSETS	₱418,680,725	₱410,469,357
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans (Note 12)	₱21,031,434	₱10,335,420
Current portions of:		
Long-term debts (Note 13)	10,558,168	10,386,311
Lease liabilities (Note 21)	5,508,002	5,486,745
Long-term obligation on power distribution system	40,000	40,000
Derivative liabilities (Note 20)	2,085,047	2,255,736
Trade and other payables (Note 11)	30,408,651	22,376,120
Income tax payable	1,377,567	510,137
Total Current Liabilities	71,008,869	51,390,469

(Forward)

ABOITIZ POWER CORPORATION AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET****(With Comparative Figures as of December 31, 2019)****(Amounts in Thousands)**

	March 31, 2020	December 31, 2019
	(Unaudited)	(Audited)
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts (Note 13)	₱164,109,323	₱167,585,311
Lease liabilities (Note 21)	38,229,610	39,302,899
Long-term obligation on power distribution system	165,372	159,350
Derivative liabilities - net of current portion (Note 20)	674,932	212,588
Customers' deposits	6,643,879	6,521,469
Decommissioning liability	3,613,849	3,567,492
Deferred income tax liabilities	847,958	848,471
Net pension liabilities	426,047	426,047
Other noncurrent liabilities	6,773,682	6,812,250
Total Noncurrent Liabilities	221,484,652	225,435,877
Total Liabilities	292,493,521	276,826,346
Equity Attributable to Equity Holders of the Parent		
Paid-in capital (Note 22)	19,947,498	19,947,498
Share in net unrealized valuation gains on fair value through other comprehensive income (FVOCI) of an associate (Note 8)	101,727	101,727
Cumulative translation adjustments	(1,208,365)	(994,253)
Share in cumulative translation adjustments of associates and joint ventures (Note 8)	(113,798)	(153,485)
Actuarial losses on defined benefit plans	(923,833)	(923,833)
Share in actuarial losses on defined benefit plans of associates and joint ventures	(13,598)	(14,299)
Acquisition of non-controlling interests	(6,321,325)	(6,321,325)
Excess of cost over net assets of investments	(421,260)	(421,260)
Loss on dilution	(433,157)	(433,157)
Retained earnings (Note 22)		
Appropriated	33,660,000	33,660,000
Unappropriated	74,471,977	81,095,377
	118,745,866	125,542,990
Non-controlling Interests	7,441,338	8,100,021
Total Equity	126,187,204	133,643,011
TOTAL LIABILITIES AND EQUITY	₱418,680,725	₱410,469,357

See accompanying Notes to Consolidated Financial Statements.

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

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Jan - Mar 2020	Jan - Mar 2019 (As restated)
OPERATING REVENUES (Note 18)	₱27,876,150	₱29,820,691
OPERATING EXPENSES (Note 15)	21,826,854	23,568,123
FINANCIAL INCOME (EXPENSES)		
Interest income (Note 5)	232,179	430,218
Interest expense and other financing costs (Note 19)	(3,762,090)	(3,210,213)
	(3,529,911)	(2,779,995)
OTHER INCOME (EXPENSES)		
Share in net earnings of associates and joint ventures (Note 8)	464,473	551,130
Other income - net (Note 16)	172,330	1,014,779
	636,803	1,565,909
INCOME BEFORE INCOME TAX	3,156,188	5,038,482
PROVISION FOR INCOME TAX	640,803	780,946
NET INCOME	₱2,515,385	₱4,257,536
ATTRIBUTABLE TO:		
Equity holders of the parent	₱2,059,753	₱3,625,436
Non-controlling interests	455,632	632,100
	₱2,515,385	₱4,257,536
Earnings Per Common Share (Note 17)		
Basic and diluted, income for the period attributable to ordinary equity holders of the parent	₱0.28	₱0.49

See accompanying Notes to Consolidated Financial Statements.

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

(Amounts in Thousands)

	Jan - Mar 2020	Jan - Mar 2019
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the parent	₱2,059,753	₱3,625,436
Non-controlling interests	455,632	632,100
	2,515,385	4,257,536
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Movement in cumulative translation adjustments	(553,285)	(476,263)
Share in movement in cumulative translation adjustment of associates and joint ventures (Note 8)	39,687	(371,262)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(513,598)	(847,525)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>		
Share in actuarial gain on defined benefit plans of associates and joint ventures, net of tax (Note 8)	701	–
Total other comprehensive loss for the period, net of tax	(512,897)	(847,525)
TOTAL COMPREHENSIVE INCOME	₱2,002,488	₱3,410,011
ATTRIBUTABLE TO:		
Equity holders of the parent	₱1,886,029	₱2,743,811
Non-controlling interests	116,459	666,200
	₱2,002,488	₱3,410,011

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ POWER CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2020 AND 2019
(Amounts in Thousands, Except Dividends Per Share Amounts)

	Atributable to Equity Holders of the Parent												Total
	Share in Net Unrealized Valuation Gain on PVOCI Investments of an Associate (Note 8)	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 8)	Actuarial Gains (Losses) on Defined Benefit Plans	Share in Actuarial Gains (Losses) on Defined Benefit Plans of Associates and Joint Ventures (Note 8)	Acquisition of Non-controlling interests	Excess of cost over net assets of investment	Loss on Dilution	Retained Earnings (Note 22)			Non-controlling interests	
	Raid-in Capital								Appropriated	Unappropriated			
Balances at January 1, 2020	₱19,947,488	₱101,727	(₱994,253)	(₱153,485)	(₱21,833)	(₱14,299)	(₱6,321,325)	(₱421,260)	(₱433,157)	₱31,660,000	₱1,095,377	₱8,100,021	₱131,643,011
Net income for the period	—	—	—	—	—	—	—	—	—	2,059,753	455,032	—	2,515,385
Other comprehensive income	—	—	(214,112)	39,687	—	701	—	—	—	—	(339,173)	—	(512,897)
Total comprehensive income (loss)	—	—	(214,112)	39,687	—	701	—	—	—	2,059,753	116,459	—	2,002,488
Cash dividends - 1.19 per share (Note 22)	—	—	—	—	—	—	—	—	—	(8,683,151)	—	—	(8,683,151)
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(1,147,134)	(1,147,134)
Change in non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	371,992	371,992
Balances at March 31, 2020	₱19,947,488	₱101,727	(₱1,208,365)	(₱113,798)	(₱21,833)	(₱13,598)	(₱6,321,325)	(₱421,260)	(₱433,157)	₱31,660,000	₱74,471,977	₱7,441,138	₱126,187,704
Balances at January 1, 2019	₱19,947,488	₱101,727	₱525,916	₱21,139	(₱587,267)	₱29,729	(₱259,147)	(₱421,260)	(₱433,157)	₱31,060,000	₱76,427,738	₱3,863,751	₱136,576,667
Effect of adoption - PFRS 16	—	—	—	—	—	—	—	—	—	—	(237,890)	(40,070)	(277,960)
Balances at January 1, 2019 as restated	₱19,947,488	₱101,727	₱525,916	₱21,139	(₱587,267)	₱29,729	(₱259,147)	(₱421,260)	(₱433,157)	₱31,060,000	₱74,189,848	₱3,823,681	₱136,298,707
Net income for the period	—	—	—	—	—	—	—	—	—	—	3,625,436	832,100	4,257,536
Other comprehensive income	—	—	(510,363)	(371,262)	—	—	—	—	—	—	—	34,100	(847,525)
Total comprehensive income (loss)	—	—	(510,363)	(371,262)	—	—	—	—	—	—	3,625,436	866,200	3,410,011
Cash dividends - 1.47 per share (Note 22)	—	—	—	—	—	—	—	—	—	—	(10,817,148)	—	(10,817,148)
Reversal of appropriation	—	—	—	—	—	—	—	—	—	(12,300,000)	12,300,000	—	—
Appropriations during the period	—	—	—	—	—	—	—	—	—	11,900,000	(11,900,000)	—	—
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(1,333,696)	(1,333,696)
Change in non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(348,065)	(348,065)
Balances at March 31, 2019	₱19,947,488	₱101,727	₱15,553	(₱50,123)	(₱587,267)	₱29,729	(₱259,147)	(₱421,260)	(₱433,157)	₱31,060,000	₱67,398,136	₱7,717,550	₱127,119,239

See accompanying Notes to Consolidated Financial Statements.

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

	Jan - Mar 2020	Jan - Mar 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱3,156,188	₱5,038,482
Adjustments for:		
Interest expense and other financing costs (Note 19)	3,762,090	3,210,213
Depreciation and amortization	2,610,960	2,150,501
Loss on disposal of property, plant and equipment	47,524	273,029
Unrealized fair valuation loss (gain) on derivatives and financial assets at FVTPL (Note 20)	18,767	(2,135)
Share in net earnings of associates and joint ventures (Note 8)	(464,473)	(551,130)
Interest income (Note 5)	(232,179)	(430,218)
Net unrealized foreign exchange loss (gain)	(64,371)	8,315
Write-off of project costs and other assets	-	8,506
Operating income before working capital changes	8,834,506	9,705,563
Decrease (increase) in:		
Trade and other receivables	(306,280)	(103,093)
Inventories	(593,437)	136,521
Other current assets	1,875,125	1,133,039
Increase (decrease) in:		
Trade and other payables	121,775	(3,941,459)
Customers' deposits	122,410	147,985
Net cash generated from operations	10,054,099	7,078,556
Income and final taxes paid	(213,069)	(737,215)
Net cash flows from operating activities	9,841,030	6,341,341
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received (Note 8)	474,367	814,705
Interest received	228,211	384,392
Proceeds from redemption of shares	-	5,340
Decrease (increase) in other noncurrent assets	(3,200,054)	301,159
Net collection of advances	(15,789)	-
Disposal of financial assets at FVTPL	(5,254)	-
Additions to:		
Property, plant and equipment	(181,469)	(1,559,068)
Intangible assets - service concession rights (Note 10)	(28,291)	(16,702)
Additional investments (Note 8)	(1,270,873)	(906,049)
Net cash flows used in investing activities	(3,999,152)	(976,223)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments of short-term loans (Note 12)	10,696,014	6,375,740
Net payments of long-term debt (Note 13)	(3,426,511)	(1,488,565)
Interest paid	(4,417,768)	(2,658,992)
Payments of lease liabilities (Note 21)	(1,044,180)	(2,257,988)
Cash dividends paid to non-controlling interests	(1,147,134)	(1,523,666)
Net cash flows from (used in) financing activities	660,421	(1,553,471)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,502,299	3,811,647
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	94,107	(45,246)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	37,433,929	46,343,041
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	₱44,030,335	₱50,109,442

See accompanying Notes to 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. As of March 31, 2020, Aboitiz Equity Ventures, Inc. (AEV, also incorporated in the Philippines) owns 76.98% of the Company. The ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

On March 6, 2020 and April 27, 2020, the Company's Board of Directors (BOD) and stockholders, respectively, approved the amendments of the Company's primary purpose to include the power to act as guarantor or surety for the loans and obligations of its affiliates and associates.

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

2. Group Information

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

The following are the subsidiaries as of March 31, 2020 and December 31, 2019:

	Nature of Business	March 31, 2020		December 31, 2019	
		Direct	Indirect	Direct	Indirect
Aboitiz Renewables, Inc. (ARI) and Subsidiaries	Power generation	100.00	–	100.00	–
AP Renewables, Inc. (APRI)	Power generation	–	100.00	–	100.00
Aboitiz Power Distributed Energy, Inc.	Power generation	–	100.00	–	100.00
Aboitiz Power Distributed Renewables, Inc.	Power generation	–	100.00	–	100.00
Hedcor, Inc. (HI)	Power generation	–	100.00	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power generation	–	100.00	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power generation	–	100.00	–	100.00
Luzon Hydro Corporation (LHC)	Power generation	–	100.00	–	100.00
AP Solar Tiwi, Inc.*	Power generation	–	100.00	–	100.00
Retensol, Inc.*	Power generation	–	100.00	–	100.00
AP Renewable Energy Corporation*	Power generation	–	100.00	–	100.00
Aseagas Corporation (Aseagas)*	Power generation	–	100.00	–	100.00
Bakun Power Line Corporation*	Power generation	–	100.00	–	100.00
Cleanergy, Inc.*	Power generation	–	100.00	–	100.00
Cordillera Hydro Corporation*	Power generation	–	100.00	–	100.00
Hedcor Benguet, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	Power generation	–	100.00	–	100.00
Hedcor Kabayan, Inc.*	Power generation	–	100.00	–	100.00
PV Sinag Power, Inc. (former Hedcor Ifugao, Inc.)*	Power generation	–	100.00	–	100.00
Amihan Power, Inc. (former Hedcor Kalinga, Inc.)*	Power generation	–	100.00	–	100.00
Aboitiz Solar Power, Inc. (former Hedcor Itogon Inc.)*	Power generation	–	100.00	–	100.00
Hedcor Manolo Fortich, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Mt. Province, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power generation	–	100.00	–	100.00
Hedcor Tamugan, Inc.*	Power generation	–	100.00	–	100.00
Mt. Apo Geopower, Inc.*	Power generation	–	100.00	–	100.00
Negron Cuadrado Geopower, Inc.*	Power generation	–	100.00	–	100.00
Tagoloan Hydro Corporation*	Power generation	–	100.00	–	100.00
Luzon Hydro Company Limited*	Power generation	–	100.00	–	100.00
Hydro Electric Development Corporation*	Power generation	–	99.97	–	99.97

(Forward)

	Nature of Business	March 31, 2020		December 31, 2019	
		Direct	Indirect	Direct	Indirect
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
GNPower Mariveles Coal Plant Ltd. Co. (GMCP)	Power generation	–	78.33	–	78.33
Therma Dinginin Holding Cooperatief U A.	Holding company	–	100.00	–	100.00
Therma Dinginin B.V.	Holding company	–	100.00	–	100.00
Therma Dinginin Holdings, Inc.	Holding company	–	100.00	–	100.00
Therma Visayas, Inc. (TVI)	Power generation	–	80.00	–	80.00
Abovant Holdings, Inc. (Abovant)	Holding company	–	60.00	–	60.00
AboitizPower International Pte. Ltd. (API)	Holding company	100.00	–	100.00	–
Aboitiz Energy Solutions, Inc. (AESI)	Retail electricity supplier	100.00	–	100.00	–
Adventenergy, Inc. (AI)	Retail electricity supplier	100.00	–	100.00	–
Balamban Enerzone Corporation (BEZ)	Power distribution	100.00	–	100.00	–
Lima Enerzone Corporation (LEZ)	Power distribution	100.00	–	100.00	–
Mactan Enerzone Corporation (MEZ)	Power distribution	100.00	–	100.00	–
Malvar Enerzone Corporation	Power distribution	100.00	–	100.00	–
East Asia Utilities Corporation (EAUC)	Power generation	50.00	50.00	50.00	50.00
Cotabato Light and Power Company (CLP)	Power distribution	99.94	–	99.94	–
Cotabato Ice Plant, Inc.	Manufacturing	–	100.00	–	100.00
Davao Light & Power Company, Inc. (DLP)	Power distribution	99.93	–	99.93	–
Maaraw Holdings San Carlos, Inc. (MHSCI)	Holding company	–	100.00	–	100.00
San Carlos Sun Power, Inc. (Sacasun)	Power generation	–	100.00	–	100.00
AboitizPower International B.V.	Holding company	–	100.00	–	100.00
Subic Enerzone Corporation (SEZ)	Power distribution	65.00	34.98	65.00	34.98
Cebu Private Power Corporation (CPPC)	Power generation	60.00	–	60.00	–
Prism Energy, Inc. (PEI)	Retail electricity supplier	60.00	–	60.00	–
Visayan Electric Company (VECO)	Power distribution	55.26	–	55.26	–

*No commercial operations as of March 31, 2020.

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

Basis of Financial Statement Preparation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as of and for the year ended December 31, 2019, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

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

On April 29, 2020, the Audit Committee of the BOD approved and authorized the release of the accompanying unaudited interim condensed consolidated financial statements of the Group.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the new and revised standards and Philippine Interpretations which were applied starting January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

These amendments did not have an impact in the unaudited interim condensed consolidated financial statements as the Group's practice is generally aligned with the amendments.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The adoption of the new standard is not expected to have an impact on the unaudited interim condensed consolidated financial statements of the Group as the Group is not into the business of providing insurance contracts.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

5. Cash and Cash Equivalents

	March 31, 2020	December 31, 2019
Cash on hand and in banks	₱14,775,879	₱14,177,919
Short-term deposits	29,254,456	23,256,010
	₱44,030,335	₱37,433,929

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposits rates. Interest income earned from cash and cash equivalents amounted to ₱232.18 million and ₱430.22 million for the periods ended March 31, 2020 and 2019, respectively.

6. Trade and Other Receivables

	March 31, 2020	December 31, 2019
Trade receivables - net of allowance for expected credit losses	₱13,673,565	₱12,958,429
Others:		
Dividends receivable	748,000	1,199,068
Advances to contractors	199,903	63,339
Accrued revenue	2,893,999	3,462,523
Non-trade receivable	2,943,898	2,450,311
Interest receivable	52,634	48,666
Power Sector Assets and Liabilities Management (PSALM) Corporation deferred adjustment	1,042,861	1,042,861
Others	51,742	522,225
	₱21,606,602	₱21,747,422

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

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

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

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

7. Other Current Assets

	March 31, 2020	December 31, 2019
Restricted cash	₱3,394,456	₱4,449,716
Input VAT	3,237,362	2,049,496
Prepaid tax	1,758,651	1,854,792
Advances to National Grid Corporation of the Philippines (NGCP)	2,132,100	1,727,028
Prepaid expenses	1,444,545	610,426
Others	106,526	391,947
	₱12,073,640	₱11,083,405

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

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

Prepaid expenses mainly include prepayments for insurance.

8. Investments and Advances

	March 31, 2020	December 31, 2019
Acquisition cost:		
Balance at beginning of the period	₱58,144,997	₱30,559,245
Additions during the period	1,270,873	27,591,092
Redemptions during the period	–	(5,340)
Balance at end of period	59,415,870	58,144,997
Accumulated equity in net earnings:		
Balance at beginning of the period	3,345,164	3,867,849
Share in net earnings	464,473	3,813,962
Transition adjustment	–	(18,691)
Dividends received or receivable	(23,299)	(4,317,956)
Balance at end of period	3,786,338	3,345,164
Share in net unrealized valuation gains on FVOCI investment of an associate	101,727	101,727
Share in actuarial losses on defined benefit plans of associates and joint ventures	(13,598)	(14,299)
Share in cumulative translation adjustments of associates and joint ventures	(113,798)	(153,485)
	63,176,539	61,424,104
Less allowance for impairment losses	568,125	568,125
Investments at equity	62,608,414	60,855,979
Advances	38,351	22,562
	₱62,646,765	₱60,878,541

2020

In 2020, the Group, through TPI and ATI, made capital contributions to GNPD amounting to ₱1.27 billion.

The Group's associates and joint ventures and the corresponding equity ownership as of March 31, 2020 are as follows:

	Nature of Business	Percentage of ownership
Manila-Oslo Renewable Enterprise, Inc. (MORE) ¹	Holding company	83.33
GNPower Dinginin Ltd. Co. (GNPD) ^{1, *}	Power generation	72.50
Hijos de F. Escaño, Inc. (Hijos)	Holding company	46.73
Mazaraty Energy Corporation (MEC)	Retail Electricity Supplier	44.87
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	43.78
AA Thermal, Inc. (ATI) ²	Holding company	60.00
Pampanga Energy Ventures, Inc. (PEVI)	Holding company	42.84
La Filipina Elektrika, Inc.*	Power generation	40.00
STEAG State Power, Inc. (STEAG)	Power generation	34.00
AEV Aviation, Inc. (AAI)	Service	26.69
Cebu Energy Development Corporation (CEDC)	Power generation	26.40
Redondo Peninsula Energy, Inc. (RPEI)*	Power generation	25.00
Southern Philippines Power Corporation (SPPC)	Power generation	20.00
Western Mindanao Power Corporation (WMPC)	Power generation	20.00

¹Joint ventures.

²Economic interest.

*No commercial operations as of March 31, 2020.

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

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

	March 31, 2020	December 31, 2019
ATI	₱24,319,097	₱24,084,947
GNPD	18,119,789	17,172,530
MORE	10,445,492	10,180,552
STEAG	4,088,660	4,032,405
CEDC	3,640,760	3,447,491
RPEI	525,298	525,769
PEVI	543,454	508,895
SFELAPCO	379,469	372,917
Hijos	176,037	176,037
WMPC	161,747	142,577
SPPC	58,180	61,497
Others	150,431	150,362
	₱62,608,414	₱60,855,979

9. Joint Operation

Name of Joint Operation	Nature of Business	Percentage of Ownership
		March 31, 2020
Pagbilao Energy Corporation (PEC)	Power generation	50.00

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

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

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

10. Intangible AssetsMarch 31, 2020

	Goodwill	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
Cost:							
Balances at beginning of period	₱40,876,082	₱5,456,916	₱3,078,431	₱622,491	₱60,068	₱468,123	₱50,562,111
Additions	–	28,291	–	72,966	–	–	101,257
Exchange differences	35,546	(4,810)	–	–	–	(17,278)	13,458
Balances at end of period	40,911,628	5,480,397	3,078,431	695,457	60,068	450,845	50,676,826
Accumulated amortization:							
Balances at beginning of period	–	3,050,596	506,659	–	60,068	232,287	3,849,610
Amortization	–	15,791	19,240	–	–	8,549	43,580
Balances at end of period	–	3,066,387	525,899	–	60,068	240,836	3,893,190
Net book values	₱40,911,628	₱2,414,010	₱2,552,532	₱695,457	₱–	₱210,009	₱46,783,636

11. Trade and Other Payables

	March 31, 2020	December 31, 2019
Trade payables	₱9,509,396	₱9,947,733
Output VAT	4,200,266	3,022,048
Amounts due to contractors and other third parties	1,129,330	1,159,984
PSALM deferred adjustment	1,042,861	1,042,861
Accrued expenses:		
Interest	1,578,414	2,350,811
Materials and supplies cost	66,067	470,588
Taxes and fees	1,027,995	1,246,863
Energy fees and fuel purchase	988,722	937,988
Claims conversion costs	108,317	102,808
Insurance	41,101	18,437
Dividends payable (Note 22)	8,778,129	94,976
Unearned revenues	37,290	37,425
Customers' deposit	44,050	19,360
Nontrade	1,563,633	1,270,946
Others	293,080	653,292
	₱30,408,651	₱22,376,120

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

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

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

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

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

12. Short-term Loans

		March 31, 2020	December 31, 2019
Peso loans - financial institutions - unsecured	2.00% - 4.92% in 2020 2.68% - 4.95% in 2019	₱20,395,400	₱9,727,800
Temporary advances		636,034	607,620
		₱21,031,434	₱10,335,420

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

13. Long-term Debts

	2020 Interest Rate	March 31, 2020	December 31, 2019
Company (see Note 14):			
Bonds due 2024	7.51%	₱7,700,000	₱7,700,000
Bonds due 2026	5.28%	7,250,000	7,250,000
Bonds due 2021	5.21%	6,600,000	6,600,000
Bonds due 2026	6.10%	3,400,000	3,400,000
Bonds due 2027	5.34%	3,000,000	3,000,000
Bonds due 2025	8.51%	2,500,000	2,500,000
Financial institutions - unsecured	5.28%	5,000,000	5,000,000
Financial institutions - unsecured	LIBOR + 1.20%	15,204,000	15,190,500
Subsidiaries:			
GMCP			
Financial institutions - unsecured	LIBOR + 1.7% - 4.00%	36,382,086	37,247,830
TVI			
Financial institutions - secured	5.56% to 9.00%	30,469,333	31,520,000
TSI			
Financial institutions - secured	5.05%-5.70%	20,039,365	20,039,365
APRI			
Financial institutions - secured	4.48% - 5.20%	7,499,040	8,124,160
Hedcor Bukidnon			
Financial institutions - secured	4.75% - 7.36%	9,125,000	9,416,666
TPVI			
Financial institutions - unsecured	5.06%-5.25%	1,290,250	1,300,000
Hedcor Sibulan			
Fixed rate corporate notes - unsecured	4.05% - 5.42%	3,801,400	3,801,400
HI			
Financial institution - secured	5.25% - 7.41%	423,000	423,000
Financial institution - secured	7.87%	1,300,000	1,327,000
VECO			
Financial institution - unsecured	4.59% - 4.81%	776,000	776,000
LHC			
Financial institutions - secured	2.94%	565,081	564,580
DLP			
Financial institution - unsecured	4.59% to 4.81%	582,000	582,000
AI			
AEV - unsecured	6.25%	300,000	300,000
SEZ			
Financial institution - unsecured	5.00%	113,000	113,000
CLP			
Financial institution - unsecured	4.59% to 4.81%	116,400	116,400
Joint operation (see Note 9)			
Financial institutions - secured	5.50% - 8.31%	12,867,261	13,380,097
		176,303,216	179,671,998
Less deferred financing costs		1,635,725	1,700,376
		174,667,491	177,971,622
Less current portion - net of deferred financing costs		10,558,168	10,386,311
		₱164,109,323	₱167,585,311

Loan covenants

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

These restrictions and requirements were complied with by the Group as of March 31, 2020 and December 31, 2019.

14. Debt Securities

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

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

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

In October 2019, the Company issued and registered a total of ₱7.25 billion bonds.

Terms of the bonds are as follows:

Maturity	Interest Rate (p.a.)	Amount
12-year bonds to mature on September 10, 2026	6.10%	₱3,400,000
10-year bonds to mature on September 10, 2021	5.21%	6,600,000
10-year bonds to mature on July 3, 2027	5.3367%	3,000,000
5.25-year bonds to mature on January 25, 2024	7.51%	7,700,000
7-year bonds to mature on October 25, 2025	8.51%	2,500,000
7-year bonds to mature on October 14, 2026	5.28%	7,250,000

15. Operating Expenses

	For the periods ended March 31	
	2020	2019
		(As restated)
Cost of purchased power	₱9,116,234	₱9,299,905
Cost of generated power	6,531,641	8,335,634
Depreciation and amortization	2,610,960	2,150,501
Operations and maintenance	1,965,535	2,399,173
General and administrative	1,602,484	1,382,910
	₱21,826,854	₱23,568,123

16. Other Income (Expenses)

	For the periods ended March 31	
	2020	2019
Surcharges	₱113,642	₱123,598
Non-utility operating income	86,669	73,374
Rental income	7,154	24,684
Net foreign exchange losses	(49,913)	(161,182)
Losses on disposal of property, plant and equipment	(47,524)	(273,029)
Others – net	62,302	1,227,334
	₱172,330	₱1,014,779

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

“Others” include other non-recurring items like sale of scrap and sludge oil in 2020 and reversal of APRI and TLI’s liability to PSALM pertaining to GRAM and ICERA in 2019.

17. Earnings Per Common Share

Earnings per common share amounts were computed as follows:

	For the periods ended March 31	
	2020	2019
a. Net income attributable to equity holders of the parent	₱2,059,753	₱3,625,436
b. Average number of outstanding shares	7,358,604,307	7,358,604,307
Earnings per share (a/b)	₱0.28	₱0.49

There are no dilutive potential common shares as of March 31, 2020 and 2019.

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 - March 2020

	Power Generation	Power Distribution	Parent and Others	Total
Revenue from power supply contracts	₱3,713,512	₱–	₱–	₱3,713,512
Revenue from distribution services	–	10,905,702	–	10,905,702
Revenue from retail electricity sales	–	–	4,135,637	4,135,637
Revenue from non-power supply contracts	9,111,632	–	–	9,111,632
Revenue from technical and management services	–	–	9,667	9,667
	₱12,825,144	₱10,905,702	₱4,145,304	₱27,876,150

January - March 2019

(As amended)

	Power Generation	Power Distribution	Parent and Others	Total
Revenue from power supply contracts	₱12,065,957	₱–	₱–	₱12,065,957
Revenue from distribution services	–	10,612,737	–	10,612,737
Revenue from retail electricity sales	–	–	5,301,548	5,301,548
Revenue from non-power supply contracts	1,805,592	–	–	1,805,592
Revenue from technical and management services	–	–	34,857	34,857
	₱13,871,549	₱10,612,737	₱5,336,405	₱29,820,691

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

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

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

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

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

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

March 31, 2020

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱12,825,144	₱10,905,702	₱4,145,304	₱-	₱27,876,150
Inter-segment	5,584,333	301,839	541,008	(6,427,180)	-
Total Revenue	₱18,409,477	₱11,207,541	₱4,686,312	(₱6,427,180)	₱27,876,150
Segment Results	₱4,489,874	₱1,559,588	(₱167)	₱1	₱6,049,296
Unallocated corporate income - net	(44,161)	203,954	12,537	-	172,330
INCOME FROM OPERATIONS	4,445,713	1,763,542	12,370	1	6,221,626
Interest expense	(2,942,749)	(151,532)	(667,809)	-	(3,762,090)
Interest income	157,858	17,608	56,713	-	232,179
Share in net earnings of associates and joint ventures	399,993	64,409	2,852,454	(2,852,383)	464,473
Provision for income tax	(127,743)	(449,304)	(63,756)	-	(640,803)
NET INCOME	₱1,933,072	₱1,244,723	₱2,189,972	(₱2,852,382)	₱2,515,385
OTHER INFORMATION					
Investments	₱61,358,015	₱922,922	₱162,211,936	(₱161,884,459)	₱62,608,414
Segment Assets	₱299,648,950	₱34,827,027	₱198,801,068	(₱114,596,320)	₱418,680,725
Segment Liabilities	₱187,223,792	₱29,433,832	₱87,264,568	(₱11,428,671)	₱292,493,521
Depreciation and Amortization	₱2,297,666	₱267,386	₱9,653	₱36,255	₱2,610,960

March 31, 2019 (As restated)

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱13,871,549	₱10,612,737	₱5,336,405	₱-	₱29,820,691
Inter-segment	5,934,161	379,698	693,120	(7,006,979)	-
Total Revenue	₱19,805,710	₱10,992,435	₱6,029,525	(₱7,006,979)	₱29,820,691
Segment Results	₱4,714,927	₱1,370,584	₱167,058	(₱1)	₱6,252,568
Unallocated corporate income - net	1,022,070	219,661	(226,952)	-	1,014,779
INCOME FROM OPERATIONS	5,736,997	1,590,245	(59,894)	(1)	7,267,347
Interest expense	(2,642,528)	(124,395)	(443,290)	-	(3,210,213)
Interest income	279,852	9,833	140,533	-	430,218
Share in net earnings of associates and joint ventures	515,953	35,006	4,249,316	(4,249,145)	551,130
Provision for income tax	(286,107)	(394,512)	(100,327)	-	(780,946)
NET INCOME	₱3,604,167	₱1,116,177	₱3,786,338	(₱4,249,146)	₱4,257,536

(Forward)

	Power	Power	Parent Company/	Eliminations and
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	Generation	Distribution	Others	Adjustments	Consolidated
OTHER INFORMATION					
Investments	₱33,391,438	₱864,021	₱131,144,424	(₱130,816,663)	₱34,583,220
Segment Assets	₱273,070,983	₱28,713,916	₱177,353,679	(₱87,661,119)	₱391,477,459
Segment Liabilities	₱181,516,254	₱25,339,114	₱69,094,161	(₱11,869,270)	₱264,080,259
Depreciation and Amortization	₱1,865,530	₱239,705	₱6,150	₱39,116	₱2,150,501

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 (PDS) and customers' deposits, which generally arise directly from its operations.

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

Risk Management Structure

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

Financial risk committee

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

Treasury service group

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

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

Liquidity risk

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

In managing its long-term financial requirements, the Group's policy is that not more than 25% of long-term borrowings should mature in any twelve-month period. 7.15% and 6.97% of the Group's debt will mature in less than one year as of March 31, 2020 and December 31, 2019, respectively. 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 March 31, 2020 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	₱21,031,434	₱21,031,434	₱–	₱21,031,434	₱–	₱–
Trade and other payables*	23,233,629	23,233,629	1,919,751	5,027,927	16,285,951	–
Long-term debts	174,667,491	176,303,215	–	10,658,443	93,027,829	72,616,943
Customers' deposits	6,643,879	6,643,879	–	21,134	308,095	6,314,650
Lease liabilities	43,737,612	60,905,789	–	9,117,883	44,872,854	6,915,052
Long-term obligation on PDS	205,372	360,000	–	40,000	200,000	120,000
Derivative liabilities	2,759,979	2,759,979	–	2,085,047	674,932	–
	₱272,279,396	₱291,237,925	₱1,919,751	₱47,981,868	₱155,369,661	₱85,966,645

*Include the noncurrent portion of the PSALM deferred adjustment presented under noncurrent liabilities in the unaudited interim consolidated balance sheet.

Market Risk

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

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund-raising activities. As of March 31, 2020, 17% of the Group's long-term debt had annual floating interest rates ranging from 2.94% to 3.45%, and 83% have annual fixed interest rates ranging from 4.05% to 9.00%. As of December 31, 2019, 16% of the Group's long-term debt had annual floating interest rates ranging from 3.09% to 4.81%, and 84% have annual fixed interest rates ranging from 4.05% to 9.00%.

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

As of March 31, 2020

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	₱2,003,629	₱23,860,900	₱3,162,789	₱29,027,318

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

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

	Increase (decrease) in basis points	Effect on income before tax
March 31, 2020	200	(₱580,546)
	(100)	290,273
March 31, 2019	200	(586,577)
	(100)	293,289

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

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

	For the periods ended March 31	
	2020	2019
Short-term loans and long-term debt	₱2,585,155	₱1,922,563
Lease liabilities (Note 21)	1,120,574	1,206,938
Customers' deposits	843	7,847
Other long-term obligations	55,518	72,865
	₱3,762,090	₱3,210,213

Foreign exchange risk

The foreign exchange risk of the Group pertains significantly to its foreign currency denominated obligations. To manage its foreign exchange risk, stabilize cash flows and improve investment and cash flow planning, the Group enters into foreign currency forward contracts aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flows. Foreign currency denominated borrowings account for 33% and 32% of total consolidated borrowings as of March 31, 2020 and December 31, 2019.

Presented below are the Group's foreign currency denominated financial assets and liabilities as of March 31, 2020 and December 31, 2019, translated to Philippine Peso:

	March 31, 2020		December 31, 2019	
	US Dollar	Philippine Peso equivalent ¹	US Dollar	Philippine Peso Equivalent ²
Financial assets:				
Cash and cash equivalents	\$75,104	₱3,806,271	\$43,352	₱2,195,129
Trade and other receivables	49	2,483	18,725	948,140
Total financial assets	75,153	3,808,754	62,077	3,143,269
Financial liabilities:				
Short-term loans	12,550	636,034	12,000	607,620
Trade and other payables	3,150	159,642	13,439	680,493
Long-term debt	300,000	15,204,000	300,000	15,190,500
Lease liabilities	431,272	21,856,865	443,002	22,431,406
Total financial liabilities	746,972	37,856,541	768,441	38,910,019
Total net financial liabilities	(\$671,819)	(₱34,047,787)	(\$706,364)	(₱35,766,750)

¹\$1= 50.680

²\$1= 50.635

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rates, with all other variables held constant, of the Group's income before tax as of March 31, 2020:

	Increase/ (decrease) in US Dollar	Effect on income before tax
US Dollar denominated accounts	US Dollar strengthens by 5%	(₱1,702,389)
US Dollar denominated accounts	US Dollar weakens by 5%	1,702,389

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

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

Credit risk

For its cash investments (including restricted portion), financial assets at FVTPL and receivables, the Group's credit risk pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these investments. With respect to cash investments and financial assets at FVTPL, the risk is mitigated by the short-term and/or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions and entities of high credit standing. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Group's policy to only enter into transactions with credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales are made to customers with appropriate credit history and it has internal mechanisms to monitor the granting of credit and management of credit exposures.

Concentration Risk

Credit risk concentration of the Group's receivables according to the customer category is summarized in the following table:

	March 31, 2020	December 31, 2019
Power distribution:		
Industrial	₱5,080,068	₱5,554,969
Residential	2,034,503	1,825,217
Commercial	821,645	437,994
City street lighting	163,961	111,570
Power generation:		
Power supply contracts	3,768,420	1,481,760
Spot market	4,205,459	5,520,439
	₱16,074,056	₱14,931,949

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 March 31, 2020 and December 31, 2019 are as follows:

	March 31, 2020	December 31, 2019
Short-term loans	₱21,031,434	₱10,335,420
Long-term obligations	218,405,103	222,761,266
Cash and cash equivalents	(44,030,335)	(37,433,929)
Restricted cash	(8,118,108)	(9,121,747)
Net debt (a)	187,288,094	186,541,010
Equity	126,187,204	133,643,011
Equity and net debt (b)	₱313,475,298	₱320,184,021
Gearing ratio (a/b)	59.75%	58.26%

No changes were made in the objectives, policies or processes during the three-month period ended March 31, 2020.

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.

	March 31, 2020		December 31, 2019	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Asset:				
PSALM deferred adjustment	₱2,922,373	₱2,619,564	₱3,183,080	₱2,846,279
Financial Liabilities:				
Lease liabilities	₱43,737,612	₱38,332,555	₱44,789,644	₱38,495,450
Long-term debt - fixed rate	145,640,173	152,194,443	148,642,748	152,786,437
PSALM deferred adjustment	2,922,373	2,619,564	3,183,080	2,846,279
Long-term obligation on PDS	205,372	289,023	199,350	320,194
	₱192,505,530	₱193,435,585	₱196,814,822	₱194,448,360

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

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

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

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

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

Long-term obligation on PDS. The fair value of the long-term obligations on PDS 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 three-month period ended March 31, 2020 and for the year ended December 31, 2019 are as follows:

	2020	2019
At beginning of year	(₱2,385,997)	₱132,902
Net changes in fair value of derivatives designated as cash flow hedges	(276,858)	(2,515,732)
Net changes in fair value of derivatives not designated as accounting hedges	(18,767)	(3,889)
Fair value of settled instruments	(78,357)	722
At end of period	(₱2,759,979)	(₱2,385,997)

Fair Value Hierarchy

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

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

As of March 31, 2020, 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 liability	₱2,759,979	₱–	₱2,759,979	₱–
Disclosed at fair value:				
Lease liabilities	38,332,555	–	–	38,332,555
Long-term debt - fixed rate	152,194,443	–	–	152,194,443
Long-term obligation on PDS	289,023	–	–	289,023

During the three-month period ended March 31, 2020, 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 period:

	Land	Building	Power plant	Equipment & others	Total	Lease liabilities
As at January 1, 2020	₱2,730,076	₱230,234	₱33,575,200	₱117,602	₱36,653,112	₱44,789,644
Amortization expense	(24,748)	(4,791)	(273,628)	(19,092)	(322,259)	–
Interest expense	–	–	–	–	–	1,120,574
Payments	–	–	–	–	–	(2,164,754)
Others	–	–	–	–	–	(7,852)
March 31, 2020	₱2,705,328	₱225,443	₱33,301,572	₱98,510	₱36,330,853	₱43,737,612

Set out below are the amounts recognized in the unaudited interim condensed consolidated statement of income for the three months ended March 31, 2020:

Amortization expense of right-of-use assets	₱322,259
Interest expense on lease liabilities	1,120,574
Rent expense - short-term leases	13,207
	<u>₱1,456,040</u>

22. Equity

Paid-in Capital

- On March 6, 2020 and April 27, 2020, the Company's BOD and stockholders, respectively, approved the amendments of the features of the preferred shares of the Company as follows: "preferred shares shall be non-voting, non-convertible, and shall have preference over common shares in case of liquidation or dissolution of the corporation. The Board of Directors or the Executive Committee is expressly authorized to issue preferred shares in one or more series, establish and designate each particular series of preferred shares, including its features, fix the number of shares to be included in the series, and to determine the dividend rate, issue price, designations, relative rights, preferences, privileges and limitations of the preferred shares and/or series of shares. Upon redemption, preferred shares shall not be considered retired, but may be reissued under such terms and conditions as may be determined by the Board of Directors or the Executive Committee".

Retained Earnings

- a. On March 6, 2020, the BOD approved the declaration of regular cash dividends of ₱1.18 a share (₱8.68 billion) to all stockholders of record as of March 20, 2020. These dividends were paid on April 3, 2020.
- b. The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements.

23. Disclosures

1. COVID 19

In December 2019, a novel coronavirus strain (“COVID-19”) emerged in the city of Wuhan, China. Starting in January 2020, the resulting COVID-19 outbreak became a major global concern to countries including the Philippines. On March 8, 2020, President Rodrigo R. Duterte declared a State of Public Health Emergency throughout the Philippines. Thereafter, President Duterte declared a State of Calamity for a period of six (6) months (unless earlier lifted or extended as circumstances may warrant) and imposed an “enhanced community quarantine” throughout the entire island of Luzon from March 16, 2020 until April 12, 2020, which was later extended until April 30, 2020 and then again until May 15, 2020. The “enhanced community quarantine” measures include the suspension of work in private sector, except in establishments providing basic necessities and engaged in food and medicine production; suspension of mass public transport facilities; suspension of travel to and from Metro Manila; and observance of strict home quarantine.

Since the declaration of a State of Public Health Emergency and the implementation of various community quarantine measures on business operations, public transportation, social distancing, international travel bans, and health protocols, the Group has been implementing work-from-home arrangements and facility quarantine rotational duty schemes to address any constrained mobility brought about by the quarantine measures, as well as to ensure the health and safety of the Group’s employees while continuing to serve its customers and other stakeholders. To date, all power generation facilities and power distribution utilities have normal operations. The Company’s business continuity plans have been successfully implemented to ensure the adequate and reliable supply and distribution of electricity.

The curtailed economic activity brought about by the quarantine measures has resulted in significant drops in electricity demand and consumption which, in turn, have affected the revenue targets of the Distribution Companies, Generation Companies, and RES business units. Nevertheless, the Group has been in constant discussions, and has been working together with its customers and other key stakeholders to minimize the impact of the pandemic to the respective parties’ power supply agreements.

The Group has also been compliant with the Department of Energy circulars on distribution utilities granting extensions on the payments of electricity consumers for bills falling due during the community quarantine period with the cumulative amount of such electricity bills being amortized in four (4) equal installments payable in the four (4) succeeding billing months following the end of the quarantine. This increased credit and collection risk has posed a challenge to the Group’s cash flows.

Such circulars also provide that all private and public corporations in the power sector shall be given a similar grace period for their respective obligations without interest, penalties, fees and charges,

as well as the same four (4)-month amortized payment arrangement for all unpaid balances on obligations within the same period. This directive has eased the impact and helped manage the cash flows of the Group, with respect to all payments due to NGCP, PSALM, Independent Electricity Market Operator of the Philippines, independent power producers, and suppliers of oil and steam.

The Group is continuously reviewing its forecast, cash flows and schedule of its capital expenditures to manage the impact of COVID-19.

2. 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.

3. Pagbilao IPP Administration Agreement

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

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

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

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

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

The present value of the future minimum monthly dollar and peso payments under the IPP Administration Agreement as of March 31, 2020:

Present value of minimum monthly payments to PSALM	₱41,640,632
Less: Current portion	(5,431,971)
Noncurrent portion of lease liability	₱36,208,661

4. Property, Plant and Equipment

During the three-month period ended March 31, 2020, the Group's additions to property, plant and equipment amounted to ₱181.5 million.

5. Dividends to Non-controlling Interests

The Group's material partly-owned subsidiaries, namely GMCP and VECO, paid cash dividends amounting to ₱952.7 million and ₱1.52 billion to non-controlling interests during the three-month periods ended March 31, 2020 and 2019, respectively.

6. Material Events and Changes

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

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

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

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

7. Restatement

The unaudited consolidated statement of income for the three-month period ended March 31, 2019 was restated due to the adjustments of eliminating entries as part of consolidation, to reflect the more appropriate presentation. Both operating revenues and operating expenses for the said period slightly increased as compared to what were previously reported, by the same amount of ₱723.0 million, which is 2% and 3% of operating revenues and operating expenses, respectively. The related notes to consolidated financial statements which contain operating revenues and operating expenses were also restated. Such sections are marked appropriately with "As restated". There is no impact to net income, retained earnings and per-share amounts previously reported.

Except for the item above, there were no material, non-recurring adjustments made during the period that would require appropriate disclosures. All other adjustments are of a normal recurring nature.

8. Contingencies

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

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

SCHEDULE A - USE OF PROCEEDS

(Amounts are in thousands)

1) Ten Billion Fixed Rate Bonds issued in 2014

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

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

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

As of December 31, 2019, the proceeds from the 2017 bonds were fully utilized for the following projects:

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

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

As of March 31, 2020 the proceeds from the 2018 bonds were fully utilized for the following:

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

4) Series "D" of the Thirty Billion Shelf Registration issued in 2019

As of December 31, 2019, the proceeds from the 2019 bonds were fully utilized for the following:

Name of Project	Projected Usage (Per Prospectus)	Actual Usage
Repayment of short-term loan.	₱7,161,972	₱7,250,000
Bond issuance costs	88,028	–
TOTAL	₱7,250,000	₱7,250,000

SCHEDULE B – RELEVANT FINANCIAL RATIOS

	Formula	Mar 31, 2020	Dec 31, 2019
LIQUIDITY RATIOS			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.20	1.50
Acid test ratio	$\frac{\text{Cash + Marketable securities} + \text{Accounts receivable} + \text{Other liquid assets}}{\text{Current liabilities}}$	0.92	1.15
SOLVENCY RATIOS			
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	2.32	2.07
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	3.32	3.07
Net debt to equity ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity}}$	1.48	1.42
Gearing ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity} + (\text{Debt - Cash \& cash equivalents})}$	59.75%	58.60%
Interest coverage ratio	$\frac{\text{EBIT}}{\text{Interest expense}}$	n.a	2.83
PROFITABILITY RATIOS			
Operating margin	$\frac{\text{Operating profit}}{\text{Total revenues}}$	n.a	23%
Return on equity	$\frac{\text{Net income after tax}}{\text{Total equity}}$	n.a	14%

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

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

1.) AGING OF RECEIVABLES

As of March 31, 2020

	30 Days	60 Days	90 Days	Over 90 Days	Total
Trade receivables					
Power Distribution Customers	3,530,101	1,353,778	201,449	299,486	5,384,814
Power Generation Customers	1,543,543	1,229,614	1,684,302	3,516,420	7,973,879
Management & Other Services Customers	2,710,800	-	-	4,563	2,715,363
	7,784,444	2,583,392	1,885,751	3,820,469	16,074,056
Less : Allowance for estimated credit losses					2,400,492
Net trade receivables					13,673,564
Non-trade receivables	7,933,038	-	-	-	7,933,038
Grand Total	15,717,482	2,583,392	1,885,751	3,820,469	21,606,602

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



August 14, 2020

SECURITIES AND EXCHANGE COMMISSION

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

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

via PSE EDGE

PHILIPPINE STOCK EXCHANGE, INC.

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

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

via electronic mail

PHILIPPINE DEALING & EXCHANGE CORP.

Market Regulatory Services Group
29th Floor BDO Equitable Tower
8751 Paseo de Roxas, Makati City 1226

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

Gentlemen:

Please see enclosed SEC Form 17-Q (2nd Quarterly Report 2020) of Aboitiz Power Corporation.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ POWER CORPORATION

By:

MANUEL ALBERTO R. COLAYCO^{FCA}
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

2nd Quarterly Report 2020

1 7 - Q

FORM TYPE

4th Monday of April

0 4 2 7

Month Day Annual Meeting

Secondary License Type, if Applicable

S E C

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

x

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2020**
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 June 30, 2020)
Common Stock P1 Par Value	7,358,604,307
Amount of Debt Outstanding	P239,875,868,000.00

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 calculates 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.

The table below shows the comparative figures of the key performance indicators as of and for the six (6) months of 2020 and 2019, and as of December 31, 2019:

Key Performance Indicators	JUNE 2020 (INTERIM)	JUNE 2019 (INTERIM)	DECEMBER 2019
<i>Amounts in thousands of ₱s, except for financial ratios</i>			
SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	979,818	1,044,929	3,813,962
EBITDA	18,319,470	21,466,463	45,005,022
CASH FLOW GENERATED:			
Net cash flows from operating activities	15,354,061	18,163,692	39,356,962
Net cash flows used in investing activities	(3,776,856)	(25,536,243)	(34,060,584)
Net cash flows used in financing activities	(9,311,963)	(7,592,595)	(14,376,055)
Net (Decrease)/Increase in Cash & Cash Equivalents	2,265,242	(14,965,146)	(9,079,677)
Cash & Cash Equivalents, Beginning	37,433,929	46,343,041	46,343,041
Cash & Cash Equivalents, End	39,829,177	31,777,756	37,433,929
CURRENT RATIO	1.25	1.27	1.50
DEBT-TO-EQUITY RATIO	2.24	2.23	2.07

- Share in net earnings in associates and joint ventures for the first half of 2020 decreased by 6% compared to the first half of 2019. The decrease was primarily due to lower income contributions from SN Aboitiz Power-Benguet, Inc. (SN Aboitiz Power- Benguet) during the period. This was the result of a reduction in volume sold due to reduced water levels during the first half of 2020, compared to the same period in 2019.
- EBITDA for the first half of 2020 decreased by 15%, due to lower demand resulting from the imposition of COVID-19 related quarantine measures. EBITDA was also affected by the outage of Therma South, Inc. (TSI) Unit 2, GNPowder Mariveles Coal Plant Ltd. Co. (GMCP) Unit 2, and of the Pagbilao units 1, 2 and 3 during the period. These were offset by lower purchased power cost during the first half of 2020, as well as new capacities from Therma Visayas, Inc. (TVI) and Thermal Mobile, Inc. (TMO), which were both online on January 2020. During the first half of 2019, income from the Generation Rate Adjustment Mechanism (GRAM) and Incremental Currency Exchange Rate Adjustment (ICERA) were also included as part of EBITDA but were no longer recognized during the same period in 2020.
- For the first half of 2020, cash and cash equivalents increased by ₱2.40 billion (bn), primarily due to the availment of additional loans.
- Current Ratio as of June 30, 2020 was at 1.25x, compared to 1.50x as of December 31, 2019. The decline primarily due to an increase in short term borrowing of the Parent Company during the first half of 2020, as well as additional loans from subsidiaries.

- Debt-to-Equity Ratio as of June 30, 2020 was at 2.24x, higher than the 2.07x recorded at the end of 2019.

Results of Operations

Net income for the first half of 2020 of ₱3.74 bn, which was 57% lower than the ₱8.65 bn reported during the same period in 2019. This translated to earnings per share of ₱0.51 for the period. The Company recognized non-recurring gains of ₱224 million (mn) during the relevant period, compared to non-recurring gains of ₱121 mn during the same period in 2019, due to net foreign exchange gains on the revaluation of dollar denominated liabilities. Without these one-off gains, the Company's core net income for the first half of 2020 was ₱3.51 bn, 59% lower than the ₱8.53 bn recorded during the same period in 2019. This was impacted by lower EBITDA due to plant outages and reduced demand following the imposition of COVID-related community quarantines. The Company also incurred additional tax expenses following the expiration of the Income Tax Holiday (ITH) incentives of TSI and GMCP, and additional interest expense from the Company's bond issued during the fourth quarter of 2019 as well as from loans availed of during the same period.

Power Generation and Retail Electricity Supply (RES)

AboitizPower's generation and retail supply business recorded EBITDA of ₱14.80 bn during the first six months of 2020, 17% lower than the ₱17.80 bn recorded during the corresponding period in 2019. The decline was primarily due to reduced demand resulting from the imposition of COVID-related community quarantines during the first half of 2020, as well as forced outages involving Pagbilao units 1, 2, and 3, TSI Unit 2, and GMCP Unit 2. These reductions offset the decrease in purchased power costs during the first half of 2020, as well as the additional revenues from TVI and TMO. Moreover, EBITDA for the first quarter of 2019 also included income from the GRAM and ICERA, which could no longer be recognized as income during the first half of 2020.

Capacity sold for the first half of 2020 increased by 12% to 3,388 megawatts (MW), compared to 3,035 MW in the same period last year. This was due to increased contracting levels driven by the new capacity of TVI and TMO. However, due to the lower demand brought about by the COVID-19 pandemic and forced outages, energy sold during the first half of 2020 declined by 6% to 10,764 gigawatt-hours (GWh), compared to 11,460 GWh for the same period in 2019.

Power Distribution

For the first half of 2020, AboitizPower's distribution business recorded EBITDA of ₱3.70 bn, 0.5% lower than the ₱3.70 bn recorded during the same period last year. Energy sales decreased by 7% to 2,629 GWh during the first six months of 2020, from 2,842 GWh in the first half of 2019. This was driven by lower energy consumption from the Commercial and Industrial customer segments due to the imposition of COVID-related community quarantines.

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 Company decreased by ₱4.91 bn, or 57%. The various movements in line items are shown below to account for the decrease:

Net Income Attributable to Equity Holders of the Parent (January – June 2019)	₱8,648,370
Decrease in operating revenues	(10,926,910)
Decrease in operating expenses	7,971,184
Decrease in interest income	(359,380)
Increase in interest expense	(633,854)
Decrease in share in net earnings of associates and joint ventures	(65,111)
Decrease in other income	(634,522)
Increase in provision for taxes	(709,421)
Decrease in income attributable to non-controlling interests	446,584
Total	(4,911,430)
Net Income Attributable to Equity Holders of the Parent (January – June 2020)	₱3,736,940

Operating Revenues

(17% decrease from ₱63.96 bn to ₱53.03 bn)

The decrease in operating revenues was primarily due to lower demand brought about by COVID-19, lower spot prices and indices, and the forced outages of TSI Unit 2, GMCP Unit 2, and Pagbilao units, as well as lower contract rates.

These were offset by new capacities from TVI and TMO, which were both online during the first half of 2020.

Operating Expenses

(16% decrease from ₱49.97 bn to ₱42.00 bn)

The decrease in operating expenses was mainly due to the lower cost of purchased power and of generated power during the first half of 2020. Wholesale Electricity Spot Market prices were lower than marginal cost, and as a result AboitizPower opted to purchase power from the spot market as part of its trading strategy. During the same period in 2019, the Company bought replacement power at higher spot market prices due to contracting in advance for incoming capacities and outages of AP Renewables Inc. (APRI) and Pagbilao Energy Corporation (PEC).

Interest Income

(47% decrease from ₱765 mn to ₱405 mn)

Interest income during the first half of 2020 was lower compared to the same period in 2019, primarily due to the Parent Company's lower cash investments and lower interest income from TSI, Hedcor Bukidnon, Inc. (Hedcor Bukidnon), and PEC.

Interest Expense and other financing costs

(10% increase from ₱6.56 bn to ₱7.20 bn)

Interest expense increased during the first half of 2020 compared to the same period in 2019 due to interest and financing costs on AboitizPower's ₱7.25 bn retail bonds issued in October 2019, the

recognition of interest expense from TVI's project loans, and additional loan availments during the relevant period.

Share in Net Earnings of Associates and Joint Ventures

(6% decrease from ₱1.04 bn to ₱980 mn)

Share in net earnings in associates and joint ventures for the first half of 2020 decreased by 6% compared to the first half of 2019. The decrease was mainly due to lower income contributions from SN Aboitiz Power-Benguet. This was primarily driven by a reduction in volume sold due to reduced water levels during the first half of 2020 compared to the same period in 2019

Other Income (Expenses) – net

(31% decrease from ₱2.06 bn other income to ₱1.43 bn other income)

The decrease in other income was mainly due to the Company no longer being able to recognize GRAM and ICERA as income during the first half of 2020.

Provision for Taxes

(60% increase from ₱1.17 bn to ₱1.88 bn)

The decrease in provision for taxes was due to the additional taxes from the expiration of the ITH incentives of TSI and GMCP.

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

Assets

Total assets (as of June 30, 2020 compared to December 31, 2019) increased by ₱5.10 bn, or 1%. The major movements of the accounts leading to the increase were as follows:

- a) Cash and cash equivalents increased by ₱2.40 bn, or 6% (from ₱37.44 bn to ₱39.83 bn) due to additional loan availments by the Group.
- b) Trade and other receivables increased by ₱3.00 bn, or 14% (from ₱21.75 bn to ₱24.75 bn), primarily due to the impact of the extension of bill payments as per Energy Regulatory Commission (ERC) and Department of Energy (DOE) advisories.
- c) Other current assets increased by ₱2.51 bn, or 9% (from ₱11.08 bn to ₱13.59 bn), mainly due to an increase in input VAT and prepaid expenses. This was partially offset by a decrease in the restricted cash of TSI being held as cash reserves in compliance with its covenants on its project debt.
- d) Investments and advances increased by ₱1.77 bn, or 3% (from ₱60.88 bn to ₱62.65 bn) mainly as a result of capital infusions to GNPowr Dinginin Ltd. Co. (GNPD) plant construction.
- e) Property, plant and equipment decreased slightly by 2% (from ₱209.52 bn to ₱205.64 bn) mainly due depreciation of existing assets.
- f) Deferred income tax assets increased by ₱425 mn, or 15% (from ₱2.79 bn to ₱3.21 bn) mainly due to the deferred tax benefits recognized by Therma Luzon, Inc. on its net operating loss.
- g) Other noncurrent assets decreased by ₱672 mn, or 5% (from ₱13.52 bn to ₱12.85 bn). This was mainly due to the decrease in Input VAT.

Liabilities

Compared to December 31, 2019, total liabilities as of June 30, 2020 increased by ₱10.30 bn, or 4%. The major movements of accounts leading to the increase were as follows:

- a) Short-term loans increased by ₱12.67 bn, or 123% (from ₱10.33 bn to ₱23.01 bn), mainly due to new loans availed of by the Group for working capital purposes.
- b) Trade and other payables increased by ₱1.60 bn or 7% during the first half of 2020 (from ₱22.38 bn to ₱23.97 bn) primarily driven by an increase in output VAT and other nontrade payables.
- c) Income tax payable increased by ₱680 mn, or 133%, mainly due to the expiration of the ITH incentives of TSI and GMCP.
- d) Long-term debt (current and non-current portions) decreased by ₱4.12 bn (from ₱177.97 bn to ₱173.85 bn) mainly due to principal payments made on existing loans of GMCP, TVI, APRI, Hedcor Bukidnon, and Hedcor, Inc.
- e) Lease liabilities (current and noncurrent portions) decreased by ₱1.77 bn (from ₱44.79 bn to ₱43.02 bn), as TLI made timely payments on its obligation to Power Sector Assets and Liabilities Management Corporation (PSALM).
- f) Net derivative liabilities increased by ₱1.30 bn (from ₱2.39 bn to ₱3.68 bn) during the first half of 2020 due to hedging losses.
- g) Net pension liabilities increased by ₱34 mn, or 8% (from ₱426 mn to ₱460 mn), mainly due to the accrual of pension expenses.
- h) Deferred income tax liabilities increased by ₱66 mn, or 8% (from ₱848 mn to ₱914 mn), mainly due to fair value changes of the Group's foreign currency denominated assets and liabilities.

Equity

Equity attributable to equity shareholders of the Parent Company decreased by 5% (from ₱125.54 bn at the end of 2019 to ₱119.46 bn as of June 30, 2020) after the declaration of dividends in March 2020, net of comprehensive income recognized during the first quarter of 2020. Cumulative translation adjustments increased by ₱1.18 bn, due to an upward adjustment in the fair value of the Group's foreign currency forward and commodity swap contracts designated as cash flow hedges, as well as the net assets translation effect of GMCP and Luzon Hydro Corporation during the period.

Material Changes in Liquidity and Cash Reserves of Registrant

As of June 30, 2020, the Group's cash and cash equivalents increased by 6% to ₱39.83 bn, from ₱37.43 bn as of December 31, 2019.

The extension of bill payments as per ERC/DOE advisories contributed to lower cash generated from operations during the first half of 2020 by ₱2.81 bn or 15% decrease compared to the same period last year.

Net cash flows used in investing activities decreased to ₱3.78 bn in the first half of 2020 from ₱25.54 bn for the same period last year, which was mainly due to the ₱24.95 bn AA Thermal acquisition taken up in the first half of 2019.

The net cash flows used in financing activities as of 30 June 2020 was ₱1.72 bn higher compared to the same period in 2019, primarily due to payment by the Group of principal amortizations on various loans.

Financial Ratios

As of 30 June 2020, current assets increased by 10% and current liabilities increased by 32% compared to end-2019. The current ratio as of June 30, 2020 was at 1.25x compared to 1.50x as of December 31, 2019.

Consolidated debt to equity ratio as of June, 2020 was at 2.24x, higher than the 2.07x recorded at the end of 2019. This was primarily due to a 4% increase in total liabilities during the first half of 2020, coupled with a 4% decrease in equity during the same period.

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

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

Despite increased competition in the power generation market, the Company believes that it has built the foundation to sustain its long term growth, as seen in its pipeline of new power generation projects (Naga Power Plant Complex project and GNPower Dinginin project).

For the Naga Power Plant Complex Project in Cebu, the six diesel engine units passed the grid compliance tests of the National Grid Corporation of the Philippines and were successfully rehabilitated in January 2020. The units have demonstrated a combined net capacity of 39 MW. This was almost twice the output of these units prior to Therma Power Visayas, Inc. (TPVI) taking over. A Provisional Authority to Operate (PAO) has been obtained from the Energy Regulatory Commission and will allow TPVI to proceed with commercial operations as soon as its intent to commence participation in the Wholesale Electricity Spot Market is accepted by the Philippine Electricity Market Corporation. The plant is expected to start commercial operations by end-August of this year.

The GNPower Dinginin project is in the final stages of construction but continues to face challenges due to the COVID-19 pandemic and the imposition of the travel ban on China. Construction has slowed down due to the preventive measures taken to ensure the safety of workers on-site. A total of 172 Technical Field Assistants (TFA) have arrived in the country with 38 TFA's expected to arrive to complete testing and commissioning of Unit 1. Due to these circumstances, Unit 1 is now expected to synchronize and earn commissioning revenues by the fourth quarter of 2020 and to commence commercial operations by the first quarter of 2021. Unit 2 is expected to synchronize and earn commissioning revenues by the first quarter of 2021 and to commence commercial operations by the second quarter of 2021.

In relation to AboitizPower's existing capacity, the steam field operator for AP Renewables Inc. (APRI) has commenced the drilling of 12 new wells, which are expected to result in a minimum 50 MW of steam capacity by 2022. For Tiwi, the first well drilled and commissioned in December 2019, was tested at 12.11 MW in January 2020. For MakBan, the first well is targeted by December 2020 with a capacity of 5 to 7 MW. The Company expects to complete the drilling for incremental steam capacity by 2022. The drilling project is significant as it will allow the Company to optimize APRI's current net sellable capacity of 290 MW.

AboitizPower is on track to meet its 2020 target of 4,000 MW net attributable capacity. By year end, AboitizPower expects to own 4,432 MW of attributable capacity, with the entry of GNPower Dinginin Ltd. Co.'s Units 1 and 2, both units of which are under construction.

AboitizPower is committed to growing its attributable capacity which it expects will be sourced from a portfolio of renewables and selective baseload builds. In terms of renewable energy, the Company aims to maximize opportunities from the implementation of the Renewable Portfolio Standards (RPS) by the Department of Energy (DOE) starting this year. In line with DOE's aspirational goal of a 35% share in renewable energy utilization by 2030, RPS is a market-based policy that mandates power distribution utilities, electric cooperatives, and retail electricity suppliers to source an agreed portion of their energy supplies from renewable energy facilities. The Company will continue to pursue its international aspirations with continued focus on renewable energy projects in the ASEAN region. With all of these combined, it is expected that the Company's portfolio ratio will be close to a 50:50 Cleanenergy (renewable energy) and thermal capacity mix by the end of the current decade.

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

AboitizPower, together with its partners, had initially budgeted ₱41 billion in capital expenditures for 2020. In order to take into consideration the impact of COVID-19, the Company has cut its initial budget for capital expenditures by about 20%.

Despite the challenges posed by the global pandemic and the unusual business situation, the Company continues to operate with its business continuity plans in force, in accordance with the protocols and guidelines of the government's community quarantine. The Company will continue to provide the country with the much-needed power supply for hospitals, government institutions, and critical businesses, while ensuring the safety of its teams, partners, and communities.

Other known trends, events, uncertainties which may have a material impact on AboitizPower have been discussed extensively in sections of the Company's Information Statement (e.g. for an extensive discussion on regulatory issues, see Effects of Existing or Probable Government Regulations on the Business on page 80 of the Company's 2020 Definitive Information Statement).

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	<u>ABOITIZ POWER CORPORATION</u>
	
Principal Accounting Officer	<u>Charisse P. Bacurio</u>
Signature and Title	<u>Vice President for Finance</u>
Date	<u>August 14, 2020</u>
	
Authorized Officer of the Issuer	<u>Manuel Alberto R. Colayco</u>
Signature and Title	<u>Corporate Secretary</u>
Date	<u>August 14, 2020</u>

Aboitiz Power Corporation and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of June 30, 2020 (with Comparative Figures as of December 31, 2019) and
For the Six-Month Periods Ended June 30, 2020 and 2019

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

(With Comparative Figures as of December 31, 2019)

(Amounts in Thousands)

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱39,829,177	₱37,433,929
Trade and other receivables (Note 6)	24,748,116	21,747,422
Inventories	6,344,540	6,632,029
Other current assets (Note 7)	13,585,689	11,083,405
Total Current Assets	84,507,522	76,896,785
Noncurrent Assets		
Investments and advances (Note 8)	62,652,039	60,878,541
Property, plant and equipment	205,640,641	209,521,466
Intangible assets (Note 10)	46,634,662	46,712,501
Derivative assets - net of current portion (Note 20)	-	82,327
Financial assets at fair value through profit or loss (FVTPL)	9,160	3,906
Net pension assets	68,209	68,209
Deferred income tax assets	3,210,812	2,786,310
Other noncurrent assets	12,847,800	13,519,312
Total Noncurrent Assets	331,063,323	333,572,572
TOTAL ASSETS	₱415,570,845	₱410,469,357
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans (Note 12)	23,008,334	10,335,420
Current portions of:		
Long-term debts (Note 13)	10,285,381	10,386,311
Lease liabilities (Note 21)	6,773,570	5,486,745
Long-term obligation on power distribution system	40,000	40,000
Derivative liabilities (Note 20)	2,493,709	2,255,736
Trade and other payables (Note 11)	23,974,415	22,376,120
Income tax payable	1,190,499	510,137
Total Current Liabilities	67,765,908	51,390,469

(Forward)

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

(With Comparative Figures as of December 31, 2019)

(Amounts in Thousands)

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts (Note 13)	₱163,566,627	₱167,585,311
Lease liabilities (Note 21)	36,241,956	39,302,899
Long-term obligation on power distribution system	171,393	159,350
Derivative liabilities - net of current portion (Note 20)	1,182,239	212,588
Customers' deposits	6,735,717	6,521,469
Decommissioning liability	3,653,564	3,567,492
Deferred income tax liabilities	914,217	848,471
Net pension liabilities	460,213	426,047
Other noncurrent liabilities	6,432,835	6,812,250
Total Noncurrent Liabilities	219,358,761	225,435,877
Total Liabilities	287,124,669	276,826,346
Equity Attributable to Equity Holders of the Parent		
Paid-in capital	19,947,498	19,947,498
Share in net unrealized valuation gain on fair value through other comprehensive income (FVOCI) of an associate (Note 8)	98,602	101,727
Cumulative translation adjustments	(2,171,674)	(994,253)
Share in cumulative translation adjustments of associates and joint ventures (Note 8)	(109,298)	(153,485)
Actuarial losses on defined benefit plans	(923,833)	(923,833)
Share in actuarial gains on defined benefit plans of associates and joint ventures	(13,079)	(14,299)
Acquisition of non-controlling interests	(6,321,325)	(6,321,325)
Excess of cost over net assets of investments	(421,260)	(421,260)
Loss on dilution	(433,157)	(433,157)
Retained earnings (Note 22)		
Appropriated	33,660,000	33,660,000
Unappropriated	76,149,164	81,095,377
	119,461,638	125,542,990
Non-controlling Interests	8,984,538	8,100,021
Total Equity	128,446,176	133,643,011
TOTAL LIABILITIES AND EQUITY	₱415,570,845	₱410,469,357

See accompanying Notes to Consolidated Financial Statements.

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

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Jan - Jun 2020	Jan - Jun 2019	Apr - Jun 2020	Apr - Jun 2019
OPERATING REVENUES (Note 18)	₱53,031,854	₱63,958,764	₱25,155,704	₱34,138,073
OPERATING EXPENSES (Note 15)	41,996,330	49,967,514	20,169,476	26,399,390
FINANCIAL INCOME (EXPENSES)				
Interest income	405,295	764,675	173,116	334,457
Interest expense and other financing costs (Note 19)	(7,197,123)	(6,563,269)	(3,435,033)	(3,353,056)
	(6,791,828)	(5,798,594)	(3,261,917)	(3,018,599)
OTHER INCOME (EXPENSES)				
Share in net earnings of associates and joint ventures	979,818	1,044,929	515,345	493,800
Other income (expenses) - net (Note 16)	1,427,716	2,062,239	1,255,386	1,047,458
	2,407,534	3,107,168	1,770,731	1,541,258
INCOME BEFORE INCOME TAX	6,651,230	11,299,824	3,495,042	6,261,342
PROVISION FOR INCOME TAX	1,882,509	1,173,088	1,241,706	392,142
NET INCOME	₱4,768,721	₱10,126,736	₱2,253,336	₱5,869,200
ATTRIBUTABLE TO:				
Equity holders of the parent	₱3,736,940	₱8,648,370	₱1,677,187	₱5,022,935
Non-controlling interests	1,031,781	1,478,366	576,149	846,265
	₱4,768,721	₱10,126,736	₱2,253,336	₱5,869,200
Earnings Per Common Share (Note 17)				
Basic and diluted, income for the period attributable to ordinary equity holders of the parent	₱0.51	₱1.18	₱0.23	₱0.68

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ POWER CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Jan - Jun 2020	Jan - Jun 2019	Apr - Jun 2020	Apr - Jun 2019
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	₱3,736,940	₱8,648,370	₱1,677,187	₱5,022,935
Non-controlling interests	1,031,781	1,478,366	576,149	846,265
	4,768,721	10,126,736	2,253,336	5,869,200
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>				
Share in net unrealized valuation gains (losses) on AFS investments of an associate (Note 8)	(3,124)	–	(3,126)	–
Movement in cumulative translation adjustments	(1,573,124)	(1,094,280)	(1,019,838)	(618,018)
Share in movement in cumulative translation adjustment of associates and joint ventures (Note 8)	44,187	(148,412)	4,500	222,850
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(1,532,061)	(1,242,692)	(1,018,464)	(395,168)
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>				
Share in actuarial gains on defined benefit plans of associates and joint ventures, net of tax (Note 8)	1,220	(16)	519	(16)
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods	1,220	(16)	519	(16)
Total other comprehensive loss for the period, net of tax	(1,530,841)	(1,242,708)	(1,017,945)	(395,184)
TOTAL COMPREHENSIVE INCOME	₱3,237,880	₱8,884,028	₱1,235,391	₱5,474,016
ATTRIBUTABLE TO:				
Equity holders of the parent	₱2,601,801	₱7,391,040	₱1,054,945	₱4,613,127
Non-controlling interests	636,079	1,492,988	180,446	860,889
	₱3,237,880	₱8,884,028	₱1,235,391	₱5,474,016

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ POWER CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2020 AND DECEMBER 31, 2019
(Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to Equity Holders of the Parent												Total
	Paid in Capital	Share in Net Unrealized Valuation Gain on FVOCI Investments of an Associate (Note 8)	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 8)	Actuarial Gains (Losses) on Defined Benefit Plans	Share in Actuarial Gains (Losses) on Defined Benefit Plans of Associates and Joint Ventures (Note 8)	Acquisition of Non-controlling Interests	Excess of cost over net assets of investment	Loss on Disposal	Retained Earnings (Note 22)		Non-controlling interests	
										Appropriated	Unappropriated		
Balances at January 1, 2020	₱19,947,488	₱101,727	(₱994,253)	(₱153,485)	(₱923,833)	(₱14,299)	(₱6,321,325)	(₱421,260)	(₱433,157)	₱31,660,000	₱81,095,377	₱8,100,021	₱131,643,011
Net income for the period	—	—	—	—	—	—	—	—	—	—	3,736,940	1,931,781	4,768,721
Other comprehensive income	—	(3,125)	(1,177,421)	44,187	—	1,220	—	—	—	—	—	(395,703)	(1,530,842)
Total comprehensive income (loss)	—	(3,125)	(1,177,421)	44,187	—	1,220	—	—	—	—	3,736,940	636,078	3,237,879
Cash dividends - 1.19 per share (Note 22)	—	—	—	—	—	—	—	—	—	—	(8,683,151)	—	(8,683,151)
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(1,147,781)	(1,147,781)
Change in non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	1,196,220	1,196,220
Balances at June 30, 2020	₱19,947,488	₱98,602	(₱2,171,674)	(₱109,298)	(₱922,613)	(₱13,079)	(₱6,321,325)	(₱421,260)	(₱433,157)	₱31,660,000	₱76,149,364	₱8,984,538	₱28,446,126
Balances at January 1, 2019	₱19,947,488	₱101,727	₱525,916	₱321,139	(₱587,267)	₱29,729	(₱259,147)	(₱421,260)	(₱433,157)	₱34,060,000	₱74,427,738	₱8,869,751	₱136,576,667
Effect of adoption - IFRS 16	—	—	—	—	—	—	—	—	—	—	(237,889)	(40,070)	(277,959)
Balances at January 1, 2019 as restated	19,947,488	101,727	525,916	321,139	(587,267)	29,729	(259,147)	(421,260)	(433,157)	34,060,000	74,189,849	8,829,681	136,298,708
Net income for the period	—	—	—	—	—	—	—	—	—	—	8,548,371	1,478,365	10,026,736
Other comprehensive income	—	—	(1,108,903)	(148,412)	—	(76)	—	—	—	—	—	(4,623)	(1,242,708)
Total comprehensive income (loss)	—	—	(1,108,903)	(148,412)	—	(76)	—	—	—	—	8,548,371	(4,992)	8,881,028
Cash dividends - 1.47 per share (Note 22)	—	—	—	—	—	—	—	—	—	—	(10,817,148)	—	(10,817,148)
Reversal of appropriation	—	—	—	—	—	—	—	—	—	(12,300,000)	12,300,000	—	—
Appropriations during the period	—	—	—	—	—	—	—	—	—	11,900,000	(11,900,000)	—	—
Acquisition of non-controlling interest	—	—	—	—	—	—	(6,062,178)	—	—	—	—	(710,830)	(6,773,008)
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(2,066,553)	(2,066,553)
Change in non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(253,570)	(253,570)
Balances at June 30, 2019	₱19,947,488	₱101,727	(₱582,987)	₱172,727	(₱587,267)	₱29,713	(₱6,321,325)	(₱421,260)	(₱433,157)	₱31,660,000	₱72,421,072	₱7,185,716	₱125,272,457

See accompanying Notes to Consolidated Financial Statements.

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

	Jan - Jun 2020	Jan - Jun 2019	Apr - Jun 2020	Apr - Jun 2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	₱6,651,230	₱11,299,824	₱3,495,042	₱6,261,342
Adjustments for:				
Interest expense and other financing costs (Note 19)	7,197,123	6,563,269	3,435,033	3,353,056
Depreciation and amortization	5,338,223	4,616,911	2,727,263	2,466,410
Loss on disposal of property, plant and equipment	44,910	269,466	(2,614)	(3,563)
Unrealized fair valuation loss (gain) on derivatives and financial assets at FVTPL (Note 20)	30,428	(2,391)	11,661	(256)
Share in net earnings of associates and joint ventures (Note 8)	(979,818)	(1,044,929)	(515,345)	(493,800)
Interest income (Note 5)	(405,295)	(764,675)	(173,116)	(334,457)
Net unrealized foreign exchange gain	(718,193)	(1,278,620)	(653,822)	(1,286,935)
Write-off of project costs and other assets	–	8,506	–	–
Operating income before working capital changes	17,158,608	19,667,361	8,324,102	9,961,797
Decrease (increase) in:				
Trade and other receivables	(3,458,464)	(3,520,986)	(3,152,184)	(3,417,893)
Inventories	287,489	150,358	880,926	13,837
Other current assets	1,352,284	2,009,162	(522,839)	876,121
Increase (decrease) in:				
Trade and other payables	1,573,371	1,079,217	1,451,596	5,020,676
Customers' deposits	214,248	235,457	91,838	87,472
Net cash generated from operations	17,127,536	19,620,569	7,073,439	12,542,010
Income and final taxes paid	(1,773,475)	(1,456,876)	(1,560,406)	(719,661)
Net cash flows from operating activities	15,354,061	18,163,693	5,513,033	11,822,349
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash dividends received (Note 8)	1,241,939	1,817,725	767,572	1,003,020
Interest received	411,997	812,608	183,786	428,216
Proceeds from redemption of shares	6,939	5,340	6,939	–
Decrease in other noncurrent assets	(3,015,781)	493,711	182,966	191,216
Net collection of advances	(15,789)	–	–	–
Disposal of assets at FVTPL	(5,254)	82,514	1,306	83,854
Additions to:				
Property, plant and equipment	(820,681)	(3,501,155)	(639,212)	(1,942,087)
Intangible assets - service concession rights (Note 10)	(46,808)	(19,823)	(18,517)	(3,121)
Additional investments (Note 8)	(1,533,418)	(25,227,164)	(262,545)	(24,321,116)
Net cash flows used in investing activities	(3,776,856)	(25,536,244)	222,295	(24,560,018)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from (payments of) long-term debt (Note 13)	(3,140,097)	12,884,293	286,414	14,372,858
Net availments of short-term loans (Note 12)	12,672,914	8,160,844	1,976,900	1,785,104
Cash dividends paid (Note 22)	(8,682,746)	(10,817,148)	(8,682,746)	(10,817,148)
Payments of:				
Lease liabilities (Note 21)	(3,803,727)	(4,677,620)	(1,638,973)	(2,419,632)
Acquisition of non-controlling interest (Note 23)	–	(6,773,008)	–	(6,773,008)
Changes in non-controlling interests	(1,147,781)	(2,066,553)	(647)	(542,887)
Interest paid	(5,210,526)	(4,303,403)	(1,913,332)	(1,644,411)
Net cash flows used in financing activities	(9,311,963)	(7,592,595)	(9,972,384)	(6,039,124)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,265,242	(14,965,146)	(4,237,056)	(18,776,793)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	130,006	399,861	35,899	445,107
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	37,433,929	46,343,041	44,030,334	50,109,442
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	₱39,829,177	₱31,777,756	₱39,829,177	₱31,777,756

See accompanying Notes to 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. As of June 30, 2020, Aboitiz Equity Ventures, Inc. (AEV, also incorporated in the Philippines) owns 76.98% of the Company. The ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

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

2. Group Information

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

The following are the subsidiaries as of June 30, 2020 and December 31, 2019:

	Nature of Business	June 30, 2020		December 31, 2019	
		Direct	Indirect	Direct	Indirect
Aboitiz Renewables, Inc. (ARI) and Subsidiaries	Power generation	100.00	–	100.00	–
AP Renewables, Inc. (APRI)	Power generation	–	100.00	–	100.00
Aboitiz Power Distributed Energy, Inc.	Power generation	–	100.00	–	100.00
Aboitiz Power Distributed Renewables, Inc.	Power generation	–	100.00	–	100.00
Hedcor, Inc. (HI)	Power generation	–	100.00	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power generation	–	100.00	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power generation	–	100.00	–	100.00
Luzon Hydro Corporation (LHC)	Power generation	–	100.00	–	100.00
AP Solar Tiwi, Inc.*	Power generation	–	100.00	–	100.00
Retensol, Inc.*	Power generation	–	100.00	–	100.00
AP Renewable Energy Corporation*	Power generation	–	100.00	–	100.00
Aseagas Corporation (Aseagas)*	Power generation	–	100.00	–	100.00
Bakun Power Line Corporation*	Power generation	–	100.00	–	100.00
Cleanergy, Inc.*	Power generation	–	100.00	–	100.00
Cordillera Hydro Corporation*	Power generation	–	100.00	–	100.00
Hedcor Benguet, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	Power generation	–	100.00	–	100.00
Hedcor Kabayan, Inc.*	Power generation	–	100.00	–	100.00
PV Sinag Power, Inc. (former Hedcor Ifugao, Inc.)*	Power generation	–	100.00	–	100.00
Amihan Power, Inc. (former Hedcor Kalinga, Inc.)*	Power generation	–	100.00	–	100.00
Aboitiz Solar Power, Inc. (former Hedcor Itogon Inc.)*	Power generation	–	100.00	–	100.00
Hedcor Manolo Fortich, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Mt. Province, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power generation	–	100.00	–	100.00
Hedcor Tamugan, Inc.*	Power generation	–	100.00	–	100.00
Mt. Apo Geopower, Inc.*	Power generation	–	100.00	–	100.00
Negron Cuadrado Geopower, Inc.*	Power generation	–	100.00	–	100.00
Tagoloan Hydro Corporation*	Power generation	–	100.00	–	100.00
Luzon Hydro Company Limited*	Power generation	–	100.00	–	100.00
Hydro Electric Development Corporation*	Power generation	–	99.97	–	99.97
Therma Power, Inc. (TPI) and Subsidiaries	Power generation	100.00	–	100.00	–
Mindanao Sustainable Solutions, Inc.*	Services	–	100.00	–	100.00
Therma Luzon, Inc. (TLI)	Power generation	–	100.00	–	100.00
Therma Marine, Inc. (Therma Marine)	Power generation	–	100.00	–	100.00
Therma Mobile, Inc. (Therma Mobile)	Power generation	–	100.00	–	100.00
Therma South, Inc. (TSI)	Power generation	–	100.00	–	100.00
(Forward)					
Therma Power-Visayas, Inc. (TPVI)*	Power generation	–	100.00	–	100.00

	Nature of Business	June 30, 2020		December 31, 2019	
		Direct	Indirect	Direct	Indirect
Therma Central Visayas, Inc.*	Power generation	–	100.00	–	100.00
Therma Subic, Inc.*	Power generation	–	100.00	–	100.00
Therma Mariveles Holdings, Inc.	Holding company	–	100.00	–	100.00
GNPower Mariveles Coal Plant Ltd. Co. (GMCP)	Power generation	–	78.33	–	78.33
Therma Dinginin Holding Cooperatief U A.	Holding company	–	100.00	–	100.00
Therma Dinginin B.V.	Holding company	–	100.00	–	100.00
Therma Dinginin Holdings, Inc.	Holding company	–	100.00	–	100.00
Therma Visayas, Inc. (TVI)	Power generation	–	80.00	–	80.00
Abovant Holdings, Inc. (Abovant)	Holding company	–	60.00	–	60.00
AboitizPower International Pte. Ltd. (API)	Holding company	100.00	–	100.00	–
Aboitiz Energy Solutions, Inc. (AESI)	Retail electricity supplier	100.00	–	100.00	–
Adventenergy, Inc. (AI)	Retail electricity supplier	100.00	–	100.00	–
Balamban Enerzone Corporation (BEZ)	Power distribution	100.00	–	100.00	–
Lima Enerzone Corporation (LEZ)	Power distribution	100.00	–	100.00	–
Mactan Enerzone Corporation (MEZ)	Power distribution	100.00	–	100.00	–
Malvar Enerzone Corporation	Power distribution	100.00	–	100.00	–
East Asia Utilities Corporation (EAUC)	Power generation	50.00	50.00	50.00	50.00
Cotabato Light and Power Company (CLP)	Power distribution	99.94	–	99.94	–
Cotabato Ice Plant, Inc.	Manufacturing	–	100.00	–	100.00
Davao Light & Power Company, Inc. (DLP)	Power distribution	99.93	–	99.93	–
Maaraw Holdings San Carlos, Inc. (MHSCI)	Holding company	–	100.00	–	100.00
San Carlos Sun Power, Inc. (Sacasun)	Power generation	–	100.00	–	100.00
AboitizPower International B.V.	Holding company	–	100.00	–	100.00
Subic Enerzone Corporation (SEZ)	Power distribution	65.00	34.98	65.00	34.98
Cebu Private Power Corporation (CPPC)	Power generation	60.00	–	60.00	–
Prism Energy, Inc. (PEI)	Retail electricity supplier	60.00	–	60.00	–
Visayan Electric Company (VECO)	Power distribution	55.26	–	55.26	–

* No commercial operations as of June 30, 2020.

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

Basis of Financial Statement Preparation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as of and for the year ended December 31, 2019, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

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

On July 27, 2020, the Audit Committee of the Board of Directors (BOD) approved and authorized the release of the accompanying unaudited interim condensed consolidated financial statements of the Group.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the new and revised standards and Philippine Interpretations which were applied starting January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is

introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments did not have an impact in the unaudited interim condensed consolidated financial statements as the Group’s practice is generally align with the amendments.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments did not have an impact in the unaudited interim condensed consolidated financial statements.

- *Conceptual Framework for Financial Reporting issued on March 29, 2018*

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;

- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

The Group adopted the amendments beginning January 1, 2020. These amendments did not have an impact in the unaudited interim condensed consolidated financial statements.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The adoption of the new standard is not expected to have an impact on the unaudited interim condensed consolidated financial statements of the Group as the Group is not into the business of providing insurance contracts.

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

5. Cash and Cash Equivalents

	June 30, 2020	December 31, 2019
Cash on hand and in banks	₱17,357,817	₱14,177,919
Short-term deposits	22,471,360	23,256,010
	₱39,829,177	₱37,433,929

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

6. Trade and Other Receivables

	June 30, 2020	December 31, 2019
Trade receivables - net of allowance for expected credit losses	₱19,148,281	₱16,420,952
Others		
Dividends receivable	748,000	1,199,068
Advances to contractors	250,475	63,339
Non-trade receivable	3,516,535	2,972,536
Interest receivable	41,964	48,666
PSALM deferred adjustment	1,042,861	1,042,861
	₱24,748,116	₱21,747,422

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

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

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

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

7. Other Current Assets

	June 30, 2020	December 31, 2019
Restricted cash	₱3,474,588	₱4,449,716
Input VAT	3,655,815	2,049,496
Prepaid tax	1,633,099	1,854,792
Advances to National Grid Corporation of the Philippines (NGCP)	2,132,100	1,727,028
Prepaid expenses	1,641,805	610,426
Others	1,048,282	391,947
	₱13,585,689	₱11,083,405

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

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

Prepaid expenses mainly include prepayments for insurance.

8. Investments and Advances

	June 30, 2020	December 31, 2019
Acquisition cost:		
Balance at beginning of the year	₱58,144,997	₱30,559,245
Additions during the period	1,533,418	27,591,092
Redemptions during the period	(6,939)	(5,340)
Balance at end of period	59,671,476	58,144,997
Accumulated equity in net earnings:		
Balance at beginning of the year	3,345,164	3,867,849
Share in net earnings	979,818	3,813,962
Transition adjustment	–	(18,691)
Dividends received or receivable	(790,870)	(4,317,956)
Balance at end of period	3,534,112	3,345,164
Share in net unrealized valuation gain on FVOCI investment of an associate	98,602	101,727
Share in actuarial gains on defined benefit plans of associates and joint ventures	(13,079)	(14,299)
Share in cumulative translation adjustments of associates and joint ventures	(109,298)	(153,485)
	63,181,813	61,424,104
Less allowance for impairment losses	568,125	568,125
Investments at equity	62,613,688	60,855,979
Advances	38,351	22,562
	₱62,652,039	₱60,878,541

2020

In 2020, the Group, through TPI and ATI, made capital contributions to GNPD amounting to ₱1.53 billion.

The Group's associates and joint ventures and the corresponding equity ownership as of June 30, 2020 are as follows:

	Nature of Business	Percentage of ownership
Manila-Oslo Renewable Enterprise, Inc. (MORE) ¹	Holding company	83.33
GNPower Dinginin Ltd. Co. (GNPD)*	Power generation	72.50
Hijos de F. Escaño, Inc. (Hijos)	Holding company	46.73
Mazzaraty Energy Corporation (MEC)	Retail Electricity Supplier	44.87
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	43.78
AA Thermal, Inc. (AA THERMAL)	Holding company	60.00
Pampanga Energy Ventures, Inc. (PEVI)	Holding company	42.84
La Filipina ElektriKa, Inc.*	Power generation	40.00
STEAG State Power, Inc. (STEAG)	Power generation	34.00
AEV Aviation, Inc. (AAI)	Service	26.69
Cebu Energy Development Corporation (CEDC)	Power generation	26.40
Redondo Peninsula Energy, Inc. (RPEI)*	Power generation	25.00
Southern Philippines Power Corporation (SPPC)	Power generation	20.00
Western Mindanao Power Corporation (WMPC)	Power generation	20.00

Joint venture.

* No commercial operations as of June 30, 2020

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

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

	June 30, 2020	December 31, 2019
ATI	₱24,278,945	₱24,084,947
GNPD	18,158,614	17,172,530
MORE	10,521,217	10,180,552
STEAG	3,754,622	4,032,405
CEDC	3,816,569	3,447,491
RPEI	524,543	525,769
PEVI	570,837	508,895
SFELAPCO	405,674	372,917
Hijos	198,102	176,037
WMPC	183,703	142,577
SPPC	56,580	61,497
Others	144,282	150,362
	₱62,613,688	₱60,855,979

9. Joint Operations

Name of Joint Operation	Nature of Business	Percentage of Ownership
		June 30, 2020
Pagbilao Energy Corporation (PEC)	Power generation	50.00

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

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

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

10. Intangible Assets

June 30, 2020

	Goodwill	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
Cost:							
Balances at beginning of year	₱40,876,082	₱5,456,916	₱3,078,431	₱622,491	₱60,068	₱468,123	₱50,562,111
Additions	–	46,808	–	47,882	–	6,675	101,365
Exchange differences	35,546	(40,410)	–	–	–	(17,278)	(22,142)
Balances at end of year	40,911,628	5,463,314	3,078,431	670,373	60,068	457,520	50,641,334
Accumulated amortization:							
Balances at beginning of year	–	3,050,596	506,659	–	60,068	232,287	3,849,610
Amortization	–	102,035	38,480	–	–	16,547	157,062
Balances at end of year	–	3,152,631	545,139	–	60,068	248,834	4,006,672
Net book values	₱40,911,628	₱2,310,683	₱2,533,292	₱670,373	₱–	₱208,686	₱46,634,662

11. Trade and Other Payables

	June 30, 2020	December 31, 2019
Trade payables	₱10,557,896	₱10,885,721
Output VAT	4,479,175	3,022,048
Amounts due to contractors and other third parties	883,860	1,159,984
PSALM deferred adjustment	1,042,861	1,042,861
Accrued expenses:		
Interest	2,375,328	2,350,811
Materials and supplies cost	66,067	470,588
Taxes and fees	912,874	1,246,863
Claims conversion costs	93,726	102,808
Insurance	13,486	18,437
Dividends payable (see Note 22)	125,891	94,976
Unearned revenues	37,062	37,425
Customers' deposit	63,948	19,360
Nontrade	3,113,762	1,270,946
Others	208,479	653,292
	₱23,974,415	₱22,376,120

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

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

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

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

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

12. Short-term Loans

		June 30, 2020	December 31, 2019
Peso loans - financial institutions - unsecured	2.00% - 5.68% in 2020 2.68% - 4.95% in 2019	₱22,382,500	₱9,727,800
Temporary advances		625,834	607,620
		₱23,008,334	₱10,335,420

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

13. Long-term Debts

	2020 Interest Rate	June 30, 2020	December 31, 2019
Company (see Note 14):			
Bonds due 2024	7.51%	₱7,700,000	₱7,700,000
Bonds due 2026	5.28%	7,250,000	7,250,000
Bonds due 2021	5.21%	6,600,000	6,600,000
Bonds due 2026	6.10%	3,400,000	3,400,000
Bonds due 2027	5.34%	3,000,000	3,000,000
Bonds due 2025	8.51%	2,500,000	2,500,000
Financial institutions - unsecured	5.28%	5,000,000	5,000,000
Financial institutions - unsecured	LIBOR + 1.20%	14,949,000	15,190,500
Subsidiaries:			
GMCP			
Financial institutions - unsecured	LIBOR + 1.7% - 4.00%	35,522,739	37,247,830
TVI			
Financial institutions - secured	5.56% to 9.00%	30,469,334	31,520,000
AESI			
Financial institutions - secured	5.026% to 5.42%	600,000	—
TSI			
Financial institutions - secured	5.05%-5.70%	19,384,195	20,039,365
APRI			
Financial institutions - secured	4.48% - 5.20%	7,499,040	8,124,160
Hedcor Bukidnon			
Financial institutions - secured	4.75% - 7.36%	9,350,000	9,416,666
TPVI			
Financial institutions - unsecured	5.06%-5.25%	1,488,750	1,300,000
Hedcor Sibulan			
Fixed rate corporate notes - unsecured	4.05% - 5.42%	3,801,400	3,801,400
HI			
Financial institution - secured	5.25% - 7.41%	423,000	423,000
Financial institution - secured	7.87%	1,300,000	1,327,000
VECO			
Financial institution - unsecured	4.59% - 4.81%	776,000	776,000
LHC			
Financial institutions - secured	2.94%	445,978	564,580
DLP			
Financial institution - unsecured	4.59% to 4.81%	582,000	582,000
AI			
AEV - unsecured	6.25%	300,000	300,000
SEZ			
Financial institution - unsecured	5.00%	113,000	113,000
CLP			
Financial institution - unsecured	4.59% to 4.81%	116,400	116,400
Joint operation (see Note 9)			
Financial institutions - secured	5.50% - 8.31%	12,867,261	13,380,097
		175,438,097	179,671,998
Less deferred financing costs		1,586,089	1,700,376
		173,852,008	177,971,622
Less current portion - net of deferred financing costs		10,285,381	10,386,311
		₱163,566,627	₱167,585,311

Loan covenants

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

These restrictions and requirements were complied with by the Group as of June 30, 2020 and December 31, 2019.

14. Debt Securities

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

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

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

In October 2019, the Company issued and registered a total of ₱7.25 billion bonds.

Terms of the bonds are as follows:

Maturity	Interest Rate (p.a.)	Amount
12-year bonds to mature on September 10, 2026	6.10%	₱3,400,000
10-year bonds to mature on September 10, 2021	5.21%	₱6,600,000
10-year bonds to mature on July 3, 2027	5.3367%	₱3,000,000
5.25-year bonds to mature on January 25, 2024	7.51%	₱7,700,000
7-year bonds to mature on October 25, 2025	8.51%	₱2,500,000
7-year bonds to mature on October 14, 2026	5.28%	₱7,250,000

15. Operating Expenses

For the periods ended June 30

	2020	2019
		0
Cost of purchased power	₱16,280,335	₱19,067,822
Cost of generated power	12,392,597	18,621,521
Depreciation and amortization	5,338,223	4,616,911
General and administrative	3,961,755	3,999,890
Operations and maintenance	4,023,420	3,661,370
	₱41,996,330	₱49,967,514

16. Other Income (Expenses)

	For the periods ended June 30	
	2020	2019
Net foreign exchange gain (loss)	₱506,709	₱523,214
Surcharges	145,513	260,357
Non-utility operating income	290,191	79,255
Rental income	18,767	31,870
Losses on disposal of property, plant and equipment	(44,910)	(269,466)
Others - net	511,445	1,454,169
	₱1,427,715	₱2,062,239

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

“Others” include other non-recurring items like sale of scrap and sludge oil in 2020 and reversal of APRI and TLI’s liability to PSALM pertaining to GRAM and ICERA in 2019.

17. Earnings Per Common Share

Earnings per common share amounts were computed as follows:

	For the periods ended June 30	
	2020	2019
a. Net income attributable to equity holders of the parent	₱3,736,940	₱8,648,370
b. Average number of outstanding shares	7,358,604,307	7,358,604,307
Earnings per share (a/b)	₱0.51	₱1.18

There are no dilutive potential common shares as of June 30, 2020 and 2019.

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 - June 2020

	Power Generation	Power Distribution	Parent and Others	Total
Revenue from power supply contracts	₱15,516,108	–	–	₱15,516,108
Revenue from distribution services	–	20,886,795	–	20,886,795
Revenue from retail electricity sales	–	–	7,449,270	7,449,270
Revenue from non-power supply contracts	9,111,632	–	–	9,111,632
Revenue from technical and management services	–	–	68,049	68,049
	₱24,627,740	₱20,886,795	₱7,517,319	₱53,031,854

January - June 2019

	Power Generation	Power Distribution	Parent and Others	Total
Revenue from power supply contracts	₱24,133,878	–	–	₱24,133,878
Revenue from distribution services	–	23,042,174	–	23,042,174
Revenue from retail electricity sales	–	–	13,008,421	13,008,421
Revenue from non-power supply contracts	3,686,681	–	–	3,686,681
Revenue from technical and management services	–	–	87,610	87,610
	₱27,820,559	₱23,042,174	₱13,096,031	₱63,958,764

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

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

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

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

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

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

June 30, 2020

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱24,627,740	₱20,886,795	₱7,517,319	₱-	₱53,031,854
Inter-segment	10,994,255	301,839	864,539	(12,160,633)	-
Total Revenue	₱35,621,995	₱21,188,634	₱8,381,858	(₱12,160,633)	₱53,031,854
Segment Results	₱8,485,343	₱2,464,195	₱85,986	₱-	₱11,035,524
Unallocated corporate income - net	662,035	519,555	246,126	-	1,427,716
INCOME FROM OPERATIONS					
Interest expense	(5,340,296)	(353,717)	(1,503,110)	-	(7,197,123)
Interest income	255,967	38,077	111,251	-	405,295
Share in net earnings of associates and joint ventures	836,239	121,171	5,140,462	(5,118,054)	979,818
Provision for income tax	(1,032,563)	(743,562)	(106,384)	-	(1,882,509)
NET INCOME	₱3,866,725	₱2,045,719	₱3,974,331	(₱5,118,054)	₱4,768,721
OTHER INFORMATION					
Investments	₱61,293,783	₱976,512	₱162,813,993	(₱162,470,600)	₱62,613,688
Segment Assets	₱299,612,269	₱35,841,766	₱195,632,289	(₱115,515,479)	₱415,570,845
Segment Liabilities	₱188,919,373	₱30,962,780	₱78,775,845	(₱11,533,329)	₱287,124,669
Depreciation and Amortization	₱4,704,911	₱538,371	₱22,432	₱72,509	₱5,338,223

June 30, 2019

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱27,820,559	₱23,042,174	₱13,096,031	₱-	₱63,958,764
Inter-segment	14,888,726	657,548	1,560,498	(17,106,772)	-
Total Revenue	₱42,709,285	₱23,699,722	₱14,656,529	(₱17,106,772)	₱63,958,764
Segment Results	₱10,898,691	₱2,656,460	₱436,099	₱-	₱13,991,250
Unallocated corporate income - net	1,684,035	435,402	(57,198)	-	2,062,239
INCOME FROM OPERATIONS					
Interest expense	(5,202,134)	(267,478)	(1,093,657)	-	(6,563,269)
Interest income	523,531	21,129	220,015	-	764,675
Share in net earnings of associates and joint ventures	967,476	77,200	9,747,413	(9,747,160)	1,044,929
Provision for income tax	(228,990)	(767,359)	(176,739)	-	(1,173,088)
NET INCOME	₱8,642,609	₱2,155,354	₱9,075,933	(₱9,747,160)	₱10,126,736
OTHER INFORMATION					
Investments	₱58,068,216	₱868,733	₱156,905,663	(₱156,577,819)	₱59,264,793
Segment Assets	₱303,440,776	₱30,125,009	₱181,782,275	(₱110,799,148)	₱404,548,912
Segment Liabilities	₱192,778,226	₱25,767,879	₱73,055,644	(₱12,325,293)	₱279,276,456
Depreciation and Amortization	₱4,033,259	₱488,508	₱16,915	₱78,229	₱4,616,911

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.

Risk Management Structure

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

Financial risk committee

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

Treasury service group

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

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

Liquidity risk

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

In managing its long-term financial requirements, the Group's policy is that not more than 25% of long-term borrowings should mature in any twelve-month period. 7.63% of the Group's debt will mature in less than one year as of June 30, 2020 (December 31, 2019: 6.97%). 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 June 30, 2020 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	₱23,008,334	₱23,008,334	₱–	₱23,008,334	₱–	₱–
Trade and other payables*	24,977,732	24,977,732	2,955,209	6,077,444	15,945,079	–
Long-term debts	173,852,008	175,438,097	–	10,381,683	93,527,144	71,529,270
Customers' deposits	6,735,717	6,735,717	–	21,134	370,327	6,344,256
Lease liabilities	43,015,526	59,266,815	–	9,117,883	44,872,854	5,276,078
Long-term obligation on PDS	211,393	360,000	–	40,000	200,000	120,000
Derivative liabilities	3,675,948	3,675,948	–	2,493,709	1,182,239	–
	₱275,476,658	₱293,462,643	₱2,955,209	₱51,140,187	₱156,097,643	₱83,269,604

*Include the noncurrent portion of the PSALM deferred adjustment presented under noncurrent liabilities in the audited interim consolidated balance sheet.

Market Risk

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

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of June 30, 2020, 16% of the Group's long-term debt had annual floating interest rates ranging from 2.94% to 3.09%, and 84% have annual fixed interest rates ranging from 4.05% to 9.00%. As of December 31, 2019, 16% of the Group's long-term debt had annual floating interest rates ranging from 3.09% to 4.81%, and 84% have annual fixed interest rates ranging from 4.05% 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 June 30, 2020

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	₱1,845,449	₱22,740,584	₱3,761,728	₱28,347,761

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

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

	Increase (decrease) in basis points	Effect on income before tax
June 30, 2020	200	(P566,955)
	-100	283,478
June 30, 2019	200	(586,577)
	-100	293,289

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

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

	For the periods ended June 30	
	2020	2019
Short-term loans and long-term debt	P5,341,577	P4,265,330
Lease liabilities (Note 21)	1,743,694	2,137,123
Customers' deposits	853	293
Other long-term obligations	110,999	160,523
	P7,197,123	P6,563,269

Foreign exchange risk

The foreign exchange risk of the Group pertains significantly to its foreign currency denominated obligations. To manage its foreign exchange risk, stabilize cash flows and improve investment and cash flow planning, the Group enters into foreign currency forward contracts aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flows. Foreign currency denominated borrowings account for 30% and 32% of total consolidated borrowings as of June 30, 2020 and December 31, 2019.

Presented below are the Group's foreign currency denominated financial assets and liabilities as of June 30, 2020 and December 31, 2019, translated to Philippine Peso:

	June 30, 2020		December 31, 2019	
	US Dollar	Philippine Peso equivalent ¹	US Dollar	Philippine Peso equivalent ²
Financial assets:				
Cash and cash equivalents	\$87,312	P4,350,757	\$43,352	P2,195,129
Trade and other receivables	41	2,043	18,725	948,140
Total financial assets	88,191	4,394,558	62,077	3,143,269
Financial liabilities:				
Short-term loans	12,559	625,834	12,000	607,620
Trade and other payables	24,260	1,208,876	13,439	680,493
Long-term debt	300,000	14,949,000	300,000	15,190,500
Lease liabilities	426,736	21,264,255	443,002	22,431,406
Total financial liabilities	763,555	38,047,965	768,441	38,910,019
Total net financial liabilities	(\$675,364)	(P33,653,407)	(\$706,364)	(P35,766,750)

¹⁵¹ = 49.83

²⁵¹ = 50.635

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rates, with all other variables held constant, of the Group's income before tax as of June 30, 2020:

	Increase/ (decrease) in US Dollar	Effect on income before tax
US Dollar denominated accounts	US Dollar strengthens by 5%	(₱1,682,670)
US Dollar denominated accounts	US Dollar weakens by 5%	1,682,670

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

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

Credit risk

For its cash investments (including restricted portion), financial assets at FVTPL and receivables, the Group's credit risk pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these investments. With respect to cash investments and financial assets at FVTPL, the risk is mitigated by the short-term and/or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions and entities of high credit standing. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Group's policy to only enter into transactions with credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales are made to customers with appropriate credit history and it has internal mechanisms to monitor the granting of credit and management of credit exposures.

Concentration Risk

Credit risk concentration of the Group's receivables according to the customer category is summarized in the following table:

	June 30, 2020	December 31, 2019
Power distribution:		
Industrial	₱4,707,726	₱5,554,969
Residential	1,244,019	1,825,217
Commercial	1,852,478	437,994
City street lighting	1,752,705	111,570
Power generation:		
Power supply contracts	3,536,952	1,481,760
Spot market	8,235,642	5,520,439
	₱21,329,522	₱14,931,949

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 June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020	December 31, 2019
Short-term loans	₱23,008,334	₱10,335,420
Long-term obligations	216,867,534	222,761,266
Cash and cash equivalents	(39,829,177)	(37,433,929)
Restricted cash	(8,954,921)	(9,121,747)
Net debt (a)	191,091,770	186,541,010
Equity	128,446,176	133,643,011
Equity and net debt (b)	319,537,946	320,184,021
Gearing ratio (a/b)	59.80%	58.26%

No changes were made in the objectives, policies or processes during the periods ended June 30, 2020.

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.

	June 30, 2020		December 31, 2019	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Asset				
PSALM deferred adjustment	₱2,661,658	₱2,392,843	₱3,183,080	₱2,846,279
Financial Liabilities				
Lease liabilities	₱43,015,526	₱40,212,762	₱44,789,644	₱38,495,450
Long-term debt - fixed rate	145,504,248	152,708,695	148,642,748	152,786,437
PSALM deferred adjustment	2,661,658	2,392,843	3,183,080	2,846,279
Long-term obligation on power distribution system	211,393	289,023	199,350	320,194
	₱191,392,825	₱195,603,323	₱196,814,822	₱194,448,360

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

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

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

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

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

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

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

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

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

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

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

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

The movements in fair value changes of all derivative instruments for the nine-month period ended June 30, 2020 and for the year ended December 31, 2019 are as follows:

	2020	2019
At beginning of year	(₱2,385,997)	₱132,902
Net changes in fair value of derivatives designated as cash flow hedges	(759,376)	(2,515,732)
Net changes in fair value of derivatives not designated as accounting hedges	(30,428)	(3,889)
Fair value of settled instruments	(500,147)	722
At end of period	(₱3,675,948)	(₱2,385,997)

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 June 30, 2020, 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 liability	3,675,948	-	3,675,948	-
Disclosed at fair value:				
Lease liabilities	40,212,762	-	-	40,212,762
Long-term debt - fixed rate	152,708,695	-	-	152,708,695
Long-term obligation on PDS	289,023	-	-	289,023

During the nine-month period ended June 30, 2020, 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 period:

	Land	Building	Power plant	Equipment & others	Total	Lease liabilities
As at January 1, 2020	₱2,730,076	₱230,234	₱33,575,200	₱117,602	₱36,653,112	₱44,789,644
Amortization expense	(49,496)	(9,583)	(547,257)	(8,769)	(615,105)	–
Interest expense	–	–	–	–	–	1,743,694
Payments	–	–	–	–	–	(3,803,728)
Others	–	–	–	–	–	285,915
June 30, 2020	₱2,680,580	₱220,651	₱33,027,943	₱108,833	₱36,038,007	₱43,015,526

Set out below, are the amounts recognized in the unaudited condensed consolidated statements of income for the six months ended June 30, 2020:

Amortization expense of right-of-use assets	₱615,105
Interest expense on lease liabilities	1,743,694
Rent expense - short-term leases	35,621
	₱2,394,420

22. Retained Earnings

- On March 6, 2020, the BOD approved the declaration of regular cash dividends of ₱1.18 a share (₱8.68 billion) to all stockholders of record as of March 20, 2020. These dividends were paid on April 3, 2020.
- The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements.

23. Disclosures

1. COVID 19

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, as subsequently extended to April 30, 2020. This was further extended to May 15, 2020 in selected areas including the National Capital Region. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Group is operating normally but at a lower energy dispatch level because of the decreased demand during the ECQ. In addition, because of the decrease in energy demand, market prices are down. Furthermore, collections are not expected to be made on their original due dates because of the staggered payment scheme implemented by the Energy Regulatory Commission with respect to the consumers' energy bills.

Considering the evolving nature of this outbreak, the Group will continue to monitor the situation in subsequent periods.

2. 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.

3. Pagbilao IPP Administration Agreement

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

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

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

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

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

The present value of the future minimum monthly dollar and peso payments under the IPP Administration Agreement as of June 30, 2020:

Present value of minimum monthly payments to PSALM	₱40,899,233
Less: Current portion	(6,685,978)
<u>Noncurrent portion of lease liability</u>	<u>₱ 34,213,255</u>

4. Property, Plant and Equipment

During the nine-month period ended June 30, 2020, the Group's additions to property, plant and equipment amounted to ₱820.7 million.

5. Dividends to Non-controlling Interests

The Group's material partly-owned subsidiaries, namely GMCP and VECO, paid cash dividends amounting to ₱952.7 million and ₱1.80 billion to non-controlling interests during the six-month periods ended June 30, 2020 and 2019, respectively.

6. Material Events and Changes

Mekong Transaction

On April 1 2020, the Group disclosed that it was informed by AboitizPower International Pte. Ltd. ("AboitizPower Intl.") that its planned acquisition of a 100% ownership interest in Mekong Wind Pte. Ltd. from Armstrong Southeast Asia Clean Energy Fund Pte. Ltd. ("AAM") was not completed due to a condition precedent being unmet by the agreed longstop date. As a result, AboitizPower Intl. decided to hold-off the transaction.

AboitizPower Intl. is in discussions with AAM to revisit the acquisition at a future date.

The termination of the transaction has no impact to the Group's existing operations and financial performance.

₱9.55 billion bond issuance

The Company issued the fourth and last tranche of its ₱30 billion debt securities program, equivalent to ₱9.55 billion in July (the “Series E and F Bonds”). The Fixed Rate “Series E and F Bonds” has an interest rate of 3.125% and 3.935% per annum maturing in 2022 and 2025 respectively. The bonds have been rated PRS Aaa by PhilRatings.

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

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

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

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

7. Material Adjustments

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

8. Contingencies

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

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

SCHEDULE A - USE OF PROCEEDS

(Amounts are in thousands)

1) Ten Billion Fixed Rate Bonds issued in 2014

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

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

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

As of December 31, 2019 the proceeds from the 2017 bonds were fully utilized for the following projects:

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

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

As of June 30, 2020 the proceeds from the 2018 bonds were fully utilized for the following:

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

4) Series "D" of the Thirty Billion Shelf Registration issued in 2019

As of December 31, 2019, the proceeds from the 2019 bonds were fully utilized for the following:

Name of Project	Projected Usage (Per Prospectus)	Actual Usage
Repayment of short-term loan.	₱7,161,972	₱7,250,000
Bond issuance costs	88,028	-
TOTAL	₱7,250,000	₱7,250,000

SCHEDULE B – RELEVANT FINANCIAL RATIOS

	Formula	Jun 30, 2020	Dec 31, 2019
LIQUIDITY RATIOS			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.25	1.50
Acid test ratio	$\frac{\text{Cash + Marketable securities} + \text{Accounts receivable} + \text{Other liquid assets}}{\text{Current liabilities}}$	0.95	1.15
SOLVENCY RATIOS			
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	2.24	2.07
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	3.24	3.07
Net debt to equity ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity}}$	1.49	1.42
Gearing ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity} + (\text{Debt - Cash \& cash equivalents})}$	59.80%	58.60%
Interest coverage ratio	$\frac{\text{EBIT}}{\text{Interest expense}}$	n.a	2.83
PROFITABILITY RATIOS			
Operating margin	$\frac{\text{Operating profit}}{\text{Total revenues}}$	n.a	23%
Return on equity	$\frac{\text{Net income after tax}}{\text{Total equity}}$	n.a	14%

*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 June 30, 2020

	30 Days	60 Days	90 Days	Over 90 Days	Total
Trade receivables					
Power Distribution Customers	3,627,760	2,486,239	256,209	484,498	6,854,706
Power Generation Customers	5,460,868	289,150	1,252,975	4,769,601	11,772,594
Management & Other Services Customers	2,697,659	-	-	4,563	2,702,222
	11,786,287	2,775,389	1,509,184	5,258,662	21,329,522
Less : Allowance for estimated credit losses					2,181,242
Net trade receivables					19,148,280
Non-trade receivables	5,598,027	-	-	1,809	5,599,836
Grand Total	17,384,314	2,775,389	1,509,184	5,260,471	24,748,116

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

November 16, 2020

via electronic mail

SECURITIES AND EXCHANGE COMMISSION

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

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

via PSE EDGE

PHILIPPINE STOCK EXCHANGE, INC.

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

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

via electronic mail

PHILIPPINE DEALING & EXCHANGE CORP.

Market Regulatory Services Group
29th Floor BDO Equitable Tower
8751 Paseo de Roxas, Makati City 1226

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

Gentlemen:

Please see enclosed SEC Form 17-Q (3rd Quarterly Report 2020) of Aboitiz Power Corporation.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ POWER CORPORATION



MANUEL ALBERTO R. COLAYCO^{FCA}

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 2020

1 7 - Q

FORM TYPE

4th Monday of April

0 4 2 7

Month Day Annual Meeting

Secondary License Type, if Applicable

S E C

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

x

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2020**
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, 2020)
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Common Stock P1 Par Value	7,358,604,307
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Amount of Debt Outstanding	P232,747,382,000.00
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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 calculates 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, 2020 versus Nine-Month Period Ended September 30, 2019

The table below shows the comparative figures of the key performance indicators for the nine (9) months of 2020 and 2019 and as of December 31, 2019:

Key Performance Indicators	September 2020	September 2019	December 2019
	(INTERIM)	(INTERIM)	
<i>Amounts in thousands of ₱s, except for financial ratios</i>			
SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	1,709,968	2,812,358	3,813,962
EBITDA	30,449,053	34,707,402	45,005,022
CASH FLOW GENERATED:			
Net cash flows from operating activities	23,593,695	31,520,771	39,356,962
Net cash flows used in investing activities	(4,805,451)	(29,553,681)	(34,060,584)
Net cash flows used in financing activities	(18,418,649)	(17,358,201)	(14,376,055)
Net (Decrease)/Increase in Cash & Cash Equivalents	369,595	(15,391,111)	(9,079,677)
Cash & Cash Equivalents, Beginning	37,433,929	46,343,041	46,343,041
Cash & Cash Equivalents, End	38,039,586	31,478,303	37,433,929
CURRENT RATIO	1.28		1.50
DEBT-TO-EQUITY RATIO	2.14		2.07

- Share in net earnings in associates and joint ventures for the first nine months of 2020 decreased by 39% compared to the same period last year. The decrease was mainly due to lower income contribution from SN Aboitiz Power-Magat, Inc. (SN Aboitiz Power-Magat) resulting from a reduction in volume sold caused by reduced water levels.
- EBITDA for the first nine months of 2020 decreased by 12%. This was due to lower demand resulting from the imposition of COVID-19 related quarantine measures. EBITDA was also affected by plant outages during the period, which were partly offset by lower purchased power cost and additional new capacities from Therma Visayas, Inc. (TVI).
- Cash and cash equivalents as of 30 September 2020 increased by ₱606.00 million (mn) compared to the amount as of end-2019. This was mainly due to Company's retail bond issuance in June 2020 which was partly offset by principal payments made on existing loans.
- Current Ratio as of September 30, 2020 was at 1.28x, compared to 1.50x as of December 31, 2019. The decline was primarily due to maturing bonds of the Company that were reclassified from non-current, as well as additional short-term loans availed of by Subsidiaries during the first nine months of 2020.

- Debt-to-Equity Ratio as of September 30, 2020 was at 2.14x, higher than the 2.07x recorded at the end of 2019.

Results of Operations

The Company reported net income for the first nine months of 2020 of ₱7.01 bn, which was 48% lower than the ₱13.45 bn reported for the same period in 2019. This translated to earnings per share of ₱0.95 for the period. The Company recognized non-recurring net gains of ₱528 mn during the relevant period, compared to non-recurring net losses of ₱220 mn during the corresponding period last year, due to net foreign exchange gains on the revaluation of dollar denominated liabilities. Without these one-off gains, the Company's core net income for the first nine months of 2020 was ₱6.5 bn, 53% lower than the ₱13.7 bn recorded during the same period last year. This was due to a decline in EBITDA resulting from lower demand caused by the enforcement of COVID-related community quarantines, as well as lower water inflow. The Company also recorded additional tax expenses during the first nine months of 2020 following the expiration of the income tax holiday (ITH) incentives of Therma South, Inc. (TSI) and GNPowder Mariveles Energy Center Ltd. Co. (GMEC, formerly GNPowder Mariveles Coal Plant Ltd. Co.), as well as additional interest expenses from the Company's bonds and loans that were availed of during the fourth quarter of 2019.

Power Generation and Retail Electricity Supply (RES)

AboitizPower's generation and retail supply business recorded EBITDA of ₱24.9 bn during the first nine months of 2020, 13% lower than the ₱28.7 bn recorded during the corresponding period last year. The variance was primarily due to reduced demand resulting from the enforcement of COVID-related community quarantines and to lower water inflow.

Capacity sold for the first three quarters of 2020 increased by 9% to 3,394 megawatts (MW) from 3,123 MW in the same period in 2019. This was due to increased contracting levels from the new capacity of TVI and additional portfolio contracts. Despite the increase in contracting levels, the reduced demand brought about by the COVID-19 pandemic and the prolonged outage of TSI resulted in an 8% decline in energy sold during the first nine months of 2020 to 16,689 gigawatt-hours (GWh), compared to from 18,083 GWh during the same period in 2019.

Power Distribution

For the first nine months of 2020, AboitizPower's distribution business recorded EBITDA of ₱5.8 bn, 3% lower than the ₱6.0 bn recorded during the same period in 2019. Energy sales decreased by 8% to 3,994 GWh during the first three quarters of 2020, compared to 4,341 GWh during the corresponding period in 2019. This was driven by lower energy consumption from the Commercial and Industrial customer segments resulting from the enforcement of the COVID-related community quarantines.

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 Company decreased by ₱6.45 bn, or 48%. The various movements in line items are shown below to account for the decrease:

Net Income Attributable to Equity Holders of the Parent (January - September 2019)	₱13,454,956
Decrease in operating revenues	(14,318,485)
Decrease in operating expenses	10,266,297
Decrease in interest income	(520,216)
Increase in interest expense	(366,859)
Decrease in share in net earnings of associates and joint ventures	(1,102,390)
Increase in other income	1,309,948
Increase in provision for taxes	(2,277,078)
Decrease in income attributable to non-controlling interests	559,528
Total	<u>(6,449,255)</u>
Net Income Attributable to Equity Holders of the Parent (January - September 2020)	<u>₱7,005,701</u>

Operating Revenues

(15% decrease from ₱94.68 bn to ₱80.36 bn)

The decrease in operating revenues was primarily due to lower demand brought about by the COVID-19 pandemic and resulting community quarantines, lower spot prices and indices, and lower contract rates.

These were partially offset by new capacities from TVI which went online in 2020.

Operating Expenses

(14% decrease from ₱72.45 bn to ₱62.18 bn)

The decrease in operating expenses was mainly due to the lower cost of purchased power and of generated power during the first half of 2020 brought about by COVID-19.

Interest Income

(49% decrease from ₱1.06 bn to ₱540.00 mn)

The decrease in interest income during the first nine months of 2020 compared to the same period in 2019 was primarily due to lower interest rates on placements.

Interest Expense and other financing costs

(4% increase from ₱10.25 bn to ₱10.61 bn)

Interest expense increased during the first nine months of 2020 compared to the same period in 2019 due to the interest and financing costs on AboitizPower's ₱7.25 bn and ₱9.55 bn retail bonds issued in October 2019 and July 2020 respectively, as well as from additional short-term loan availments during the relevant period.

Share in Net Earnings of Associates and Joint Ventures

(39% decrease from ₱2.81 bn to ₱1.71 bn)

Share in net earnings in associates and joint ventures for the first nine months of 2020 decreased by 39% compared to the same period in 2019. The decrease was mainly due to lower income contributions from SN Aboitiz Power-Magat. This was primarily driven by a reduction in volume sold due to reduced water levels.

Other Income (Expenses) – net

(57% increase from ₱2.30 bn to ₱3.61 bn other income)

The increase in other income during the first nine months of 2020 compared to the same period in 2019 was mainly due to foreign exchange gains on US Dollar denominated liabilities resulting from the weakening of the US Dollar as against the Philippine Peso.

Provision for Taxes

(91% increase from ₱2.51 bn to ₱4.79 bn)

The increase in provision for taxes was due to the additional taxes following the expiration of the ITH incentives of TSI and GMEC.

Changes in Registrant’s Resources, Liabilities and Shareholders’ Equity**Assets**

Total assets as of September 30, 2020 (compared to December 31, 2019) decreased by ₱6.36 bn, or 2%. The major movements of the accounts leading to the decrease were as follows:

- i. Cash and cash equivalents increased by ₱606.00 mn, or 2% (from ₱37.43 bn to ₱38.04 bn). This was due to the additional loan availments by the Group.
- ii. Trade and other receivables increased by ₱484.00 mn, or 2% (from ₱21.75 bn to ₱22.23 bn), primarily due to the impact of the extension of bill payments as per Energy Regulatory Commission (ERC) and Department of Energy (DOE) advisories.
- iii. Inventories decreased by ₱82.00 mn or 1% (from ₱6.63 bn to ₱6.55 bn). This was mainly driven by a decrease in Coal inventory.
- iv. Other current assets increased by ₱4.10 bn, or 37% (from ₱11.08 bn to ₱15.19 bn). This was mainly driven by the reclassification of TVI’s restricted cash from Other noncurrent assets.
- v. Investments and advances increased by ₱2.82 bn, or 5% (from ₱60.88 bn to ₱63.70 bn). This was mainly driven by new capital contributions to GN Power Dinginin Ltd. Co.
- vi. Property, plant and equipment decreased by ₱5.01 bn, or 2% (from ₱209.52 bn to ₱204.51 bn). This was primarily due to the depreciation of existing assets.
- vii. Intangible assets decreased by ₱1.96 bn, or 4% (from ₱46.71 bn to ₱44.75 bn). This was primarily due to the amortization of existing assets.
- viii. Financial assets at fair value through profit or loss increased by ₱5 mn, or 135% (from ₱4 mn to ₱9 mn). This was mainly due to mark-to-market valuations.
- ix. Deferred income tax assets decreased by ₱1.06 bn, or 38% (from ₱2.79 bn to ₱1.73 bn). This was mainly due to the reduction of the deferred tax benefits recognized by Therma Luzon, Inc. (TLI) on its net operating loss.
- x. Other noncurrent assets decreased by ₱6.18 bn, or 46% (from ₱13.52 bn to ₱7.34 bn). This was mainly due to the decrease in Input VAT, regular reduction in Power Sector Assets and Liabilities Management Corporation (PSALM) deferred adjustments, and the reclassification of TVI’s restricted cash to Other current assets.

Liabilities

Compared to December 31, 2019, total liabilities as of September 30, 2020 decreased by ₱1.40 bn, or 1%. The major movements of accounts leading to the decrease were as follows:

- i. Short-term loans increased by ₱3.16 bn, or 31% (from ₱10.34 bn to ₱13.49 bn). This was mainly due to new loans availed of by the Group for working capital purposes.
- ii. Trade and other payables increased by ₱1.66 bn, or 7% (from ₱22.38 bn to ₱24.03 bn). This was primarily due to the reclassification of TVI's Other noncurrent liabilities to current. These were partly offset by the reduction of trade payables and accrued expenses.
- iii. Income tax payable increased by ₱685.00 mn, or 134% (from ₱510.00 mn to ₱1.19 bn). This was mainly due to the expiration of the ITH incentives of TSI and GMEC.
- iv. Decommissioning liability increased by ₱899.00 mn, or 25% (from ₱3.57 bn to ₱4.47 bn). This was mainly due to the recognition of additional decommissioning provisions on power plant assets.
- v. Long-term debt (current and non-current portions) increased by ₱770.00 mn (from ₱177.97 bn to ₱178.74 bn). This was mainly due to Company's retail bond issuance in June 2020, which was partly offset by principal payments made on existing loans.
- vi. Lease liabilities (current and noncurrent portions) decreased by ₱4.28 bn (from ₱44.79 bn to ₱40.51 bn), as TLI made timely payments on its obligation to PSALM.
- vii. Long-term obligation on power distribution system (current and noncurrent portions) increased by ₱18.00 mn, or 9% (from ₱199.00 mn to ₱217.00 mn), as interest accretion was regularly recognized.
- viii. Net derivative liabilities increased by ₱737.00 mn (from ₱2.39 bn to ₱3.12 bn) during the first nine months of 2020 due to hedging losses.
- ix. Deferred income tax liabilities increased by ₱58.00 mn, or 7% (from ₱848.00 mn to ₱906.00 mn), mainly due to fair value changes of the Group's foreign currency denominated assets and liabilities.
- x. Other noncurrent liabilities decreased by ₱5.28 bn, or 78% (from ₱6.81 bn to ₱1.53 bn), mainly due to the regular payments of PSALM deferred adjustments and the reclassification of TVI's Other noncurrent liabilities to current.

Equity

Equity attributable to equity shareholders of the Parent Company decreased by 3% (from ₱125.54 bn at the end of 2019 to ₱121.24 bn as of September 30, 2020) after the declaration of dividends in March 2020, net of comprehensive income recognized during the first nine months of 2020. Cumulative translation adjustments decreased by ₱2.37 bn, due to the downward net adjustment in the fair value of the Group's foreign currency forward and commodity swap contracts designated as cash flow hedges, as well as the net assets translation effect of GMEC and Luzon Hydro Corporation during the period.

Material Changes in Liquidity and Cash Reserves of Registrant

As of September 30, 2020, the Group's cash and cash equivalents increased by 2% to ₱38.04 bn, from ₱37.43 bn as of December 31, 2019.

The reduction in demand for power brought about by COVID-19 related community quarantines contributed to lower cash generated from operations during the first nine months of 2020 by ₱7.93 bn, which was a 25% decrease compared to the same period in 2019.

Net cash flows used in investing activities decreased to ₱4.81 bn during the first nine months of 2020, compared to ₱29.55 bn for the same period in 2019, which was mainly due to the ₱24.95 bn AA Thermal acquisition taken up during 2019.

The net cash flows used in financing activities as of September 30, 2020 increased by ₱1.06 bn compared to the same period in 2019, primarily due to payments by the Group of principal amortizations on various loans.

Financial Ratios

As of September 30, 2020, current assets increased by 7% and current liabilities increased by 25% compared to the 31 December 2019. The current ratio as of September 30, 2020 was at 1.28x compared to 1.50x as of December 31, 2019.

Consolidated debt to equity ratio as of September 30, 2020 was at 2.14x, higher than the 2.07x recorded at the end of 2019. This was due to a 1% decrease in total liabilities during the first nine months of 2020, coupled with a 4% decrease in equity during the same period.

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

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

Despite increased competition in the power generation market, the Company believes that it has built the foundation to sustain its long term growth, as seen in its pipeline of six new power generation projects: (1) the Naga Power Plant Complex project; (2) the GNPowder Dinginin project; (3) the SNAP Magat Floating Solar project; (4) the APRI steam drilling project; (5) the TMI Hybrid Battery Energy Storage System ("BESS") project; and (6) the SN Aboitiz Power-Magat BESS project.

The Naga Power Plant Complex's six diesel engine units have all passed the grid compliance tests of the National Grid Corporation of the Philippines (NGCP) and were successfully rehabilitated in January 2020. The units have demonstrated a combined net capacity of 39 MW, almost twice the output of the units prior to Therma Power Visayas, Inc. (TPVI) taking over the complex. During the second quarter of 2020, TPVI obtained a Provisional Authority to Operate from the ERC which allowed TPVI to commence commercial operations. The plant began commercial operations on August 7, 2020 and was first dispatched based on an offer into the Wholesale Electricity Spot Market (WESM) on August 26, 2020. The plant is scheduled for NGCP ASPA testing this November 2020.

The GNPowder Dinginin project is in the final stages of construction but continues to face challenges due to the COVID-19 pandemic and the imposition of the travel ban from China. Project timelines have been impacted due to the imposition of travel restrictions and delays in the delivery of materials. However, with the strict COVID-19 measures implemented on the site, key technical personnel and materials mobilization have now been largely achieved. Due to these circumstances, Unit 1 is now scheduled to commence commercial operations by the second quarter of 2021. Unit 2 is expected to commence commercial operations by the third quarter of 2021.

In June 2019, SN Aboitiz Power-Magat switched on its first 200kW floating solar project over the Magat reservoir in Isabela. This was the first non-hydro renewable energy project of SNAP, which was looking at other renewables and complementary technologies to expand its portfolio. The SN Aboitiz Power-Magat floating solar project has proven its viability, both technical and commercial. On October 21, 2020, the SNAP Board approved for the project to proceed to engineering design for 67 MW.

In relation to AboitizPower's existing capacity, the steam field operator for AP Renewables Inc. (APRI) has commenced the drilling of 12 new wells, which are expected to result in a minimum 50 MW of additional steam capacity by 2022. For Tiwi, the first well drilled was commissioned in December 2019 and was tested at 12.11 MW in January 2020. For MakBan, the first make-up well is targeted by January 2021 with a capacity of 5 to 7 MW. The Company expects to complete the drilling for incremental steam capacity by 2022. The drilling project is significant as it will allow the Company to optimize APRI's current net sellable capacity of 290 MW.

In November 2020, AboitizPower announced its two battery projects. The TMI Hybrid BESS project ("TMI BESS") is located in Maco, Compostela Valley. It has a storage capacity of 49 MW and is intended to be used for ancillary services. Development activities are ongoing to integrate the battery energy storage system with Therma Marine's Maco oil barge. The TMI BESS project is targeted to commence commercial operations in 2022. The SN Aboitiz Power-Magat BESS project ("SNAP BESS") is located in Ramon, Isabela. It has a storage capacity of 20 MW and will be used to provide ancillary services. The project is currently in the pre-construction phase, with the next step being the engagement of a preferred EPC contractor for early works. The SNAP BESS project is targeted to commence commercial operations in 2023.

The TMI BESS and SNAP BESS projects are of strategic significance to AboitizPower as they optimize the capacity of the Company's energy portfolio and build its capability to meet the energy demands of the future, as well as serving as a model for its future battery investments.

As of September 2020, AboitizPower owns 4,435 MW of net attributable capacity, of which 3,499 MW is currently operating.

AboitizPower fully supports the DOE's coal moratorium efforts to make the Philippine energy system more flexible, resilient, and sustainable. The Company has been a pioneer of renewable energy in the country and its diversification into thermal technologies was primarily driven by the country's need for a reliable, accessible, and affordable power supply.

AboitizPower remains committed to growing its attributable capacity, which it expects will be sourced from a portfolio consisting of both renewables and selective baseload builds. In terms of renewable energy, the Company aims to maximize opportunities from the implementation of the Renewable Portfolio Standards ("RPS") by the DOE starting this year. In line with DOE's aspirational goal of a 35% share in renewable energy utilization by 2030, RPS is a market-based policy that mandates power distribution utilities, electric cooperatives, and retail electricity suppliers to source an agreed portion of their energy supplies from renewable energy facilities. The Company will continue to pursue its international aspirations, with a continued focus on renewable energy projects in wind, hydro, solar, and gas in the ASEAN region. With all of these combined, it is expected that the Company's portfolio ratio will be close to a 50:50 Cleanenergy (renewable energy) and thermal capacity mix by the end of the current decade.

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

Despite the challenges posed by the global pandemic and the currently challenging business situation, the Company continues to operate with its business continuity plans in force, in accordance with the

protocols and guidelines of the government's community quarantine. The Company will continue to provide the country with the much-needed power supply for hospitals, government institutions, and critical businesses, while ensuring the safety of its teams, partners, and communities.

Other known trends, events, uncertainties which may have a material impact on AboitizPower have been discussed extensively in sections of the Company's Information Statement (e.g. for an extensive discussion on regulatory issues, see Effects of Existing or Probable Government Regulations on the Business on page 80 of the Company's 2020 Definitive Information Statement).

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	<u>ABOITIZ POWER CORPORATION</u>
	
Principal Accounting Officer	<u>Myla M. Espineda</u>
Signature and Title	<u>AVP – Divisional Operating Profit Management and Special Projects</u>
Date	<u>November 16, 2020</u>
	
Authorized Officer of the Issuer	<u>Manuel Alberto R. Colayco</u>
Signature and Title	<u>Corporate Secretary</u>
Date	<u>November 16, 2020</u>

Aboitiz Power Corporation and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of September 30, 2020 (with Comparative Figures as of December 31, 2019)
and For the Nine-Month Periods Ended September 30, 2020 and 2019

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

(With Comparative Figures as of December 31, 2019)

(Amounts in Thousands)

	September 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱38,039,586	₱37,433,929
Trade and other receivables (Note 6)	22,231,114	21,747,422
Inventories	6,549,766	6,632,029
Other current assets (Note 7)	15,187,130	11,083,405
Total Current Assets	82,007,596	76,896,785
Noncurrent Assets		
Investments and advances (Note 8)	63,697,307	60,878,541
Property, plant and equipment	204,507,338	209,521,466
Intangible assets (Note 10)	44,754,747	46,712,501
Derivative assets - net of current portion (Note 20)	—	82,327
Financial assets at fair value through profit or loss (FVTPL)	9,160	3,906
Net pension assets	68,209	68,209
Deferred income tax assets	1,727,856	2,786,310
Other noncurrent assets	7,335,385	13,519,312
Total Noncurrent Assets	322,100,002	333,572,572
TOTAL ASSETS	₱404,107,598	₱410,469,357

LIABILITIES AND EQUITY**Current Liabilities**

Short-term loans (Note 12)	₱13,491,814	₱10,335,420
Current portions of:		
Long-term debts (Note 13)	16,591,674	10,386,311
Lease liabilities (Note 21)	6,540,210	5,486,745
Long-term obligation on power distribution system	40,000	40,000
Derivative liabilities (Note 20)	2,114,547	2,255,736
Trade and other payables (Note 11)	24,033,901	22,376,120
Income tax	1,194,953	510,137
Total Current Liabilities	64,007,099	51,390,469

(Forward)

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

(With Comparative Figures as of December 31, 2019)

(Amounts in Thousands)

	September 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts (Note 13)	₱162,150,173	₱167,585,311
Lease liabilities (Note 21)	33,973,511	39,302,899
Long-term obligation on power distribution system	177,414	159,350
Derivative liabilities - net of current portion (Note 20)	1,008,948	212,588
Customers' deposits	6,780,255	6,521,469
Decommissioning liability	4,466,892	3,567,492
Deferred income tax liabilities	906,056	848,471
Net pension liabilities	426,047	426,047
Other noncurrent liabilities	1,528,599	6,812,250
Total Noncurrent Liabilities	211,417,895	225,435,877
Total Liabilities	275,424,994	276,826,346
Equity Attributable to Equity Holders of the Parent		
Paid-in capital	19,947,498	19,947,498
Share in net unrealized valuation gain on fair value through other comprehensive income (FVOCI) of an associate (Note 8)	98,602	101,727
Cumulative translation adjustments	(3,368,137)	(994,253)
Share in cumulative translation adjustments of associates and joint ventures (Note 8)	(406,560)	(153,485)
Actuarial losses on defined benefit plans	(923,833)	(923,833)
Share in actuarial gains on defined benefit plans of associates and joint ventures (Note 8)	(13,079)	(14,299)
Acquisition of non-controlling interests	(6,321,325)	(6,321,325)
Excess of cost over net assets of investments	(421,260)	(421,260)
Loss on dilution	(433,157)	(433,157)
Retained earnings (Note 22)		
Appropriated	33,660,000	33,660,000
Unappropriated	79,417,925	81,095,377
	121,236,674	125,542,990
Non-controlling Interests	7,445,930	8,100,021
Total Equity	128,682,604	133,643,011
TOTAL LIABILITIES AND EQUITY	₱404,107,598	₱410,469,357

See accompanying Notes to Consolidated Financial Statements.

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

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Jan - Sep 2020	Jan - Sep 2019	Jul - Sep 2020	Jul - Sep 2019
OPERATING REVENUES (Note 18)	₱80,362,549	₱94,681,034	₱27,330,695	₱30,722,270
OPERATING EXPENSES (Note 15)	62,181,499	72,447,796	20,185,169	22,480,282
FINANCIAL INCOME (EXPENSES)				
Interest income	540,235	1,060,451	134,940	295,776
Interest expense and other financing costs (Note 19)	(10,614,840)	(10,247,981)	(3,417,717)	(3,684,712)
	(10,074,605)	(9,187,530)	(3,282,777)	(3,388,936)
OTHER INCOME (EXPENSES)				
Share in net earnings of associates and joint ventures	1,709,968	2,812,358	730,150	1,767,429
Other income (expenses) - net (Note 16)	3,613,739	2,303,791	2,186,023	241,553
	5,323,707	5,116,149	2,916,173	2,008,982
INCOME BEFORE INCOME TAX	13,430,152	18,161,857	6,778,922	6,862,034
PROVISION FOR INCOME TAX	4,785,682	2,508,604	2,903,173	1,335,516
NET INCOME	₱8,644,470	₱15,653,253	₱3,875,749	₱5,526,518
ATTRIBUTABLE TO:				
Equity holders of the parent	₱7,005,701	₱13,454,956	₱3,268,761	₱4,806,586
Non-controlling interests	1,638,769	2,198,297	606,988	719,932
	₱8,644,470	₱15,653,253	₱3,875,749	₱5,526,518
EARNINGS PER COMMON SHARE (Note 17)				
Basic and diluted, income for the period attributable to ordinary equity holders of the parent	₱0.95	₱1.83	₱0.44	₱0.65

See accompanying Notes to Consolidated Financial Statements.

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

(Amounts in Thousands)

	Jan - Sep 2020	Jan - Sep 2019	Jul - Sep 2020	Jul - Sep 2019
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	P7,005,701	P13,454,956	P3,268,761	P4,806,586
Non-controlling interests	1,638,769	2,198,297	606,988	719,932
	8,644,470	15,653,253	3,875,749	5,526,518
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>				
Share in net unrealized valuation gains (losses) on AFS investments of an associate (Note 8)	(3,125)	—	—	—
Movement in cumulative translation	(2,917,314)	(2,270,151)	(1,344,191)	(1,175,871)
Share in movement in cumulative translation adjustment of associates and joint ventures (Note 8)	(253,075)	(422,043)	(297,262)	(273,631)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(3,173,514)	(2,692,194)	(1,641,453)	(1,449,502)
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>				
Share in actuarial gains on defined benefit plans of associates and joint ventures, net of tax (Note 8)	1,220	(16)	—	—
Net other comprehensive gain (loss) not to be reclassified to profit or loss in subsequent	1,220	(16)	—	—
Total other comprehensive loss for the period, net of tax	(3,172,294)	(2,692,210)	(1,641,453)	(1,449,502)
TOTAL COMPREHENSIVE INCOME	P5,472,176	P12,961,043	P2,234,296	P4,077,016
ATTRIBUTABLE TO:				
Equity holders of the parent	P4,376,837	P11,232,966	P2,053,850	P3,827,306
Non-controlling interests	1,095,339	1,728,077	180,446	249,710
	P5,472,176	P12,961,043	P2,234,296	P4,077,016

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ POWER CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2020 AND DECEMBER 31, 2019
(Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to Equity Holders of the Parent												Total
	Paid-in Capital	Unrealized Valuation Gain on FVOCI Investments of an Associate (Note 8)	Cumulative Translation Adjustments	Cumulative Translation Adjustments of Associates and Joint Ventures (Note 8)	Actuarial Gains (Losses) on Defined Benefit Plans	Gains (Losses) on Defined Benefit Plans of Associates and Joint Ventures (Note 8)	Acquisition of Non-controlling Interests	Excess of cost over net assets of investment (Note 9)	Loss on Dilution	Retained Earnings (Note 22)		Non-controlling Interests	
										Appropriated	Unappropriated		
Balances at January 1, 2020	₱19,947,498	₱101,727	(₱994,253)	(₱153,485)	(₱923,833)	(₱14,299)	(₱6,321,325)	(₱421,260)	(₱433,157)	₱33,660,000	₱81,095,377	₱8,100,021	₱133,643,011
Net income for the period	—	—	—	—	—	—	—	—	—	—	7,005,701	1,638,769	8,644,470
Other comprehensive income	—	(3,125)	(2,373,884)	(253,075)	—	1,220	—	—	—	—	—	(543,430)	(3,172,294)
Total comprehensive income (loss)	—	(3,125)	(2,373,884)	(253,075)	—	1,220	—	—	—	—	7,005,701	1,095,339	5,472,176
Cash dividends - 1.18 per share (Note 22)	—	—	—	—	—	—	—	—	—	—	(8,683,153)	—	(8,683,153)
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(1,446,981)	(1,446,981)
Change in non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(302,449)	(302,449)
Balances at September 30, 2020	₱19,947,498	₱98,602	(₱3,368,137)	(₱406,560)	(₱923,833)	(₱13,079)	(₱6,321,325)	(₱421,260)	(₱433,157)	₱33,660,000	₱79,417,925	₱7,445,930	₱128,682,604
Balances at January 1, 2019	₱19,947,498	₱101,727	₱525,916	₱321,139	(₱587,267)	₱29,729	(₱259,147)	(₱421,260)	(₱433,157)	₱34,060,000	₱74,427,738	₱8,863,751	₱136,576,667
Effect of adoption - PFRS 16	—	—	—	—	—	—	—	—	—	—	(237,889)	(40,070)	(277,959)
Balances at January 1, 2019, as restated	19,947,498	101,727	525,916	321,139	(587,267)	29,729	(259,147)	(421,260)	(433,157)	34,060,000	74,189,849	8,823,681	136,298,708
Net income for the period	—	—	—	—	—	—	—	—	—	—	13,454,957	2,198,297	15,653,254
Other comprehensive income	—	—	(1,799,930)	(422,043)	—	(16)	—	—	—	—	—	(470,221)	(2,692,210)
Total comprehensive income (loss)	—	—	(1,799,930)	(422,043)	—	(16)	—	—	—	—	13,454,957	1,728,076	12,961,044
Cash dividends - 1.47 per share (Note 22)	—	—	—	—	—	—	—	—	—	—	(10,817,148)	—	(10,817,148)
Reversal of appropriation	—	—	—	—	—	—	—	—	—	(12,300,000)	12,300,000	—	—
Appropriations during the period	—	—	—	—	—	—	—	—	—	11,900,000	(11,900,000)	—	—
Acquisition of non-controlling interest	—	—	—	—	—	—	(6,062,178)	—	—	—	—	(710,830)	(6,773,008)
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(2,395,870)	(2,395,870)
Change in non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	125,104	125,104
Balances at September 30, 2019	₱19,947,498	₱101,727	(₱1,274,014)	(₱100,904)	(₱587,267)	₱29,713	(₱6,321,325)	(₱421,260)	(₱433,157)	₱33,660,000	₱77,227,658	₱7,570,161	₱129,398,830

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Jan - Sep 2020	Jan - Sep 2019	Jul - Sep 2020	Jul - Sep 2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	₱13,430,152	₱18,161,857	₱6,778,922	₱6,862,034
Adjustments for:				
Interest expense and other financing costs (Note 19)	10,614,840	10,247,981	3,417,717	3,684,712
Depreciation and amortization	8,124,636	7,216,561	2,786,413	2,599,650
Loss (Gain) on disposal of property, plant and equipment	66,992	267,261	22,082	(2,205)
Unrealized fair valuation loss on derivatives and financial assets at FVTPL (Note 20)	226,406	19,838	195,978	22,229
Share in net earnings of associates and joint ventures (Note 8)	(1,709,968)	(2,812,358)	(730,150)	(1,767,429)
Interest income (Note 5)	(540,235)	(1,060,451)	(134,940)	(295,776)
Net unrealized foreign exchange gains	(1,753,018)	(953,960)	(1,034,825)	324,660
Write-off of project costs and other assets	7,240	9,812	7,240	1,306
Operating income before working capital changes	28,467,045	31,096,541	11,308,437	11,429,181
Decrease (increase) in:				
Trade and other receivables	(1,686,773)	222,321	1,771,691	3,743,307
Inventories	82,263	(977,013)	(205,226)	(1,127,371)
Other current assets	(2,623,132)	2,901,340	(3,376,748)	892,177
Increase (decrease) in:				
Trade and other payables	2,441,136	41,025	867,765	(1,038,192)
Customers' deposits	258,786	318,287	44,538	82,830
Net cash generated from operations	26,939,325	33,602,501	10,410,457	13,981,932
Income and final taxes paid	(3,345,630)	(2,081,731)	(1,572,155)	(624,855)
Net cash flows from operating activities	23,593,695	31,520,770	8,838,302	13,357,077
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash dividends received (Note 8)	2,097,127	1,857,905	855,188	40,180
Interest received	544,248	1,115,153	132,251	302,545
Proceeds from redemption of shares	6,939	5,340	—	—
Decrease (Increase) in other noncurrent assets	(1,756,909)	910,201	(2,442,531)	415,151
Net collection of advances	(15,789)	—	—	—
Disposal of assets at FVTPL	(5,254)	81,208	1,306	34
Additions to:				
Property, plant and equipment	(3,365,818)	(6,983,315)	(1,545,436)	(3,482,160)
Intangible assets - service concession rights (Note 10)	(57,008)	(40,212)	(10,200)	(20,389)
Additional investments (Note 8)	(2,252,987)	(26,499,960)	(719,569)	(1,272,797)
Net cash flows used in investing activities	(4,805,451)	(29,553,680)	(3,728,991)	(4,017,436)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from (payments of) long-term debt (Note 13)	3,921,619	9,773,840	7,061,716	(3,110,453)
Net availments of short-term loans (Note 12)	3,156,394	7,642,783	(9,516,520)	(518,061)
Cash dividends paid (Note 22)	(8,682,746)	(10,817,148)	—	—
Payments of:				
Lease liabilities (Note 21)	(6,428,396)	(7,027,989)	(2,624,668)	(2,350,369)
Acquisition of non-controlling interest (Note 23)	—	(6,773,008)	—	—
Changes in non-controlling interests	(1,446,981)	(2,395,870)	(299,200)	(329,317)
Interest paid	(8,938,539)	(7,760,809)	(3,728,013)	(3,457,406)
Net cash flows used in financing activities	(18,418,649)	(17,358,201)	(9,106,685)	(9,765,606)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	369,595	(15,391,111)	(3,997,374)	(425,965)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	236,062	526,373	106,056	126,512
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	37,433,929	46,343,041	41,930,904	31,777,756
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	₱38,039,586	₱31,478,303	₱38,039,586	₱31,478,303

See accompanying Notes to 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. As of September 30, 2020, Aboitiz Equity Ventures, Inc. (AEV, also incorporated in the Philippines) owns 76.98% of the Company. The ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

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

2. Group Information

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

The following are the subsidiaries as of September 30, 2020 and December 31, 2019:

	Nature of Business	September 30, 2020		December 31, 2019	
		Direct	Indirect	Direct	Indirect
Aboitiz Renewables, Inc. (ARI) and Subsidiaries	Power generation	100.00	–	100.00	–
AP Renewables, Inc. (APRI)	Power generation	–	100.00	–	100.00
Aboitiz Power Distributed Energy, Inc.	Power generation	–	100.00	–	100.00
Aboitiz Power Distributed Renewables, Inc.	Power generation	–	100.00	–	100.00
Hedcor, Inc. (HI)	Power generation	–	100.00	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power generation	–	100.00	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power generation	–	100.00	–	100.00
Luzon Hydro Corporation (LHC)	Power generation	–	100.00	–	100.00
AP Solar Tiwi, Inc.*	Power generation	–	100.00	–	100.00
Retensol, Inc.*	Power generation	–	100.00	–	100.00
AP Renewable Energy Corporation*	Power generation	–	100.00	–	100.00
Aseagas Corporation (Aseagas)*	Power generation	–	100.00	–	100.00
Bakun Power Line Corporation*	Power generation	–	100.00	–	100.00
Cleanergy, Inc.*	Power generation	–	100.00	–	100.00
Cordillera Hydro Corporation*	Power generation	–	100.00	–	100.00
Hedcor Benguet, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	Power generation	–	100.00	–	100.00
Hedcor Kabayan, Inc.*	Power generation	–	100.00	–	100.00
PV Sinag Power, Inc. (former Hedcor Ifugao, Inc.)*	Power generation	–	100.00	–	100.00
Amihan Power, Inc. (former Hedcor Kalinga, Inc.)*	Power generation	–	100.00	–	100.00
Aboitiz Solar Power, Inc. (former Hedcor Itogon Inc.)*	Power generation	–	100.00	–	100.00
Hedcor Manolo Fortich, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Mt. Province, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power generation	–	100.00	–	100.00
Hedcor Tamugan, Inc.*	Power generation	–	100.00	–	100.00

Mt. Apo Geopower, Inc.*	Power generation	–	100.00	–	100.00
Negron Cuadrado Geopower, Inc. *	Power generation	–	100.00	–	100.00
Tagoloan Hydro Corporation*	Power generation	–	100.00	–	100.00
Luzon Hydro Company Limited*	Power generation	–	100.00	–	100.00
Hydro Electric Development Corporation*	Power generation	–	99.97	–	99.97
Therma Power, Inc. (TPI) and Subsidiaries	Power generation	100.00	–	100.00	–
Mindanao Sustainable Solutions, Inc.*	Services	–	100.00	–	100.00
Therma Luzon, Inc. (TLI)	Power generation	–	100.00	–	100.00
Therma Marine, Inc. (Therma Marine)	Power generation	–	100.00	–	100.00
Therma Mobile, Inc. (Therma Mobile)	Power generation	–	100.00	–	100.00
Therma South, Inc. (TSI)	Power generation	–	100.00	–	100.00
Therma Power-Visayas, Inc. (TPVI)*	Power generation	–	100.00	–	100.00
Therma Central Visayas, Inc.*	Power generation	–	100.00	–	100.00
Therma Subic, Inc.*	Power generation	–	100.00	–	100.00
Therma Mariveles Holdings, Inc.	Holding company	–	100.00	–	100.00
GNPower Mariveles Energy Center Ltd. Co. (former GNPower Mariveles Coal Plant) (GMEC)	Power generation	–	78.33	–	78.33
Therma Dinginin Holding Cooperatief U.A.	Holding company	–	100.00	–	100.00
Therma Dinginin B.V.	Holding company	–	100.00	–	100.00
Therma Dinginin Holdings, Inc.	Holding company	–	100.00	–	100.00
Therma Visayas, Inc. (TVI)	Power generation	–	80.00	–	80.00
Abovant Holdings, Inc. (Abovant)	Holding company	–	60.00	–	60.00
AboitizPower International Pte. Ltd. (API)	Holding company	100.00	–	100.00	–
Aboitiz Energy Solutions, Inc. (AESI)	supplier	100.00	–	100.00	–
Adventenergy, Inc. (AI)	supplier	100.00	–	100.00	–
Balamban Enerzone Corporation (BEZ)	Power distribution	100.00	–	100.00	–
Lima Enerzone Corporation (LEZ)	Power distribution	100.00	–	100.00	–
Mactan Enerzone Corporation (MEZ)	Power distribution	100.00	–	100.00	–
Malvar Enerzone Corporation	Power distribution	100.00	–	100.00	–
East Asia Utilities Corporation (EAUC)	Power generation	50.00	50.00	50.00	50.00
Cotabato Light and Power Company (CLP)	Power distribution	99.94	–	99.94	–
Cotabato Ice Plant, Inc.	Manufacturing	–	100.00	–	100.00
Davao Light & Power Company, Inc. (DLP)	Power distribution	99.93	–	99.93	–
Maaraw Holdings San Carlos, Inc. (MHSCI)	Holding company	–	100.00	–	100.00
San Carlos Sun Power, Inc. (Sacasun)	Power generation	–	100.00	–	100.00
AboitizPower International B.V.	Holding company	–	100.00	–	100.00
Subic Enerzone Corporation (SEZ)	Power distribution	65.00	34.98	65.00	34.98
Cebu Private Power Corporation (CPPC)	Power generation	60.00	–	60.00	–
Prism Energy, Inc. (PEI)	supplier	60.00	–	60.00	–
Visayan Electric Company (VECO)	Power distribution	55.26	–	55.26	–

* No commercial operations as of September 30, 2020

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

Basis of Financial Statement Preparation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as of and for the year ended December 31, 2019, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

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

On October 28, 2020, the Audit Committee of the Board of Directors (BOD) approved and authorized the release of the accompanying unaudited interim condensed consolidated financial statements of the Group.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the new and revised standards and Philippine Interpretations which were applied starting January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments did not have an impact in the unaudited interim condensed consolidated financial statements as the Group's practice is generally align with the amendments.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments did not have an impact in the unaudited interim condensed consolidated financial statements.

- *Conceptual Framework for Financial Reporting issued on March 29, 2018*

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment. The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

The Group adopted the amendments beginning January 1, 2020. These amendments did not have an impact in the unaudited interim condensed consolidated financial statements.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance),

regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The adoption of the new standard is not expected to have an impact on the unaudited interim condensed consolidated financial statements of the Group as the Group is not into the business of providing insurance contracts.

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

5. Cash and Cash Equivalents

	September 30, 2020	December 31, 2019
Cash on hand and in banks	₱14,508,649	₱14,177,919
Short-term deposits	23,530,937	23,256,010
	₱38,039,586	₱37,433,929

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

6. Trade and Other Receivables

	September 30, 2020	December 31, 2019
Trade receivables - net of allowance for expected credit losses	₱17,127,127	₱16,420,952
Others		
Dividends receivable	—	1,199,068
Advances to contractors	204,645	63,339
Non-trade receivable	3,811,828	2,972,536
Interest receivable	44,653	48,666
PSALM deferred adjustment	1,042,861	1,042,861
	₱22,231,114	₱21,747,422

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

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

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

7. Other Current Assets

	September 30, 2020	December 31, 2019
Restricted cash	₱8,513,507	₱4,449,716
Input VAT	1,793,405	2,049,496
Prepaid tax	1,486,227	1,854,792
Advances to National Grid Corporation of the Philippines (NGCP)	2,132,100	1,727,028
Prepaid expenses	1,012,576	610,426
Others	249,315	391,947
	₱15,187,130	₱11,083,405

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

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

Prepaid expenses mainly include prepayments for insurance.

8. Investments and Advances

	September 30, 2020	December 31, 2019
Acquisition cost:		
Balance at beginning of the year	₱58,144,997	₱30,559,245
Additions during the period	2,252,987	27,591,092
Redemptions during the period	(6,939)	(5,340)
Balance at end of period	60,391,045	58,144,997
Accumulated equity in net earnings:		
Balance at beginning of the year	3,345,164	3,867,849
Share in net earnings	1,709,968	3,813,962
Transition adjustment	—	(18,691)
Dividends received or receivable	(898,059)	(4,317,956)
Balance at end of period	4,157,073	3,345,164
Share in net unrealized valuation gain on FVOCI investment of an associate	98,602	101,727
Share in actuarial gains on defined benefit plans of associates and joint ventures	(13,079)	(14,299)
Share in cumulative translation adjustments of associates and joint ventures	(406,560)	(153,485)
	64,227,081	61,424,104
Less allowance for impairment losses	568,125	568,125
Investments at equity	63,658,956	60,855,979
Advances	38,351	22,562
	₱63,697,307	₱60,878,541

2020

In 2020, the Group, through TPI and ATI, made capital contributions to GNPD amounting to ₱2.25 billion.

The Group's associates and joint ventures and the corresponding equity ownership as of September 30, 2020 are as follows:

	Nature of Business	Percentage of ownership
Manila-Oslo Renewable Enterprise, Inc. (MORE) ¹	Holding company	83.33
GNPower Dinginin Ltd. Co. (GNPD)* (Note 23)	Power generation	70.00
Hijos de F. Escaño, Inc. (Hijos)	Holding company	46.73
Mazzaraty Energy Corporation (MEC)	Retail electricity supplier	44.87
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	43.78
AA Thermal, Inc. (AA THERMAL) (Note 23)	Holding company	60.00
Pampanga Energy Ventures, Inc. (PEVI)	Holding company	42.84
La Filipina ElektriKa, Inc.*	Power generation	40.00
STEAG State Power, Inc. (STEAG)	Power generation	34.00
AEV Aviation, Inc. (AAI)	Service	26.69
Cebu Energy Development Corporation (CEDC)	Power generation	26.40
Redondo Peninsula Energy, Inc. (RPEI)*	Power generation	25.00
Southern Philippines Power Corporation (SPPC)	Power generation	20.00
Western Mindanao Power Corporation (WMPC)	Power generation	20.00

¹ Joint venture.

* No commercial operations as of September 30, 2020

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

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

	September 30, 2020	December 31, 2019
ATI	₱24,314,535	₱24,084,947
GNPD	18,141,634	17,172,530
MORE	11,286,200	10,180,552
STEAG	3,803,936	4,032,405
CEDC	4,006,231	3,447,491
RPEI	523,779	525,769
PEVI	606,487	508,895
SFELAPCO	423,280	372,917
Hijos	198,102	176,037
WMPC	156,749	142,577
SPPC	53,687	61,497
Others	144,336	150,362
	₱63,658,956	₱60,855,979

9. Joint Operations

Name of Joint Operation	Nature of Business	Percentage of Ownership
		September 30, 2020
Pagbilao Energy Corporation (PEC)	Power generation	50%

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

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

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

10. Intangible Assets

September 30, 2020

	Goodwill	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
Cost:							
Balances at beginning of year	P40,876,082	P5,456,916	P3,078,431	P622,491	P60,068	P468,123	P50,562,111
Additions	—	57,008	—	69,784	—	(10,603)	116,189
Impairment	—	—	—	(7,240)	—	—	(7,240)
Exchange differences	(1,690,395)	(90,394)	—	—	—	55,042	(1,725,747)
Balances at end of year	39,185,687	5,423,530	3,078,431	685,035	60,068	512,562	48,945,313
Accumulated amortization:							
Balances at beginning of year	—	3,050,596	506,659	—	60,068	232,287	3,849,610
Amortization	—	255,249	57,721	—	—	27,986	340,956
Balances at end of year	—	3,305,845	564,380	—	60,068	260,273	4,190,566
Net book values	P39,185,687	P2,117,685	P2,514,051	P685,035	P—	P252,289	P44,754,747

11. Trade and Other Payables

	September 30, 2020	December 31, 2019
Trade payables	P9,850,794	P10,885,721
Output VAT	3,034,196	3,022,048
Amounts due to contractors and other third parties	882,821	1,159,984
PSALM deferred adjustment	1,042,861	1,042,861
Accrued expenses:		
Interest	1,567,049	2,350,811
Materials and supplies cost	66,087	470,588
Taxes and fees	713,805	1,246,863
Claims conversion costs	96,137	102,808
Insurance	18,453	18,437
Dividends payable (see Note 22)	111,666	94,976
Unearned revenues	37,574	37,425
Customers' deposit	29,939	19,360
Nontrade	6,459,172	1,270,946
Others	123,347	653,292
	P24,033,901	P22,376,120

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

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

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

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

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

12. Short-term Loans

		September 30, 2020	December 31, 2019
Peso loans - financial institutions -	2.00% - 4.92% in 2020		
unsecured	2.68% - 4.95% in 2019	P12,882,000	P9,727,800
Temporary advances		609,814	607,620
		P13,491,814	P10,335,420

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

13. Long-term Debts

	2020 Interest Rate	September 30, 2020	December 31, 2019
Company (see Note 14):			
Bonds due 2024	7.51%	₱7,700,000	₱7,700,000
Bonds due 2026	5.28%	7,250,000	7,250,000
Bonds due 2021	5.21%	6,600,000	6,600,000
Bonds due 2026	6.10%	3,400,000	3,400,000
Bonds due 2027	5.34%	3,000,000	3,000,000
Bonds due 2025	8.51%	3,050,000	2,500,000
Bonds due 2022	3.13%	9,000,000	—
Financial institutions - unsecured	5.28%	5,000,000	5,000,000
Financial institutions - unsecured	LIBOR + 1.20%	14,548,500	15,190,500
Subsidiaries:			
GMEC			
Financial institutions - unsecured	LIBOR + 1.7% - 4.00%	33,752,172	37,247,830
TVI			
Financial institutions - secured	5.56% to 9.00%	29,418,667	31,520,000
AESI			
Financial institutions - secured	5.026% to 5.42%	600,000	—
TSI			
Financial institutions - secured	5.05%-5.70%	19,384,195	20,039,365
APRI			
Financial institutions - secured	4.48% - 5.20%	6,873,920	8,124,160
Hedcor Bukidnon			
Financial institutions - secured	4.75% - 7.36%	9,315,000	9,416,666
TPVI			
Financial institutions - unsecured	3.32%-5.06%	1,488,750	1,300,000
Hedcor Sibulan			
Fixed rate corporate notes - unsecured	4.53% - 5.42%	3,801,400	3,801,400
HI			
Financial institution - secured	7.41%	423,000	423,000
Financial institution - secured	7.87%	1,207,000	1,327,000
VECO			
Financial institution - unsecured	4.70% - 4.92%	776,000	776,000
LHC			
Financial institutions - secured	2.94%	434,030	564,580
DLP			
Financial institution - unsecured	4.68% to 4.92%	582,000	582,000
AI			
AEV - unsecured	4.00%	300,000	300,000
SEZ			
Financial institution - unsecured	5.00%	56,500	113,000
CLP			
Financial institution - unsecured	4.69% to 4.92%	116,400	116,400
Joint operation (see Note 9)			
Financial institutions - secured	5.50% - 8.31%	12,251,259	13,380,097
		180,328,793	179,671,998
Less deferred financing costs		1,586,946	1,700,376
		178,741,847	177,971,622
Less current portion - net of deferred financing costs		16,591,674	10,386,311
		₱162,150,173	₱167,585,311

Loan covenants

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

These restrictions and requirements were complied with by the Group as of September 30, 2020 and December 31, 2019.

14. Debt Securities

The Company registered and issued P10 billion worth of peso denominated fixed rate retail bonds on September 10, 2014.

On July 3, 2017, the Company issued the first tranche on the P30 billion bonds registered in June 2017.

In October 2018, the Company issued and registered a total of P10.20 billion bonds.

In October 2019, the Company issued and registered a total of P7.25 billion bonds.

In July 2020, the Company issued and registered a total of P9.55 billion bonds.

Terms of the bonds are as follows:

Maturity	Interest Rate (p.a.)	Amount
12-year bonds to mature on September 10, 2026	6.10%	P3,400,000
10-year bonds to mature on September 10, 2021	5.21%	P6,600,000
10-year bonds to mature on July 3, 2027	5.3367%	P3,000,000
5.25-year bonds to mature on January 25, 2024	7.51%	P7,700,000
7-year bonds to mature on October 25, 2025	8.51%	P2,500,000
7-year bonds to mature on October 14, 2026	5.28%	P7,250,000
2-year bonds to mature on July 6, 2022	3.13%	P9,000,000
5-year bonds to mature on July 6, 2025	3.94%	P550,000

15. Operating Expenses

For the period ended September 30

	2020	2019
Cost of purchased power	P23,608,193	P27,190,731
Cost of generated power	18,506,175	26,838,769
Depreciation and amortization	8,124,636	7,216,561
General and administrative	6,161,221	6,140,857
Operations and maintenance	5,781,274	5,060,878
	P62,181,499	P72,447,796

16. Other Income (Expenses)

	For the period ended September 30	
	2020	2019
Net foreign exchange gain (loss)	₱1,480,964	₱131,783
Surcharges	315,159	399,984
Non-utility operating income	887,435	118,862
Rental income	29,296	45,949
Write off of project costs and other assets	(7,240)	(18,466)
Losses on disposal of property, plant and equipment	(66,992)	(267,474)
Others - net	975,117	1,893,153
	₱3,613,739	₱2,303,791

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

"Others" include other non-recurring items like sale of scrap and sludge oil in 2020 and reversal of APRI and TLI's liability to PSALM pertaining to GRAM and ICERA in 2019.

17. Earnings Per Common Share

Earnings per common share amounts were computed as follows:

	For the periods ended September 30	
	2020	2019
a. Net income attributable to equity holders of the parent	₱7,005,701	₱13,455
b. Average number of outstanding shares	7,358,604,307	7,358,604,307
Earnings per share (a/b)	₱0.95	₱1.83

There are no dilutive potential common shares as of September 30, 2020 and 2019.

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 2020

	Power Generation	Power Distribution	Parent and Others	Total
Revenue from power supply contracts	₱28,825,369	–	–	₱28,825,369
Revenue from distribution services	–	30,616,310	–	30,616,310
Revenue from retail electricity sales	–	–	11,696,258	11,696,258
Revenue from non-power supply contracts	9,111,632	–	–	9,111,632
Revenue from technical and management services	–	–	112,980	112,980
	₱37,937,001	₱30,616,310	₱11,809,238	₱80,362,549

January - September 2019

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

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

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

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

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

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

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

September 30, 2020

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱37,937,001	₱30,616,310	₱11,809,238	₱—	₱80,362,549
Inter-segment	16,966,491	824,306	1,065,694	(18,856,491)	—
Total Revenue	₱54,903,492	₱31,440,616	₱12,874,932	(₱18,856,491)	₱80,362,549
Segment Results	₱14,543,169	₱3,409,317	₱228,564	₱—	₱18,181,050
Unallocated corporate income - net	1,744,006	1,330,551	539,182	—	3,613,739
INCOME FROM OPERATIONS	16,287,175	4,739,868	767,746	—	21,794,789
Interest expense	(7,818,765)	(532,088)	(2,263,987)	—	(10,614,840)
Interest income	327,652	45,474	167,109	—	540,235
Share in net earnings of associates and joint ventures	1,499,896	187,613	8,893,393	(8,870,934)	1,709,968
Provision for income tax	(3,425,612)	(1,180,927)	(179,143)	—	(4,785,682)
NET INCOME	₱6,870,346	₱3,259,940	₱7,385,118	(₱8,870,934)	₱8,644,470
OTHER INFORMATION					
Investments	₱62,285,744	₱1,029,766	₱165,227,603	(₱164,884,157)	₱63,658,956
Segment Assets	₱295,078,044	₱35,526,173	₱198,939,476	(₱125,436,095)	₱404,107,598
Segment Liabilities	₱179,506,838	₱29,094,885	₱77,202,233	(₱10,378,962)	₱275,424,994
Depreciation and Amortization	₱7,166,476	₱815,217	₱34,179	₱108,764	₱8,124,636

September 30, 2019

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱41,562,308	₱34,992,680	₱18,126,046	₱—	₱94,681,034
Inter-segment	22,120,253	977,885	2,369,972	(25,468,110)	—
Total Revenue	₱63,682,561	₱35,970,565	₱20,496,018	(₱25,468,110)	₱94,681,034
Segment Results	₱17,313,609	₱4,283,285	₱636,344	₱—	₱22,233,238
Unallocated corporate income - net	1,782,805	739,357	(218,371)	—	2,303,791
INCOME FROM OPERATIONS	19,096,414	5,022,642	417,973	—	24,537,029
Interest expense	(7,996,060)	(388,347)	(1,863,574)	—	(10,247,981)
Interest income	774,786	31,139	254,526	—	1,060,451
Share in net earnings of associates and joint ventures	2,663,152	148,917	15,426,110	(15,425,821)	2,812,358
Provision for income tax	(1,034,615)	(1,261,956)	(212,033)	—	(2,508,604)
NET INCOME	₱13,503,677	₱3,552,395	₱14,023,002	(₱15,425,821)	₱15,653,253
OTHER INFORMATION					
Investments	₱60,763,058	₱900,270	₱161,743,862	(₱161,415,981)	₱61,991,209
Segment Assets	₱300,991,970	₱31,564,401	₱188,223,439	(₱115,994,666)	₱404,785,144
Segment Liabilities	₱188,083,182	₱25,453,487	₱73,367,939	(₱11,518,293)	₱275,386,315
Depreciation and Amortization	₱6,320,643	₱750,880	₱27,693	₱117,345	₱7,216,561

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.

Risk Management Structure

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

Financial risk committee

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

Treasury service group

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

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

Liquidity risk

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

In managing its long-term financial requirements, the Group's policy is that not more than 25% of long-term borrowings should mature in any twelve-month period. 10.23% of the Group's debt will mature in less than one year as of September 30, 2020 (December 31, 2019: 6.97%). 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, 2020 based on contractual undiscounted principal payments:

	Total carrying value	Contractual undiscounted principal payments				
		Total	On demand	<1 year	1 to 5 years	> 5 years
Short-term loans	₱13,491,814	₱13,491,814	₱—	₱13,491,814	₱—	₱—
Trade and other payables*	21,776,518	21,776,518	1,965,232	18,282,689	1,528,597	—
Long-term debts	178,741,847	180,328,793	—	16,736,529	95,644,682	67,947,582
Customers' deposits	6,780,255	6,780,255	—	—	403,028	6,377,227
Lease liabilities	40,513,721	56,642,147	—	9,117,883	44,872,854	2,651,410
Long-term obligation on PDS	217,414	360,000	—	40,000	200,000	120,000
Derivative liabilities	3,123,495	3,123,495	—	2,114,547	1,008,948	—
	₱264,645,064	₱282,503,022	₱ 1,965,232	₱ 59,783,462	₱ 143,658,109	₱ 77,096,219

*Include the noncurrent portion of the PSALM deferred adjustment presented under noncurrent liabilities in the audited interim consolidated balance sheet.

Market Risk

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

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of September 30, 2020, 15% of the Group's long-term debt had annual floating interest rates ranging from 1.45% to 3.60%, and 85% have annual fixed interest rates ranging from 4.00% to 8.50%. As of December 31, 2019, 16% of the Group's long-term debt had annual floating interest rates ranging from 3.09% to 4.81%, and 84% have annual fixed interest rates ranging from 4.05% 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, 2020

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	P1,769,848	P22,008,289	P3,510,251	P27,288,388

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

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

	Increase (decrease) in basis points	Effect on income before tax
September 2020	200	(P545,768)
	(100)	272,884
September 2019	200	(P586,577)
	(100)	293,289

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

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

	For the period ended September 30	
	2020	2019
Short-term loans and long-term debt	P8,256,917	P6,871,346
Lease liabilities (Note 21)	2,192,202	3,136,202
Customers' deposits	940	293
Other long-term obligations	164,781	240,140
	P10,614,840	P10,247,981

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 29% and 32% of total consolidated borrowings as of September 30, 2020 and December 31, 2019.

Presented below are the Group's foreign currency denominated financial assets and liabilities as of September 30, 2020 and December 31, 2019, translated to Philippine Peso:

	September 30, 2020		December 31, 2019	
	US Dollar	Philippine Peso equivalent ¹	US Dollar	Philippine Peso equivalent ²
Financial assets:				
Cash and cash equivalents	\$120,764	₱5,856,450	\$43,352	₱2,195,129
Trade and other receivables	4	194	18,725	948,140
Advances to associates	852	41,318	—	—
Total financial assets	121,620	5,897,962	62,077	3,143,269
Financial liabilities:				
Short-term loans	12,575	609,814	12,000	607,620
Trade and other payables	23,392	1,134,395	13,439	680,493
Long-term debt	300,000	14,548,500	300,000	15,190,500
Lease liabilities	406,959	19,735,477	443,002	22,431,406
Total financial liabilities	742,926	36,028,186	768,441	38,910,019
Total net financial liabilities	(\$621,306)	(₱30,130,224)	(\$706,364)	(₱35,766,750)

¹\$1 = 48.50

²\$1 = 50.635

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rates, with all other variables held constant, of the Group's income before tax as of September 30, 2020:

	Increase (decrease) in US Dollar	Effect on income before tax
US Dollar denominated accounts	US Dollar strengthens by 5%	(₱1,506,511)
US Dollar denominated accounts	US Dollar weakens by 5%	1,506,511

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

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

Credit risk

For its cash investments (including restricted portion), financial assets at FVTPL and receivables, the Group's credit risk pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these investments. With respect to cash investments and financial assets at FVTPL, the risk is mitigated by the short-term and/or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions and entities of high credit standing. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Group's policy to only enter into transactions with credit-worthy parties to mitigate any

significant concentration of credit risk. The Group ensures that sales are made to customers with appropriate credit history and it has internal mechanisms to monitor the granting of credit and management of credit exposures.

Concentration Risk

Credit risk concentration of the Group's receivables according to the customer category is summarized in the following table:

	September 30, 2020	December 31, 2019
Power distribution:		
Industrial	₱5,038,594	₱5,554,969
Residential	2,589,588	1,825,217
Commercial	838,307	437,994
City street lighting	236,672	111,570
Power generation:		
Spot market	2,582,226	1,481,760
Power supply contracts	8,468,588	5,520,439
	₱19,753,975	₱14,931,949

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, 2020 and December 31, 2019 are as follows:

	September 30, 2020	December 31, 2019
Short-term loans	₱13,491,814	₱10,335,420
Long-term obligations	219,255,568	222,761,266
Cash and cash equivalents	(38,039,586)	(37,433,929)
Restricted cash	(8,513,507)	(9,121,747)
Net debt (a)	186,194,289	186,541,010
Equity	128,682,604	133,643,011
Equity and net debt (b)	314,876,893	320,184,021
Gearing ratio (a/b)	59.13 %	58.26 %

No changes were made in the objectives, policies or processes during the periods ended September 30, 2020 and December 31, 2019.

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, 2020		December 31, 2019	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Asset				
PSALM deferred adjustment	P2,400,942	P2,166,120	P3,183,080	P2,846,279
Financial Liabilities				
Lease liabilities	P40,513,721	P37,822,318	P44,789,644	P38,495,450
Long-term debt - fixed rate	151,453,459	157,007,069	148,642,748	152,786,437
PSALM deferred adjustment	2,400,942	2,166,120	3,183,080	2,846,279
Long-term obligation on power distribution system	217,414	289,023	199,350	320,194
	P194,585,536	P197,284,530	P196,814,822	P194,448,360

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

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

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

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

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

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

Customers' deposits. The fair value of bill deposits approximates the carrying values as these deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines. The timing and related amounts of future cash flows relating to transformer and

lines and poles deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

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

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

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

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

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

The movements in fair value changes of all derivative instruments for the nine-month period ended September 30, 2020 and for the year ended December 31, 2019 are as follows:

	2020	2019
At beginning of year	(P2,385,997)	P132,902
Net changes in fair value of derivatives designated as cash flow hedges	(232,687)	(2,515,732)
Net changes in fair value of derivatives not designated as accounting hedges	(226,406)	(3,889)
Fair value of settled instruments	(278,405)	722
At end of period	(P3,123,495)	(P2,385,997)

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, 2020, 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 liabilities	3,123,495	–	3,123,495	–
Disclosed at fair value:				
Lease liabilities	37,822,318	–	–	37,822,318
Long-term debt - fixed rate	157,007,069	–	–	157,007,069
Long-term obligation on PDS	289,023	–	–	289,023

During the nine-month period ended September 30, 2020, 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 period:

	Land	Building	Power Plant	Equipment and Others	Total	Lease liabilities
As at January 1, 2020	₱2,730,076	₱230,234	₱33,575,200	₱117,602	₱36,653,112	₱44,789,644
Amortization expense	(74,244)	(14,374)	(820,885)	(16,079)	(925,582)	–
Interest expense	–	–	–	–	–	2,192,202
Payments	–	–	–	–	–	(6,428,396)
Others	–	–	–	–	–	(39,729)
As at September 30, 2020	₱2,655,832	₱215,860	₱32,754,315	₱101,523	₱35,727,530	₱40,513,721

Set out below, are the amounts recognized in the unaudited consolidated statements of income for the Nine months ended September 30, 2020:

Amortization expense of right-of-use assets	₱925,582
Interest expense on lease liabilities	2,192,202
Rent expense - short-term leases	58,218
	₱3,176,002

22. Retained Earnings

- On March 6, 2020, the BOD approved the declaration of regular cash dividends of ₱1.18 a share (₱8.68 billion) to all stockholders of record as of March 20, 2020. These dividends were paid on April 3, 2020.
- The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements.

23. Disclosures

1. COVID 19

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed community quarantine throughout the island of Luzon until April 12, 2020, as subsequently extended to April 30, 2020. This was further extended to May 15, 2020 in selected areas including the National Capital Region. The government released further guidelines extending the quarantines under different levels of strictness depending on the assessment of the situation in the numerous parts of the country. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Group is operating normally but at a lower energy dispatch level because of the decreased demand during the community quarantines. In addition, because of the decrease in energy demand, market prices are down. Furthermore, collections are not expected to be made on their original due dates because of the staggered payment scheme implemented by the Energy Regulatory Commission with respect to the consumers' energy bills.

Considering the evolving nature of this outbreak, the Group will continue to monitor the situation in subsequent periods.

2. 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.

3. Pagbilao IPP Administration Agreement

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

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

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

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

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

The present value of the future minimum monthly dollar and peso payments under the IPP Administration Agreement as of September 30, 2020:

Present value of minimum monthly payments to PSALM	P38,489,776
Less: Current portion	(6,451,472)
<u>Noncurrent portion of lease liability</u>	<u>P32,038,304</u>

4. Property, Plant and Equipment

During the nine-month period ended September 30, 2020, the Group's additions to property, plant and equipment amounted to P3.35 billion.

5. Dividends to Non-controlling Interests

The Group's material partly-owned subsidiaries, namely GMEC and VECO, paid cash dividends amounting to P1.40 billion and P2.01 billion to non-controlling interests during the nine-month periods ended September 30, 2020 and 2019, respectively.

6. Material Events and Changes

Mekong Transaction

On April 1 2020, the Group disclosed that it was informed by AboitizPower International Pte. Ltd. ("AboitizPower Intl.") that its planned acquisition of a 100% ownership interest in Mekong Wind Pte. Ltd. from Armstrong Southeast Asia Clean Energy Fund Pte. Ltd. ("AAM") was not completed due to a condition precedent being unmet by the agreed longstop date. As a result, AboitizPower Intl. decided to hold-off the transaction.

AboitizPower Intl. is in discussions with AAM to revisit the acquisition at a future date.

The termination of the transaction has no impact to the Group's existing operations and financial performance.

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

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

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

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

9.55 billion bond issuance

The Company issued the fourth and last tranche of its 30 billion debt securities program, equivalent to 9.55 billion in July (the "Series E and F Bonds"). The Fixed Rate "Series E and F Bonds" has an interest rate of 3.125% and 3.935% per annum maturing in 2022 and 2025 respectively. The bonds have been rated PRS Aaa by PhilRatings.

7. Material Adjustments

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

8. Contingencies

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

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

SCHEDULE A - USE OF PROCEEDS**1) Ten Billion Fixed Rate Bonds issued in 2014**

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

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

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

As of December 31, 2019 the proceeds from the 2017 bonds were fully utilized for the following projects:

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

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

As of March 31, 2020 the proceeds from the 2018 bonds were fully utilized for the following:

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

4) Series "D" of the Thirty Billion Shelf Registration issued in 2019

As of December 31, 2019, the proceeds from the 2019 bonds were fully utilized for the following:

Name of Project	Projected Usage (Per Prospectus)	Actual Usage
Repayment of short-term loan	7,161,972	7,250,000
Bond issuance costs	88,028	—
TOTAL	7,250,000	7,250,000

5) Series "E" and "F" of the Thirty Billion Shelf Registration issued in 2020

As of September 30, 2020, the proceeds from the 2020 bonds were utilized for the following:

Name of Project	Projected Usage (Per Prospectus)	Actual Usage
Reimburse Previous Equity Contributions to GNPD through AA Thermal and TPI	6,736,749	6,736,749
Fund Succeeding Equity Infusions in AA Thermal and TPI	2,082,873	719,569
General corporate purposes	614,889	—
Bond issuance costs	115,489	113,547
TOTAL	9,550,000	7,569,865

SCHEDULE B – RELEVANT FINANCIAL RATIOS

	Formula	Sep 30, 2020	Dec 31, 2019
LIQUIDITY RATIOS			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.28	1.50
Acid test ratio	$\frac{\text{Cash + Marketable securities} + \text{Accounts receivable} + \text{Other liquid assets}}{\text{Current liabilities}}$	0.94	1.15
SOLVENCY RATIOS			
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	2.14	2.07
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	3.14	3.07
Net debt to equity ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity}}$	1.45	1.42
Gearing ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity} + (\text{Debt - Cash \& cash equivalents})}$	59.13%	58.60%
Interest coverage ratio	$\frac{\text{EBIT}}{\text{Interest expense}}$	n.a	2.83
PROFITABILITY RATIOS			
Operating margin	$\frac{\text{Operating profit}}{\text{Total revenues}}$	n.a	23%
Return on equity	$\frac{\text{Net income after tax}}{\text{Total equity}}$	n.a	14%

*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, 2020

	30 Days	60 Days	90 Days	Over 90 Days	Total
Trade receivables					
Power Distribution Customers	3,820,889	1,181,918	391,622	889,238	6,283,667
Power Generation Customers	5,158,197	240,296	143,340	5,508,981	11,050,814
Management & Other Services Customers	1,644,788	106,207	110,603	557,896	2,419,494
	10,623,874	1,528,421	645,565	6,956,115	19,753,975
Less : Allowance for estimated credit losses					2,626,847
Net trade receivables					17,127,128
Non-trade receivables	5,101,683	-	-	2,303	5,103,986
Grand Total	15,725,557	1,528,421	645,565	6,958,418	22,231,114

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

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED 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, retail electricity supply and power distribution in the Aboitiz Group. As of December 31, 2019, Aboitiz Equity Ventures, Inc. (AEV, also incorporated in the Philippines) owns 76.98% of the Company. The ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

The Company's registered office address is 32nd Street, Bonifacio Global City, Taguig City, Metro Manila.

The consolidated financial statements of the Group were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 6, 2020.

2. Group Information

The 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"; see Note 11). The following are the subsidiaries as of December 31 of each year:

	Nature of Business	Percentage of Ownership					
		2019		2018		2017	
		Direct	Indirect	Direct	Indirect	Direct	Indirect
Aboitiz Renewables, Inc. (ARI) and Subsidiaries	Power generation	100.00	-	100.00	-	100.00	-
AP Renewables, Inc. (APRI)	Power generation	-	100.00	-	100.00	-	100.00
Aboitiz Power Distributed Energy, Inc.	Power generation	-	100.00	-	100.00	-	100.00
Aboitiz Power Distributed Renewables, Inc.	Power generation	-	100.00	-	100.00	-	100.00
Hedcor, Inc. (HI)	Power generation	-	100.00	-	100.00	-	100.00
Hedcor Sibulan, Inc. (HSI)	Power generation	-	100.00	-	100.00	-	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power generation	-	100.00	-	100.00	-	100.00
Luzon Hydro Corporation (LHC)	Power generation	-	100.00	-	100.00	-	100.00
AP Solar Tiwi, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
Retensol, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
AP Renewable Energy Corporation*	Power generation	-	100.00	-	100.00	-	100.00
Aseagas Corporation (Aseagas)*	Power generation	-	100.00	-	100.00	-	100.00
Bakun Power Line Corporation*	Power generation	-	100.00	-	100.00	-	100.00
Cleanergy, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
Cordillera Hydro Corporation*	Power generation	-	100.00	-	100.00	-	100.00
Hedcor Benguet, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	Power generation	-	100.00	-	100.00	-	100.00
Hedcor Kabayan, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
PV Sinag Power, Inc. (formerly Hedcor Ifugao, Inc.)*	Power generation	-	100.00	-	100.00	-	100.00
Amihan Power, Inc. (formerly Hedcor Kalinga, Inc.)*	Power generation	-	100.00	-	100.00	-	100.00
Aboitiz Solar Power, Inc. (formerly Hedcor Itogon Inc.)*	Power generation	-	100.00	-	100.00	-	100.00
Hedcor Manolo Fortich, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
Hedcor Mt. Province, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power generation	-	100.00	-	100.00	-	100.00
Hedcor Tamugan, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
Mt. Apo Geopower, Inc.*	Power generation	-	100.00	-	100.00	-	100.00
Negron Cuadrado Geopower, Inc. (NCGI)*	Power generation	-	100.00	-	100.00	-	100.00
Tagoloan Hydro Corporation*	Power generation	-	100.00	-	100.00	-	100.00
Luzon Hydro Company Limited*	Power generation	-	100.00	-	100.00	-	100.00
Hydro Electric Development Corporation*	Power generation	-	99.97	-	99.97	-	99.97

(Forward)



	Nature of Business	Percentage of Ownership					
		2019		2018		2017	
		Direct	Indirect	Direct	Indirect	Direct	Indirect
Therma Power, Inc. (TPI) and Subsidiaries	Power generation	100.00	-	100.00	-	100.00	-
Mindanao Sustainable Solutions, Inc.*	Services	-	100.00	-	100.00	-	100.00
Therma Luzon, Inc. (TLI)	Power generation	-	100.00	-	100.00	-	100.00
Therma Marine, Inc. (Therma Marine)	Power generation	-	100.00	-	100.00	-	100.00
Therma Mobile, Inc. (Therma Mobile)	Power generation	-	100.00	-	100.00	-	100.00
Therma South, Inc. (TSI)	Power generation	-	100.00	-	100.00	-	100.00
Therma Power-Visayas, Inc. (TPVI) *	Power generation	-	100.00	-	100.00	-	100.00
Therma Central Visayas, Inc. *	Power generation	-	100.00	-	100.00	-	100.00
Therma Subic, Inc. *	Power generation	-	-	-	-	-	100.00
Therma Mariveles Holding Cooperatief U.A. (A,D)	Holding company	-	-	-	-	-	100.00
Therma Mariveles Camaya B.V. (A,D)	Holding company	-	100.00	-	100.00	-	100.00
Therma Mariveles Holdings, Inc.	Holding company	-	78.33	-	66.07	-	66.07
GNPower Mariveles Coal Plant Ltd. Co. (GMCP) (A,C)	Power generation	-	-	-	100.00	-	100.00
Therma Dinginin Holding Cooperatief U.A. (B,E)	Holding company	-	-	-	100.00	-	100.00
Therma Dinginin B.V. (B,E)	Holding company	-	100.00	-	100.00	-	100.00
Therma Dinginin Holdings, Inc.	Holding company	-	80.00	-	80.00	-	80.00
Therma Visayas, Inc. (TVI)	Power generation	-	60.00	-	60.00	-	60.00
Abovant Holdings, Inc.	Holding company	100.00	-	100.00	-	100.00	-
AboitizPower International Pte. Ltd. (API)	Holding company	100.00	-	100.00	-	100.00	-
Aboitiz Energy Solutions, Inc. (AESI)	Retail electricity supplier	100.00	-	100.00	-	100.00	-
Adventenergy, Inc. (AI)	Retail electricity supplier	100.00	-	100.00	-	100.00	-
Balamban Enerzone Corporation (BEZ)	Power distribution	100.00	-	100.00	-	100.00	-
Lima Enerzone Corporation (LEZ)	Power distribution	100.00	-	100.00	-	100.00	-
Mactan Enerzone Corporation (MEZ)	Power distribution	100.00	-	100.00	-	100.00	-
Malvar Enerzone Corporation (MVEZ)	Power distribution	50.00	50.00	50.00	50.00	50.00	50.00
East Asia Utilities Corporation (EAUC)	Power generation	99.94	-	99.94	-	99.94	-
Cotabato Light and Power Company (CLP)	Power distribution	-	100.00	-	100.00	-	100.00
Cotabato Ice Plant, Inc.	Manufacturing	99.93	-	99.93	-	99.93	-
Davao Light & Power Company, Inc. (DLP)	Power distribution	-	100.00	-	100.00	-	100.00
Maaraw Holdings San Carlos, Inc. (MHSCI, see Note 9)	Holding company	-	100.00	-	100.00	-	100.00
San Carlos Sun Power, Inc. (Sacasan, see Note 9)	Power generation	-	100.00	-	100.00	-	100.00
AboitizPower International B.V. (APIBV, see Note 9)	Holding company	-	100.00	-	100.00	-	100.00
Subic Enerzone Corporation (SEZ)	Power distribution	65.00	34.98	65.00	34.98	65.00	34.98
Cebu Private Power Corporation (CPPC)	Power generation	60.00	-	60.00	-	60.00	-
Prism Energy, Inc. (PEI)	Retail electricity supplier	60.00	-	60.00	-	60.00	-
Visayan Electric Company (VECO)	Power distribution	55.26	-	55.26	-	55.26	-

a) Part of Therma Mariveles Group

b) Part of Therma Dinginin Group

c) In 2019, ownership increased in relation to AA Thermal, Inc. (ATI) acquisition (Note 10).

d) Dissolved and liquidated in 2018 as part of TPI's restructuring of its offshore intermediary companies acquired as part of the GNPower acquisition

e) Dissolved and liquidated in 2019 as part of TPI's restructuring of its offshore intermediary companies acquired as part of the GNPower acquisition

* No commercial operations as of December 31, 2019.

All of the foregoing subsidiaries are incorporated and registered with the Philippine SEC and operate in the Philippines except for the following:

Subsidiary	Country of incorporation
AboitizPower International Pte. Ltd.	Singapore
AboitizPower International B.V.	Netherlands
Therma Mariveles Holding Cooperatief U.A.	Netherlands
Therma Mariveles Camaya B.V.	Netherlands
Therma Dinginin Holding Cooperatief U.A.	Netherlands
Therma Dinginin B.V.	Netherlands



Material partly-owned subsidiary

Information of subsidiaries that have material non-controlling interests is provided below:

	2019	2018	2019	2018
	GMCP	GMCP	VECO	VECO
Summarized balance sheet information				
Current assets	₱10,006,452	₱13,319,702	₱4,989,549	₱5,490,252
Noncurrent assets	32,432,202	34,003,425	13,621,804	11,577,649
Current liabilities	4,612,886	5,490,602	6,869,764	7,945,148
Noncurrent liabilities	35,149,248	37,651,754	4,945,832	3,748,561
Non-controlling interests	2,277,399	1,793,715	2,680,701	2,155,912
Summarized comprehensive income information				
Profit for the year	₱3,803,229	₱6,656,926	₱2,468,943	₱2,282,626
Total comprehensive income	3,428,913	7,470,424	2,482,145	2,268,931
Summarized other financial information				
Profit attributable to non-controlling interests	₱1,289,565	₱2,258,695	₱1,076,870	₱993,505
Dividends paid to non-controlling interests	1,628,509	3,348,883	555,622	979,147
Summarized cash flow information				
Operating	₱9,044,012	₱8,392,378	₱2,779,002	₱2,520,603
Investing	(62,051)	(856,220)	(1,107,726)	(922,612)
Financing	(9,867,586)	(6,258,128)	(732,901)	(1,632,733)
Net increase (decrease) in cash and cash equivalents	(866,957)	1,154,253	938,375	(34,742)

3. Summary of Significant Accounting Policies

Basis of Preparation

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

The consolidated financial statements provide comparative information in respect of the previous periods.

Statement of Compliance

The consolidated financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).



REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

CERTIFICATION

We, Michael G. Munsayac and Emily C. Bello, Filipino, of legal age, with business address at 15th Floor South Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City, Metro Manila, being duly sworn in accordance with law, hereby certify that:

1. We are the Vice President and Senior Assistant Vice President of BDO Unibank, Inc. – Trust and Investments Group, a corporation duly organized, existing and licensed to engaged in the business of banking, under and by virtue of the laws of the Republic of the Philippines, with office address at the 15th Floor South Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City, Metro Manila, Philippines (the “Trustee”)

2. The Trustee is licensed by the *Bangko Sentral ng Pilipinas* and is authorized under all relevant laws and regulations to engage in trust functions, which license and authority remain valid and effective as of the date hereof.

3. The Trustee is eligible to perform the functions as may be set out in the Trust Agreement to be executed by it with Aboitiz Power Corporation (the “Issuer”) in relation to the offer by the Issuer to issue of up to the amount of P4,000,000,000.00 of fixed rate bonds, with an oversubscription option of up to P4,000,000,000.00, under a fresh shelf registration (the “Bonds”).

4. This certification is issued solely for the purpose of completing the requirements in respect of the Registration Statement filed by the Issuer covering the Bonds with the Securities and Exchange Commission, specifically required under Annex “C”, Part VII (B) (22) in relation to Rule 12.1 of the Securities Regulation Code.

IN WITNESS WHEREOF, we have hereunto set our hand this _____ day of December 2020 at Makati City, Metro Manila.

EMILY C. BELLO
Senior Assistant Vice President

MICHAEL G. MUNSAYAC
Vice President

SUBSCRIBED AND SWORN TO before me this DEC 17 2020 day of December 2020 at Makati City, Metro Manila, affiant exhibited to me their competent evidence of identity as follows:

Doc. No. 206;
Page No. 43;
Book No. V;
Series of 2020.

ATTY. SYLVIA M. DIARIE-CADAPAN
Appointment No. M-352/Makati City
Notary Public until December 31, 2021
11th Floor, South Tower, BDO Corporate Center
7899 Makati Avenue, Makati City
IBF No. 103126, 01/05.20, Laguna
PTR No. 8121024, 01/03/20, Makati City Roll No. 43222
MCLE Compliance No. V-0022561, until 04/14/2022

BDO Unibank, Inc.
BDO Corporate Center
7899 Makati Avenue
Makati City 0726
Philippines
Swift Code BNORPHMM
Tel +632 8840-7000

REPUBLIC OF THE PHILIPPINES)
CITY OF TAGUIG) S.S.

DIRECTORS' CERTIFICATE

We, the undersigned members of the Board of Directors of ABOITIZ POWER CORPORATION (hereinafter, the "Company"), do hereby certify as follows:

1. At the special meeting of the Board of Directors held on December 14, 2020, at which meeting a quorum was present and acting throughout, the following resolutions were passed and approved by a majority of the Board of Directors:

"RESOLVED, that the Board of Directors of Aboitiz Power Corporation (the "Company") authorize, as it hereby authorizes, the Company to file a registration statement for the issuance of a fixed-rate peso-denominated retail bonds up to the aggregate principal amount of PESOS: THIRTY BILLION (Php 30,000,000,000.00) (the "Bonds") (i) to be registered under the shelf registration program of the Securities and Exchange Commission ("SEC"), (ii) to be issued in one or more tranches, depending on market conditions, at an offer price to be determined based on a book-building process and recommendations by the Company's domestic underwriter/s;

RESOLVED FURTHER, that the Board of Directors approve the issuance of the first tranche of the Bonds, consisting of up to PESOS: FOUR BILLION (Php4,000,000,000.00), with oversubscription option of up to PESOS: FOUR BILLION (Php4,000,000,000.00) (the "First Tranche") to be issued in the first quarter of 2021, depending on market conditions;

RESOLVED FURTHER, that the following authorized representatives of the Company:

Name	Designation
Mr. Emmanuel V. Rubio	President and Chief Executive Officer
Ms. Liza Luv T. Montelibano	Senior Vice President/ Chief Financial Officer/ Corporate Information Officer
Ms. Maria Veronica C. So	Group Treasurer
Mr. Manuel R. Lozano	Authorized Representative
Ms. Ma. Racquel J. Bustamante	Authorized Representative

be authorized, as each is hereby authorized, to evaluate, plan, and decide all matters relating to the proposed offering of the Bonds and the First Tranche, including the timing of the issuance of the Bonds; the structure, terms, conditions, and aggregate principal amount of the tranches to be issued, and any oversubscription amount of the Bonds;

RESOLVED FURTHER, that the Board of Directors hereby approve the disclosures in the Registration Statement, and in the Preliminary and Final Prospectus to be filed with the SEC and assume full responsibility for the information contained therein;

RESOLVED FURTHER, that the Company be authorized to submit an application for the registration of the Bonds and the First Tranche with the SEC, including all the required exhibits and attachments;

RESOLVED FURTHER, that in connection with the foregoing resolutions, any one (1) of the following authorized representatives of the Company:

Name	Designation
Mr. Emmanuel V. Rubio	President and Chief Executive Officer
Ms. Liza Luv T. Montelibano	Senior Vice President/ Chief Financial Officer/ Corporate Information Officer
Ms. Maria Veronica C. So	Group Treasurer
Mr. Manuel Alberto R. Colayco	Corporate Secretary
Ms. Mailene M. de la Torre	Assistant Corporate Secretary
Mr. Sammy Dave A. Santos	Assistant Corporate Secretary
Mr. Manuel R. Lozano	Authorized Representative

be authorized, as each is hereby authorized, to sign and execute the necessary documents, papers, certifications such as, but not limited to, the Preliminary Prospectus, Final Prospectus, and Registration Statement, including all exhibits and attachments thereto; deliver the same to the SEC; and to do all acts and deeds as may be deemed necessary to give effect to the foregoing resolutions;

RESOLVED FURTHER, that in connection with the filing of the Registration Statement with the SEC, the following officers of the Company:

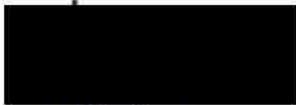
Name	Designation
Mr. Manuel Alberto R. Colayco	Corporate Secretary
Ms. Mailene M. de la Torre	Assistant Corporate Secretary
Mr. Sammy Dave A. Santos	Assistant Corporate Secretary

be authorized, as each is hereby authorized, to sign, execute, and deliver the necessary certifications; certify that photocopies of documents submitted to the SEC are true and faithful reproductions of the originals; and to do all acts and deeds as may be necessary to secure approval from SEC of the Bonds and the First Tranche;

RESOLVED FINALLY, that the Board of Directors of the Company approve and ratify, as it hereby approves and ratifies, any and all acts done by the Company's management team or any of the authorized representatives of the Company in connection with the foregoing authority."

2. These board resolutions have not been revoked, amended or modified and remain valid and binding on the Company.
3. The above statements are in accordance with the records of the Company.

IN WITNESS WHEREOF, the undersigned has hereunto set her hand this 16 December 2020 at Taguig City, Philippines.



ERRAMON I. ABOITIZ
Chairman of the Board



MIKEL A. ABOITIZ
Vice Chairman of the Board



EMMANUEL V. RUBIO
Director, President and Chief Executive Officer



JAIME JOSE Y. ABOITIZ
Director, Executive Vice President &
Chief Operating Officer



ENRIQUE M. ABOITIZ
Director



CARLOS C. EJERCITO
Independent Director

DANEL C. ABOITIZ
Director



ERIC RAMON O. RECTO
Independent Director



ROMEO L. BERNARDO
Lead Independent Director

Countersigned:



MANUEL ALBERTO R. COLAYCO
Corporate Secretary
TIN: 182-032-216

SUBSCRIBED AND SWORN TO before me this 16 December 2020 in Taguig City, Philippines. Affiants, who are personally known to me, presented their respective Community Tax Certificates and passports with the details shown below as follows:

<u>Name</u>	<u>Gov't Issued ID No.</u>	<u>Date/ Place Issued</u>	<u>CTC No.</u>	<u>Date/ Place Issued</u>
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Doc. No. 335;
 Book No. 68;
 Page No. VIII;
 Series of 2020.



Atty. Stella Marie G. Sacdalan
 Notary Public for Taguig City
 Notarial Commission No. 99
 Until December 31, 2020
 NAC Tower, 32nd St. Bonifacio Global City, Taguig City
 PTR NO. A-4689455; January 2, 2020, Taguig City
 IBP Lifetime OR No. 104545; January 8, 2020
 Roll No. 63289
 MCLE Compliance No. VI – 0011090

REPUBLIC OF THE PHILIPPINES)
CITY OF TAGUIG) S.S.

SECRETARY'S CERTIFICATE

I, **MAILENE M. DE LA TORRE**, Filipino citizen, of legal age, with office address at NAC Tower, 32nd Street Bonifacio Global City, Taguig City, after having been duly sworn according to law, hereby depose and state that:

1. I am the Assistant Corporate Secretary of **ABOITIZ POWER CORPORATION** (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.
2. At the special meeting of the Board of Directors held on December 14, 2020, at which meeting a quorum was present and acting throughout, the following resolutions were unanimously passed and approved:

"RESOLVED, that the Board of Directors of Aboitiz Power Corporation (the "Company") authorize, as it hereby authorizes, the Company to file a registration statement for the issuance of a fixed-rate peso-denominated retail bonds up to the aggregate principal amount of PESOS: THIRTY BILLION (Php 30,000,000,000.00) (the "Bonds") (i) to be registered under the shelf registration program of the Securities and Exchange Commission ("SEC"), (ii) to be issued in one or more tranches, depending on market conditions, at an offer price to be determined based on a book-building process and recommendations by the Company's domestic underwriter/s;

RESOLVED FURTHER, that the Board of Directors approve the issuance of the first tranche of the Bonds, consisting of up to PESOS: FOUR BILLION (Php4,000,000,000.00), with oversubscription option of up to PESOS: FOUR BILLION (Php4,000,000,000.00) (the "First Tranche") to be issued in the first quarter of 2021, depending on market conditions;

RESOLVED FURTHER, that the following authorized representatives of the Company:

Name	Designation
Mr. Emmanuel V. Rubio	President and Chief Executive Officer
Ms. Liza Luv T. Montelibano	Senior Vice President/ Chief Financial Officer/ Corporate Information Officer
Ms. Maria Veronica C. So	Group Treasurer
Mr. Manuel R. Lozano	Authorized Representative
Ms. Ma. Racquel J. Bustamante	Authorized Representative

be authorized, as each is hereby authorized, to evaluate, plan, and decide all matters relating to the proposed offering of the Bonds and the First Tranche, including the timing of the issuance of the Bonds; the structure, terms, conditions, and aggregate principal amount of the tranches to be issued, and any oversubscription amount of the Bonds;

RESOLVED FURTHER, that the Board of Directors hereby approve the disclosures in the Registration Statement, and in the Preliminary and Final Prospectus to be filed with the SEC and assume full responsibility for the information contained therein;

RESOLVED FURTHER, that the Company be authorized to submit an application for the registration of the Bonds and the First Tranche with the SEC, including all the required exhibits and attachments;

RESOLVED FURTHER, that in connection with the foregoing resolutions, any one (1) of the following authorized representatives of the Company:

Name	Designation
Mr. Emmanuel V. Rubio	President and Chief Executive Officer
Ms. Liza Luv T. Montelibano	Senior Vice President/ Chief Financial Officer/ Corporate Information Officer
Ms. Maria Veronica C. So	Group Treasurer
Mr. Manuel Alberto R. Colayco	Corporate Secretary
Ms. Mailene M. de la Torre	Assistant Corporate Secretary
Mr. Sammy Dave A. Santos	Assistant Corporate Secretary
Mr. Manuel R. Lozano	Authorized Representative

be authorized, as each is hereby authorized, to sign and execute the necessary documents, papers, certifications such as, but not limited to, the Preliminary Prospectus, Final Prospectus, and Registration Statement, including all exhibits and attachments thereto; deliver the same to the SEC; and to do all acts and deeds as may be deemed necessary to give effect to the foregoing resolutions;

RESOLVED FURTHER, that in connection with the filing of the Registration Statement with the SEC, the following officers of the Company:

Name	Designation
Mr. Manuel Alberto R. Colayco	Corporate Secretary
Ms. Mailene M. de la Torre	Assistant Corporate Secretary
Mr. Sammy Dave A. Santos	Assistant Corporate Secretary

be authorized, as each is hereby authorized, to sign, execute, and deliver the necessary certifications; certify that photocopies of documents submitted to the SEC are true and faithful reproductions of the originals; and to do all acts and deeds as may be necessary to secure approval from SEC of the Bonds and the First Tranche;

RESOLVED FINALLY, that the Board of Directors of the Company approve and ratify, as it hereby approves and ratifies, any and all acts done by the Company's management team or any of the authorized representatives of the Company in connection with the foregoing authority."

3. The above statements are in accordance with the records of the Company.

IN WITNESS WHEREOF, the undersigned has hereunto set her hand this 16 December 2020 at Taguig City, Philippines.

[Redacted]

MAILENE M. DE LA TORRE
Assistant Corporate Secretary^{FCA}

SUBSCRIBED AND SWORN to before me this 16 December 2020 at Taguig City, Philippines. Affiant, who is personally known to me, exhibited to me her [Redacted]

[Redacted]

Doc. No. 249;
Page No. 51;
Book No. VIII;
Series of 2020.



[Redacted]

Atty. Stella Marie G. Saccalan
Notary Public for Taguig City
Notarial Commission No. 99
Until December 31, 2020

NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR NO. A-4689455; January 2, 2020, Taguig City
IBP Lifetime OR No. 104545; January 8, 2020
Roll No. 63289
MCLE Compliance No. VI – 0011090



ABOITIZ POWER CORPORATION

Curriculum Vitae

EMMANUEL V. RUBIO

Director/President and Chief Executive Officer

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

16 December 2020

Date

Signature

SUBSCRIBED AND SWORN TO before me this 16 December 2020 at Taguig City, Philippines affiant exhibiting to me his 

Doc. No. 309;
Page No. 63;
Book No. VIII;
Series of 2020.



Notary Public for Taguig City
Notarial Commission No. 99
Until December 31, 2020
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR NO. A-4689455; January 2, 2020, Taguig City
IBP Lifetime OR No. 104545; January 8, 2020
Roll No. 63289
MCLE Compliance No. VI – 0011090

CURRICULUM VITAE

Name : Emmanuel V. Rubio
Date of Birth : June 26, 1964
Place of Birth : Manila, Philippines
Civil Status : Married

Present Positions:

Director/President and Chief Executive Officer	Aboitiz Power Corporation
Chairman of the Board	AA Thermal, Inc.
Director and Chief Executive Officer	AP Renewables, Inc.
Director	Abovant Holdings, Inc.
	Cebu Energy Development Corporation
	Cebu Private Power Corporation
	Cotabato Light & Power Company
	Davao Light & Power Co., Inc.
	Manila-Oslo Renewable Enterprise, Inc.
	STEAG State Power, Inc.
	Therma South, Inc.
	Therma Visayas, Inc.
	Hedcor Group
	SN Aboitiz Power Group
Management Committee Representative	GNPower Mariveles Energy Center Ltd. Co.
	GNPower Dinginin Ltd. Co.
Trustee and President	Philippine Electricity Market Corporation
Trustee	Aboitiz Foundation, Inc.

Previous Positions:

2018-2019	Executive Vice President - Chief Operating Officer	Aboitiz Power Corporation
2014- 2018	Executive Vice President and Chief Operating Officer – Power Generation Group	Aboitiz Power Corporation
2003-2007	President	Consolidated Industrial Gases, Inc.

Educational Background:

College	De La Salle University Bachelor of Science in Industrial Management, Minor in Mechanical Engineering Manila, Philippines
Graduate Studies	De La Salle University Certificate of Completion, Masters in Business Administration Manila, Philippines
	Nanyang Technological University Course on Strategic Management Singapore

Columbia University
Program on Advance Management
New York, U.S.A.

University of Michigan
Certificate Course Graduate, Executive Education
Program
Michigan, U.S.A.

Columbia University
The Lead Program
New York, U.S.A.

The Leadership Program
INSEAD Global Leadership Centre

Certified Director
Singapore Institute of Directors
Singapore Management University



ABOITIZ POWER CORPORATION

Curriculum Vitae

ENRIQUE M. ABOITIZ

Director

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

16 December 2020

Date

Signature

SUBSCRIBED AND SWORN TO before me this 16 December 2020 at Taguig City, Philippines affiant exhibiting to me hi  bearing the affiant's photograph and signature.

Doc. No. 308;

Page No. 63;

Book No. VIII;

Series of 2020



Atty. Stella Marie G. Sacdalan

Notary Public for Taguig City

Notarial Commission No. 99

Until December 31, 2020

NAC Tower, 32nd St. Bonifacio Global City, Taguig City

PTR NO. A-4689455; January 2, 2020, Taguig City

IBP Lifetime OR No. 104545; January 8, 2020

Roll No. 63289

MCLE Compliance No. VI – 0011090

CURRICULUM VITAE

Name : Enrique M. Aboitiz
Date of Birth : September 10, 1953
Place of Birth : Cebu City, Philippines
Civil Status : Married

Present Positions:

Director	Aboitiz Power Corporation
Chairman of the Board	Aboitiz Equity Ventures Inc.
Vice Chairman of the Board	Aboitiz & Company, Inc.

Previous Positions:

Chairman of the Board	WeatherPhilippines Foundation, Inc. Jebsen Maritime, Inc.
President and Chief Executive Officer	Aboitiz Transport System Corp. (now 2GO Group, Inc.)

Educational Background:

College	Gonzaga University Bachelor of Science in Business Administration, Major in Economics Spokane, U.S.A.
---------	--



ABOITIZ POWER CORPORATION

Curriculum Vitae

ERIC RAMON O. RECTO

Independent Director

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

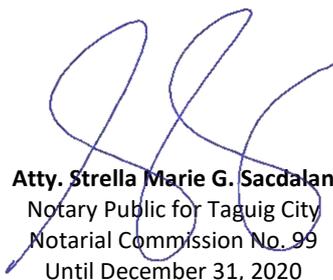
16 December 2020

Date

Signature

SUBSCRIBED AND SWORN to before me this 16 December 2020 at Taguig City, Philippines. Affiant, who is personally known to me, exhibited to me his   bearing the affiant's photograph and signature.

Doc No. 314;
Page No. 64;
Book No. VIII;
Series of 2020.



Atty. Strella Marie G. Sacdalan
Notary Public for Taguig City
Notarial Commission No. 99
Until December 31, 2020

NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR NO. A-4689455; January 2, 2020, Taguig City
IBP Lifetime OR No. 104545; January 8, 2020
Roll No. 63289
MCLE Compliance No. VI – 0011090

CURRICULUM VITAE

Name : Eric Ramon O. Recto
Date of Birth : August 28, 1963
Place of Birth : Quezon City
Civil Status : Married

Present Positions:

Independent Director	Aboitiz Power Corporation PH Resorts Group Holdings, Inc.
Chairman of the Board	Philippine Bank of Communications
Chairman and President	Bedfordbury Development Corporation
Vice Chairman of the Board	Alphaland Corporation
Vice Chairman and President	Atok-Big Wedge Co., Inc.
President/ Director	Q-Tech Alliance Holdings, Inc.
Director	ISM Corporate Corporation
Supervisory Board Member	Acentric Gmbh and Ltd.

Previous Positions:

Vice Chairman	Alphaland Corporation
Director	San Miguel Corporation Manila Electric Company
President	Top Frontier Investment Holding, Inc.
Undersecretary	Philippine Department of Finance

Educational Background:

College	University of Diliman Bachelor of Science in Industrial Engineering Manila, Philippines
Graduate Studies	Cornell University Masters in Business Administration with concentration in Finance and Operation Management



ABOITIZ POWER CORPORATION

Curriculum Vitae

ERRAMON I. ABOITIZ

Chairman of the Board

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

16 December 2020

Date



SUBSCRIBED AND SWORN TO before me this 16 December 2020 at Taguig City, Philippines affiant exhibiting to me hi

bearing the affiant's photograph and signature.

Doc. No. 306;
Page No. 63;
Book No. VIII;
Series of 2020.



Atty. Stella Marie G. Sacdalan
Notary Public for Taguig City
Notarial Commission No. 99
Until December 31, 2020

NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR NO. A-4689455; January 2, 2020, Taguig City
IBP Lifetime OR No. 104545; January 8, 2020
Roll No. 63289
MCLE Compliance No. VI – 0011090

CURRICULUM VITAE

Name : Erramon I. Aboitiz
Date of Birth : May 15, 1956
Place of Birth : Manila, Philippines
Civil Status : Married

Present Positions:

Chairman of the Board	Aboitiz Power Corporation Manila-Oslo Renewable Enterprise, Inc. Republic Cement Services, Inc. Union Bank of the Philippines
Director	Aboitiz Equity Ventures Inc. Aboitiz & Company, Inc.

Previous Positions:

1998-2018	Chief Executive Officer	Aboitiz Power Corporation
2018-2019	President and Chief Executive Officer	Aboitiz Power Corporation
1994-2008	Executive Vice President and Chief Operating Officer	Aboitiz Equity Ventures Inc.
2009-2019	President and Chief Executive Officer	Aboitiz Equity Ventures Inc.
2009-2013	Chairman of the Board	City Savings Bank, Inc.

Educational Background:

College	Gonzaga University Bachelor of Science in Commerce, Major in Accounting and Finance Spokane, Washington, U.S.A.
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ABOITIZ POWER CORPORATION

Curriculum Vitae

JAIME JOSE Y. ABOITIZ

Director/ Executive Vice President &
Chief Operating Officer

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

16 December 2020

Date



Signature

SUBSCRIBED AND SWORN TO before me this 16 December 2020 at Taguig City, Philippines affiant exhibiting to me his [REDACTED] bearing the affiant's photograph and signature.

Doc. No. 310;

Page No. 63;

Book No. VIII;

Series of 2020



Atty. Stella Marie G. Saccalan

Notary Public for Taguig City

Notarial Commission No. 99

Until December 31, 2020

NAC Tower, 32nd St. Bonifacio Global City, Taguig City

PTR NO. A-4689455; January 2, 2020, Taguig City

IBP Lifetime OR No. 104545; January 8, 2020

Roll No. 63289

MCLE Compliance No. VI - 0011090

CURRICULUM VITAE

Name : Jaime Jose Y. Aboitiz
Date of Birth : November 8, 1961
Place of Birth : Davao City, Philippines
Civil Status : Married

Present Positions:

Director/Executive Vice President & Chief Operating Officer	Aboitiz Power Corporation
Member of the Board of Advisors	Aboitiz & Company, Inc.
Chairman of the Board	Aboitiz Construction, Inc.
	Abovant Holdings, Inc.
	Aboitiz Renewables, Inc.
	East Asia Utilities Corporation
	Hedcor Group
	Luzon Hydro Corporation
	SN Aboitiz Power - Magat, Inc.
	Therma Marine, Inc.
	Therma Mobile, Inc.
	Therma Power-Visayas, Inc.
	Therma Power, Inc.
	Therma South, Inc.
	Therma Visayas, Inc.
Director	San Fernando Electric Light & Power Co., Inc.
	Cebu Energy Development Corporation
	Cotabato Light & Power Company
	Davao Light & Power Co., Inc.
	Aboitiz Power's Enerzone Companies
	Tsuneishi Heavy Industries (Cebu), Inc.
	Visayan Electric Co., Inc.
Director and President	Manila-Oslo Renewable Enterprise, Inc.
Directorship and Management Positions	GNPower Mariveles Energy Center Ltd. Co.

Previous Positions:

2008-2019	Executive Vice President and Chief Operating Officer-Power Distribution Group	Aboitiz Power Corporation
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Educational Background:

College	Loyola Marymount University Bachelor of Science in Mechanical Engineering California, U.S.A.
Graduate School	Masters in Management Asian Institute of Management Manila, Philippines



ABOITIZ POWER CORPORATION

Curriculum Vitae

JOSEPH TRILLANA T. GONZALES

First Vice President – General Counsel and Compliance Officer

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

16 December 2020	
Date	Signature

SUBSCRIBED AND SWORN to before me 16 December 2020 at Taguig City, Philippines. Affiant, who is personally known to me, exhibited to me his

[REDACTED]

bearing the affiant’s photograph and signature.

Doc. No. 316;
Page No. 65;
Book No. VIII;
Series of 2020.



[REDACTED]

Atty. Strella Marie G. Sacdalan
Notary Public for Taguig City
Notarial Commission No. 99
Until December 31, 2020

NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR NO. A-4689455; January 2, 2020, Taguig City
IBP Lifetime OR No. 104545; January 8, 2020
Roll No. 63289
MCLE Compliance No. VI – 0011090

CURRICULUM VITAE

Name : Joseph Trillana T. Gonzales
Date of Birth : February 6, 1967
Place of Birth : Manila, Philippines
Civil Status : Single

Present Positions:

First Vice President – General Counsel and Compliance Officer Aboitiz Power Corporation

Previous Positions:

2007-2016	Assistant Corporate Secretary	Aboitiz Power Corporation
2008-2014	Vice President – Legal and Corporate Service	Aboitiz Equity Ventures Inc.
2007	Assistant Vice President – Corporate and Legal Services	Aboitiz & Company, Inc.
2007	Special Counsel	SyCip Salazar Hernandez & Gatmaitan Law Offices
2007	Director	Celestica Philippines, Inc.
2007	Director	Celestica Laguna, Inc.
2007	Corporate Secretary	Keppel Cebu Shipyard, Inc.
2007	Corporate Secretary	Maitland Smith Cebu, Inc.
2007	Assistant Corporate Secretary	Taiheiyo Cement Philippines, Inc.
2005	Faculty Member	University of San Carlos College of Law
1998	Faculty Member	University of the Philippines College of Law

Educational Background:

College University of the Philippines
Bachelor of Arts, Major in Economics
Quezon City, Philippines

Graduate Studies University of the Philippines
Bachelor of Laws
Quezon City, Philippines

University of Michigan
Master of Laws
Ann Arbor, Michigan, U.S.A.



ABOITIZ POWER CORPORATION

Curriculum Vitae

MAILENE M. DE LA TORRE

Assistant Corporate Secretary

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

<u>16 December 2020</u> Date	 Signature
---------------------------------	---

SUBSCRIBED AND SWORN TO before me this 16 December 2020 at Taguig City, Philippines affiant exhibiting to me her  issued in Albay, Philippines on January 26, 2017 bearing the affiant's photograph and signature.

Doc. No. 319;
Page No. 65;
Book No. VIII;
Series of 2020.



Atty. Strella Marie G. Sacdalan
Notary Public for Taguig City
Notarial Commission No. 99
Until December 31, 2020
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR NO. A-4689455; January 2, 2020, Taguig City
IBP Lifetime OR No. 104545; January 8, 2020
Roll No. 63289
MCLE Compliance No. VI – 0011090

CURRICULUM VITAE

Name : Mailene M. de la Torre
Date of Birth : March 3, 1982
Place of Birth : Daraga, Albay, Philippines
Civil Status : Single

Present Positions:

Assistant Corporate Secretary
Assistant Vice President for Governance and
Compliance/ Assistant Corporate Secretary
Corporate Secretary

Aboitiz Power Corporation
Aboitiz Equity Ventures, Inc.

Aboitiz Infracapital, Inc.
Aboitiz Renewables, Inc.
Enerzone Companies
Cebu Private Power Corporation
East Asia Utilities Corporation
Hedcor Group
Manila-Oslo Renewable Enterprise, Inc.
Pagbilao Energy Corporation
SN AboitizPower Group
Therma Marine, Inc.
Therma Mobile, Inc.
Therma Power, Inc.
Therma South, Inc.
Therma Luzon, Inc.
Therma Visayas, Inc.

Assistant Corporate Secretary

AA Thermal, Inc.
Cotabato Light & Power Company
Davao Light & Power Co., Inc.
Visayan Electric Co., Inc.
Institute of Corporate Directors

Graduate Member

Previous Positions:

2007-2010 Associate

Esguerra & Blanco Law Office

Educational Background:

College

University of the Philippines
Bachelor of Arts in Political Science
Manila, Philippines

Graduate School

University of the Philippines - Diliman
Bachelor of Laws
Manila, Philippines

Professional License

Member, Philippine Bar



ABOITIZ POWER CORPORATION

Curriculum Vitae

MANUEL ALBERTO R. COLAYCO

Corporate Secretary

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

16 December 2020

Date



Signature

SUBSCRIBED AND SWORN to before me this 16 December 2020 at Taguig City, Philippines. Affiant, who is personally known to me, exhibited to me his IBP ID No. 013219 issued by IBP Makati Chapter bearing the affiant's photograph and signature.

Doc No. 318;
Page No. 65;
Book No. VIII;
Series of 2020.



Atty. Stella Marie G. Sacdalan
Notary Public for Taguig City
Notarial Commission No. 99
Until December 31, 2020

NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR NO. A-4689455; January 2, 2020, Taguig City
IBP Lifetime OR No. 104545; January 8, 2020
Roll No. 63289
MCLE Compliance No. VI – 0011090

CURRICULUM VITAE

Name : Manuel Alberto R. Colayco
Date of Birth : December 1, 1969
Place of Birth : Manila, Philippines
Civil Status : Married

Present Positions:

Corporate Secretary Aboitiz Power Corporation
Senior Vice President - Chief Legal Officer/
Corporate Secretary/ Chief Compliance Officer Aboitiz Equity Ventures Inc.

Previous Positions:

2013-2014	General Counsel	AGP International Holdings Ltd. Atlantic, Gulf & Pacific Company of Manila, Inc.
2010-2013	Executive Director and Assistant General Counsel	J.P. Morgan Chase Bank N.A.
2007-2010	Vice President and Legal Counsel	DKR Oasis (Hong Kong) LLC
2000-2007	Associate	Skadden, Arps, Slate, Meagher & Flom, LLP
1996-2000	Associate	Romulo Mabanta Buenaventura Sayoc & De Los Angeles

Educational Background:

College	Ateneo de Manila University Manila, Philippines
Graduate Studies	Ateneo de Manila University Juris Doctor in Laws Manila, Philippines New York University School of Law Master of Laws U.S.A.
Professional Licenses	Member, Philippine Bar Member, New York State Bar



ABOITIZ POWER CORPORATION

Curriculum Vitae

MARIA VERONICA C. SO

Group Treasurer

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

16 December 2020

Date

Signature

SUBSCRIBED AND SWORN to before me this 16 December 2020 at Taguig City, Philippines. Affiant, who is personally known to me, exhibited to me her 

 bearing the affiant's photograph and signature.

Doc No. 317;

Page No. 65;

Book No. VIII;

Series of 2020



Atty. Strella Marie G. Sacdalan

Notary Public for Taguig City

Notarial Commission No. 99

Until December 31, 2020

NAC Tower, 32nd St. Bonifacio Global City, Taguig City

PTR NO. A-4689455; January 2, 2020, Taguig City

IBP Lifetime OR No. 104545; January 8, 2020

Roll No. 63289

MCLE Compliance No. VI – 0011090

CURRICULUM VITAE

Name : Maria Veronica C. So
Date of Birth : March 18, 1972
Place of Birth : Manila
Civil Status : Single

Present Positions:

Group Treasurer Aboitiz Power Corporation
Group Treasurer and First Vice President Aboitiz Equity Ventures Inc.

Previous Positions:

2019-2020 First Vice President – Aboitiz Equity Ventures Inc.
Deputy Group Treasurer
2017-2019 Vice President – Treasury Aboitiz Equity Ventures Inc.
Services
2001-2017 Various Treasury and Globe Telecom, Inc.
Finance Positions

Educational Background:

Tertiary Ateneo de Manila University
Business Management
Manila, Philippines
Post-Graduate Asian Institute of Management
Master's Degree in Business Management
Makati City, Philippines



ABOITIZ POWER CORPORATION

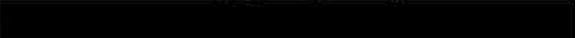
Curriculum Vitae

MARNIE F. MANALAC

Data Protection Officer and Vice-President - Risk and Organizational Performance Management

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

<u>16 December 2020</u> Date	 Signature
---------------------------------	---

SUBSCRIBED AND SWORN to before me this 16 December 2020 at Taguig City, Philippines. Affiant, who is personally known to me, exhibited to me her  bearing the affiant's photograph and signature.

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Page No. 66;
Book No. VIII;
Series of 2020.



Atty. Strella Marie G. Sacdalan
Notary Public for Taguig City
Notarial Commission No. 99
Until December 31, 2020
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR NO. A-4689455; January 2, 2020, Taguig City
IBP Lifetime OR No. 104545; January 8, 2020
Roll No. 63289
MCLE Compliance No. VI – 0011090

CURRICULUM VITAE

Name : Marnie F. Manalac
Date of Birth : April 12, 1966
Place of Birth : Iloilo City
Civil Status : Married

Present Positions:

Data Protection Officer and Vice President for Risk
and Organizational Performance Management Aboitiz Power Corporation

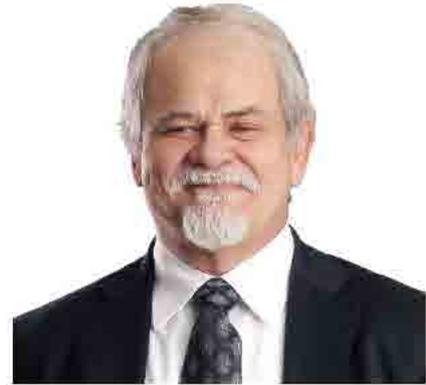
Previous Positions:

Assistant Vice President for Organizational
Performance and Portfolio Management Aboitiz Power Corporation
Head of Activity-Based Costing & Management Manila Electric Company

Educational Background:

College University of the Philippines
BS Industrial Engineering
Manila, Philippines

Professional Licenses Certified Management Accountant
Professional Industrial Engineer



ABOITIZ POWER CORPORATION

Curriculum Vitae

MIKEL A. ABOITIZ

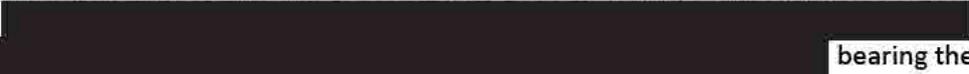
Vice Chairman of the Board

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

16 December 2020

Date

Signature

SUBSCRIBED AND SWORN TO before me this 16 December 2020 at Taguig City, Philippines affiant exhibiting to me his  bearing the affiant's photograph and signature.

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Notarial Commission No. 99
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Roll No. 63289
MCLE Compliance No. VI – 0011090

CURRICULUM VITAE

Name : Mikel A. Aboitiz
Date of Birth : September 8, 1954
Place of Birth : Cebu City, Philippines
Civil Status : Married

Present Positions:

Vice Chairman of the Board	Aboitiz Power Corporation Aboitiz Equity Ventures Inc.
Chairman of the Board	Aboitiz & Company, Inc.
Trustee and Chairman	Ramon Aboitiz Foundation, Inc.

Previous Positions:

2004-2015	Senior Vice President	Aboitiz Equity Ventures Inc.
2015-2016	Vice Chairman	City Savings Bank, Inc.
2001-2014	President and Chief Executive Officer	City Savings Bank, Inc.

Educational Background:

College	Gonzaga University Bachelor of Science in Business Administration Spokane, U.S.A.
---------	---



ABOITIZ POWER CORPORATION

Curriculum Vitae

ROMEO L. BERNARDO

Lead Independent Director

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

16 December 2020

Date



Signature

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Until December 31, 2020

NAC Tower, 32nd St. Bonifacio Global City, Taguig City

PTR NO. A-4689455; January 2, 2020, Taguig City

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Roll No. 63289

MCLE Compliance No. VI – 0011090

CURRICULUM VITAE

Name : Romeo L. Bernardo
Date of Birth : September 5, 1954
Place of Birth : Santa Cruz, Manila, Philippines
Civil Status : Married

Present Positions:

Independent Director	Aboitiz Power Corporation PHINMA, Inc. RFM Corporation
Chairman of the Board of Directors	ALFM Family of Funds Philippine Stock Index Fund, Inc.
Vice Chairman & Founding Fellow Director	Foundation for Economic Freedom Bank of the Philippine Islands Globe Telecom, Inc.
Managing Director	Lazaro Bernardo Tiu & Associates, Inc.
Advisor	GlobalSource Partners
Member	World Bank Philippine Advisory Group

Previous Positions:

Chairman	Federation of ASEAN Economic Societies
President	Philippine Economics Society
Undersecretary for International Finance	Department of Finance
Alternate Executive Director	Asian Development Bank
Independent Director	BPI Capital Corporation BPI/MS Insurance Corporation BPI-Philam Life Assurance Corporation
Trustee	Philippine Institute for Development Studies
Member	World Bank Philippine Advisory Group International Centre for Settlement of Investment Disputes Energy Policy and Development Program
Advisor	World Bank International Monetary Fund
Deputy Chief	Philippine Delegation to the General Agreement on Tariffs and Trade (World Trade Organization)
Finance Attaché	Philippine Mission to the United Nations
Faculty Member	College of Business Administration of the University of the Philippines
Member, Panel of Conciliators	International Centre for Settlement of Investment Disputes
Various positions	National Power Corporation Philippine National Bank

Educational Background:

College

University of the Philippines
Bachelor of Science in Business Economics
Manila, Philippines

Graduate School

Williams College
Master of Development Economics
Williamstown, Massachusetts, U.S.A.



ABOITIZ POWER CORPORATION

Curriculum Vitae

SAMMY DAVE A. SANTOS

Assistant Corporate Secretary

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

16 December 2020

Date

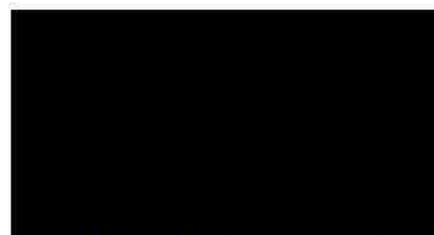


Signature

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MCLE Compliance No. VI – 0011090

CURRICULUM VITAE

Name : Sammy Dave A. Santos
Date of Birth : September 10, 1984
Place of Birth : Marikina City
Civil Status : Single

Present Positions:

Assistant Corporate Secretary	Aboitiz Power Corporation Good Governance Advocates and Practitioners of the Philippines
Associate General Counsel for Governance and Compliance/Assistant Corporate Secretary Corporate Secretary	Aboitiz Equity Ventures Inc. Aboitiz Foundation, Inc. Apo Agua Infraestructura, Inc. Lima Water Corporation Therma Luzon, Inc. Aboitiz Land, Inc.
Assistant Corporate Secretary	Aboitiz InfraCapital, Inc. AP Renewables, Inc. AEV CRH Aboitiz Holdings, Inc. CRH Aboitiz Holdings, Inc. Luzon Hydro Corporation Manila-Oslo Renewable Enterprise, Inc. Pagbilao Energy Corporation Pilmico Animal Nutrition Corporation Pilmico Foods Corporation SN AboitizPower Group

Previous Positions:

2016-2017	Legal Counsel	Alliance Select Foods International, Inc.
2016	Counsel	Privatization Group and Office of Special Concerns – Department of Finance
2014 to 2016	Junior Associate	Quiason Makalinta Barot Torres Ibarra Sison & Damaso

Educational Background:

College	University of Asia and the Pacific Bachelor's Degree, Liberal Arts with Specialization in Industrial Economics
Post Graduate	Ateneo de Manila University – Ateneo Law School Juris Doctor Makati City, Philippines University of Asia and the Pacific Master of Science in Industrial Economics Pasig City, Philippines
Professional License	Member, Philippine Bar



ABOITIZ POWER CORPORATION

Curriculum Vitae

SATURNINO E. NICANOR, JR.

Group Internal Audit Head

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

16 December 2020

Date

Signature

SUBSCRIBED AND SWORN to before me this 16 December 2020 at Taguig City, Philippines. Affiant, who is personally known to me, exhibited to me his 
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Roll No. 63289
MCLE Compliance No. VI – 0011090

CURRICULUM VITAE

Name : Saturnino E. Nicanor, Jr.
Date of Birth : October 2, 1962
Place of Birth : Cebu City
Civil Status : Married

Present Positions:

Group Internal Audit Head and Assistant Aboitiz Power Corporation
Vice President for Internal Audit

Previous Positions:

AVP for Internal Audit/IA Head	Aboitiz Power Corporation – Generation Group
Internal Audit	Aboitiz Power Corporation – Generation Group
Internal Audit	Hedcor, Inc.
Controller	Hedcor, Inc.
AVP for Audit/ IA Head	Aboitiz Equity Ventures Inc. – Corporate Audit
Audit Manager/ IA Head	Aboitiz Equity Ventures Inc. – Corporate Audit
Senior Auditor & Manila Operations Head	Aboitiz & Company, Inc. – IAD Manila

Educational Background:

College	University of San Jose – Recoletos Bachelor of Science in Commerce, Major in Accounting Cebu City, Philippines
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REPUBLIC OF THE PHILIPPINES)
 CITY OF TAGUIG) S.S.

SECRETARY’S CERTIFICATE

I, **MAILENE M. DE LA TORRE**, Filipino citizen, of legal age, with office address at NAC Tower, 32nd Street Bonifacio Global City, Taguig City, after having been duly sworn according to law, hereby depose and state that:

1. I am the Assistant Corporate Secretary of **ABOITIZ POWER CORPORATION** (the “Company”), a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.
2. At the special meeting of the Board of Directors held on December 14, 2020, at which meeting a quorum was present and acting throughout, the following resolutions were unanimously passed and approved:

“**RESOLVED**, that pursuant to the authority of Aboitiz Power Corporation (the “Company”) to offer and issue up fixed-rate peso-denominated retail bonds up to an aggregate principal amount of PHILIPPINE PESOS: THIRTY BILLION (Php 30,000,000,000.00), under the shelf registration program of the Securities and Exchange Commission (“SEC”), and to issue the first tranche of the Bonds, consisting of up to PESOS: FOUR BILLION (Php4,000,000,000.00), with oversubscription option of up to PESOS: FOUR BILLION (Php4,000,000,000.00) (the “First Tranche Bonds”), the Board of Directors of the Company hereby authorizes the SEC and its duly authorized representatives to access, inspect and copy all of the bank accounts of the Company and its identified Subsidiaries (the “Bank Accounts”);

RESOLVED FURTHER, any one (1) of the following representatives of the Company, whose specimen signatures appear below:

Name	Designation	Specimen Signature
Mr. Emmanuel V. Rubio	President and Chief Executive Officer	
Ms. Liza Luv T. Montelibano	Senior Vice President/ Chief Financial Officer/ Corporate Information Officer	
Ms. Maria Veronica C. So	Group Treasurer	
Mr. Manuel R. Lozano	Authorized Representative	
Ms. Ma. Racquel J. Bustamante	Authorized Representative	

be authorized, as each is hereby authorized, to execute, sign and deliver, for and on behalf of the Company, the Letter Undertaking authorizing SEC to examine the Bank Accounts, as well as to perform all acts and deeds necessary to implement the foregoing resolution;

RESOLVED FINALLY, that the Board of Directors approve and ratify, as it hereby approves and ratifies, any and all acts done by the management or any of the authorized representatives of the Company in connection with the foregoing authority."

3. The above statements are in accordance with the records of the Company.

IN WITNESS WHEREOF, the undersigned has hereunto set her hand this 16 December 2020 at Taguig City, Philippines.

[Redacted Signature]

Assistant Corporate Secretary^{FCA}

SUBSCRIBED AND SWORN to before me this 16 December 2020 at Taguig City, Philippines. Affiant, who is personally known to me, exhibited to me her [Redacted]

Doc. No. 254;
Page No. 52;
Book No. VIII;
Series of 2020



[Redacted Signature]

Atty. Strella Marie G. Sacdalan
Notary Public for Taguig City
Notarial Commission No. 99
Until December 31, 2020

NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR NO. A-4689455; January 2, 2020, Taguig City
IBP Lifetime OR No. 104545; January 8, 2020
Roll No. 63289
MCLE Compliance No. VI – 0011090



December 16, 2020

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City, 1307

Re: Authority to Examine Bank Accounts

I, **MARIA VERONICA C. SO**, Group Treasurer of **ABOITIZ POWER CORPORATION** (the "**Corporation**"), with office address at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila 1634, Philippines, as the duly authorized officer of the Corporation and in compliance with the requirements of SRC Rule 12.1 in connection with the Registration Statement filed by the Corporation relative to the issuance and registration of the fixed-rate retail bonds amounting to PhP30 Billion to be offered in one or several tranches (the "**Bonds**"), hereby authorizes the Securities and Exchange Commission ("**SEC**") and its duly authorized representatives to access, inspect, and copy the bank account of the Corporation relating to the Bonds with the following account details:

- Account Name: Aboitiz Power Corp.
- Account No. : 00-172-001545-7
- Bank/Branch : Unionbank / 32nd Street BGC, Taguig
- Account Type : Checking

I have been authorized by the Board of Directors of the Corporation, through appropriate board resolutions, to issue this authorization to the SEC.

This Authorization shall be continuous for as long as the registration of securities of the Corporation is effective and the Bonds remain outstanding.

The Corporation hereby absolves and renders harmless the SEC and its duly authorized representatives from any and all complaints, causes of action and suits, civil and criminal that may be filed in relation to the issuance of this Authorization and its exercise by SEC of its duty.

Sincerely,

ABOITIZ POWER CORPORATION

By:

A solid black rectangular box redacting the signature of Maria Veronica C. So.

MARIA VERONICA C. SO
Group Treasurer

REPUBLIC OF THE PHILIPPINES)
CITY OF TAGUIG) S.S.

CERTIFICATION

I, **MAILENE M. DE LA TORRE**, Filipino citizen, of legal age, with office address at NAC Tower, 32nd Street Bonifacio Global City, Taguig City, after having been duly sworn according to law, hereby depose and state that:

1. I am the Assistant Corporate Secretary of **ABOITIZ POWER CORPORATION** (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, Taguig City;
2. That the Board of Directors of the Company approved on December 14, 2020 the filing with the Securities and Exchange Commission ("SEC") of a shelf registration of up to ₱30 Billion aggregate principal amount of securities under a Debt Securities Program and the public sale and distribution of up to ₱4 Billion Fixed Rate Bonds with an Oversubscription Option of up to ₱4 Billion;
3. That in connection with such Registration Statement, I hereby certify that the Board of Directors of the Company has adopted an affirmative resolution with respect to the adoption of a Revised Manual of Corporate Governance (approved by the Board of Directors on July 29, 2020), a copy of which had been duly filed with the SEC on September 25, 2020; and
4. This certification is issued for whatever legal purpose this may serve.

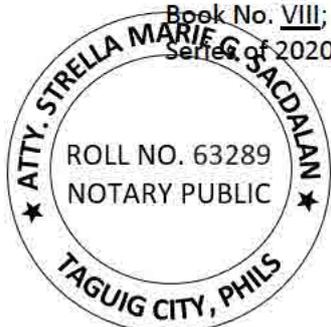
IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 16 December 2020 Taguig City, Philippines.

[Redacted Signature]
Mailene M. de la Torre
Assistant Corporate Secretary^{FCA}

SUBSCRIBED AND SWORN TO before me this 16 December 2020 at the City of Taguig, Philippines. Affiant, who is personally known to me, exhibited to me her [Redacted]

[Redacted] bearing the affiant's photograph and signature.

Doc. No. 337;
Page No. 69;
Book No. VIII;
Series of 2020.



[Redacted Signature]
Notary Public for Taguig City
Notarial Commission No. 99
Until December 31, 2020
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR NO. A-4689455; January 2, 2020, Taguig City
IBP Lifetime OR No. 104545; January 8, 2020
Roll No. 63289
MCLE Compliance No. VI – 0011090

REPUBLIC OF THE PHILIPPINES)
CITY OF TAGUIG) S.S.

SECRETARY'S CERTIFICATE

I, **MAILENE M. DE LA TORRE**, Filipino citizen, of legal age, with office address at NAC Tower, 32nd Street Bonifacio Global City, Taguig City, after having been duly sworn according to law, hereby depose and state that:

1. I am the Assistant Corporate Secretary of **ABOITIZ POWER CORPORATION** (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.
2. At the special meeting of the Board of Directors held on December 14, 2020, at which meeting a quorum was present and acting throughout, the following resolutions were unanimously passed and approved:

"RESOLVED, that the Board of Directors of Aboitiz Power Corporation (the "Company") authorize, as it hereby authorizes, the Company to adopt the Fit and Proper Rule for the selection of its corporate directors and officers;

RESOLVED FURTHER, that Mr. Emmanuel V. Rubio, President and Chief Executive Officer of the Company, be authorized, as he is hereby authorized, to submit an undertaking allowing the Securities and Exchange Commission (SEC) to resolve any conflicting issues regarding the selection on independent directors of the Company;

RESOLVED FINALLY, that the Board of Directors approve and ratify any and all acts done by the authorized representative of the Company in connection with the foregoing resolutions."

3. The above statements are in accordance with the records of the Company.

IN WITNESS WHEREOF, the undersigned has hereunto set her hand this 16 December 2020 at Taguig City, Philippines.

MAILENE M. DE LA TORRE
Assistant Corporate Secretary^{FCA}

SUBSCRIBED AND SWORN to before me this 16 December 2020 at Taguig City, Philippines. Affiant, who is personally known to me, exhibited to me her [REDACTED] on January 10, 2020.

Doc. No. 255;
Page No. 52;
Book No. VIII;
Series of 2020



Notary Public for Taguig City
Notarial Commission No. 99
Until December 31, 2020
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR NO. A-4689455; January 2, 2020, Taguig City
Lifetime OR No. 104545; January 8, 2020
Roll No. 63289
MCLE Compliance No. VI – 0011090



REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY, METRO MANILA) S.S.

**CERTIFICATION
(RE: AUDITED FINANCIAL STATEMENTS)**

I, **MAILENE M. DE LA TORRE**, Filipino, of legal age, and with office address at NAC Tower, 32nd Street, Bonifacio Global City, 1634 Taguig City, after having been duly sworn in accordance with law, hereby certify that:

1. I am the Assistant Corporate Secretary of **Aboitiz Power Corporation** (the "**Corporation**"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, 1634 Taguig City.
2. As Assistant Corporate Secretary, I have in my custody, and/or have access to, the records of the Corporation.
3. The Audited Financial Statements of the Corporation and its subsidiaries listed in **Annex "A"** have been submitted to the Securities and Exchange Commission ("**SEC**").
4. The foregoing is true and correct, and in accordance with the records of the Corporation.
5. This certification is issued in relation to the registration statement for the issuance and registration of the Corporation's fixed-rate retail bonds to be registered under the shelf registration program of the SEC.

(Space below intentionally left blank. Signature page follows.)

IN WITNESS WHEREOF, I have hereunto set my hand this 16 December 2020 in Taguig City, Metro Manila.

[REDACTED]

MAILENE M. DE LA TORRE
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO before me this 16 December 2020, at Taguig City, Metro Manila affiant exhibited to me her passport with the following details:

[REDACTED]

Doc. No. 256;
Page No. 53;
Book No. VIII;
Series of 2020.



[REDACTED]

Atty. Strella Marie G. Saccalan
Notary Public for Taguig City
Notarial Commission No. 99
Until December 2020
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208020 January 7, 2019 Taguig City
IBP Lifetime OR No. 061321
Roll No. 63289
MCLE Compliance No. VI 0011090

Annex "A"

Name	Year End
Davao Light & Power Company, Inc.	December 31
Cotabato Light & Power Company	December 31
Visayan Electric Company, Inc.	December 31
Subic Enerzone Corporation	December 31
Mactan Enerzone Corporation	December 31
Balamban Enerzone Corporation	December 31
Lima Enerzone Corporation	December 31
Therma Power, Inc.	December 31
Therma Luzon, Inc.	December 31
Therma Marine, Inc.	December 31
Therma Mobile, Inc.	December 31
Therma South, Inc.	December 31
Therma Power Visayas, Inc.	December 31
Therma Subic, Inc.	December 31
Therma Central Visayas, Inc.	December 31
Therma Visayas, Inc.	December 31
GNPower Mariveles Coal Plant Ltd. Co.	December 31
Abovant Holdings, Inc.	December 31
Pagbilao Energy Corporation	December 31
Cebu Private Power Corp.	December 31
East Asia Utilities Corp.	December 31
Aboitiz Renewables, Inc.	December 31
Hedcor, Inc.	December 31
AP Renewables, Inc.	December 31
Luzon Hydro Corp.	December 31
Hedcor Sibulan, Inc.	December 31

Name	Year End
Aboitiz Power Distributed Energy, Inc.	December 31
Hedcor Sabangan, Inc.	December 31
Hedcor Tudaya, Inc.	December 31
Cleanergy, Inc.	December 31
Hedcor Mt. Province, Inc.	December 31
Hedcor Bukidnon, Inc.	December 31
Cordillera Hydro Corp.	December 31
Hydro Electric Devt. Corp.	December 31
Hedcor Benguet, Inc.	December 31
Hedcor Itogon, Inc.	December 31
Tagoloan Hydro Corp.	December 31
Aseagas Corporation	December 31
Aboitiz Energy Solutions, Inc.	December 31
Adventenergy, Inc.	December 31
Prism Energy, Inc.	December 31

22. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

The Company also reported and/or paid the following types of taxes for the year:

VAT

The Company's sales are subject to output value added tax (VAT) while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12.0%.

a. Net Receipts and Output VAT declared in the Company's VAT returns in 2019

	Net Sales/ Receipts	Output VAT
Taxable Sales:		
Sales of services	₱1,591,484,256	₱186,845,114

The Company's sales that are subject to VAT are reported under the following accounts:

- Service Income - Management fees
- Service Income - Professional fees
- Service Income - Technical fees
- Miscellaneous Income - Operating
- Miscellaneous Income - Non-operating

The Company's sales of services are based on actual collections received, hence, may not be the same as amounts accrued in the parent company statement of income.

b. Input VAT for 2019

Balance at January 1	₱10,585,384
Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	2,489,344
Capital goods subject to amortization	2,381,763
Capital goods not subject to amortization	135,352
Services lodged under the other accounts	32,915,519
	48,507,362
Claims for tax credit/refund and other adjustments	(29,245,183)
Balance at December 31	₱19,262,179

Other taxes and licenses

Taxes and licenses, local and national, include real estate taxes, licenses and permit fees for 2019:

License and permit fees	₱13,597,152
Documentary stamp taxes (DST)	59,894,045
Deficiency and amnesty taxes	22,037,395
Fringe benefit taxes	2,746,293
Others	2,458
	₱98,277,343



Withholding taxes

Final withholding taxes	₱511,358,438
Withholding taxes on compensation and benefits	200,160,545
Expanded withholding taxes	31,249,895
Withholding VAT	724,139
	<hr/>
	₱743,493,017
	<hr/>

Tax Assessment and Cases

The Company has no pending tax cases outside of the administration of the BIR as of December 31, 2019.




Environmental
Management
Bureau

ATTACHMENT 1

ENVIRONMENTAL COMPLIANCE CERTIFICATE

RD No. 9206-041-203 C

The Environmental Management Bureau hereby grants this Environmental Compliance Certificate (ECC) to the proposed HAKBAN GEOTHERMAL MODULAR POWER PLANT PROJECT OF NATIONAL POWER CORPORATION to be located within the Hakban Complex, after complying with the Environmental Impact Assessment (EIA) requirement as prescribed in the promulgated guidelines implementing Section 3 (b) of P.D. 1121 and 1596.

This Certificate is being issued subject to the following conditions:

1. That this Certificate shall cover the installation and operation of two (2) power plants each consisting of two (2) units of 20 MW modular turbine-generator sets. One power plant (Plant D) shall be installed adjacent to and east of the existing Plant A while the other plant (Plant E) shall be constructed about 1Km. NW of Plant A near Sulalo Well No. 54;
2. That the noise and dust generated from the use of equipment shall be kept within the prescribed standards and handling of materials during construction period shall be kept minimal so as not to cause nuisance;
3. That there shall be no discharge of plant effluent and/or solid wastes resulting from the operation and maintenance of the power plant including laboratory wastes. That a detailed program for a closed system of handling effluents and solid wastes shall be submitted prior to the start of the operation to ensure compliance with the zero discharge requirement on all effluents and solid wastes at all times;
4. That contingency program in case of accidents, equipment malfunction and other emergencies shall be submitted within sixty (60) days upon issuance of the ECC;
5. That preventive measures shall be observed within the plant's premises and appropriate gadgets shall be provided to the workers to minimize health hazards;
6. That ambient air quality including noise shall conform with the prescribed EMB-DENR standards and that the plant design shall consider the proposed revision of air quality standards;
7. That on the spot monitoring and inspections can be initiated by the EMB-DENR Region IV anytime in coordination with concerned groups;
8. That a regular medical check-up shall be provided for

the workers;

9. That a continuing monitoring program for the illness associated with the project shall be undertaken in the affected areas and communities and provision of medical assistance, if necessary;
10. That the proponent shall conduct a continuous and intensive public information campaign about the project operation especially the types of pollution control facilities installed;
11. That local residents shall be given top priority for employment;
12. That monitoring of the project operation shall be conducted through the organization of a multisectoral group composed of DENR, Local Government Units, Non-government Organizations representing the towns covered and the National Power Corporation and that quarterly report shall be submitted to this Office;
13. That any valid complaint on air and water pollution arising from the project operation may be a cause for suspension or revocation of this Certificate;
14. That preventive measures shall be implemented to discourage proliferation of squatters within the plant;
15. That NPC shall conduct an acid rain monitoring on the impacted area and submit the results to EMB yearly;
16. That the proponent shall put up an Environmental Guarantee Fund the mechanics of which shall be developed by the National Power Corporation, DENR, concerned LGUs and NGOs and committed from a fixed share of profits per kilowatt-hour, a share of the royalty given to LGUs, and other funds made available from the environmental management budget of NAPCOR and grants from funding institutions to cover expenses for the multipartite monitoring of environmental quality; immediate rehabilitation and/or indemnification of damages to properties and other related concerns within sixty (60) days from the release of this ECC; and
17. That transfer of ownership of this project carries the same conditions in this ECC for which written notification shall be made within fifteen (15) days from such transfer.

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this

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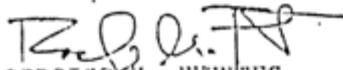
Certificate and/or a fine in an amount not to exceed Fifty Thousand Pesos (P50,000.00) for every violation thereof, at the discretion of the Bureau (Section 9 of P.D. 1586).

Given this 29th day of June 1992.



DELFIN J. GANAPIN, JR.
OIC, Office of the Undersecretary
for Environment and Research

Recommending Approval:



RODRIGO U. FUENTES
Director

/CBU/SET/LAQ/mg*



Department of Environment and Natural Resources
**Environmental
 Management
 Bureau**

JUN 07 RECD

2/4

ENVIRONMENTAL COMPLIANCE CERTIFICATE

The Environmental Management Bureau hereby grants this Environmental Compliance Certificate (ECC) to the proposed HAK BAH BINARY CYCLE GEOTHERMAL POWER GENERATING PLANT project of the NATIONAL POWER CORPORATION to be located in Bay, Laguna, after complying with the Environmental Impact Assessment (EIA) requirement as prescribed in the promulgated guidelines implementing Section 3 (b) of P.D. 1121 and 1539.

This Certificate is being issued subject to the following conditions:

1. That this Certificate is valid only for 15.73 MW Hakban Binary Cycle Geothermal Power Generating Plant capacity of five (5) units, twin turbines of three (3) MW each and one (1) single turbine of 0.73 MW utilizing waste heat from the geothermal brine downstreams of the steam separators of the existing Geothermal Power Plant;
2. That the closed loop motive fluid system shall be installed, operationalized and maintained to avoid/eliminate emissions of gases into the atmosphere;
3. That the geothermal brine at the end of the process shall be reinjected into reinjection wells to maintain zero discharge of effluents;
4. That the ambient air quality including noise shall be kept within the prescribed standards;
5. That the closed loop air cooling system shall be installed, operationalized and maintained to avoid/eliminate discharges of heated cooling water to surface waters;
6. That plans of operation as contained in the Project Description shall be strictly implemented and if found inadequate, project operations shall be temporarily suspended until such time that remedial measures are properly adopted;
7. That results of monitoring of the project be submitted to this office in a summarized form semi-annually commencing from start of plant operation;
8. That all the mitigating measures indicated in the Project Description shall be implemented;
9. That on-the-spot monitoring and inspections can be initiated by the ENB-DENR Region IV anytime in coordination with concerned groups;

8th Floor, Philippine Heart Center Bldg., East Avenue, Diliman, Quezon City, 3008 Metro Manila, Philippines

Telephone nos. 97-32-51, 97-56-90, 97-56-99 or 90-04-21 local 2801, 2802, 2803 Cable: ENVIRON Manila; Telex: 7302AL PSCW

NATIONAL POWER CORPORATION
 PTS. DIVISION - MBGPP

M. REYES
 JUN 2007

12.02.07

10. That all necessary permits from other government agencies shall be secured;

11. That transfer of ownership of this project carries the same conditions in this ECC for which written notification shall be made within fifteen (15) days from such transfer.

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate and/or a fine in an amount not to exceed Fifty Thousand Pesos (P50,000.00) for every violation thereof, at the discretion of the Bureau (Section 9 of P.D. 1526).

Given in this

MAR 5 1992

DELFIN J. GANAPIN, JR.
DIO, Office of the Undersecretary
for Environment and Research

Recommending Approval

[Signature]
RODRIGO FUENTES
Director

/ESD/SET/LAQ/mg



Republic of the Philippines
Department of Environment and Natural Resources
Visayas Avenue, Diliman, Quezon City 1110
Tel. Nos.: (632) 929-66-26 to 29 • (632) 929-65-52
929-66-20 • 929-66-33 to 35
929-70-41 to 43

NOV 21 2002
ENVIRONMENTAL COMPLIANCE CERTIFICATE
0112-871-203

The Department of Environment and Natural Resources (DENR) through the Environmental Management Bureau (EMB) hereby grants this Environmental Compliance Certificate (ECC) to the **Mak-Ban Geothermal Power Plant Project** of the **PHILIPPINE GEOTHERMAL, INC.** and **NATIONAL POWER CORPORATION** located in Bay and Calauan Laguna and Sto Tomas, Batangas, after complying with the Environmental Impact Assessment (EIA) requirement, as prescribed in the promulgated guidelines implementing Section 3(b) of P.D. 1121 and P.D. 1586.

This Certificate is being issued subject to the following conditions:

1. This Certificate is valid only for the Upgrading and Rehabilitation activities of the Mak-Ban Geothermal Power Plant which involve the following: Upgrading of the Steam Gathering System, Rehabilitation of the Power Plants A, B, and C and Cooling Tower System to optimize these plants' installed capacity from 55MW to 63MW per turbine unit (or to generate 378 MW), and the Construction of Mono-Landfill for asbestos containing material (ACWM) situated at Bulalo 2 and Bulalo 30, each having an area of 6,135 and 8,239.1 sq.m., respectively, Turbine Overhaul, Cooling Tower System Rehabilitation;
2. The proponent shall furnish EMB with copies of the records published in broadsheet involving incidents/accidents relating to project's operation;
3. All effluents and emissions during all project phases shall conform with the standards and other requirements set by the DENR;
4. All commitments, mitigating measures and monitoring requirements, especially those contained in the Environmental Impact Statement (EIS) particularly in the Environmental Management and Monitoring Plans, including all its modifications and additional information as approved by the EMB shall be instituted to minimize any adverse impact of the project to the environment throughout the project implementation including the following:
 - 4.1 Installation of erosion control measures along critical areas specifically where the steam pipelines are located;
 - 4.2 Regular and proper maintenance of all pollution control equipment and facilities to attain maximum efficiency. Likewise, anti corrosion measures for protecting and maintaining the integrity of production casings and surface pipelines to prevent serious pipelines failures should be employed;
 - 4.3 Implementation of a regular pipe monitoring and pipe replacement program and regular checking of the integrity of the structures supporting the pipes especially after major storm or earthquake;

- 4.4 Regular checking and monitoring of the condition and integrity of the plugged wells and the production pipes by third party and submission of corresponding report to the EMB for review and evaluation;
- 4.5 Monitoring of the subsidence every 3-years by a third party, the results of which should be submitted every first quarter to EMB C.O. for review and evaluation as basis for revalidating allowable steam production/extraction limits;
- 4.6 Securing and proper marking for easy identification and for security purposes of the ACWM landfill site and all waste (i.e., geothermal residues) storage areas;
- 4.7 Installation of appropriate noise barriers especially near the generators/engines to effectively attenuate the noise emanating from the same;
- 4.8 Regular sampling and chemical testing of community wells and springs to determine hydrogeological and geochemical changes resulting from re-injection of brine;
- 4.9 Quarterly submission of monitoring reports on the compliance to the ECC conditions, the EMP and the DENR Emission and Effluent standards to the EMB Central and Regional Office;
- 4.10 Effective implementation of a Comprehensive Solid Waste Management Program in accordance with Ecological Solid Waste Act (RA 9003) and its Implementing Rules and Regulations throughout the life of the project.
- 4.11 Ensure that its contractors and subcontractors properly comply with the relevant conditions of this Certificate;
- 4.12 Implementation of a continuing Information, Education and Communication (IEC) Program including communication of environmental risks of project operations to be funded by the proponent;
- 4.13 Implementation of a Social Development Program (SDP) and a Community Assistance Program in coordination with appropriate agencies of government,

5. The proponent's existing Environmental Unit (EU) headed by a DENR accredited Pollution Control Officer (PCO) shall competently handle the environment-related aspects of the project. In addition to the monitoring requirements as specified in the Environmental Monitoring Plan, the EU shall also monitor actual project impacts vis-a-vis the predicted impacts and management measures in the EIS and accordingly formulate revisions to the EMP as necessary, ensure the appropriate post-assessment permits are in place, ensure that monitoring and reporting are carried out as required, and comply with the conditions of the ECC. The EU shall submit environmental/monitoring reports to the EMB Central and Region IV Office.;

NOV 21 2002

6. The proponent shall set up the following:

- 6.1 A readily available and replenishable Environmental Guarantee Fund (EGF) to cover expenses for compensation of damages to life and property that may be caused by the project, for rehabilitation and/or restoration of areas affected by the project's construction, operation and abandonment, for compensation of parties and communities affected by possible negative impacts and as a source of fund for contingency and clean-up activities :
- 6.2 A Multipartite Monitoring Team (MMT) composed of representatives from the proponent, DENR, LGUs, municipal/rural health center, PO, NGO, DOE and academe (UPLD);
- 6.3 An Environmental Monitoring Fund (EMF) to cover all costs attendant to the operation of the MMT such as training, sampling and analysis, hiring of technical experts (including third party), meals accommodations and transportation.

The proponent shall submit an Environmental Guarantee Fund (EGF) and Environmental Monitoring Fund (EMF) proposal (with supporting computation) based on the existing relevant guidelines within thirty (30) days from the receipt of this Certificate. The said amount shall be incorporated in the EGF-EMF-MMT MOA to be discussed among the signatories and the final draft should be submitted within sixty (60) days from the receipt of this ECC;

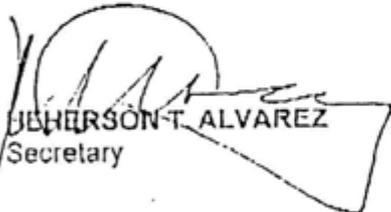
7. Submit an annual Environmental Audit Report to EMB CO for the first 5 years of operation and every 2 years thereafter;
8. This Certificate shall be considered automatically revoked if the geothermal power project rehabilitation and upgrading has not commenced within one (1) year from receipt hereof or if suspension or stoppage of its operation extends up to two (2) years;
9. Transfer/change of ownership of the project carries the same conditions in this Certificate for which written notification with certified transfer documents shall be submitted by herein grantee to the EMB within fifteen (15) days from such transfer;
10. An Abandonment Plan shall be submitted to the EMB Central Office and the EMB Region IV one (1) year prior to the project's abandonment schedule. The plan shall include rehabilitation measures/clean-up, remediation of areas possibly contaminated with chemical and other substances and proposed alternative projects in the area.



NOV 21 2002

Non-compliance with any of the above conditions will be sufficient cause for the suspension or cancellation of this Certificate and/or imposition of fine in the amount of Fifty Thousand Pesos (PhP 50,000.00) for every violation thereof, at the discretion of the EMB in accordance with Section 9 of P.D. No. 1586.

Granted this **NOV 21 2002**



JHERSON T. ALVAREZ
Secretary

cc: EMB Region IV

ECC NO. 0109-642-203



Republic of the Philippines
Department of Environment and Natural Resources

Vizayas Avenue, Diliman, Quezon City, 1100
Tel Nos (632) 829-6638 to 29 + (632) 929-6237
829-6620 + 829-6633 to 35
929-7041 to 43

SEP 10 2002

ENVIRONMENTAL COMPLIANCE CERTIFICATE
0109-642-203

The Department of Environment and Natural Resources (DENR) through the Environmental Management Bureau (EMB) hereby grants this Environmental Compliance Certificate (ECC) to NATIONAL POWER CORPORATION and PHILIPPINE GEOTHERMAL, INC. for the Tiwi Geothermal Power Plant located at Tiwi, Albay, after complying with the Environmental Impact Assessment (EIA) requirement, as prescribed in the promulgated guidelines implementing Section 3(b) of P.D. 1121 - *Creating the National Environmental Protection Council and P.D. 1588 - Establishing the Environmental Impact System of the Philippines.*

This Certificate is being issued subject to the following conditions:

1. This Certificate is valid only for the Upgrading and Rehabilitation activities of the Tiwi Geothermal Power Plant which involve the following: Matallibong Ridge Steam Upgrade, Condensate and Brine Injection System Upgrade, Rehabilitation and Operation of the 330 MW Power Plant (consisting of six 55-MW units arranged in three plants), and Establishment of an Asbestos Containing Waste Materials (ACWM) Landfill with an area of 7,000 square meters located at Nag 20 which is within the proclaimed geothermal reserve of 17,881 hectares centered at coordinates 123° 38.4' South Longitude and 13° 28.9' North Latitude;
2. The steam extraction rate shall not exceed 5,930 kg.-lbs./hour. This allowable extraction rate shall be revalidated by EMB every three (3) years based on the results of subsidence modeling and monitoring;
3. The proponent shall conduct a modeling on the magnitude of subsidence for a period of at least 25 years to predict the impact of withdrawal of steam on infrastructure, settlement areas, and the communities. The report shall be submitted to the EMB Central and Region V Offices within 60 days from receipt of this ECC as basis for re-validation of the maximum extraction rate;
4. The proponent shall submit within 60 days from the receipt of this Certificate a documentation/transcription of the forum (specifically attended by the fisher folk, farmers, Indigenous Peoples) initiated by the proponent and conducted by a third party (i.e. LGU, EMB Region V) regarding the project's impacts, mitigating measures, and benefits. Relevant concerns that will be raised shall be addressed by the proponent;
5. The proponent shall furnish EMB Central Office with copies of the records published in a broadsheet involving incidents/accidents relating to project's operation for the past five years and every five years from the time the court case decision is issued;
6. All commitments, mitigating measures and monitoring requirements, especially those contained in the Environmental Impact Statement (EIS) particularly in the Environmental Management and Monitoring Plan (EMMP), including all its modifications and additional information approved by the EMB shall be instituted to minimize any adverse impact.

The Geothermal Power Plant Project
ECC-0109-642-203
Page 1 of 4

Let's Go Green!



- 6.12 Ensure that its contractors and subcontractors properly comply with the relevant conditions of this Certificate;
 - 6.13 Implementation of a continuing Information, Education and Communication (IEC) Program including communication of environmental risks of project operations to be funded by the proponent and
 - 6.14 Implementation of a Social Development Program (SDP) and a Community Assistance Program including employment priority for qualified local residents and assistance program for livelihood and skills training among affected families, health (medical and dental) services, education services (with the objective of improving their earning capacity and help them provide for their basic needs) in coordination with the DENR and other appropriate government agencies.
7. The proponent's existing Environmental Unit (EU) headed by a qualified/accredited Pollution Control Officer (PCO) shall competently handle all environment-related aspects of the project. In addition to the monitoring requirements as specified in the Environmental Monitoring Plan, the EU shall also monitor actual project impacts vis-a-vis the predicted impacts and management measures in the EIS and accordingly formulate revisions to the EMP as necessary, ensure the appropriate post-assessment permits are in place, ensure that monitoring and reporting are carried out as required, and comply with the conditions of the ECC. The EU shall submit environmental/monitoring reports to EMB Central and Region V Offices;
8. An Annual Environmental Audit Report shall be submitted to EMB Central and Regional Offices within the first quarter of the succeeding year.
9. The proponent shall set up the following:
- 9.1 A readily available and replenishable Environmental Guarantee Fund (EGF) or equivalent financing instrument to cover expenses for compensation of damages to life and property that may be caused by the project, for rehabilitation and/or restoration of areas affected by the project's construction, operation and abandonment, for compensation of parties and communities affected by possible negative impacts and as a source of fund for contingency and clean-up activities;
 - 9.2 A Multiparty Monitoring Team (MMT) composed of representatives from the proponent, DENR, LGUs, and stakeholder communities/NGO; and
 - 9.3 An Environmental Monitoring Fund (EMF) to cover all costs attendant to the operation of the MMT such as training, sampling and analysis, hiring or technical experts, meals accommodations and transportation.

— *Send One*

[Handwritten Signature]
 SEP 10 2002

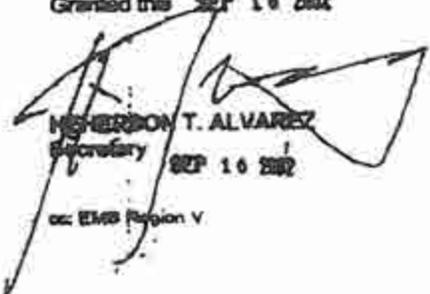


The proponent shall submit an Environmental Guarantee Fund (EGF) and Environmental Monitoring Fund (EMF) proposal (with supporting computation) based on the existing relevant guidelines within thirty (30) days from the receipt of this Certificate. The said amount shall be incorporated in the EGF-EMF-MMT MOA to be discussed among the signatories and the final draft shall be submitted within sixty (60) days from the receipt of this ECC.

10. This Certificate shall be considered automatically revoked if the geothermal power project rehabilitation and upgrading has not commenced within one (1) year from receipt hereof or if suspension or stoppage of its operation extends up to two (2) years.
11. Transfer/change of ownership of the project carries the same conditions in this Certificate for which written notification with certified transfer documents shall be submitted by herein grantees to the EMB within fifteen (15) days from such transfer.
12. An Abandonment Plan shall be submitted to the EMB Central and Region V Offices, one (1) year prior to the project's abandonment schedule. The plan shall include rehabilitation/clean-up measures, remediation of areas possibly contaminated with chemical and other substances and proposed alternative projects in the area.

Non-compliance with any of the above conditions shall be sufficient cause for the suspension or cancellation of this Certificate and/or imposition of fine in the amount of Fifty Thousand Pesos (PHP 50,000.00) for every violation thereof, at the discretion of the EMB in accordance with Section 9 of P.D. No. 1586.

Granted this SEP 16 2012


HERIBERTO T. ALVAREZ
Secretary

SEP 16 2012

cc: EMB Region V





Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
DENR Compound, Visayas Avenue, Diliman, Quezon City 1116
Telephone Nos.: 925-47-93 to 97
Email : emb@emb.gov.ph
Visit us at <http://www.emb.gov.ph>

SEP 28 2009

Mr. Luis Miguel Aboitiz
Director
AP RENEWABLES INC. (APRI)
110 Legazpi Street, Legaspi Village,
Makati City

Subject : **ECC TRANSFER OF OWNERSHIP**

Dear **Mr. Aboitiz**:

This refers to your amendment request for transfer of ownership of **ECC No. 0109-642-203** issued on September 10, 2002 for the **Tiwi Geothermal Power Plant Project** located at Tiwi, Albay from National Power Corporation to APRI.

Based on evaluation of the submitted Joint Certificate of Turnover between APRI and Power Sector Assets and Liabilities Management Corporation (PSALM), Securities and Exchange Commission (SEC) registration, and the Amended Articles of Incorporation of APRI, the said request is hereby approved. Please be advised that this transfer shall carry with it the environmental management commitments and obligations including ECC compliance reporting. Further, all other conditions stipulated in the above-cited ECC shall remain in force unless otherwise revised in writing. Expansion and/or modification of approved operations shall be subject to an Environmental Impact Assessment (EIA) requirement.

With respect to the other permits and requirements, please coordinate with our EMB Region V Office located at Regional Center, Rawis, Legaspi City with telephone number (052) 482-0197.

Very truly yours,


JULIAN D. AMADOR
Director

cc: EMB Region V



04 AUG 2015

ECC-R6-1502-0083-4220

MR. EMMANUEL V. RUBIO

President
 San Carlos Sun Power, Incorporated (SACASUN)
 Suite 1207 Security Bank Center, 6776 Ayala Avenue
 Makati City

Subject: Environmental Compliance Certificate (ECC No. ECC-R6-1502-0083-4220) issued on March 04, 2015 to San Carlos Sun Power Solar Power Plant Project located in Barangay Punao, San Carlos City, Negros Occidental. Amendment in view of the request of the proponent for the change of the project's transmission line capacity from 100 meters 139 kV Double Circuit to 100 meters 69 kV Single Circuit, increase of the plant's total capacity from 50 MWp DC to 61.33 MWp DC and inclusion of Lot No. 761-C under Transfer Certificate of Title (TCT No. T-351).

Dear Mr. Rubio:

This has reference to your request for amendment on the ECC (ECC No. ECC-R6-1502-0083-4220) issued on March 04, 2015 for your proposed **San Carlos Sun Power Solar Power Plant Project located in Barangay Punao, San Carlos City, Negros Occidental.**

Based on review and evaluation of the submitted documents, the requested amendment for the change of the project's transmission line capacity from 100 meters 139 kV Double Circuit to 100 meters 69 kV Single Circuit, increase of the plant's total capacity from 50 MWp DC to 61.33 MWp DC and inclusion of Lot No. 761-C under Transfer Certificate of Title (TCT No. T-351) are hereby granted to wit:

	Previous	New
Transmission Line Connection	100 meters 139 kV Double Circuit	100 meters 69 kV Single Circuit
Total Capacity	50 MWp DC	61.33 MWp DC
Titles	Lot No. 760-B-5-A (TCT No. T-342) with an area of 75 hectares	Lot No. 760-B-5-A (TCT No. T-342) with an area of 63 hectares Lot No. 761-C (TCT No. T-351) with an area of 12 hectares geographically located at 10°30'57.7", 10°31'21.5", 10°30'57.9", 10°31'44.9", 10°31'21.5", 10°31'01.7", 10°30'48.8" North Latitude and 123°25'10.9", 123°25'29.3", 123°25'51.8", 123°25'41.2", 123°25'29.2", 123°25'05.3", 123°25'36.5"

You may proceed with project implementation after securing necessary permits from pertinent government agencies. We will be monitoring your project periodically to ensure your compliance with the stipulated conditions in the ECC issued in your favor.

Further, all other conditions stated in the issued ECC should remain in effect and properly complied with.

This amendment forms part of your duly issued ECC.

Sincerely,


ATTY. JONATHAN P. BULOS
 Regional Director

Amendment Fee: P.1,200.00

OR #: 7993929

Date: 08-10-2015

"Productivity with Environmental Protection is the best answer to poverty"



Ref.: EMB.EIA.2015L
Ref.Code#ECC-R6-1502-0083-4220

04 MAR 2015

MR. JOSE MARIA P. ZABALETA

Chairman
San Carlos Sun Power, Incorporated
Suite 1207 Security Bank Center, 6776 Ayala Avenue
Makati City

Dear Mr. Zabaleta:

This has reference to your Environmental Compliance Certificate (ECC) application for your proposed solar power plant (**San Carlos Sun Power**) project located in **Barangay Punao, San Carlos City, Negros Occidental**.

After a careful evaluation of the documents submitted for the aforesaid project, this office has decided to grant the same an ECC which contains our findings and recommendations as a result of evaluation of the EIA document you have submitted to EMB Region VI. **All the findings and recommendations shall be integrated by relevant Government Agencies in their decision making prior to the issuance of clearances, permits and licenses under their mandates.**

In view thereof, you are hereby reminded that you need to **secure all necessary permits/clearances from pertinent government agencies prior to project implementation**. Further, we will be monitoring the project periodically to ensure your compliance to the conditions stipulated in the attached ECC. You are also strongly advised to implement all the recommendations and to coordinate with the Government Agencies listed in your ECC for better management and mitigation of the impacts of the project. Any expansion to the currently approved operations will be subjected to another Environmental Impact Assessment (EIA) process.

Please be informed that you may request for relief from ECC Commitments based on Section 17 of the Revised Procedural Manual for DENR Administrative Order No. 30 Series of 2003 (DAO 03-30) under the following conditions:

- a) for projects which have secured ECCs but have not been implemented for five (5) years;
- b) for projects which were previously covered but are currently classified as outside the Philippine EIS System; and
- c) for projects that will be terminated or completed, or will be abandoned or decommissioned.

May we also remind you to abide with all the conditions stated in your ECC. Beginning January 2008, a penalty of not less than Ten Thousand Pesos (PhP10,000.00) for violating minor condition and Twenty Five Thousand Pesos (PhP25,000.00) for violating major condition will be imposed on all types of FIRST offenses. These new penalties are based on the revised Procedural Manual of DAO 2003-30, The Implementing Rules and Regulations of P.D. 1586. Likewise, penalties for succeeding offenses will also be based on the said manual.

Please get your approved ECC at EMB Regional Office, 2nd Floor Pacita Salazar Building, El 98 Street, Jaro, Iloilo City. Failure to claim within sixty (60) days upon receipt of this letter will cause the cancellation of your ECC.

Sincerely,

ATTY. JONATHAN P. BULOS
Regional Director

: REGION VI - ECC - Solar Power Plant (San Carlos Sun Power) Project - San Carlos Sun Power, Incorporated
cc: PENRO/CENRO



Republic of the Philippines
Department of Environment and Natural Resources
Environmental Management Bureau
Office of the Regional Director
Region VI, Western Visayas
2nd Floor Pacita Salazar Building, El 98 Street, Jaro, Iloilo City
Fax No./Tel No. (033) 3001135/5099133 *
email: embr6@yahoo.com
Website: http://www.emb.gov.ph/regions/region_6/index.htm

ENVIRONMENTAL COMPLIANCE CERTIFICATE
(Issued under Presidential Decree 1586)

ECC-R6-1502-0083-4220

This is to certify that the proponent, **SAN CARLOS SUN POWER, INCORPORATED** is granted this **Environmental Compliance Certificate (ECC)** for the proposed solar power plant (**San Carlos Sun Power**) project, located in **Barangay Punao, San Carlos City, Negros Occidental** by the Department of Environment and Natural Resources (DENR), through the Environmental Management Bureau, Region 6, subject only to the conditions and restrictions set-out in this certificate.

This certification is issued for the proposed solar power plant (**San Carlos Sun Power**) **Project of San Carlos Sun Power, Incorporated** with the following details:

PROJECT DESCRIPTION

(Group 3.2.7 Renewable Energy Projects such as ocean, solar, wind, tidal power)

The proposed project covers the construction and operation of a **50 MW Solar Power Plant** having a total area of **Seventy Five (75) hectares** situated within portion of **Lot No. 760-B-5-A, Psd-064524-030365** under **Transfer Certificate of Title (TCT No. T-342)** located in **Barangay Punao, San Carlos City, Negros Occidental** geographically located at **10°30'57.7", 10°31'21.5", 10°30'57.9", 10°31'44.9", 10°31'21.5", 10°31'01.7", 10°30'48.8" North Latitude** and **123°25'10.9", 123°25'29.3", 123°25'51.8", 123°25'41.2", 123°25'29.2", 123°25'05.3", 123°25'36.5" East Longitude**.

The project includes: **50 MW Polycrystalline Modules (PH245P and Ph250P)**, **Main Switchyard (mixed power generation)**, **100 meters 139 kV Double Circuit Transmission Lines**, **Administration Office/Conference Room**, **Switch Gear Control Room** and **Battery Room**, **Septic Tank**, **Material Recovery Facility (MRF)** and **Drainage System** as stated in the submitted **IEER** document.

This certification is issued in compliance to the requirements of Presidential Decree No. 1586, in accordance to Department Administrative Order No. 2003-30. The Bureau, however, is not precluded from reevaluating, adding, removing, and correcting any deficiencies or errors that may be found after issuance of this certificate.

Issued on 04 MAR 2015

Recommending Approval:

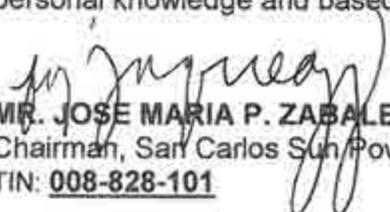

VIRGILIO F. FABRONERO
OIC-Chief, Clearance and Permitting Division

Approved by:


ATTY. JONATHAN P. BULOS
Regional Director

STATEMENT OF ACCOUNTABILITY

I, **Mr. Jose Maria P. Zabaleta**, Chairman of **San Carlos Sun Power, Incorporated**, project proponent of this proposed solar power plant (**San Carlos Sun Power**) project located in **Barangay Punao, San Carlos City, Negros Occidental** takes full responsibility in complying with all conditions stipulated in the Environmental Compliance Certificate (ECC) as well as in the Environmental Management Plan and the Environmental Monitoring Plan as contained in the Initial Environmental Examination Report (IEER) document. Further, I **HEREBY CERTIFY** that the information provided to the Department of Environment and Natural Resources pertaining to this project are true and correct to the best of my personal knowledge and based on the records on my possession.


MR. JOSE MARIA P. ZABALETA
Chairman, San Carlos Sun Power, Incorporated
TIN: **008-828-101**

"ANNEX A"

I. CONDITIONS

ENVIRONMENTAL MANAGEMENT

The proponent shall strictly implement the following mitigating, enhancement, and rehabilitating measures:

1. Proponent shall construct a temporary perimeter drainage canal provided with silt traps/ponds to treat/trap silt entrained run-off during heavy rains and dewatering of excavations prior to its discharge to prevent further siltation of the existing drainage facility and nearby water body prior to the start of the land clearing and earth moving activities;
2. Spoils shall be stockpiled on flat areas and away from the access road, drainage routes and nearby water body including earth and sand and gravel (SAG) materials. This shall be re-used as backfill material and shall not be disposed outside of the project area;
3. Excavated materials shall be properly stockpiled and properly disposed or reused. Excess soil materials shall not be deposited along areas traversed by run off and away from waterways and valuable crops and excess materials should be disposed to places as may be directed by the supervising engineer. Immediate vicinities of the disturbed area or temporary structures should be thoroughly cleared/ dismantled;
4. Proper drainage plan shall be developed and implementation must be observed so as not to inundate the adjacent areas and all drainage outfall shall be directed towards the existing drainage system (but not to overload its capacity) or the nearest water body;
5. Equipment to be used during construction shall be regularly maintained. Likewise, regular spraying of water on graded site/exposed soils shall be undertaken;
6. No cutting of matured trees specially banned species shall be done along the T/L route without proper clearance from authorities and be subjected to Forestry laws, rules and regulations. Removal of vegetation shall be limited only along the project area and along the ROW, as much as possible, unnecessary removal of vegetation shall be observed. Cutting of vegetation shall be kept at a minimum. Permit to Cut from Forest Management Services (FMS) shall be secured prior to cutting of trees. Burning of waste generated from land clearing such as leaves and branches shall be strictly prohibited, these shall be re-used as fire wood or made as compost;
7. Tree planting of at least **7,500 fruit, mangroves or forest tree species** (preferably those endemic in the area) shall be conducted on applicable areas, on open spaces and easement areas or on any alternative site. These should be maintained all throughout the duration of the project;
8. Proper orientation on the positioning of photovoltaic panels shall be applied to avoid possible specular reflections on the aircrafts approaching and leaving the nearby San Carlos City Air Strip.
9. Busted photovoltaic panels shall be properly handled, collected and stored in a separate storage facility. The proponent shall establish a centralize collection and storage of such and formulate measures as well as proper inventory, storage and handling of these materials. These materials shall not be disposed to public dump sites unless a landfill will be established that could cater this special wastes;

GENERAL CONDITIONS:

Further administrative conditions for the grant of this certificate shall be strictly complied:

10. The Proponent shall provide a three- chambered non-leaching septic tank to serve domestic wastes generated. Effluent should conform with the standard set in DAO No. 35 of R.A. 9275 otherwise known as the Philippine Clean Water Act;



11. Segregation, recycling, re-use and composting and proper disposal of solid wastes generated during construction and operation shall be in accordance with the provision of the Ecological Solid Waste Management under R.A. 9003 and its Implementing Rules and Regulations;
12. The proponent shall make an available budget based on the project scheduled in the submitted Environmental Management Plan (EMP) for the implementation of the project and proposed mitigating measures in the construction and operational phase. An accomplishment report on the implemented mitigating measures and the corresponding cost of the EMP activities shall be submitted to this Office on a quarterly basis for monitoring;
13. **Detailed specifications of the transformers and circuit breakers used by the project taking into consideration the coolant used should be submitted to this Office thirty (30) days after receipt of this ECC;**
14. The proponent shall set-up an Environmental Unit (EU) or assign a Pollution Control Officer (PCO) who shall handle the environmental aspects of the project, which shall have the following responsibilities:
 - a. Monitoring requirements as defined under the EMP;
 - b. Monitor actual project impact vis-à-vis predicted impacts and management measures in the EMP;
 - c. Make recommendations for the revision of the EMP as necessary;
 - d. Ensure that post-assessment permits are in place;
 - e. Ensure that monitoring and reporting are undertaken;
 - f. Ensure compliance to all the conditions and restrictions of the approved ECC.
 - g. Environmental monitoring reports shall be submitted to the EMB Region VI on a semi-annual basis using the **ECC Compliance Monitoring Report (CMR), Module No. 5 of the SMR;**
15. A 2' x 4' billboard containing this message: **"Notice to the Public, This project (title of the project) of (Name of the proponent) has been issued an Environmental Compliance Certificate (ECC Number) by the Environmental Management Bureau of the Department of Environment and Natural Resources, Region 6, on (date)."** This message must be installed at all entry and exit points and at all perimeters of the project facing the road to inform the general public within thirty (30) days from receipt of the certificate. A copy of the certificate shall also be posted by the Proponent at the barangay bulletin board of the affected barangays within thirty (30) days from receipt of the certificate. An accomplishment report which shall include picture verification of compliance to the posting of notices and the billboards shall be submitted to this Office within ninety (90) days from receipt of the ECC;
16. Proponent shall allow entry of EMB-R6 Field Personnel, DENR CENRO, PENRO and EMB R6 Focal Persons, into the project site at all times to conduct tangible monitoring and to validate project's compliance to the ECC conditions and EMP mitigating measures stipulated therein and in case there is a need for additional conditions in this ECC, the same shall be imposed by this office upon inspection if found necessary;
17. In case of abandonment, the Proponent shall notify the EMB Regional Office concerned within three (3) months prior to the abandonment and the Proponent shall submit its abandonment mitigation plan;

II. RESTRICTIONS:

The proponent is strictly subjected to the following restrictions:

1. No other activities should be undertaken other than what was stipulated in the IEER document. Should there be an expansion of the project beyond the project description, construction of other structures beyond those stated in the IEER document; or any change in the activity, shall be made subject to a new Environmental Impact Assessment;
2. Land clearing shall be limited to the project area. Burning of waste generated from land clearing such as leaves and branches shall be strictly prohibited. Any destruction of adjacent properties related to the project's construction and implementation shall be rehabilitated and affected parties shall be duly compensated;



3. Any request/s for ECC, amendments, except for change in ownership/s, should be submitted or filed within three (3) years from ECC issuance (for projects not started) or at any time during project implementation. Otherwise, the proponent shall have to file a new ECC application;
4. In case of transfer of ownership of this project, the same conditions and restrictions shall apply and the transferee shall be required to notify the EMB Regional Office concerned within fifteen (15) days as regards to the transfer of ownership;
5. This Certificate shall be considered automatically revoked if the project has not commenced within the period of five (5) years from the issuance thereof or if the ECC was not requested for extension within three (3) months from the expiration of its validity provided that no significant changes in land and resources uses have occurred in the project area or its vicinities to the extent that the impact assessment as embodied in the Environmental Management Plan (EMP) is no longer appropriate.

Non-compliance with any of the above mentioned conditions shall be a sufficient cause for the cancellation or suspension of this certificate and/or imposition of a fine in an amount not to exceed Fifty Thousand Pesos (50,000.00) for every violation thereof.

Processing Fee	:	P 2,700.00	OR#	3819009	Date:	02-06-15
Procedural Screening Fee	:	P 300.00	OR#	-do-	Date:	-do-
Database Management Fee	:	P 1,000.00	OR#	3818601	Date:	01-15-15

“ANNEX B”

PROJECT ASSESSMENT PLANNING TOOL

For the assistance of the Proponents and government agencies concerned in the management of the project and for better coordination in mitigation on the impact of the project on its surrounding areas and to the environment, the following have been taken notice and the proponent is strongly advised to coordinate with the concerned government agencies. The monitoring of these regulatory conditions shall be their responsibility.

	RECOMMENDATIONS TO CONCERNED GOVERNMENT AGENCIES	RESPONSIBLE AGENCY
1	Consider Project's proper storm drainage canal, concrete culverts and other flood control measures needs to be provided to adequately receive and channel the increase in rain water run-off;	City concerned
2	Consider Project's construction shall conform to the existing rules and regulations of the National Building Code of the Philippines. Plans and design specifications shall be approved by the City Engineer's Office of San Carlos City, Negros Occidental prior to the project construction. All other plans and design specifications of facilities and amenities shall strictly conform to all applicable standards, rules and regulations and other standards, rules and regulations applicable to this kind of undertaking;	City concerned
3	Consider Project's need for the provision of a segregation, collection, recycling, and disposal mechanism for solid waste shall be provided;	City concerned
4	Consider Projects approval of Site Development Plan;	City concerned
5	Consider Project's Area Zonification/Locational Clearance;	City concerned
6	Consider Project's coordination for the traffic management in the area affected in anticipation of the growth of traffic caused by the project;	LTO/City concerned
7	Consider Project's temporary sanitary toilet facilities should be provided to the construction workers, and any waste should be properly disposed so as not to cause nuisance to the immediate environment;	DOLE/DOH
8	Consider Project's regulation on occupational health and safety standards shall be complied with;	DOLE/City concerned
9	Consider Project's compliance to strictly follow DENR Administrative Order No. 99-21 dated June 11, 1999 " Procedures in the Retention Areas within certain distances along the banks of rivers, streams, and shores of seas, lakes and oceans for environmental protection" to wit: a) Urban Areas - 3 meters b) Agricultural Areas - 20 meters c) Forest Areas - 40 meters	DENR-FMS/DPWH



RECOMMENDATIONS TO CONCERNED GOVERNMENT AGENCIES		RESPONSIBLE AGENCY
10	Consider Project's construction materials particularly sand and gravel and other quarry materials shall be sourced only from legitimate operators, if sourced from a River, quarry permits shall be secured and an ECC if it warrants, including those of its construction support facilities such as crushing and batching plants (if there is any);	PEMO-Province of Negros Occidental
11	Consider Project's compliance to the DENR no tree cutting policy and requiring the planting of trees in certain places and penalizing unauthorized cutting, destruction, damaging and injuring of trees, plants and vegetations of any kind as per P.D. 953. Permit to Cut shall be secured prior to cutting of trees in the area.	DENR-FMS

ENVIRONMENTAL PLANNING RECOMMENDATIONS FOR THE PROPONENT:

The following are the recommendations for the Proponent for the protection of the project area and the affected environment. It is strongly recommended that the same be strictly complied by the proponents.

1. Permits from other government agencies shall be secured prior to project implementation;
2. Close monitoring of the project should be undertaken by the proponent to maintain a high level of safety and efficiency at all stages of the project's construction and operation and to immediately address any environmental hazard/change that may take place;
3. Schedule noisy activities during daytime;
4. Donate collectable recyclables to the LGU;
5. Dust and exhaust fume emissions control;
6. Noise control measures;
7. Proper area for entrance and exit points shall be designated and enough space for loading and unloading purposes shall be provided;
8. Implementation of good housekeeping rules and regulations;
9. Regular access road development and maintenance;
10. All personnel involved in the construction shall be required to undergo orientation on safety precautions and practices. All workers shall be provided with necessary protective device and appropriate gadgets. First aid facilities and services for staff and employees must be available on-site during the construction and operation of the project. A health referral system and procedure should be instituted by the proponent and contractors;
11. Proponent shall provide copy of this approved ECC to the concerned government agencies as listed in the Project Assessment Planning Tool.


REGIN B. SEGOVIA
Case Handler


VIRGILIO F. FABRONERO
OIC-Chief, Clearance and Permitting Division


ATTY. JONATHAN P. BULOS
Regional Director



SEP 08 2009

Mr. Luis Miguel Aboitiz

Director

AP RENEWABLES INC. (APRI)

110 Legazpi Street, Legaspi Village,
Makati City

Subject : **ECC TRANSFER OF OWNERSHIP**

Dear **Mr. Aboitiz**:

This refers to your request for transfer of ownership of ECCs issued for the following projects:

1. Mak-Ban Geothermal Modular Power Plant Project (ECC Ref. Code No. 9206-041-203C);
2. Upgrading and Rehabilitation of Mak-Ban Geothermal Power Plants A and B (ECC Ref. No. 0112-871-203); and
3. Mak-Ban Binary Cycle Geothermal Power Generating Plant Project (ECC Ref. 9112-037-203).

Based on evaluation of the documents submitted, the said request is hereby approved.

Please be advised that this transfer shall carry with it the environmental liability and obligations including ECC compliance reporting requirement of the former proponent of each of the above projects. Further, all other conditions stipulated in the ECCs shall remain in force unless otherwise revised in writing. Any expansion and/or modification of approved operations shall be subjected to a new Environmental Impact Assessment (EIA) requirement.

With respect to the other permits and requirements, please coordinate with our EMB CALABARZON Regional Office located at 1515 L & S Building, Roxas Boulevard, Ermita Manila.

Very truly yours,


JULIAN D. AMADOR
Director

cc: EMB CALABARZON



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
DENR Compound, Visayas Avenue, Diliman Quezon City 1116
Telephone Nos.: (632)927-15-17, 928-37-25; Fax No.: (632) 920-22-58
Website: <http://www.emb.gov.ph> / Email: mail@emb.gov.ph

11 JAN 2018

ECC-CO-1506-0018

Mr. Sebastian Arsenio R. Lacson
President and COO
THERMA VISAYAS INC.
Sitio Looc, Barangay Bato
Toledo City

Subject: **ENVIRONMENTAL COMPLIANCE CERTIFICATE**

Dear Sir:

This refers to your application for Environmental Compliance Certificate (ECC) for the proposed **Coal-Fired Power Plant Expansion Project** located in Sitio Looc, Brgy. Bato, Toledo City.

After satisfying the requirements of the Presidential Decree No. 1586 and its Implementing Rules and Regulations, and upon recommendation of the Environmental Impact Assessment Review Committee, the Department of Environment and Natural Resources (DENR) through the Environmental Management Bureau (EMB), has decided to grant the ECC amendment for the above-mentioned project.

With the issuance of the ECC, you are expected to fully implement the measures presented in the Environmental Performance Report and Management Plan (EPRMP) intended to protect and mitigate the project's adverse impacts on community health, welfare and the environment. Likewise, environmental considerations shall be incorporated in all phases and aspects of the project.

This Certificate does not create any right nor be used as an authorization to implement the project, you may proceed with the implementation only after securing all the necessary and relevant permits from other pertinent Government Agencies. This Office shall be monitoring the project periodically to ensure strict compliance with the stipulations cited in the attached ECC.

Please be guided accordingly.

Very truly yours,

By the Authority of the Secretary



ENGR. METOBIO U. TURBELLILLA
Director

cc: EMB - Region VII
LGU - Province of Cebu
LGU - City of Toledo
LGU - Brgy. Bato
DOE, DOH
DOL.E, Bureau of Working Condition
BMB Central Office



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
DENR Compound, Visayas Avenue, Diliman Quezon City 1116
Telephone Nos.: (632)927-15-17, 928-37-25; Fax No.: (632) 920-22-58
Website: <http://www.emb.gov.ph> / Email: mail@emb.gov.ph

ENVIRONMENTAL COMPLIANCE CERTIFICATE

(Issued under Presidential Decree 1586 and its IRR)

ECC-CO-1506-0018

THIS IS TO CERTIFY THAT THE PROPONENT, **THERMA VISAYAS, INC.**, represented by its President and COO, **Mr. Sebastian Arsenio R. Lacson** is granted this Environmental Compliance Certificate (ECC), for the proposed **Coal-Fired Power Plant Expansion Project** located at Sitio Looc, Barangay Bato, Toledo City by the Department of Environment and Natural Resources (DENR), through the Environmental Management Bureau (EMB).

SUBJECT to the conditions and restrictions set-out herein labeled as Annex A and Annex B, this Certificate supersedes ECC-CO-1301-0003 issued on May 20, 2013.

This Certificate is issued with the following details:

PROJECT DESCRIPTION

This Certificate covers the construction and operation of 450 MW (2x150MW existing and 1x150MW expansion) Coal-Fired Power Plant Project using Circulating Fluidized Bed (CFB) Coal Technology to be located within 58 hectare property in Sitio Looc, Brgy. Bato, Toledo City and with the following major and support facilities:

- A. Major Components
 - 3x150 MW Boilers
 - 3x150 MW Steam Turbines and Generators
 - 3 Step-up and Auxiliary Transformer (units)
 - Jetty
 - Coal Storage (covered)
- B. Materials Handling Facilities
 - 3 Limestone Silo
 - 3 Bottom Ash Silo
 - 3 Fly Ash Silo
 - Coal Dome
 - Coal Conveyor (covered)
 - Screw-type ship unloader
- C. Pollution Control Devices and Waste Management System
 - 3 Electrostatic Precipitator Set
 - 2 Demineralization Facility
 - 3 Demineralized Water Storage Tank
 - 3 Fire/Service Water Tank
 - 3 Sea Water Reverse Osmosis (SWRO) Production Tank
 - 3 Filtered Water Tank
 - 2 Water Treatment Building
- D. Major and Support facilities indicated in the EPRMP



I. CONDITIONS**ENVIRONMENTAL MANAGEMENT**

All commitments, appropriate mitigating/enhancement measures and monitoring requirements especially those contained in the EPRMP, as approved by the EMB shall be instituted by the Proponent to minimize any adverse impact to the environment throughout the project implementation, including the following:

1. Implementation of an intensive and effective Information, Education and Communication (IEC) Program to inform and educate all affected stakeholders, particularly the direct impact barangays, about the Project's mitigating measures embodied in the EPRMP and the conditions stipulated in this Certificate for greater awareness, understanding and sustained acceptance of the Project. An annual detailed IEC program in coordination with the Environmental Management Bureau Region VII and report/proof of implementation thereof shall be submitted to the EMB Central Office annually and copy-furnished EMB Region VII;
2. Implementation of a comprehensive Social Development Program (SDP) and submission of a separate semi-annual report simultaneous with the submission of the Compliance Monitoring Report (CMR) to the EMB Central Office semi-annually and copy-furnished EMB Region VII;
3. Establish at least five (5) meters buffer zone along the entire periphery of the project site with appropriate species/dense vegetation cover to mitigate the adverse effect of its operation to the existing condition of the ecosystems in the area and to serve as noise, vibration and dust buffers.
4. Conduct validation of air dispersion modeling one (1) year after the start of project commercial operation and updated every two (2) years thereafter until results are consistent with the first year validation results and are compliant with existing standards, laws, rules and regulations. The validation reports shall be submitted to EMB Central Office within sixty (60) days from the conduct thereof. The validation shall be undertaken based on data collected from the automatic weather station;
5. Conduct validation of thermal plume modeling one (1) year after the start of the project commercial operation and shall be updated every two (2) years thereafter. The validation reports shall be submitted to EMB Central Office within sixty (60) days from the conduct of validation;
6. Conduct a risk/safety assessment one (1) month prior to commercial operation covering the entire facilities which shall be updated every five (5) years thereafter, to ensure that hazards and risks are kept at a minimum. The report shall be submitted to EMB Central Office within thirty (30) days from the conduct of assessment;
7. Submit and implement a LGU-approved Coastal Resource Management Program (CRMP) covering the project impact area to EMB Central Office copy furnished the EMB Region VII within one (1) year after the start of the project commercial operation;



8. Install an automatic weather station compliant with the relevant PAGASA standards and requirements within six (6) months after commercial operation. Proof of compliance shall be submitted to EMB Central Office at the end of the period specified;
9. Ensure that construction and operation of jetty will not pose significant impacts to marine life and ecosystem. Measures to guarantee protection shall be coordinated with Multipartite Monitoring Team (MMT) and Biodiversity Management Bureau (BMB);
10. Undertake a Carbon Sink Program to offset emissions of carbon dioxide from the power plant aligned with the current Carbon Sink Programs of DENR in coordination with EMB;

GENERAL CONDITIONS

11. The proponent shall comply with the guidelines on the requirements for Continuous Emission Monitoring Systems (CEMS) under DAO 2007-22. Installed CEMS shall be capable of providing real-time monitoring data and shall be transmitted online to EMB Central and EMB Region VII;
12. The Memorandum of Agreement (MOA) on the creation of Multipartite Monitoring Team which was signed and approved on 22 July 2014 shall be amended to include the entire operation of the 450 MW Coal-Fired power plant and the jetty covered by this Certificate;
13. The Environmental Unit (EU) shall competently handle the environment-related aspects of the project. In addition to the monitoring requirements as specified in the Environmental Management and Monitoring Plan (EMMoP), the EU shall have the following responsibilities:
 - 13.1 Monitor actual project impacts vis-à-vis the predicted impacts and management measures in the EPRMP;
 - 13.2 Conduct heavy metal analysis on ash (nearby ash disposal facilities) as part of the regular monitoring activities of the power plant project;
 - 13.3 Recommend revisions to the EMMoP, whenever necessary subject to the approval of EMB Central Office. Revisions shall also consider the result of the validation of air dispersion and thermal plume modeling; and
 - 13.4 Ensure that data gathered during monitoring activities are properly documented, assessed, evaluated and reported to EMB (Central Office and Region VII) in accordance with the prescribed formats.
14. The proponent shall ensure that its contractors and subcontractors consider among others, the following mitigating measures for jetty/pier and initial dredging activities:
 - 14.1 The use of applicable sound attenuation devices;
 - 14.2 Re-suspension of loose sediments to enclose and limit dispersal of sediments; and
 - 14.3 The jetty design shall use platform on stilts to avoid

interfering with the marine hydrodynamic processes existing in the area

15. The proponent shall ensure that its contractors and subcontractors strictly comply with the relevant conditions of this Certificate;
16. Restore to its former condition the backfilled area along the shoreline after completion of its jetty construction as committed within three (3) months;

II. RESTRICTIONS

17. No construction or development-activities as identified herein or any portion thereof shall be initiated/undertaken until outstanding issues on zoning, conversion, tenurial and/or similar land concerns shall have been resolved with finality;
18. No activities shall be undertaken other than what were stipulated in the EPRMP. Should there be any expansion of the project beyond the EPRMP or any change in the activity or transfer of location, the same shall be subject to a new Environmental Impact Assessment; and
19. Transfer of ownership of this project carries the same conditions and restrictions, for which written notification must be made by herein grantee to EMB within fifteen (15) days prior to such transfer.

O.R. No. : 6693685
Date : 04/21/2015
Processing Fee : Php 4,000.00



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF ENVIRONMENT
AND NATURAL RESOURCES



SETR053174

ENVIRONMENTAL COMPLIANCE CERTIFICATE
Coal-Fired Power Plant Expansion Project
Therma Visayas Inc.

PROJECT ASSESSMENT PLANNING TOOL

For the assistance of the Proponent and government agencies concerned in the management of the project and for better coordination in mitigation of the impact of the project on its surrounding areas and to the environment, the following are recommendations to the parties and authorities concerned for proper appreciation and action.

OTHER REGULATORY REQUIREMENTS	CONCERNED GOVERNMENT AGENCIES/ENTITIES
1. Compliance by the proponent with the following: <ul style="list-style-type: none"> a. Ecological Solid Waste Management Act b. Building Code of the Philippines c. Zoning Clearance 	LGU concerned
2. Compliance with the Sanitation Code of the Philippines	DOH
3. Labor Code of the Philippines including occupational safety and safety standards for petrochemical plant and provide personal protective equipment for the workers.	DOLE-Bureau of Working Condition
4. Secure tree cutting permit.	DENR
5. Foreshore Lease Agreement (FLA), if necessary	DENR

ENVIRONMENTAL PLANNING RECOMMENDATIONS FOR THE PROPONENT

6. Priority of employment shall be given to qualified local residents. Adequate public information on jobs available for local residents in the affected areas shall be provided; and
7. An independent third party shall be commissioned to undertake an environmental audit, including a continuing study of the effects of the Project on the health of the workers and affected residents. The result of the third party environmental audit, including the auditing of risks and hazards of the Project, shall be submitted to EMB, while the result of the continuing health study shall be submitted, every five (5) years, to the Department of Health (DOH), for evaluation.

For dissemination and proper action of the parties concerned.

ATTY. MICHAEL DRAKE P. MATIAS
Chief, EIAM Division

ENGR. METODIO U. TURIELLA
Director

This Certificate is issued in compliance with the requirements of Presidential Decree No. 1586, and its Implementing Rules and Regulations. Non-compliance with any of the provisions of this Certificate shall be a sufficient cause for its cancellation and/or imposition of a fine in an amount not to exceed Fifty Thousand Pesos (P50,000.00) for every violation thereof without prejudice to imposition of fines and penalties under other environmental laws. The DENR, however, is not precluded from reevaluating and correcting any deficiencies or errors that may be found after issuance of this Certificate.

Issued at DENR, Quezon City, Philippines, this AUG 02 2018

Recommending Approval:


ATTY. MICHAEL DRAKE P. MATIAS
Chief, EIAM Division

Approved:
By the Authority of the Secretary


ENGR. METODIG-U. TURBELLA
Director



SWORN ACCOUNTABILITY STATEMENT

David Aboviz

I, Visayas, Inc. with office address located in Sitio Looc, Barangay Bato, Toledo City, take full responsibility in complying with all conditions contained in this Environmental Compliance Certificate (ECC).


Signature

TIN NO. _____

Subscribed and sworn to before me this AUG 02 2018 at QUEZON CITY
affiant taking oath presenting Passport to Po 269544, issued on Sept 19, 2021 at _____

Doc. No. 407
Page No. 82
Book No. XLII
Series of 2018


ATTY. CECILIO C. LUMANTAD
NOTARY PUBLIC

ATTORNEY'S ROLL NO. 14679
IBP NO. ARCHIVES JAN. 3, 2013, O.C.
PTR. NO. ARCHIVES, JAN. 3, 2013, O.C.
COMMISSION NO. 19-012 (2017-2018)
MCLE NO. 19-0003 - MAY 13, 2015
OFFICE ADDRESS: PC-3 TIMEZ.COM
QUEZON CITY, Q.C.



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU

DENR Compound, Visayas Avenue, Diliman, Quezon City 1116
Telephone Nos. 927-15-17, 928-37-42
Email: emb@emb.gov.ph
Visit us at <http://www.emb.gov.ph>

SEP 09 2011

ECC Ref. No. 1107-0010

Mr. Thomas Sliman, Jr.
Vice President – Business Development
THERMA SOUTH INC.
5/F 110 Legaspi St., Legaspi Village
Makati City

SUBJECT: ENVIRONMENTAL COMPLIANCE CERTIFICATE

Dear Sir:

This refers to the Environmental Compliance Certificate (ECC) application for the proposed Therma South Energy Project to be located in Barangay Binugao, Toril District, Davao City and Barangay Inawayan, Sta. Cruz, Davao Del Sur.

After satisfying the requirements in the said application and upon recommendation of the Environmental Management Bureau (EMB), this Department has decided to grant an ECC to the above-mentioned project.

With the issuance of this ECC, you are expected to implement the measures presented in the Environmental Impact Statement (EIS) and the Environmental Management and Monitoring Plan (EMMoP), intended to protect and mitigate the project's adverse impacts on community health, welfare and the environment. Environmental considerations shall be incorporated in all phases and aspects of the project. You may proceed with the project implementation after securing all the necessary permits from other pertinent Government agencies. This Office will be monitoring the project periodically to ensure your compliance with stipulations cited in the attached ECC.

Please be guided accordingly.

Very truly yours,


ATTY. JUAN MIGUEL T. CUNA
OIC Director

cc: EMB – Region XI
LGU – Province of Davao Del Sur
LGU – Davao City
LGU – Municipality of Sta. Cruz
DOE



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU

DENR Compound, Visayas Avenue, Diliman, Quezon City 1116
Telephone Nos.: 927-15-17, 928-37-42
Email: emb@emb.gov.ph
Visit us at <http://www.emb.gov.ph>

ENVIRONMENTAL COMPLIANCE CERTIFICATE

(Issued under Presidential Decree No. 1586)

ECC Ref. Code: 1107-0010

THIS IS TO CERTIFY THAT THE PROPONENT, THERMA SOUTH INC., as represented by its Vice President for Business Development, Mr. Thomas Sliman Jr., is granted this Environmental Compliance Certificate (ECC) for the proposed **Therma South Energy Project** located in **Barangay Binugao, Toril District, Davao City and Barangay Inawayan, Sta. Cruz, Davao Del Sur** by the Department of Environment and Natural Resources (DENR) through the Environmental Management Bureau (EMB).

SUBJECT ONLY to the conditions and restrictions set in this ECC and in the attached document labeled as Annexes A and B.

This Certificate is issued with the following details:

PROJECT DESCRIPTION

The proposed Therma South Energy Project shall use the Circulating Fluidized Bed (CFB) Coal Technology with the following facilities:

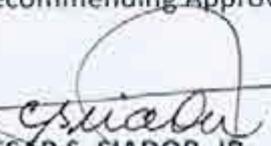
- Coal unloading pier capable of unloading 73,000 DWT sized vessels;
- Barge pier for smaller vessels, boats and barges;
- Enclosed conveying equipment with coal crushers;
- Enclosed coal storage area;
- 2 x 150-MW CFB boilers;
- 2 x 150-MW steam turbine generators;
- Cooling water intake and discharge structures for the condenser cooling water;
- Sea water cooled condensers for condensing and reusing steam;
- Limestone preparation plant;
- Sand silos;
- Electrostatic Precipitator or fabric filter for ash collection;
- Continuous Emission Monitoring System (CEMS);
- Ash silos;
- Lined, dry ash cells for storage of unsold ash;
- Water treatment plant for process water;
- Waste water treatment and sewage treatment facilities for recycling water for project dust control and landscaping needs;
- Desalination plant, if required for source of process water;
- Transmission Line;
- substation for connection to DLPC/ NGCP for power export; and
- Central control room.



This Certificate is issued in compliance to the requirements of Presidential Decree No. 1586, in accordance to DENR Administrative Order (D.A.O.) No. 2003-30. Non-compliance with any of the provisions of this Certificate shall be a sufficient cause for the cancellation of this Certificate and/or imposition of a fine in an amount not to exceed Fifty Thousand Pesos (P50,000.00) for every violation thereof. The EMB, however, is not precluded from reevaluating, and correcting any deficiencies or errors that may be found after issuance of this Certificate.

Issued at DENR, Quezon City, Philippines, this SEP 09 2011.

Recommending Approval:


CESAR S. SIADOR, JR.
 OIC, Chief EIAM Division

Approved by the Authority of the Secretary:


ATTY. JUAN MIGUEL T. CUNA
 OIC, Director



DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES



SENRO31461

STATEMENT OF ACCOUNTABILITY

I, Mr. Thomas Sliman, Jr., Vice – President for Business Development, representing Therma South Inc. with office address located in 5/F 110 Legaspi St., Legaspi Village, Makati City takes full responsibility in complying with all conditions in this Environmental Compliance Certificate (ECC).



 Signature

TIN _____

Subscribed and sworn to before me this _____ day of _____, 2011, the above-named affiant taking oath presenting Community Tax Certificate (CTC) No. 02694548 issued on APRIL 12, 2011 at MANILA and his Passport No. 711029697 issued on December 6, 2004 at U.S Embassy Manila.

 Notary Public

DOC. NO.	155
PAGE NO.	32
BOOK NO.	J
SERIES OF	2011.




KATHRYN LEIF S. SORIANO-POSADAS
 Notary Public for Makati City
 Notarial Commission No. M-107
 Until December 31, 2012
 110 Legaspi St., Legaspi Village, Makati City
 Roll No. 50171
 PTR No. 2642503 Makati City 01.03.11
 IBP Lifetime Membership No. 009715
 Quezon City Chapter
 MCE Compliance No. H-0013400

I. CONDITIONS

ENVIRONMENTAL MANAGEMENT

All commitments, mitigating measures and monitoring requirements, contained in the Environmental Impact Statement (EIS) for the proposed Therma South Energy Project, particularly in the Environmental Management and Monitoring Plan (EMMoP), including the modifications and additional information as approved by the EMB, shall be instituted to minimize any adverse impact of the project to the environment throughout its implementation, including the following:

1. Conduct an effective Information, Education and Communication (IEC) Program to inform and educate all stakeholders, especially its contractors, workers, and local residents about the mitigating measures embodied in its EIS, the conditions stipulated in this Certificate and the environmental and human safety features of the project for greater awareness, understanding and sustained acceptance of the project;
2. Implement a Comprehensive Social Development Program (SDP) and submit a report to the EMB Central Office and EMB Region XI on a regular quarterly basis;
3. Establish appropriate measures and buffer zones along the entire periphery of the project site with appropriate species/dense vegetation cover to enhance the condition of the ecosystems and to serve as noise, vibration and dust buffers;
4. Conduct validation of air dispersion and thermal plume modeling within one year from the start of project operation. The proponent may opt to design and implement its own air and water quality monitoring program in a manner that can be used for validating said models to be used in determining accuracy of impacts and impact areas and to ensure that actual levels of pollutants are within the DENR standards;
5. Establishment of a reforestation and carbon sink program using endemic/indigenous species to mitigate greenhouse gas (GHG) emissions of the project in line with the DENR's thrust for GHG emission reduction programs. The program shall be submitted to EMB six (6) months prior to the project operation;

GENERAL CONDITIONS

6. The plant operations shall conform with the provisions of RA 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), RA 8749 (Philippine Clean Air Act of 1999), RA 9003 (Act providing for an Ecological Solid Waste Management Program), and RA 9275 (Philippine Clean Water Act of 2004) and other relevant policies, rules and regulations;
7. The proponent shall set-up the following:
 - 7.1 A readily available and replenishable Environmental Guarantee Fund (EGF) to cover the following expenses for further environmental assessments, compensations/indemnification for whatever damages to life and property that may be caused by the project; rehabilitation and /or restoration of areas affected by the project's implementation; and abandonment/decommissioning of the project facilities related to the prevention of possible negative impacts and as a source of

fund for contingency and clean up activities;

7.2 A Multipartite Monitoring Team (MMT) composed of representative(s) from the proponent, EMB Region XI, a local environmental Non-Government Organization (NGO), DOE and the LGUs shall be organized. The MMT should primarily oversee the compliance of the proponent with the Environmental Management and Monitoring Plan (EMMoP) and the ECC conditions;

7.3 A replenishable Environmental Monitoring Fund (EMF) to cover all costs attendant to the operation of the MMT such as training, sampling and analysis, the hiring of technical experts, accommodations and transportation.

The amount and mechanics of the EGF, EMF and the establishment of the MMT shall be determined by the DENR and the proponent in consultation with EMB Region XI through a Memorandum of Agreement (MOA) which shall be submitted within sixty (60) days upon receipt of this Certificate;

8. Creation of an Environmental Unit (EU) within sixty days from issuance of this Certificate that competently handle the environment-related aspects of the project. In addition to the monitoring requirements as specified in the Environmental Management and Monitoring Plan (EMMoP), EU shall have the following responsibilities:
 - a. Monitor actual project impacts vis-à-vis the predicted impacts and management measures in the EIS;
 - b. Accordingly recommend revisions to the EMMoP, whenever necessary subject to the approval of EMB Central Office. Revisions should also consider the result of the validation of air dispersion and thermal plume modeling as required in item 4 (Annex A) of this Certificate;
 - c. Ensure that data gathered during monitoring activities are properly documented, assessed, evaluated and reported in accordance to the standard formats; and,
 - d. Ensure that monitoring and submissions of reports to EMB (Central Office and Region XI) are carried out as required;
9. The proponent shall ensure that its contractors and sub-contractors properly comply with the relevant conditions of this Certificate;

II. RESTRICTIONS

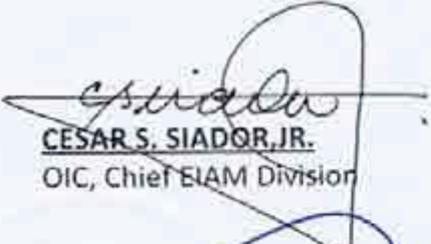
10. No activities shall be undertaken other than what was stipulated in the final EIS. Should there be any expansion of the project beyond the project description or any change in the activity or transfer of location shall be subject to a new Environmental Impact Assessment; and,
11. In case of transfer of ownership of this project, these same conditions and restrictions shall apply and the transferee shall be required to notify the EMB Regional Office within fifteen (15) days as regards the transfer of ownership.

O.R. No : 9724570
Date : July 12, 2011
Processing Fee : PhP6,010.00
Documentary Stamp: PhP 15.00 with OR No. 6187164

PROJECT ASSESSMENT PLANNING TOOL

For the assistance of the Proponent and the Government agencies concerned in the management of the Project and for better coordination in mitigation of the impacts of the Project on its surrounding areas and the environment, and by way of recommendation, the following have been taken notice of by the EIA Review Committee and are forwarding these recommendations to the parties and authorities concerned for appropriate action.

OTHER REGULATORY REQUIREMENTS/CONDITIONS	CONCERNED GOVERNMENT AGENCIES/ENTITIES
1. Compliance with the Sanitation Code of the Philippines;	DOH
2. Compliance with the Labor Code of the Philippines;	DOLE
3. Ensure conformance with the Ecological Solid Waste Management Act;	LGUs concerned
4. Presentation of the EIA findings for consideration in the securing of clearance from the office of the President on tree cutting;	Office of the President
5. Secure Zoning Clearance;	LGUs concerned
ENVIRONMENTAL PLANNING RECOMMENDATIONS FOR THE PROPONENT	
6. Priority of employment need to be given to qualified local residents and IPs. Adequate public information for jobs available to local residents and IPs in the affected areas needs to be provided; and,	
7. An independent third party shall be commissioned to undertake an environmental audit, including a continuing study of the effects of the Project on the health of the workers and affected residents, including vulnerable groups. The result of the third party environmental audit, including the auditing of risks and hazards of the Project, shall be submitted to EMB, while the result of the continuing health study shall be submitted, every two (2) years, to the Department of Health (DOH), for evaluation.	


CESAR S. SIADOR, JR.
 OIC, Chief EIAM Division


ATTY. JUAN MIGUEL T. CUNA
 OIC, Director



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU

DENR Compound, Visayas Avenue, Diliman, Quezon City 1116
Telephone Nos. 927-15-17, 926-20-96
Email: emb@emb.gov.ph
Visit us at <http://www.emb.gov.ph>

20 MAY 2013

ECC-CO-1301-0003

MR. BENJAMIN A. CARIASO, JR.

President

THERMA VISAYAS INC.

Aboitiz Corporate Center

Gov. Manuel A. Cuenco Avenue

Banilad, Cebu City

SUBJECT: ENVIRONMENTAL COMPLIANCE CERTIFICATE

Dear Sir:

This refers to the Environmental Compliance Certificate (ECC) application of Therma Visayas Inc. for the proposed Therma Visayas Coal Fired Power Plant Project to be located at Sitio Looc, Barangay Bato, Toledo City.

After satisfying the requirements in the said application and upon recommendation of the Environmental Management Bureau (EMB), this Department has decided to grant an ECC for the above-mentioned project.

With the issuance of this ECC, you are expected to implement the measures presented in the Environmental Impact Statement (EIS) and the Environmental Management and Monitoring Plan (EMMoP), intended to protect and mitigate the project's adverse impacts on community health, welfare and the environment. Environmental considerations shall be incorporated in all phases and aspects of the project. You may proceed with the project implementation after securing all the necessary permits from other pertinent Government agencies. This Office will be monitoring the project periodically to ensure your compliance with stipulations cited in the attached ECC.

Please be guided accordingly.

Approved by the Authority of the Secretary:


ATTY. JUAN MIGUEL T. CUNA, CESO IV
OIC Director

CERTIFIED TRUE COPY
NAME: JMC
DATE: MAY 23 2013
EMB / Environmental Impact Assessment
and Management (EIS/EMM)

cc: EMB – Region VII
LGU – Province of Cebu
LGU – City of Toledo
LGU – Brgy. Bato
DOE





ENVIRONMENTAL COMPLIANCE CERTIFICATE
 (Issued under Presidential Decree No. 1586)
ECC-CO-1301-003

THIS IS TO CERTIFY THAT THE PROPONENT, **THERMA VISAYAS, INC.**, as represented by its President, **Mr. Benjamin A. Cariaso, Jr.**, is granted this Environmental Compliance Certificate (ECC) for the proposed **Therma Visayas Coal Fired Power Plant Project** located in **Sitio Looc, Barangay Bato, Toledo City** by the Department of Environment and Natural Resources (DENR) through the Environmental Management Bureau (EMB).

SUBJECT ONLY to the conditions and restrictions set in this ECC and in the attached document labeled as Annexes A and B.

This Certificate is issued with the following details:

PROJECT DESCRIPTION

This certificate shall cover the construction and operation of Therma Visayas Coal-Fired Power Plant Project with a net capacity of three hundred (300) MW using Circulating Fluidized Bed (CFB) Coal Technology to be located within a 40.63 hectare property in Sitio Looc Brgy. Bato, Toledo City with the following facilities:

- 2 x 150MW CFB boilers;
- 2 x 150MW steam turbine generators;
- Coal Handling and Storage System (Enclosed conveying equipment with coal crushers);
- Coal Unloading pier;
- Barge pier;
- Cooling water intake and discharge structures for condenser cooling water;
- Auxiliary Materials Handling and Storage System;
- Seawater cooled condensers for condensing and reusing steam;
- Limestone preparation plant;
- Sand Silos;
- Ash handling and disposal area;
- Water treatment plant (Demineralization Plant);
- Desalination Plant;
- Air pollution control facilities (ie. electrostatic precipitator);
- Continuous Emission Monitoring System (CEMS);
- Wastewater treatment and sewage treatment facilities;
- Transmission line and substation for connection to VECO/NGCP for power export; and Other support facilities



CERTIFIED TRUE COPY
 NAME: _____
 DATE: MAY 23 2013
 SMB / Environmental Impact Assessment and Management (DENR - CEMAMU)

This Certificate is issued in compliance with the requirements of Presidential Decree No. 1586, and in accordance to DENR Administrative Order (D.A.O.) No. 2003-30. Non-compliance with any of the provisions of this Certificate shall be a sufficient cause for the cancellation of this Certificate and/or imposition of a fine in an amount not to exceed Fifty Thousand Pesos (P50,000.00) for every violation thereof without prejudice to imposition of fines and penalties under other environmental laws. The EMB, however, is not precluded from reevaluating and correcting any deficiencies or errors that may be found after issuance of this Certificate.

Issued at DENR, Quezon City, Philippines, this _____.

Recommending Approval:

ATTY. MICHAEL DRAKE P. MATIAS
 OIC, Chief EIAM Division

Approved by the Authority of the Secretary:

ATTY. JUAN MIGUEL T. CUNA, CESO IV
 OIC, Director



STATEMENT OF ACCOUNTABILITY

I, Mr. Benjamin A. Cariaso, Jr., President, representing Therma Visayas, Inc. with office address located in Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue, Banilad, Cebu City, takes full responsibility in complying with all conditions in this Environmental Compliance Certificate (ECC).

Signature

TIN 142-649-813

Subscribed and sworn to before me this day of MAY 21 2013, 2013, the above-named affiant taking oath presenting Community Tax Certificate (CTC) No. CCI201129807066 issued on Jan. 9 2013 at LAPINAS CITY

Doc. No. 370
 Page No. 8
 Book No. 1
 Series of 213

Environmental Compliance Certificate
 Therma Visayas Coal Fired Power Plant Project
 Therma Visayas, Inc (TVI)

Notary Public

ANTHONY LEONARD G. TOPAS
 Notary Public for Makati City
 Datto Decree No. 41, 1911
 Commission No. M-406
 110 Legaspi St., Legaspi Village, Makati City
 PTR No. 363302, 01/07/11, Makati City
 IBP No. 924515, 01/10/13, Manila City
 Roll No. 50667

CERTIFIED TRUE COPY
 NAME: _____
 DATE: MAY 21 2013
 EMB / Environmental Impact Assessment and Management Division (EIAMD)

I. CONDITIONS

ENVIRONMENTAL MANAGEMENT

All commitments, mitigating measures and monitoring requirements, contained in the Environmental Impact Statement (EIS) for the proposed Therna Visayas Power Plant Project, particularly in the Environmental Management Plan/ Environmental Monitoring Plan, including any modifications and/or additional information as approved by the EMB, shall be instituted to minimize any adverse impact of the project to the environment throughout its implementation, which shall include among others to wit:

1. Conduct an effective Information, Education and Communication (IEC) Program to inform and educate all stakeholders, especially its contractors, workers, and local residents about the mitigating measures embodied in its EIS, the conditions stipulated in this Certificate and the environmental and human safety features of the project for greater awareness, understanding and sustained acceptance of the project. The program shall be submitted to EMB Central Office on an annual basis;
2. Implement a Comprehensive Social Development Program (SDP) and submit a separate report together with the Compliance Monitoring Report (CMR) to the EMB CO and copy furnished EMB Region VII on a semi-annual basis;
3. Establish appropriate measures and buffer zones along the entire periphery of the project site with appropriate species/dense vegetation cover to enhance the condition of the ecosystems and to serve as noise, vibration and dust buffers;
4. Conduct validation of air dispersion, coastal current circulation, and thermal plume modeling prior to the start of project construction;
5. Conduct detailed site investigation which includes detailed geotechnical study, erosion and dissolution of underlying limestone, and seismic risk analysis of the power plant and jetty areas and submit copy of the studies to EMB CO and EMB Region VII prior to project construction;
6. Conduct a risk assessment prior to the start of project construction covering the entire facilities in relation to occupational health and safety to be updated at least every five (5) years, to ensure that hazards and risks are kept at the minimum;
7. Establishment of a reforestation and carbon sink program using endemic/indigenous species to mitigate greenhouse gas (GHG) emissions of the project in line with the DENR's thrust for GHG emissions reduction programs and National Greening Program. The program shall be submitted to EMB CO and EMB Region VII six (6) months prior to the project implementation;

GENERAL CONDITIONS

8. The plant operations shall conform with the provisions of RA 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), RA 8749 (Philippine Clean Air Act of 1999), RA 9003 (Ecological Solid Waste Management Act of 2000), and RA 9275 (Philippine Clean Water Act of 2004) and other relevant policies, rules and regulations;

Environmental Compliance Certificate
Therna Visayas Coal Fired Power Plant Project
Therna Visayas, Inc (TVI)




CERTIFIED TRUE COPY
NAME: _____
DATE: MAY 2 2013
EMB / Environmental Impact Assessment
and Management Division (EIAMD)

II. RESTRICTIONS

- 12. No activities shall be undertaken other than what were stipulated in the final EIS. Should there be any expansion of the project beyond the project description or any change in the activity or transfer of location shall be subject to a new Environmental Impact Assessment; and
- 13. In case of transfer of ownership of this project, these same conditions and restrictions shall apply and the transferee shall be required to notify the EMB Central Office within fifteen (15) days from the transfer of ownership to allow the necessary changes brought about by such transfer.

O.R. No : 7145366
Date : 1/17/13
Processing Fee : PhP6, 000.00

[Handwritten Signature]
CERTIFIED TRUE COPY
NAME: _____
DATE: MAY 09 2013
EMB / Environmental Impact Assessment
and Management Division (EIAMD)



Environmental Compliance Certificate
Therma Visayas Coal Fired Power Plant Project
Therma Visayas, Inc (TVI)

[Handwritten Signature]

[Handwritten Signature]

PROJECT ASSESSMENT PLANNING TOOL

For the assistance of the Proponent and the Government agencies concerned in the management of the Project and for better coordination in mitigation of the impacts of the Project on its surrounding areas and the environment, the EIA Review Committee is forwarding these recommendations to the parties and authorities concerned for appropriate action.

OTHER REGULATORY REQUIREMENTS/CONDITIONS	CONCERNED GOVERNMENT AGENCIES/ENTITIES
1. Compliance with the Sanitation Code of the Philippines;	DOH
2. Compliance with the Labor Code of the Philippines;	DOLE – Bureau of working condition
3. Compliance with the Building Code of the Philippines	LGU concerned
4. Compliance with the Ecological Solid Waste Management Act;	LGU concerned
5. Secure tree cutting permit	FMB-DENR
6. Secure Special Use Agreement in Protected Areas (SAPA) and Foreshore Lease Agreement (FLA)	DENR
7. Secure Grid Impact Study	NGCP
ENVIRONMENTAL PLANNING RECOMMENDATIONS FOR THE PROPONENT	
8. Priority of employment shall be given to qualified local residents. Adequate public information for jobs available to local residents in the affected areas shall be provided;	
9. An independent third party shall be commissioned to undertake an environmental audit, including a continuing study of the effects of the Project on the health of the workers and affected residents, including vulnerable groups. The result of the third party environmental audit, including the auditing of risks and hazards of the Project, shall be submitted to EMB, while the result of the continuing health study shall be submitted, every two (2) years, to the Department of Health (DOH), for evaluation.	


ATTY. MICHAEL DRAKE P. MATIAS
 OIC, Chief EIAM Division


ATTY. JUAN MIGUEL T. CUNA, CESO IV
 OIC, Director

CERTIFIED TRUE COPY
 NAME: _____
 DATE: MAY 23 2013
 EMB / Environmental Impact Assessment and Management Division

 **REPUBLIC OF THE PHILIPPINES**
 DEPARTMENT OF ENVIRONMENT
 AND NATURAL RESOURCES



SENRO35004



SEP 16 2019

Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU

DENR Compound, Visayas Avenue, Diliman Quezon City 1116
Telephone Nos.: (632) 927-1517; 928-3725; Fax No.: (632) 920-2258
Website: <http://www.emb.gov.ph>

DANEL ABOITIZ
President & COO, Coal Business Unit
ABOITIZ POWER CORPORATION
NAC Tower, 32nd St., Bonifacio
Global City, 1634 Taguig City, NCR

SUBJECT: EXTENSION ON THE VALIDITY OF ENVIRONMENTAL COMPLIANCE CERTIFICATE (ECC-CO-1405-0010) FOR THE THERMA SOUTH INC. ENERGY EXPANSION PROJECT (PHASE II)

Dear Mr. Aboitiz:

This refers to your letter dated 01 August 2019 requesting for extension on the validity of the Environmental Compliance Certificate (ECC-CO-1405-0010) issued for your Therma South Inc. Energy Expansion Project (Phase II) located in Barangay Binugao, Toril District, Davao City and Barangay Inawayan, Sta. Cruz, Davao del Sur.

EMB Memorandum Circular 005 of July 2014 section 4.h states that, "*EMB considered that the project is implemented once site development or clearing operations (i.e., demolition/relocation of informal settlers) started*". Based on the review of the attached documents and previous submission of the Compliance Monitoring Report (CMR), the project is considered implemented hence, no ECC extension is necessary.

However, please be reminded to submit online and regularly your Compliance Monitoring Report (CMR) to update EMB-CO of the status of your project.

Please be guided accordingly.

Very truly yours,


ENGR. ESPERANZA A. SAJUL
Chief, Environmental Impact Assessment and Management Division

EMB Tracking No.: REC-2019-8-2



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
DENR Compound, Visayas Avenue, Diliman, Quezon City 1118
Telephone Nos.: 927-15-17, 928-20-96
Email : emb@emb.gov.ph
Visit us at <http://www.emb.gov.ph>

AUG 20 2014

ECC-CO-1405-0010

MR. BENJAMIN A. CARIASO, JR.

President and Chief Operating Officer

THERMA SOUTH, INC.

NAC Tower, 32nd Street, Bonifacio Global City
Taguig City

Subject: **ENVIRONMENTAL COMPLIANCE CERTIFICATE**

Dear Sir:

This refers to the Environmental Compliance Certificate (ECC) application for the proposed Therma South Energy Expansion Project (Phase II) to be located in Barangay Binugao, Toril District, Davao City and Barangay Inawayan, Sta. Cruz, Davao del Sur.

After satisfying the requirements of the said application and upon recommendation of the Environmental Management Bureau (EMB), this Department has decided to grant an ECC to the above-mentioned project.

With the issuance of this ECC, you are expected to comply with conditions herein set and to implement the measures presented in the Environmental Performance Report and Management Plan (EPRMP) intended to protect and mitigate the project's adverse impacts on community health, welfare and the environment. However, you may proceed with project implementation only after securing the necessary permits and/or clearances from other pertinent Government Agencies. Environmental considerations shall be incorporated in all phases and aspects of the Project. This Office shall be strictly monitoring the project periodically to ensure your compliance with stipulations cited in the attached ECC.

Please be guided accordingly.

By the Authority of the Secretary:


ATTY. JONAS R. LEONES
OIC, Director



cc: EMB - Region XI
LGU - Davao City
LGU - Barangay Binugao
LGU - Province of Davao del Sur
LGU - Barangay Inawayan
DOLE
DOH
DOE



ENVIRONMENTAL COMPLIANCE CERTIFICATE
(Issued under Presidential Decree 1586 and its IRR)
ECC-CO-1405-0010

THIS IS TO CERTIFY THAT THE PROPONENT, **THERMA SOUTH, INC.**, represented by its President and Chief Operating Officer, **Mr. Benjamin A. Cariaso, Jr.**, is granted this Environmental Compliance Certificate (ECC), for the proposed Therma South Energy Expansion Project (Phase II) to be located in Barangay Binugao, Toril District, Davao City and Barangay Inawayan, Sta. Cruz, Davao del Sur, by the Department of Environment and Natural Resources (DENR), through the Environmental Management Bureau (EMB).

SUBJECT to the conditions and restrictions set-out herein labeled as Annex A and Annex B.

This Certificate is issued with the following details:

PROJECT DESCRIPTION

This Certificate covers the 345 MW Coal Fired Power Plant (Phase II), composed of two (2) units circulating fluidized bed (CFB). It shall be located within a land area of 79.6 hectares in Barangay Binugao, Toril District, Davao City and Barangay Inawayan, Sta. Cruz, Davao del Sur adjacent to the existing 300 MW (Phase I) coal fired power plant. The following are the major facilities of the power plant:

- 2 x 172.5 CFB boilers each equipped with coal silo
- 2 x 172.5 steam turbine generators
- Enclosed coal storage area
- Enclosed coal conveyor system
- Coal crushing facility with rated capacity of 400 tons per hour
- Limestone storage and preparation area
- Sand storage and preparation area
- Circulating water system
- Electrostatic Precipitator for each boiler

The following facilities shall be shared by the 345 MW (Phase II) and 300 MW (Phase I) coal fired power plants of Therma South Inc. (TSI): coal unloading jetty at 73,000 DWT vessels and equipped with unloader and fully covered conveyor systems, process wastewater treatment plant (chemical treatment), ash runoff wastewater treatment plant (chemical treatment), sewage treatment facilities (biological treatment), ash handling system and diesel fuel tanks.

This Certificate is issued in compliance with the requirements of Presidential Decree No. 1586, and its Implementing Rules and Regulations. Non-compliance with any of the provisions of this Certificate shall be a sufficient cause for the cancellation of this Certificate and/or imposition of a fine in an amount not to exceed Fifty Thousand Pesos (₱50,000.00) for every violation thereof without prejudice to imposition of fines and penalties under other



environmental laws. The EMB, however, is not precluded from reevaluating and correcting any deficiencies or errors that may be found after issuance of this Certificate.

Issued at DENR, Quezon City, Philippines, this AUG 20 2014.

Recommending Approval:

ATTY. MICHAEL DRAKE P. MATIAS
OIC Chief, EIA Management Division

Approved by the Authority of the Secretary:

ATTY. JONAS R. LEONES
OIC, Director



SWORN ACCOUNTABILITY STATEMENT

I, **Benjamin A. Cariaso, Jr.**, President and COO, representing Therma South, Inc. proponent of this Therma South Energy Expansion Project, located at Barangay Binugao, Toril District, Davao City and Barangay Inawayan, Sta. Cruz, Davao del Sur, take full responsibility in complying with all conditions contained in this Environmental Compliance Certificate (ECC).

TIN NO. _____ Signature _____

Subscribed and sworn to before me this _____, the above-named affiant taking oath presenting _____, issued on _____ at _____.

Notary Public

Doc. No. _____
Page No. _____
Book No. _____
Series of _____

I. CONDITIONS**ENVIRONMENTAL MANAGEMENT**

All commitments, appropriate mitigating/enhancement measures and monitoring requirements especially those contained in the EPRMP, as approved by the EMB shall be instituted to minimize any adverse impact to the environment throughout the project implementation, including the following:

1. Implementation of an intensive and effective Information, Education and Communication (IEC) Program to inform and educate all affected stakeholders, particularly the direct impact barangays, about the Project's mitigating measures embodied in the EPRMP and the conditions stipulated in this Certificate for greater awareness, understanding and sustained acceptance of the Project. The proponent shall implement an annual detailed IEC program in coordination with the Environmental Management Bureau Region XI and report of implementation thereof shall be submitted to the EMB Central Office annually and copy furnished EMB Region XI;
2. Implementation of a comprehensive Social Development Program (SDP) and Indigenous Peoples Development Program and submission of a separate semi-annual report simultaneous with the submission of the Compliance Monitoring Report (CMR) to the EMB Central Office semi-annually and copy furnished EMB Region XI;
3. Formulate a reforestation and carbon sink program using endemic/indigenous species to mitigate greenhouse gas (GHG) emissions of the project in line with the DENR's thrust for GHG emissions reduction program and the National Greening Program to consider the impact of the expansion project in coordination with PENRO and the CENRO and submitted to EMB (Central and Region XI) six (6) months prior to its operation. Implementation of the said program shall be reported to EMB (Central Office and Region XI) on a quarterly basis;
4. The proponent shall protect the natural springs/wells within the project site that are being utilized as sources of potable and domestic water by the community. Should the development activities affect the natural springs/wells, the proponent shall immediately provide an alternative source of potable water to the affected community;
5. Establishment of appropriate buffer zones along the entire periphery of the project site with appropriate species/dense vegetation cover to mitigate the adverse effect of its operation to the existing condition of the ecosystems in the area and to serve as noise, vibration and dust buffers;

GENERAL CONDITIONS

6. The plant operations shall conform with the provisions of R.A. No. 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), R.A. No. 8749 (Philippine Clean Air Act of 1999), R.A. No. 9003




(Ecological Solid Waste Management Act of 2000), and R.A. No. 9275 (Philippine Clean Water Act of 2004);

The proponent shall operate and maintain a Continuous Emission Monitoring System (CEMS), the data of which shall be submitted to EMB Central Office and the EMB Region XI on a quarterly basis;

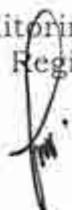
7. The proponent shall set-up the following:

- 7.1 A readily available and replenishable Environmental Guarantee Fund (EGF) to cover the following expenses:
 - 1) Further environmental assessments, compensations/indemnification for whatever damages to life and property that may be caused by the project;
 - 2) Rehabilitation and restoration of areas affected by the project's implementation; and
 - 3) Abandonment/decommissioning of the project facilities related to the prevention of possible negative impacts and as a source of funds for contingency and clean-up activities;
- 7.2 A Multipartite Monitoring Team (MMT) composed of representative(s) from the proponent, DOE, EMB Region XI, local environmental Non-Government Organization (NGO) and the LGUs concerned shall be organized. The MMT shall primarily monitor the compliance of the proponent with the Environmental Management Plan/ Environmental Monitoring Plan as well as the conditions of its ECC;
- 7.3 A replenishable Environmental Monitoring Fund (EMF) that shall cover all costs attendant to the operation of the MMT such as training, sampling and analysis, the hiring of technical experts, accommodations and transportation.

The amount and mechanics of the EGF, EMF and the establishment of the MMT shall be determined by the proponent in consultation with EMB Region XI through a Memorandum of Agreement (MOA) which shall be submitted to EMB Central Office for approval within sixty (60) days upon receipt of this Certificate.

8. Creation of an Environmental Unit (EU) within sixty (60) days from receipt of this Certificate that shall competently handle the environment-related aspects of the project. In addition to the monitoring requirements as specified in the Environmental Management and Monitoring Plan (EMMoP), the EU shall have the following responsibilities:

- 8.1 Monitor actual project impacts vis-à-vis the predicted impacts and management measures in the EPRMP;
- 8.2 Recommend revisions to the EMP/EMoP, whenever necessary subject to the approval of EMB Central Office. Revisions shall also consider the result of the validation of air dispersion and thermal plume modeling;
- 8.3 Ensure that data gathered during monitoring activities are properly documented, assessed, evaluated and reported to EMB (Central Office and Region XI) in accordance with the prescribed formats; and,
- 8.4 Ensure that monitoring and submissions of reports to EMB (Central Office and Region XI) are carried out as required;

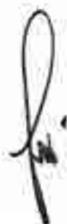


9. The proponent shall ensure that its contractors and subcontractors properly comply with the relevant conditions of this Certificate;
10. Conduct a Quantitative Risk Assessment (QRA) and Hazard Operability (HAZOP) prior to commissioning to ensure that hazards and risks are kept at a minimum. The report shall be submitted to EMB Central Office and EMB Region XI within sixty (60) days from the conduct of the QRA. At the minimum, the QRA shall be updated if there are major changes;
11. Conduct validation of the air dispersion and thermal plume modeling within one year from the start of project operation. The proponent may opt to design and implement its own air and water quality monitoring program in a manner that may be used for validating said models to be used in determining accuracy of impacts and impact areas and to ensure that actual levels of pollutants are within the DENR standards;
12. Submit a coastal resource management program (CRMP) to EMB Central Office copy furnished the EMB Region XI within six (6) months prior to its operation;

II. RESTRICTIONS

13. There shall be no development/operation in the project area classified as agricultural zone until such time that the area has been reclassified by the appropriate government agencies in accordance with law;
14. No activities shall be undertaken other than what were stipulated in the EPRMP. Should there be any expansion of the project beyond the EPRMP or any change in the activity or transfer of location, the same shall be subject to a new Environmental Impact Assessment; and
15. Transfer of ownership of this project carries the same conditions and restrictions, for which, written notification shall be made by herein grantee to EMB within fifteen (15) days from such transfer.

O.R. No. : 5592924
Date : February 7, 2014
Processing Fee : PhP 4045.00



PROJECT ASSESSMENT PLANNING TOOL

For the assistance of the Proponent and the Government Agencies concerned in the management of the Project and for better coordination in mitigation of the impacts of the Project on the surrounding areas, the following are recommended to the parties and authorities concerned for appropriate action.

OTHER REGULATORY REQUIREMENTS/CONDITIONS	CONCERNED GOVERNMENT AGENCIES/ENTITIES
1. Compliance by the proponent with the following: a. Sanitation Code of the Philippines b. Building Code of the Philippines c. Zoning Clearance	LGU concerned
2. Labor Code of the Philippines including occupational safety and safety standards for petrochemical plants and provide personal protective equipment for the workers.	Department of Labor and Employment (DOLE)-Bureau of Working Condition
3. Secure tree cutting permit	DENR
4. Other permits/clearances	Department of Energy and other government agencies
ENVIRONMENTAL PLANNING RECOMMENDATIONS FOR THE PROPONENT	
5. Priority of employment shall be given to qualified local residents. Adequate public information on jobs available for local residents in the affected areas shall be provided; and,	
6. An independent third party shall be commissioned to undertake an environmental audit, including a continuing study of the effects of the Project on the health of the workers and affected residents. The result of the third party environmental audit, including the auditing of risks and hazards of the Project, shall be submitted to EMB, while the result of the continuing health study shall be submitted, every five (5) years, to the Department of Health (DOH), for evaluation.	

ATTY. MICHAEL DRAKE P. MATIAS
OIC Chief, EIAMD

ATTY. JONAS R. LEONES
OIC, Director





Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
DENR Compound, Visayas Avenue, Diliman, Quezon City 1118
Telephone Nos.: 927-15-17, 928-20-96
Email : emb@emb.gov.ph
Visit us at <http://www.emb.gov.ph>

AUG 20 2014

ECC-CO-1405-0010

MR. BENJAMIN A. CARIASO, JR.

President and Chief Operating Officer

THERMA SOUTH, INC.

NAC Tower, 32nd Street, Bonifacio Global City
Taguig City

Subject: **ENVIRONMENTAL COMPLIANCE CERTIFICATE**

Dear Sir:

This refers to the Environmental Compliance Certificate (ECC) application for the proposed Therma South Energy Expansion Project (Phase II) to be located in Barangay Binugao, Toril District, Davao City and Barangay Inawayan, Sta. Cruz, Davao del Sur.

After satisfying the requirements of the said application and upon recommendation of the Environmental Management Bureau (EMB), this Department has decided to grant an ECC to the above-mentioned project.

With the issuance of this ECC, you are expected to comply with conditions herein set and to implement the measures presented in the Environmental Performance Report and Management Plan (EPRMP) intended to protect and mitigate the project's adverse impacts on community health, welfare and the environment. However, you may proceed with project implementation only after securing the necessary permits and/or clearances from other pertinent Government Agencies. Environmental considerations shall be incorporated in all phases and aspects of the Project. This Office shall be strictly monitoring the project periodically to ensure your compliance with stipulations cited in the attached ECC.

Please be guided accordingly.

By the Authority of the Secretary:


ATTY. JONAS R. LEONES
OIC, Director



cc: EMB - Region XI
LGU - Davao City
LGU - Barangay Binugao
LGU - Province of Davao del Sur
LGU - Barangay Inawayan
DOLE
DOH
DOE



ENVIRONMENTAL COMPLIANCE CERTIFICATE
(Issued under Presidential Decree 1586 and its IRR)
ECC-CO-1405-0010

THIS IS TO CERTIFY THAT THE PROPONENT, **THERMA SOUTH, INC.**, represented by its President and Chief Operating Officer, **Mr. Benjamin A. Cariaso, Jr.**, is granted this Environmental Compliance Certificate (ECC), for the proposed Therma South Energy Expansion Project (Phase II) to be located in Barangay Binugao, Toril District, Davao City and Barangay Inawayan, Sta. Cruz, Davao del Sur, by the Department of Environment and Natural Resources (DENR), through the Environmental Management Bureau (EMB).

SUBJECT to the conditions and restrictions set-out herein labeled as Annex A and Annex B.

This Certificate is issued with the following details:

PROJECT DESCRIPTION

This Certificate covers the 345 MW Coal Fired Power Plant (Phase II), composed of two (2) units circulating fluidized bed (CFB). It shall be located within a land area of 79.6 hectares in Barangay Binugao, Toril District, Davao City and Barangay Inawayan, Sta. Cruz, Davao del Sur adjacent to the existing 300 MW (Phase I) coal fired power plant. The following are the major facilities of the power plant:

- 2 x 172.5 CFB boilers each equipped with coal silo
- 2 x 172.5 steam turbine generators
- Enclosed coal storage area
- Enclosed coal conveyor system
- Coal crushing facility with rated capacity of 400 tons per hour
- Limestone storage and preparation area
- Sand storage and preparation area
- Circulating water system
- Electrostatic Precipitator for each boiler

The following facilities shall be shared by the 345 MW (Phase II) and 300 MW (Phase I) coal fired power plants of Therma South Inc. (TSI): coal unloading jetty at 73,000 DWT vessels and equipped with unloader and fully covered conveyor systems, process wastewater treatment plant (chemical treatment), ash runoff wastewater treatment plant (chemical treatment), sewage treatment facilities (biological treatment), ash handling system and diesel fuel tanks.

This Certificate is issued in compliance with the requirements of Presidential Decree No. 1586, and its Implementing Rules and Regulations. Non-compliance with any of the provisions of this Certificate shall be a sufficient cause for the cancellation of this Certificate and/or imposition of a fine in an amount not to exceed Fifty Thousand Pesos (₱50,000.00) for every violation thereof without prejudice to imposition of fines and penalties under other



environmental laws. The EMB, however, is not precluded from reevaluating and correcting any deficiencies or errors that may be found after issuance of this Certificate.

Issued at DENR, Quezon City, Philippines, this AUG 20 2014.

Recommending Approval:

ATTY. MICHAEL DRAKE P. MATIAS
OIC Chief, EIA Management Division

Approved by the Authority of the Secretary:

ATTY. JONAS R. LEONES
OIC, Director



SWORN ACCOUNTABILITY STATEMENT

I, **Benjamin A. Cariaso, Jr.**, President and COO, representing **Therma South, Inc.** proponent of this Therma South Energy Expansion Project, located at Barangay Binugao, Toril District, Davao City and Barangay Inawayan, Sta. Cruz, Davao del Sur, take full responsibility in complying with all conditions contained in this Environmental Compliance Certificate (ECC).

TIN NO. _____
Signature _____

Subscribed and sworn to before me this _____, the above-named affiant taking oath presenting _____, issued on _____ at _____.

Notary Public

Doc. No. _____
Page No. _____
Book No. _____
Series of _____

I. CONDITIONS**ENVIRONMENTAL MANAGEMENT**

All commitments, appropriate mitigating/enhancement measures and monitoring requirements especially those contained in the EPRMP, as approved by the EMB shall be instituted to minimize any adverse impact to the environment throughout the project implementation, including the following:

1. Implementation of an intensive and effective Information, Education and Communication (IEC) Program to inform and educate all affected stakeholders, particularly the direct impact barangays, about the Project's mitigating measures embodied in the EPRMP and the conditions stipulated in this Certificate for greater awareness, understanding and sustained acceptance of the Project. The proponent shall implement an annual detailed IEC program in coordination with the Environmental Management Bureau Region XI and report of implementation thereof shall be submitted to the EMB Central Office annually and copy furnished EMB Region XI;
2. Implementation of a comprehensive Social Development Program (SDP) and Indigenous Peoples Development Program and submission of a separate semi-annual report simultaneous with the submission of the Compliance Monitoring Report (CMR) to the EMB Central Office semi-annually and copy furnished EMB Region XI;
3. Formulate a reforestation and carbon sink program using endemic/indigenous species to mitigate greenhouse gas (GHG) emissions of the project in line with the DENR's thrust for GHG emissions reduction program and the National Greening Program to consider the impact of the expansion project in coordination with PENRO and the CENRO and submitted to EMB (Central and Region XI) six (6) months prior to its operation. Implementation of the said program shall be reported to EMB (Central Office and Region XI) on a quarterly basis;
4. The proponent shall protect the natural springs/wells within the project site that are being utilized as sources of potable and domestic water by the community. Should the development activities affect the natural springs/wells, the proponent shall immediately provide an alternative source of potable water to the affected community;
5. Establishment of appropriate buffer zones along the entire periphery of the project site with appropriate species/dense vegetation cover to mitigate the adverse effect of its operation to the existing condition of the ecosystems in the area and to serve as noise, vibration and dust buffers;

GENERAL CONDITIONS

6. The plant operations shall conform with the provisions of R.A. No. 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), R.A. No. 8749 (Philippine Clean Air Act of 1999), R.A. No. 9003




(Ecological Solid Waste Management Act of 2000), and R.A. No. 9275 (Philippine Clean Water Act of 2004);

The proponent shall operate and maintain a Continuous Emission Monitoring System (CEMS), the data of which shall be submitted to EMB Central Office and the EMB Region XI on a quarterly basis;

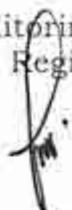
7. The proponent shall set-up the following:

- 7.1 A readily available and replenishable Environmental Guarantee Fund (EGF) to cover the following expenses:
- 1) Further environmental assessments, compensations/indemnification for whatever damages to life and property that may be caused by the project;
 - 2) Rehabilitation and restoration of areas affected by the project's implementation; and
 - 3) Abandonment/decommissioning of the project facilities related to the prevention of possible negative impacts and as a source of funds for contingency and clean-up activities;
- 7.2 A Multipartite Monitoring Team (MMT) composed of representative(s) from the proponent, DOE, EMB Region XI, local environmental Non-Government Organization (NGO) and the LGUs concerned shall be organized. The MMT shall primarily monitor the compliance of the proponent with the Environmental Management Plan/ Environmental Monitoring Plan as well as the conditions of its ECC;
- 7.3 A replenishable Environmental Monitoring Fund (EMF) that shall cover all costs attendant to the operation of the MMT such as training, sampling and analysis, the hiring of technical experts, accommodations and transportation.

The amount and mechanics of the EGF, EMF and the establishment of the MMT shall be determined by the proponent in consultation with EMB Region XI through a Memorandum of Agreement (MOA) which shall be submitted to EMB Central Office for approval within sixty (60) days upon receipt of this Certificate.

8. Creation of an Environmental Unit (EU) within sixty (60) days from receipt of this Certificate that shall competently handle the environment-related aspects of the project. In addition to the monitoring requirements as specified in the Environmental Management and Monitoring Plan (EMMoP), the EU shall have the following responsibilities:

- 8.1 Monitor actual project impacts vis-à-vis the predicted impacts and management measures in the EPRMP;
- 8.2 Recommend revisions to the EMP/EMoP, whenever necessary subject to the approval of EMB Central Office. Revisions shall also consider the result of the validation of air dispersion and thermal plume modeling;
- 8.3 Ensure that data gathered during monitoring activities are properly documented, assessed, evaluated and reported to EMB (Central Office and Region XI) in accordance with the prescribed formats; and,
- 8.4 Ensure that monitoring and submissions of reports to EMB (Central Office and Region XI) are carried out as required;

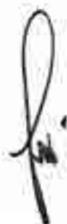


9. The proponent shall ensure that its contractors and subcontractors properly comply with the relevant conditions of this Certificate;
10. Conduct a Quantitative Risk Assessment (QRA) and Hazard Operability (HAZOP) prior to commissioning to ensure that hazards and risks are kept at a minimum. The report shall be submitted to EMB Central Office and EMB Region XI within sixty (60) days from the conduct of the QRA. At the minimum, the QRA shall be updated if there are major changes;
11. Conduct validation of the air dispersion and thermal plume modeling within one year from the start of project operation. The proponent may opt to design and implement its own air and water quality monitoring program in a manner that may be used for validating said models to be used in determining accuracy of impacts and impact areas and to ensure that actual levels of pollutants are within the DENR standards;
12. Submit a coastal resource management program (CRMP) to EMB Central Office copy furnished the EMB Region XI within six (6) months prior to its operation;

II. RESTRICTIONS

13. There shall be no development/operation in the project area classified as agricultural zone until such time that the area has been reclassified by the appropriate government agencies in accordance with law;
14. No activities shall be undertaken other than what were stipulated in the EPRMP. Should there be any expansion of the project beyond the EPRMP or any change in the activity or transfer of location, the same shall be subject to a new Environmental Impact Assessment; and
15. Transfer of ownership of this project carries the same conditions and restrictions, for which, written notification shall be made by herein grantee to EMB within fifteen (15) days from such transfer.

O.R. No. : 5592924
Date : February 7, 2014
Processing Fee : PhP 4045.00



PROJECT ASSESSMENT PLANNING TOOL

For the assistance of the Proponent and the Government Agencies concerned in the management of the Project and for better coordination in mitigation of the impacts of the Project on the surrounding areas, the following are recommended to the parties and authorities concerned for appropriate action.

OTHER REGULATORY REQUIREMENTS/CONDITIONS	CONCERNED GOVERNMENT AGENCIES/ENTITIES
1. Compliance by the proponent with the following: a. Sanitation Code of the Philippines b. Building Code of the Philippines c. Zoning Clearance	LGU concerned
2. Labor Code of the Philippines including occupational safety and safety standards for petrochemical plants and provide personal protective equipment for the workers.	Department of Labor and Employment (DOLE)-Bureau of Working Condition
3. Secure tree cutting permit	DENR
4. Other permits/clearances	Department of Energy and other government agencies
ENVIRONMENTAL PLANNING RECOMMENDATIONS FOR THE PROPONENT	
5. Priority of employment shall be given to qualified local residents. Adequate public information on jobs available for local residents in the affected areas shall be provided; and,	
6. An independent third party shall be commissioned to undertake an environmental audit, including a continuing study of the effects of the Project on the health of the workers and affected residents. The result of the third party environmental audit, including the auditing of risks and hazards of the Project, shall be submitted to EMB, while the result of the continuing health study shall be submitted, every five (5) years, to the Department of Health (DOH), for evaluation.	

ATTY. MICHAEL DRAKE P. MATIAS
OIC Chief, EIAMD

ATTY. JONAS R. LEONES
OIC, Director





Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
OFFICE OF THE REGIONAL DIRECTOR
Region XI
DENR Compound, Lanang, Davao City
Telefax No. 233-0809 • Tel. Nos. 234-0166 • 234-0061
email address: embdavaxi@yahoo.com or embdavaxi@skyinet.net

June 4, 2013

OWNER'S FILE

ECC reference No. ECC-R11-1305-0091

Mr. Ian Beaumont
Project Manager
Leighton Contractors (Phils.), Inc.
Ground Floor, Yap Building
Brgy. Binugao, Toril, Davao City

SUBJECT: ENVIRONMENTAL COMPLIANCE CERTIFICATE

Dear Mr. Beaumont,

This refers to the ECC application for the proposed Concrete Batching Plant Project to be located at Brgy. Binugao, Toril District, Davao City.

After evaluation of the documents submitted on the aforesaid project, this office has decided to grant the same an Environmental Compliance Certificate (ECC).

With the issuance of the ECC, you are expected to implement the measures presented in the Initial Environmental Examination (IEEC), intended to protect and mitigate the project's adverse impacts on community health, welfare and the environment.

Environmental considerations shall be incorporated in all phases and aspects of the project. You may proceed with the project implementation after securing all the necessary permits from other pertinent Government agencies. This Office will be monitoring the project periodically to ensure your compliance with stipulations cited in the attached ECC.

Please be guided accordingly.

Very truly yours,

ESTER A. OLAVIDES
Regional Director



Republic of the Philippines

OWNER'S FILE

Department of Environment and Natural Resources

ENVIRONMENTAL MANAGEMENT BUREAU

OFFICE OF THE REGIONAL DIRECTOR

Region XI

DENR Compound, Lanang, Davao City

Telefax No. (082) 233-0809/ Tel Nos. (082) 234-0166, (082) 234-0061

Email address: embdavxi@yahoo.com or embdavxi@skynet.net

ENVIRONMENTAL MANAGEMENT BUREAU - XI RECORDS SECTION	
RECEIVED	RELEASED
BY:	BY: <i>BC Benigno</i>
DATE:	DATE: <i>6/6/13</i>
TIME:	TIME: <i>2:10 pm</i>

ENVIRONMENTAL COMPLIANCE CERTIFICATE

(Issued under Presidential Decree 1586)

ECC-R11-1305-0091

THIS IS TO CERTIFY THAT PROPONENT, **LEIGHTON CONTRACTORS (PHILIPPINES), INC.**, is granted this Environmental Compliance Certificate (ECC) for the proposed Concrete Batching Plant Project to be located at Brgy. Binugao, Toril District, Davao City by the Department of Environment and Natural Resources (DENR), through the Environmental Management Bureau, Region XI.

SUBJECT ONLY to the conditions and restrictions set-out in this ECC, and in the attached document labeled as Annex A, B and C.

This Certificate is issued with the following details;

PROJECT DESCRIPTION

The ECC covers the establishment of a proposed concrete batching plant to be located at Brgy. Binugao, Toril District, Davao City, which shall be confined only within the 46,163 square meters lot area covered under Transfer Certificate of Title No. 146-2012013576.

This certification is issued in compliance to the requirements of Presidential Decree No. 1586, in accordance to Department Administrative Order No. 2003-30, EMB Director Memorandum dated 22 December 2006, EMB Memorandum Circular No. 001 Series of 2007, EMB Memorandum dated February 12, 2007 and DENR Memorandum Circular No. 2007-08. The Bureau, however, is not precluded from reevaluating, adding, removing, and correcting any deficiency or error that may be found after issuance of this Certificate.

Given this JUN 06 2013, at Davao City Philippines.

ESTER A. OLAVIDES

Regional Director

Recommending Approval:

RUFINO C. BANDIALAN
OIC, Chief, EIAM Division

SWORN ACCOUNTABILITY STATEMENT

Under the provisions of Presidential Decree 1586, I HEREBY CERTIFY that the information provided to the Department of Environment and Natural Resources pertaining to this project are true and correct to the best of my personal knowledge and based on the records in my possession.

I, CERTIFY FURTHER, that I, **IAN BEAUMONT**, Project Manager of Leighton Contractors (Phils.), Inc., the proponent of this proposed **Concrete Batching Plant Project** to be located at Brgy. Binugao, Toril District, Davao City takes full responsibility in complying with all the conditions contained in this Environmental Compliance Certificate (ECC).

Conforme:

LEIGHTON CONTRACTORS (PHIL.), INC.

By:



IAN BEAUMONT
Project Manager

TIN 004 - 852 - 307

Subscribed and sworn to before me this 5th day of June 2013, the above-named affiant taking oath presenting Residence Certificate No. _____ issued on _____ at _____.

DOC. NO. 38
BOOK NO. 1
PAGE NO. 8

Signature of Administering Officer


ROGELIO F. FERRER
NOTARY PUBLIC
UNTIL DECEMBER 2014
PTR NO. 2081781
IBP NO. 884191 / 12-20-13
TIN NO. 105-274-588
Roll No. 2573

I. CONDITIONS

ENVIRONMENTAL MANAGEMENT

The proponent shall strictly implement the following mitigating, enhancing and rehabilitating measures:

1. That the mitigating measures presented in the Initial Environmental Examination (IEE) Checklist and other form of mitigation and preventive measures be implemented throughout the operation to prevent/minimize negative environmental impacts;
2. That a greenline and cistern shall be installed to maximize recycling, distribution and utilization of used water and to store and capture rainwater as additional measures in water resources management, respectively;
3. That the proponent shall undertake **tree-planting activity** along the periphery and available areas within the project site to serve as buffer for dust, noise, improvement of aesthetics and in support of the national greening program of the government;

GENERAL CONDITIONS

*Further administrative conditions for the grant of this **Certificate** shall be strictly complied:*

4. That all permits and clearances shall be regularly secured from the concerned national and local offices prior to the project implementation. Likewise, the operation of the project shall conform with the applicable provisions of RA 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), RA 9003 (Act Providing for and Ecological Solid Waste Management Program), RA 9275 (Philippine Clean Water Act of 2004), and RA 8749 (Philippine Clean Air Act of 1999) and other environmental Laws;
5. That this Certificate shall automatically expire if the project ceases to operate for more than five (5) years or fails to start within five (5) years from the issuance hereof;
6. That the proponent shall conduct continuously an Information Education Communication (IEC) Campaign to the surrounding community to inform them of the environmental impacts and corresponding mitigating/enhancing measures of the proposed project;

II. RESTRICTIONS

The proponent is strictly subject to the following restrictions:

7. No other activities shall be undertaken other than what was stipulated in the IEE document. Should there be any expansion of the project beyond the project scope, installation or construction of other structures beyond those stated in the IEE document or any change in the activity or transfer of location shall be subjected to a new Environmental Impact Assessment; and
8. That the Proponent shall see to it that copy of this ECC shall be furnished to all agencies/offices concerned within one (1) month from receipt thereof. A certification shall be submitted by the Proponent to EMB XI that said copy has been delivered and duly stamped as received by the concerned agencies/offices;

Justin S. Delacruz

9. In case of transfer of ownership of this project, these same conditions and restrictions shall apply and the transferee/transferor shall be required to notify the EMB Regional Office concerned within fifteen (15) days of such transfer of ownership.
10. That three (3) months prior to the abandonment, the Project Proponent shall notify this Office of such action and shall submit therewith their abandonment mitigation plan.

Non-compliance with any of the provisions of this certificate shall be sufficient cause for the suspension or cancellation of this Certificate and/or an imposition of a fine in an amount not to exceed **FIFTY THOUSAND (Php 50,000.00) PESOS** for every violation thereof, at the discretion of this Office pursuant to Section 9 of P.D. 1586.

Conforme:



IAN BEAUMONT
Project Manager

Doc. No. 38
Page 2
Bdsk. 1
Series of 2013



ROGELIO F. FABRO
NOTARY PUBLIC
UNTIL DECEMBER 2014
PTR NO. 2682776 / 02-11-13
IBP NO. 884191 / 12-01-13
TIN NO. 105-274-588
Roll No. 20679

PROJECT ASSESSMENT PLANNING TOOL

For the assistance of the Proponents and government agencies concerned in the management of the project and for better coordination in mitigation on the impact of the project on its surrounding areas and to the environment.

By way of recommendation, the following have been taken notice of by the undersigned and are forwarding these recommendations to the parties and authorities concerned for proper appreciation and action.

REGULATORY CONDITIONS	Responsible Agency (Permitting, Approving and Monitoring Agencies)
1. Sanitary Permit	DOH XI or City Health Office
2. Solid Waste Management Clearance, whenever applicable	LGU-Concerned
3. Locational Clearance	City Planning and Development Office

ENVIRONMENTAL PLANNING RECOMMENDATION FOR THE PROPONENT
<p>The following are recommendations for the Proponent for the protection of the area and the affected environment. It is strongly recommended that the same be strictly complied by the Proponents.</p>
<ol style="list-style-type: none"> 1. Shall employ a Pollution Control Officer (PCO) duly accredited by this Office in accordance with DENR-DAO 26, series of 1992, to ensure that all Environmental laws, rules and regulations are properly complied with. 2. Close monitoring of the project should be undertaken by the proponent to maintain a high level of safety and efficiency at all stages of the construction, and to immediately address any environmental hazard/change that may take place. 2. Submission of Quarterly Self-Monitoring Report (SMR) to EMB-XI Office. 4. Submission of standardized Semi-Annual ECC Compliance Monitoring Report (CMR) to EMB-XI Office.

For dissemination and proper action of the parties concerned.


RUFINO C. BANDIALAN
 OIC, Chief, EIAM Division


ESTER A. OLAVIDES
 Regional Director



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
DENR Compound, Visayas Avenue, Diliman, Quezon City 1116
Telephone Nos.: 925-47-93 to 97
Email : emb@emb.gov.ph
Visit us at <http://www.emb.gov.ph>

MAY 27 2008

Dr. Daniel E. Chalmers

Chairman & CEO

GNPOWER MARIVELES COAL PLANT LTD. CO.

1905 Orient Square Bldg., Don Francisco Ortigas, Jr. Rd.,
Ortigas Center, Pasig City

Dear Sir:

This refers to your letter dated April 03, 2008 requesting an ECC amendment for the use of additional 10 hectares of land due to the re-orientation of the power blocks from east-west axis to north-south axis for the GNPower Mariveles Energy Project.

Based on the documents submitted, the re-orientation of the power blocks will be in the same area already described and evaluated in the original Environmental Impact Assessment (EIA) Report, and the incremental impacts arising from the project modification is being addressed in the approved Environmental Management Plan (EMP). The modification likewise does not entail other changes in technology, fuel, process flow and component as to what was presented in the original EIS. Also, as a result of the re-orientation, the 11 hectare reclamation will not be implemented.

Thus, pursuant to Annex 2-1c of the Revised Procedural Manual for DAO 2003-30, the said modification is hereby confirmed and covered by the ECC issued for the project.

Very truly yours,


JULIAN D. AMADOR
Director



Republic of the Philippines
Department of Environment and Natural Resources
Visayas Avenue, Diliman, Quezon City 1110
Tel. Nos.: (632) 929-66-26 to 29 • (632) 929-65-52
929-66-20 • 929-66-33 to 35
929-70-41 to 43

FEB 15 2007

ECC Ref. Code: 0606-011-4021

GNPOWER LTD. CO.

1905 Orient Square Bldg. Don Francisco Ortigas Jr. Road,
Ortigas Center, Pasig City

ATTENTION : **The President**

Gentleman:

This refers to the Environmental Compliance Certificate (ECC) application for the proposed **GNPOWER MARIVELES ENERGY PROJECT (2X300 MW COAL FIRED POWER PLANT)** located at **Barangay Alas-asin, Mariveles, Bataan.**

After evaluation of the documents submitted and upon recommendation of the Environmental Management Bureau (EMB), this Office has decided to grant an ECC to the abovementioned project.

With the issuance of this ECC, you are expected to implement the measures presented in the EIS intended to protect/enhance the environment and mitigate the project's adverse impacts on the environment and on the community's health and welfare. Environmental considerations shall be incorporated in all phases and aspects of the Project. This Office will be monitoring the project periodically to ensure your compliance with stipulations cited in the attached ECC.

Please be guided accordingly.

Very truly yours,


FRANCISCO S. BRAVO
Acting Secretary





Republic of the Philippines
Department of Environment and Natural Resources
Visayas Avenue, Diliman, Quezon City 1110
Tel. Nos. (632) 929-66-26 to 29 • (632) 929-65-52
929-66-20 • 929-66-33 to 35
929-70-41 to 43

ENVIRONMENTAL COMPLIANCE CERTIFICATE

(Issued under Presidential Decree 1586)

0606-011-4021

THIS IS TO CERTIFY THAT PROPONENT **GNPOWER LTD. COMPANY**, is granted this Environmental Compliance Certificate (ECC), as represented by Mr. Ariel Punzalan, for the **GNPOWER MARIVELES ENERGY PROJECT (600 MW COAL-FIRED POWER PLANT)**, located at **BRGY. ALAS-ASIN, MARIVELES, BATAAN**, by the Department of Environmental and Natural Resources (DENR), through the Environmental Management Bureau, Central Office.

SUBJECT ONLY to the conditions and restrictions set-out in this certificate.

This Certification is issued for the **GNPOWER MARIVELES ENERGY PROJECT (600 MW COAL-FIRED POWER PLANT)**, with the following details:

PROJECT DESCRIPTION

The GNPower Mariveles Energy Project involves mainly the following project components:

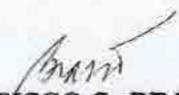
Installation and operation of 2 x 300 MW coal-fired power plant for base load service which also include:

- (i) Eleven (11) hectares reclamation works for the ancillary facilities;
- (ii) Operation of coal jetty facilities;
- (iii) Fully covered conveyor system to transport coal from the berthing area to the coal stockpile and coal yard;
- (iv) Ash disposal facility;
- (v) A four (4) km, 230 kV dual circuit new transmission line connecting the project site to the existing transmission line at Brgy. Alas-asin, Mariveles, Bataan;
- (vi) Upgrading of approximately 14 kms of the existing transmission line from Bataan Thermal Power Plant (BTPP) substation to Mariveles;
- (vii) A *desalination plant*, and
- (viii) A concrete hollow block processing plant using generated ash

This Certification is issued in compliance to the requirements of Presidential Decree No. 1586, in accordance to Department Administrative No. 2003-30. The Bureau, however, is not precluded from re-evaluating, adding, removing, and correcting any deficiencies or errors that may be found after issuance of this certificate.

Issued at _____ this FEB 15 2007 day of _____, 2007.

Approved by:


FRANCISCO S. BRAVO
Acting Secretary



Recommending Approval:

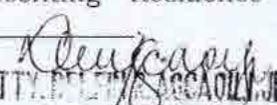

ELY ANTHONY R. OUANO
OIC, Director
EMB Central Office

SWORN STATEMENT OF OWNER

Under the provisions of Presidential Decree 1586, I HEREBY CERTIFY that the information provided to the Department of Environment and Natural Resources pertaining to this project are true and correct to the best of my personal knowledge and based on the records in my possession.


DANIEL E. CHALMERS
Signature
TIN 105-170-179

Subscribed and sworn to before me this 16 FEB 2007 day of _____, 2007, the above-named affiant taking oath presenting Residence Certificate No. _____ issued on _____ 2007 at _____


ATTY. PHILIP S. ACCACIO, JR.
NOTARY PUBLIC
PTD No. _____
Signature of Administering Officer
ISSUED ON FEB 15 2007
VALID UNTIL MAR 31 2007
TIN NO. 147-519-066

DOC. NO. 203
PAGE NO. 9
BOOK NO. XXXI
SERIES 07

I. CONDITIONS

ENVIRONMENTAL MANAGEMENT:

The proponent shall strictly implement the following mitigating, enhancement, and rehabilitating measures:

1. Entire operation of facilities shall be equipped with appropriate air, water and noise pollution control facilities to include among others, smoke stack, electrostatic precipitator, industrial wastewater treatment facility, sea water flue gas desulfurizer;
2. Implementation of the different sectoral plans and programs but not limited to Environmental Management Plan, Information Education and Communication Program, Social Development Program in coordination with Gabay Mamamayan Action Center;
3. Compliance with the appropriate easement requirements and installation of adequate buffer zones to attenuate noise and minimize air pollution;
4. Implementation of an Integrated Coastal Resource Management Program in which a status report of its implementation shall be submitted to DENR-EMB Region III, copy furnished the DENR-EMB Central Office and the Multipartite Monitoring Team (MMT) every (3) three years from the start of the project construction;
5. Installation of an appropriate and effective shoreline protection measures such as silt screen, etc. prior to plant construction/operation and reclamation activities to prevent siltation or sedimentation of shoreline/North Channel to Manila Bay;
6. Implementation of an Environmental, Health and Safety Program based on the Health Risk Assessment and Environmental Risk Assessment (ERA) for Coal-fired Power Plants. An annual report of the results of the implementation of this program shall be submitted to EMB (Central Office and Region III) and the MMT; and
7. Implementation of other commitments relating to ecological and biodiversity conservation and safeguards includes the following;
 - 7.1. Establishment of two (2) hectares secondary forest;
 - 7.2. Establishment of five (5) hectares green buffer zone;
 - 7.3. Coordination with Bureau of Fisheries and Aquatic Resources (BFAR), Local Government Units (LGU) and Multi-Partite Monitoring Team (MMT) in establishing marine habitats in suitable sites in the project area in order to enhance ecological biodiversity;

GENERAL:

Further administrative conditions for the grant of this certificate shall be strictly complied:

8. The proponent shall set up the following:
 - 8.1. A readily available and replenishable Environmental Guarantee Fund (EGF) to cover the following: a) Expenses for further environmental assessments b) compensation, indemnification for whatever damages to life and property that may be caused by the project c) rehabilitation and/or restoration of areas affected by the project's implementation;
 - 8.2. A Multi-partite Monitoring Team (MMT) composed of representative(s) from the proponent, EMB, a local environmental Non-Government Organization (NGO), a duly organized fisherfolks and farmers association in the primary impact area, the LGUs where the plant is situated, and other concerned government agencies shall be organized. The MMT should primarily oversee the compliance of the proponent with the Environmental Management and Monitoring Plan (EMMP), other commitments and mitigation measures that are contained in the Project EIS documents and the ECC conditions; and
 - 8.3. A replenishable Environmental Monitoring Fund (EMF) to cover all costs attendant to the operation and monitoring activities of the MMT including but not limited to capability building, training, actual sampling and laboratory analysis. Said provisions must be consistent with the DAO 2003-30.

The amount and mechanics of the EGF, EMF, and the establishment of the MMT shall be determined by EMB and the proponent in consultation with EMB, through an integrated Memorandum of Agreement which shall be submitted to the EMB within sixty (60) days upon receipt of this Certificate;

9. GNPowder Ltd Co. shall establish an Environmental Unit (EU) to effectively handle, implement and manage all environment-related aspects of the project. In addition to the implementation of the monitoring requirements as specified in the Environmental Monitoring Plan, the EU shall also:
 - 9.1 Monitor actual project impacts vis-à-vis the predicted impacts and the implementation of the committed mitigation and management measures;
 - 9.2 Accordingly recommend revisions to the EMP when necessary and submit the updated/revised EMP to EMB for approval prior to implementation;
 - 9.3 Ensure that data gathered during monitoring activities are properly documented, assessed, evaluated and reported in accordance to the standard formats;

- 9.4 Quarterly submit to EMB Region 3 copy furnished EMB Central Office, validation report of the ambient temperatures at the mixing zone area (in accordance with the Clean Air Act) at different loads; and
 - 9.5 Submit annually, an assessment and evaluation report of the generated coastal and marine quarterly monitoring data (but not limited to the parameters included in the EIS) including the recommendations and enhancement programs to be implemented
10. This Certificate shall be considered automatically revoked if the project has not commenced within a period of five (5) years from issuance hereof or suspension/stoppage of operation extends to five (5) years such that significant changes in land and resource uses have occurred in the project area or its vicinities;

II. RESTRICTIONS

The proponent is strictly subject to the following restrictions:

- 11. The project shall primarily utilize only imported environmentally-friendly sub-bituminous coals from Indonesia which are considered to be the world's cleanest solid fossil fuel with extremely low sulphur, ultra low ash and very low mercury content;
- 12. No other activities should be undertaken other than what was stipulated in the EIS. Should there be an expansion of the project beyond the project description, construction of other structures beyond those stated in the EIS, or any change in the activity, shall be made subject to a new Environmental Impact Assessment; and
- 13. In case of transfer of ownership of this project, these same conditions and restrictions shall apply and the transferee shall be required to notify the EMB (Central Office and Region III) concerned within fifteen (15) days as regards to the transfer of ownership

Non-compliance with the above conditions shall be sufficient cause for the suspension or cancellation of this Certificate and/or imposition of a fine in an amount not to exceed Fifty Thousand Pesos (Php 50,000.00) for every violation thereof, at the discretion of the EMB in accordance with Section 9 of P.D. 1586

Processing Fee :
 OR No. :
 Date :

cc: EMB Region III

PROJECT ASSESSMENT PLANNING TOOL

For the assistance of the Proponents and government agencies concerned in the management of the project and for better coordination in mitigation on the impact of the project on its surrounding areas and to the environment.

By way of recommendation, the following have been taken notice of by the Review Committee and are forwarding these recommendations to the parties and authorities concerned for proper appreciation and action.

Regulatory Conditions	
1. GNPower Ltd Co. shall provide adequate safety gadgets for the workers to prevent health and occupational hazards;	DOLE- Bureau of Working Conditions
2. GNPower shall comply with all related provisions of the DOE Circular, Energy Regulations No 1-94 implementing Section 5(i) of Republic Act 7633 granting the host communities financial benefits such as electrification fund, development and livelihood fund, reforestation, watershed management, health and/or environmental fund;	DOE
3. GNPower Ltd Co. shall design/install the transmission line in a manner that will minimize hazards to wildlife and humans especially during accidental failure, flooding and natural disasters. It shall also conduct periodic monitoring to detect concerns on the design and installation of the transmission lines and implement corrective measures;	Proponent / DOH- Bureau of Health Device and Technology
4. The ash storage yard and pond with adequate number of monitoring wells must be constructed in accordance with sound engineering design;	City/Municipal Engineers Office
5. GNPower Ltd Co. shall submit to DENR-EMB Region III, DENR- EMB, MMT and the LGU the results of cumulative impacts assessment conducted every (3) three years of operation to validate and assess the impacts of the operation in surrounding environment. The accumulated monitoring data generated throughout its three years operation shall be used as one of the bases of the activity and if additional data gathering will be done to further substantiate and validate the results; and	Proponent / LGU Concerned
6. GNPower Ltd. Co. shall provide technical assistance to LGU in developing meaningful and sustainable environmental, health and livelihood programs.	LGU concerned

For dissemination and proper action of the parties concerned.



Republic of the Philippines
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
ENVIRONMENTAL MANAGEMENT BUREAU
Regional Office No. III, Turquoise Street, Zone 2, Ramar Village, San Agustin
City of San Fernando, Pampanga
Tel. Nos. (045) 455-3316, 455-3080, 455-4340
402-5071, 402-5073, 402-5074

JUN 14 2018

ECC Ref. Code No. R03-03202018-4427

SUBIC ENERZONE CORP.

Canal Road cor. Labitan St. Central Business Avenue
Subic Bay Freeport Zone, Olongapo City
Zambales

Dear Sir/Madam,

This refers to your application for an Environmental Compliance Certificate (ECC) for the **existing Power Transmission System** located at Canal Road cor. Labitan St. Central Business Avenue, Subic Bay Freeport Zone, Olongapo City, Zambales

After satisfying the requirements of the said application, this Office has decided to grant an Environmental Compliance Certificate (ECC) to the above-mentioned project.

In issuing this **CERTIFICATE**, it is expected that you will diligently secure pertinent **PERMITS/CLEARANCES** from all concerned government agencies.

With the issuance of this ECC, you are expected to implement the measures presented in the submitted Environmental Performance Report and Management Plan (EPRMP), intended to protect and mitigate the project's adverse impacts on community health, welfare and the environment. Environmental considerations shall be incorporated in all phases and aspects of the project. You may proceed with project implementation, after securing all the necessary permits from the pertinent government agencies. This Office will be monitoring the project periodically to ensure your compliance with the stipulations cited in the attached ECC.

Please be guided accordingly.

Very truly yours,

LORMELYN E. CLAUDIO, CESO IV
Regional Director

cc: LGU-Olongapo City, Zambales
City Engineers Office
Department of Health
Department of Labor and Employment
Municipal Planning Development Office
Bureau of Fire Protection

NOTED AND FORWARDED TO THE CITY ENGINEERS OFFICE



Republic of the Philippines
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
ENVIRONMENTAL MANAGEMENT BUREAU

Regional Office No. III
Turquoise Street, Zone 2, Ramar Village
San Agustin, City of San Fernando, Pampanga
Tel. Nos. (045) 455-3316, 455-3080, 455-4340, 961-5206

ENVIRONMENTAL COMPLIANCE CERTIFICATE

(Issued Under Presidential Decree 1586)

R03-03202018-4427

THIS IS TO CERTIFY THAT **SUBIC ENERZONE CORP.** is granted this Environmental Compliance Certificate (ECC) for the existing **Power Transmission System at Canal Road cor. Labitan St. Central Business Avenue, Subic Bay Freeport Zone, Olongapo City, Zambales**, by the Department of Environment and Natural Resources (DENR), through the Environmental Management Bureau, Region III.

SUBJECT ONLY to the conditions and restrictions set-out in this ECC and in the attached document labeled as Annex A. Recommendations have been provided in Annex B as guidance to concerned government agencies and local government units for consideration in their decision making.

It shall cover the Power Transmission Lines (Category 3.2.10) with a power generating capacity of 69 kV / 13.8kV voltage level transformation for four distribution substations. Total length of distribution line is 192.54 km.

Project Geographical Coordinates/Location

North Latitude - 14.8214055 N

East Longitude - 120.27278282 E

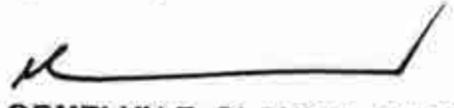
This certification is issued in compliance to the requirements of Presidential Decree No. 1586, in accordance to Department Administrative Order No.30-2003. The Bureau, however, is not precluded from reevaluating, adding, removing, and correcting any deficiencies or errors that may be found after issuance of this certificate.

Issued at City of San Fernando, Pampanga this JUN 14 2018

Recommending Approval:


DENNIS O. CELESTIAL
Chief, Clearance and Permitting Division

Approved by:


LORMELYN E. CLAUDIO, CESO IV
Regional Director

SWORN STATEMENT OF OWNER/AUTHORIZED REPRESENTATIVE

I WARRELL KEVIN B. SARILO, proponent of this POWER TRANSMISSION SYSTEM located in CANAL RD. COR. LABITAN ST. CBD AREA, SBPZ takes full responsibility in complying with all conditions contained in this Environmental Compliance Commitment (Environmental Compliance Certificate or ECC).


WARRELL KEVIN B. SARILO
Signature

TIN 224-523-316-00000

Subscribed and sworn to before me this 78 JUN 2018 day of _____, 2018, the above-named affiant taking oath presenting Residence Certificate No. _____ issued on _____ 2018 at _____.

ENVENID BACANI
NOTARY PUBLIC
Sr. No. 1086 - 7/3/18
No. 0.256
MCLE No. IV-J008753

Doc. No. 533
Page No. 117
Book No. 47
Series of 2018

I. CONDITIONS

A. ENVIRONMENTAL MANAGEMENT and MONITORING PLAN (EMMoP)

1. All mitigating measures in the submitted Environmental Performance Report and Management Plan (EPRMP) shall be implemented;
2. No Polychlorinated Biphenyl (PCB) containing Transformer Oil shall be stored in the project area;
3. Planting of native tree species shall be undertaken either within the project area and/or in other areas as part of the proponent's social and environmental program.

B. GENERAL CONDITIONS

4. The proponent shall comply with the requirements of other environmental laws, i.e. Republic Act (RA) 8749 or "The Clean Air Act of 1999", RA 6969 or "Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990", RA 9003 or "Ecological Solid Waste Management Act of 2000" and RA 9275 or "Clean Water Act of 2004", among which are:
 - Secure Permit to Operate Air Pollution Source Control Installations (APSCI)
 - Designate Pollution Control Officer (PCO)
 - Submit quarterly Self Monitoring Report (SMR)
 - Submit semi-annual Compliance Monitoring Report (CMR)
 - Register as Hazardous Waste Generator
5. Copy of Environmental Compliance Certificate (ECC) shall be posted in a conspicuous area in the administrative building;
6. The proponent shall construct a Centralized Septage Treatment Facility to treat domestic wastewater and discharges shall be in conformity with the DENR Effluent Standards pursuant to DENR Memorandum Order dated February 10, 2004 and/or shall ensure that multi-chambered septic tank shall be constructed, siphoning/desludging of the same shall be undertaken. Septage shall be hauled/transported and treated by a third party Licensed Hauler and Treater;
7. That should there be any complaint from the community related to environmental pollution, nuisance and sanitation problem brought about by the project's operation, the proponent shall be held responsible to address such problem;
8. The proponent shall allow inspection or monitoring that will be conducted by this Office anytime in coordination with concerned groups;
9. Conduct an effective Information, Education and Communication (IEC) Program to inform and educate all stakeholders, especially its contractors, workers, and local residents about the mitigating measures embodied in its IECC, the conditions stipulated in this Certificate and the environmental and human safety features of the project for greater awareness, understanding

and sustained acceptance of the project. The program shall be submitted to EMB Regional Office on an annual basis;

10. An Abandonment Plan shall be submitted to this Office ninety (90) days prior to the project's abandonment. The plan shall include remediation, clean-up and rehabilitation measures of contaminated areas and proposed alternative project of activity suitable in the area;

II. RESTRICTIONS

11. Any expansion or modification of the approved project components shall be subject to new Environmental Impact Assessment (EIA) requirements;
12. In case of transfer of ownership of this project, these same conditions and restrictions shall apply and the transferee shall be required to notify this Office within fifteen (15) days as regards to the transfer of ownership.

Non-compliance with any of the provisions of this certificate shall be a sufficient cause for the cancellation or suspension of this certificate and/or imposition of a fine in an amount not to exceed Fifty Thousand Pesos (50,000.00) for every violation thereof.

OR No. : 8027626
Processing fee: P3,000.00
Date : October 18, 2016

PROJECT ASSESSMENT PLANNING TOOL

For the assistance of the Proponent and government agencies concerned in the management of the project and for better coordination in mitigation on the impact of the project on its surrounding areas and to the environment.

By way of recommendation, the following have been taken notice by the undersigned and are forwarding these recommendations to the parties and authorities concerned for proper appreciation and action.

RECOMMENDATIONS TO CONCERNED GOVERNMENT AGENCIES/LGUs	CONCERNED GOVERNMENT AGENCIES/ENTITIES
1. Provide drainage canal, concrete culverts, and other flood and erosion control measures to adequately receive and channel the run-off to the nearby receiving body of water.	LGU/Proponent
2. Provide segregation, collection, recycling, and disposal mechanism for solid waste.	LGU/Proponent
3. Comply with the rules and regulation of occupational health and safety standards.	DOH/ DOLE/Proponent
4. Protect of legal easement along creek/river i.e. establishment of linear park along the easement, construction of boundary wall to prevent encroachment of the required legal easement of adjacent creek/river and regular clean-up and desilting of adjacent creek/river to prevent clogging.	LGU /Proponent
ENVIRONMENTAL PLANNING RECOMMENDATIONS FOR THE PROPONENT	
The following are strongly recommended for the Proponent to comply for the protection of the project area and the affected environment.	
1. Undertake close monitoring to maintain a high level of safety and efficiency at all stages of the construction phase and immediately address any environmental hazard that may take place.	
2. Donate collectible recyclables to the LGU	

For dissemination and proper action of the parties concerned.


DENNIS O. CELESTIAL
Chief, Clearance and Permitting Division


LORMELYN E. CLAUDIO, CESO IV
Regional Director



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
DENR Compound, Visayas Avenue, Diliman, Quezon City 1116
Telephone No. 927-15-15, 928-20-96
Email: mail@emb.gov.ph
Visit us at <http://www.emb.gov.ph>

IN ACCORDANCE WITH THE REVISED PROCEDURAL MANUAL FOR
DENR ADMINISTRATIVE ORDER NO. 30, SERIES OF 2003 OF PRESIDENTIAL
DECREE NO. 1586, THIS

CERTIFICATE OF NON-COVERAGE
CNC-OL-R4A-2016-02-01497

Issued to

LIMA ENERZONE CORPORATION

ON

February 12, 2016

For its

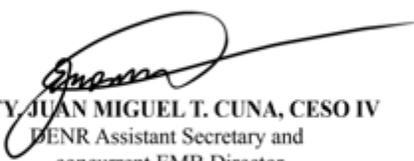
LIMA ENERZONE CORPORATION SUBSTATION

located at President Jose P. Laurel Highway/Santiago Malvar, Batangas, R4A

Classified as

(SUBSTATION/SWITCHYARD: 34.5000 Kilo volt Total power generating capacity)

THE ISSUANCE OF THIS CERTIFICATE SHALL NOT EXEMPT THE GRANTEE FROM COMPLIANCE WITH APPLICABLE ENVIRONMENTAL LAWS, RULES AND REGULATIONS INCLUDING THE PERMITTING REQUIREMENTS OF OTHER GOVERNMENT AGENCIES. MOREOVER, ANY EXPANSION AND/OR MODIFICATION OTHER THAN SPECIFIED ABOVE SHALL BE CONSIDERED AS A VIOLATION OF P.D. 1586 (EIA SYSTEM) AND SHALL BE SUBJECT TO IMPOSITION OF FINES/PENALTIES AMOUNTING TO PHP50,000.00.


ATTY. JUAN MIGUEL T. CUNA, CESO IV
DENR Assistant Secretary and
concurrent EMB Director

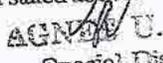
Bank Receipt No.: 13260

Amount Paid: Php 1,126.00

Application Reference No.: 9577A4AB-13D5-4DFD-9312-DBC8CD089405

THIS IS A COMPUTER GENERATED DOCUMENT



		Official Receipt of the Republic of the Philippines	
		Nº 8027626 1	
		Date 10/18/2016	
Agency	Depn. AmB 13	Fund	14
Payor	Public Energy Corporation		
Nature of Collection	Account Code	Amount	
ECC Credit		P 3.00	
Check made for Mr. Labitan at CBD Area, Public Energy Freeport Zone 22nd			
TOTAL		P 3.00	
Amount in Words <i>Three Thousand</i>			
<i>and no/100</i>			
<input checked="" type="checkbox"/> Cash <input type="checkbox"/> Check <input type="checkbox"/> Money Order	Drawee Bank	Number	Date
Received the amount stated above.			
 AGNES U. ... Special Disbursing Officer			
Collecting Officer			
NOTE: Write the number and date of this receipt on the back of check or money order received.			



September 19, 2016

LORMELYN E. CLAUDIO

Regional Director

EMB-Environmental Management Bureau

Department of Environmental And natural Resources

Region III San Fernando Pampanga



Subject: Request for SEZ Environmental Compliance Certificate (ECC) Confirmation

Dear Madam,

This is to respectfully request your good office for the confirmation of Subic Enerzone Corporation's Environmental Compliance Certificate (ECC) issued by Subic Bay Metropolitan Authority (SBMA) Ecology Center with Reference No. EC-SBFZECC-56-24-365 for the location, Canal Road. cor. Labitan St., Central Business District (CBD) Area, Subic Bay Freeport Zone.

This confirmation is pertinent to SEZ Hazardous Waste Registration application. Also, attached herewith are the documents related to this request.

Your usual support and consideration would be very much appreciated.

Thank you very much!

Respectfully yours,

SUBIC ENERZONE CORPORATION


WARELLE KERN B. SARIO
AVP & General Manager



SUBIC BAY
METROPOLITAN AUTHORITY

EC-RPD-16-0977
21 September 2016



DIR. LORMELYN CLAUDIO
Director
DENR-EMB REGION 3
Dolores, San Fernando, Pampanga

SUBJECT : REQUEST FOR CONFIRMATION OF ENVIRONMENTAL COMPLIANCE CERTIFICATE (ECC) FOR SUBIC ENERZONE CORPORATION

Dear Dir. Claudio:

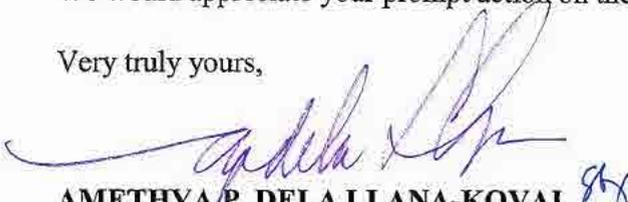
Greetings from SBMA!

This is to request for the confirmation of the ECC (i.e., SBFZECC issued by the Subic Bay Metropolitan Authority – Ecology Center to Subic Enerzone Corporation).

We have attached herewith all pertinent documents related to the issuance of said ECC including amendments made to the ECC.

We would appreciate your prompt action on the matter.

Very truly yours,


AMETHYA P. DELA LLANA-KOVAL
Department Manager

Encl: Copies of ECC, including Amendments made and all EIA-related documents





**SUBIC BAY FREEPORT ZONE
ENVIRONMENTAL COMPLIANCE CERTIFICATE
EC-SBFZECC-56-24-365.**

The Subic Bay Metropolitan Authority (SBMA) through the Ecology Center (EC) hereby grants this Subic Bay Freeport Zone Environmental Compliance Certificate for the operation of

SUBIC ENERZONE CORPORATION

located at Raymundo St. corner Labitan St., Subic Bay Freeport Zone after complying with the Initial Environmental Examination (IEE) Checklist Report requirements as provided for in the SBMA Environmental Impact Statement (EIS) System and Department of Environment and Natural Resources Admin. Order No. 96-37, series of 1996.

This Certificate is being issued subject to existing and applicable laws, rules and regulations and the following conditions:

1. This certificate is valid only for the following activities:

- Complete rehabilitation of the existing Remy Field Substation
- Clearing of right of way including the trimming/cutting of trees and other vegetation touching or near the high voltage line as part of the regular maintenance
- Installations of sectionalizers along 13.8kV distribution lines
- Installation of 69kV overhead sub-transmission line from Subic Substation to the new proposed Cubi 25MVA Substation
- Installation of 25MVA-Substation, installation of 15kV metal clad switchgear and 15kV feeder take-off of Cubi Power Plant
- Installation of switching station (switchgear and accessories) along 69kV line supplying Subic Bay Industrial Park
- Replacement of rotten poles along distribution lines and replacement of its line hardware and accessories
- Installation of 69kV gang operated air break switch, replacement of rotten poles, and rehabilitation of 69kV take-off of Subic Bay Industrial Park
- Construction of Administration Building, warehouse / shops, and covered parking space for service vehicles
- Acquisition of TransCo's 69kV Line 1, 2, 3, 4 that supply the SBFZ
- Installation of additional power transformer for Subic Bay Industrial Park (SBIP) when the needs arises
- Improvement of the existing Subic Substation (includes the installation of additional switchgear and other electrical equipment and reconstruction of lines inside the substation)

- Simplification of MV Lines Architecture/ Configuration
- Transfer the existing Kalaklan metering which will be affected by the STEP 2 site development
- Installation of new 13.8kV feeder line to supply Subic Bay Industrial Park, Phase II
- Repairs/replacement of underground power cable both feeder lines and customer lines as the need arises
- Replacement of existing bare line conductors located in forested areas
- Installation/extension of new overhead 13.8kV Distribution Line for customer expansion
- Installation of second 25 MVA power transformer for Cubi Substation (as the needs arises)
- Installation of 69kV overhead sub-transmission line from Cubi Substation to the proposed Naval Magazine Substation
- Rerouting of 13.8 kV Sta. Rita Communication Line to Subic-Tipo Highway. This includes the installation of 13.8kV line from George Dowey Convention Center to Tipo Highway Security Plaza and the upgrading of existing lines from Tipo Highway Security Plaza to Baily Bridge and re-route the existing lines supplying Sta. Rita Communication Towers
- Rehabilitation of dilapidated pole/pad mounted distribution transformers (as the need arises)
- Installation of fuse cut-outs on 13.8kV distribution line (as the need arises)
- Installation of capacitor bank on 13.8kV distribution line (as the need arises)

and that any expansion and/or modification/alteration shall be subject to a separate Environmental Impact Assessment (EIA) requirements;

2. The Proponent (*Subic Enerzone Corporation*) shall be responsible in ensuring strict compliance at all times by its employees, agents, consultants, contractors and subcontractors with the SBMA Environmental Rules and Regulations, Likewise, they shall conform with all the conditions cited in this Certificate;
3. The Proponent shall secure from appropriate SBMA departments and other national government agencies all the necessary permits and approval prior to commencement of any activity. The Proponent/Contractor shall obtain and keep current all permits related to the Company's operation;
4. All solid wastes generated in the conduct of activities shall be properly contained, handled and disposed at the SBMA landfill in accordance with the SBMA Waste Management Guidelines (*see Attachment # 1*);
5. All workers shall be provided with appropriate Personal Protective Equipment (PPE) to protect them from occupational hazards and health risks. As such, the Contractor shall develop and implement an Occupational Safety and Health Program that shall

[Handwritten signature]

include electrical safety, lock-out and tag-out procedures and Emergency Response Plan to be submitted for approval by SBMA Health and Welfare Department;

6. An effective scheduling of power interruptions and notification of concerned SBMA Departments and SBFZ locators for power outage shall be implemented by the Proponent/Contractor during maintenance and operations;
7. All "hot works" (welding, cutting, lead melting, soldering, blow torch, etc.) performed during maintenance operation shall be covered by a valid permit from Fire Department prior to operation. Fire extinguisher shall be provided at all times in the operation site especially during hot works activities. Fire watch shall be trained in the use of fire equipment that must be provided during and 30 minutes after hot work operation;
8. A Traffic Management Plan to ease traffic congestion and prevent road accident/hazards during roadside maintenance activities shall be implemented. Safety road signs shall be posted and installed visible to motorists and pedestrians where activity is in progress;
9. No tree may be cut, pruned unless a joint inspection with the Proponent/Contractor, Utilities Department and Ecology Center shall be done and a permit to do so has been issued by the Ecology Center. Hence, the Proponent shall comply with the SBMA Guidelines for allowable Tree Cutting and Tree Trimming with in SBFZ (*see Attachment # 2*);
10. The Proponent/Contractor shall ensure that no fishing, hunting or collection and/or buying of wild plants and animals is undertaken by its staff or its Sub-contractors;
11. All hazardous wastes, including unusable transformers containing polychlorinated biphenyls shall be handled, stored and disposed in compliance with R.A. 6969 otherwise known as the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 and DENR Administrative Order (DAO) 29, Series of 1992;
12. The Proponent/Contractor shall be held liable for any damage to life, property and the environment as a result of the company's regular and maintenance operation and shall pay just and reasonable compensation to the aggrieved party;
13. Should there be any complaint related to environmental problems brought about by the project, the Proponent shall be held responsible to address such problems;
14. Any misleading/false information submitted to this Office shall be sufficient cause for the cancellation of this Certificate;
15. The Ecology Center shall have the authority to conduct on the spot inspection at any time to monitor compliance with all the conditions cited in this Certificate;



Environmental Management Plan

A. DMSA Projects

Project	Project's Description	Predicted Environmental Impact	Mitigation	Cost of Mitigation or
1.Rehabilitation of Remy Field Substation	This project includes the Rehabilitation of existing two 20MVA Power Transformer, Rehabilitation of the existing on-load tap changer, Upgrading of Substation Controls and Protection, Expansion of the Control and Monitoring Room, Installation of new Automatic Voltage Regulator. This is upgrading the existing facilities of the substation for the reliability of power supply within SBMA area and also for delivering quality voltage to the valued customers.	1. Increase in dust due to clearing, civil works and earthmoving activities.	1. Sprinkling of water during clearing and earthmoving activities.	Included in the Project Cost
		2. Top soil removal and loss due to earthmoving and excavation activities.	2. The top soil will be used as filling materials and will be used in landscaping.	Included in the Project Cost
		3. Sedimentation/dilatation of drainage or waterways from unconfined stockpiles of soil and other materials.	3. Stockpiling of soil and other materials will be confined in an area away from the water ways. Stockpiles will be removed after construction.	Included in the Project Cost
		4. Pollution of nearby water body due to improper disposal of construction wastes.	4. Construction wastes will be properly collected and disposed. No construction wastes will be allowed to be disposed in water bodies.	Included in the Project Cost
		5. Generation of employment.	5. The project will generate additional employment in the form technical and construction workers.	Included in the Project Cost
		6. Generation of solid wastes.	6. Proper sorting and disposal of wastes. Compliance to SBMA Waste Management System.	Included in the Project Cost
2.Clearing of Rights of Way Trimming of Trees	This project is the trimming/cutting of trees and other vegetation touching or near the high voltage line. This is reducing power outages due to transient faults cause by these trees and vegetation.	1. Increased traffic and possible congestion.	1. Proper coordination with Law Enforcement regarding implementation of traffic system. Parking of vehicles will be limited w/in the leased property.	Included in the Project Cost
		2. Loss of vegetation due to land clearing.	2. Land clearing will be limited to structures that will be constructed. Other vegetation that will be destroyed in the process will be rehabilitated. Obtain tree cutting permit from EC prior to any cutting activities.	Included in the Project Cost
3.Installations of Sectionalizers	This project is the installation of Sectionalizers / Reclosers along 13.8KV Distribution Lines. This is eliminating total feeder outages by sectionalized switching thus reducing scope of power outages.	1. Increased traffic and possible congestion.	1. Proper coordination with Law Enforcement regarding implementation of traffic system. Parking of vehicles will be limited w/in the leased property.	Included in the Project Cost
		2. Generation of solid wastes.	2. Proper sorting and disposal of wastes. Compliance to SBMA Waste Management System.	Included in the Project Cost

4. Subic-Cubi Overhead Transmission Lines (OHTL)	This project is the installation of 69kV overhead sub-transmission line from Subic Substation to the new proposed Cubi 25MVA Substation. This will be the transmission of power to supply Cubi Substation	1. Increase in dust due to clearing, civil works and earthmoving activities.	1. Sprinkling of water during clearing and earthmoving activities.	Included in the Project Cost
		2. Increased traffic and possible congestion.	2. Proper coordination with Law Enforcement regarding implementation of traffic system. Parking of vehicles will be limited w/in the leased property.	Included in the Project Cost
		3. Top soil removal and loss due to earthmoving and excavation activities.	3. The top soil will be used as filling materials and will be used in landscaping.	Included in the Project Cost
		4. Loss of vegetation due to land clearing.	4. Land clearing will be limited to structures that will be constructed. Other vegetation that will be destroyed in the process will be rehabilitated. Obtain tree cutting permit from EC prior to any cutting activities.	Included in the Project Cost
5. Replacement of Grande Island Submarine Cable	This project includes the installation of submarine power cable from Camayan Point to Grande Island and the installation of Switchgears at both ends of the submarine power cable. This is upgrading the existing line and the protection equipment to maximized reliability of power supply to Grande Island.	1. Pollution of nearby water body due to disturbance of sea bottom	1. Minimize disturbance of sea bottom by sectionalized installation	Included in the Project Cost
6. First 25 MVA Cubi Substation	This project includes the installation of 25MVA Substation, installation of 15kV MetalClad Switchgear and 15kV Feeder Take-off, and Site Development of Cubi Power Plant. This new substation will supply power requirement of Seaport Project and also for delivering reliable and quality power to customers in Cubi and other neighboring areas.	1. Generation of solid wastes.	1. Proper sorting and disposal of wastes. Compliance to SBMA Waste Management System.	Included in the Project Cost
		2. Generation of domestic wastes.	2. Provision of portalet.	Included in the Project Cost
		3. Increase in dust due to clearing, civil works and earthmoving activities.	3. Sprinkling of water during clearing and earthmoving activities.	Included in the Project Cost
		4. Top soil removal and loss due to earthmoving and excavation activities.	4. The top soil will be used as filling materials and will be used in landscaping.	Included in the Project Cost
		5. Erosion from exposed cuts and landslides due to earthmoving and excavation activities.	5. No cuts will be left exposed and new vegetation will be grown over excavated area.	Included in the Project Cost
		6. Sedimentation/dilatation of drainage or waterways from unconfined stockpiles of soil and other materials.	6. Stockpiling of soil and other materials will be confined in an area away from the water ways. Stockpiles will be removed after construction.	Included in the Project Cost
		7. Pollution of nearby water body due to improper disposal of construction wastes.	7. Construction wastes will be properly collected and disposed. No construction wastes will be allowed to be disposed in water bodies.	Included in the Project Cost

12.Acquisition of the Olongapo-Remy Field-Enron Line	This project includes the acquisition of TransCo's 69kV Line 1, 2, 3, 4 all supplying SBFZ. This is to have full access to these Lines for maintenance and rehabilitation works.	None		N A
13.SBIP Switching Station (Additional Power Transformer)	This project is the installation of additional Power Transformer for SBIP when the needs arises. This will address problems on power shortage of SBIP in the future.	1. Top soil removal and loss due to earthmoving and excavation activities.	1. The top soil will be used as filling materials and will be used in landscaping.	Included in the Project Cost
		2. Generation of solid wastes.	2. Proper sorting and disposal of wastes. Compliance to SBMA Waste Management System.	Included in the Project Cost
14.Improvement of the New Subic Substation	This project includes the installation of additional switchgear and other Electrical Equipment and reconstruction of Lines inside New Subic Substation. This is to simplify the line configuration and eliminate redundant lines and equipment.	1. Generation of solid wastes.	1. Proper sorting and disposal of wastes. Compliance to SBMA Waste Management System.	Included in the Project Cost
15.Simplification of MV Lines Architecture/ Configuration	This project is the reconstruction of 13.8kV Feeder Lines and By-pass Lines. This is to simplify the line configuration of the system and eliminate the existing redundant lines and equipment.	1. Increased traffic and possible congestion.	1. Proper coordination with Law Enforcement regarding implementation of traffic system. Parking of vehicles will be limited w/in the leased property.	Included in the Project Cost
		2. Top soil removal and loss due to earthmoving and excavation activities.	2. The top soil will be used as filling materials and will be used in landscaping.	Included in the Project Cost
16.Transfer of Metering Station	This project is to transfer the existing Kalakian Metering which will be affected by the STEP 2 site development. This is to have a permanent location for this Metering Station.	1. Increased traffic and possible congestion.	1. Proper coordination with Law Enforcement regarding implementation of traffic system. Parking of vehicles will be limited w/in the leased property.	Included in the Project Cost
17.Rehabilitation of Remy Field Substation (Provision of 69kV Circuit Breakers)	This project is the rehabilitation of the existing 69kV Oil Circuit Breaker of Remy Field Substation. This is upgrading the Circuit Breakers of the substation for reliability of operations.	1. Generation of solid wastes.	1. Proper sorting and disposal of wastes. Compliance to SBMA Waste Management System.	Included in the Project Cost
		2. Increase in dust due to clearing, civil works and earthmoving activities.	2. Sprinkling of water during clearing and earthmoving activities.	Included in the Project Cost
		3. Top soil removal and loss due to earthmoving and excavation activities.	3. The top soil will be used as filling materials and will be used in landscaping.	Included in the Project Cost
		4. Sedimentation/dilatation of drainage or waterways from unconfined stockpiles of soil and other materials.	4. Stockpiling of soil and other materials will be confined in an area away from the water ways. Stockpiles will be removed after construction.	Included in the Project Cost
		5. Pollution of nearby water body due to improper disposal of construction wastes.	5. Construction wastes will be properly collected and disposed. No construction wastes will be allowed to be disposed in water bodies.	Included in the Project Cost

18. Construction of Feeders SBIP II	This project is the installation of new 13.8kV feeder line to supply SBIP II. This will improve the reliability of power supply for SBIP II.	1. Increased traffic and possible congestion.	1. Proper coordination with Law Enforcement regarding implementation of traffic system. Parking of vehicles will be limited w/in the leased property.	Included in the Project Cost
		2. Top soil removal and loss due to earthmoving and excavation activities.	2. The top soil will be used as filling materials and will be used in landscaping.	Included in the Project Cost
		3. Erosion from exposed cuts and landslides due to earthmoving and excavation activities.	3. No cuts will be left exposed and new vegetation will be grown over excavated area.	Included in the Project Cost
		4. Generation of solid wastes.	4. Proper sorting and disposal of wastes. Compliance to SBMA Waste Management System.	Included in the Project Cost
19. Underground Cable Repairs	This project is the repairs/replacement of underground power cable both feeder lines and customer lines. This is to upgrade the existing power cables for reliability of operations.	1. Generation of solid wastes.	1. Proper sorting and disposal of wastes. Compliance to SBMA Waste Management System.	Included in the Project Cost
20. Replacement of Bare to Insulated cables on selected areas within the SBFZ.	This project includes the replacement of existing bare line conductors located in forested areas to insulated cables and the replacement of rotten poles and assembly along these lines. This aims to electrically protect the line from trees/vegetation and foreign objects which cause power outages.	1. Top soil removal and loss due to earthmoving and excavation activities.	1. The top soil will be used as filling materials and will be used in landscaping.	Included in the Project Cost
		2. Generation of solid wastes.	2. Proper sorting and disposal of wastes. Compliance to SBMA Waste Management System.	Included in the Project Cost
21. Installation of New Lines	This project is the installation/extension of new overhead 13.8kV Distribution Line for customer expansion. This is to cater customer's needs.	1. Top soil removal and loss due to earthmoving and excavation activities.	1. The top soil will be used as filling materials and will be used in landscaping.	Included in the Project Cost
		2. Increased traffic and possible congestion.	2. Proper coordination with Law Enforcement regarding implementation of traffic system. Parking of vehicles will be limited w/in the leased property.	Included in the Project Cost
		3. Conflicts in right of way.	3. Conflicts in right of way will be addressed through dialogues with the concerned parties.	Included in the Project Cost
22. Second 25 MVA Cubi Substation	This project is the installation of additional Power Transformer for Cubi Substation when the needs arises. This is to address problems on power shortage in Cubi and other neighboring areas in the future.	1. Generation of solid wastes.	1. Proper sorting and disposal of wastes. Compliance to SBMA Waste Management System.	Included in the Project Cost
		2. Generation of domestic wastes.	2. Provision of portalet.	Included in the Project Cost
		3. Increase in dust due to clearing, civil works and earthmoving activities.	3. Sprinkling of water during clearing and earthmoving activities.	Included in the Project Cost
		4. Top soil removal and loss due to earthmoving and excavation activities.	4. The top soil will be used as filling materials and will be used in landscaping.	Included in the Project Cost
		5. Sedimentation/dilatation of drainage or waterways from unconfined stockpiles of soil and other materials.	5. Stockpiling of soil and other materials will be confined in an area away from the water ways. Stockpiles will be removed after construction.	Included in the Project Cost

23.Rehabilitation of Remy Field Substation (Replacement of 2 existing Transformers)	This project is the replacement of 2 existing 20 MVA transformers at Remy Field Substation. This is to upgrade the old transformer for realibility of operation.	1. Increase in dust due to clearing, civil works and earthmoving activities.	1. Sprinkling of water during clearing and earthmoving activities.	Included in the Project Cost
		2. Top soil removal and loss due to earthmoving and excavation activities.	2. The top soil will be used as filling materials and will be used in landscaping.	Included in the Project Cost
		3. Generation of solid wastes.	3. Proper sorting and disposal of wastes. Compliance to SBMA Waste Management System.	Included in the Project Cost
		4. Pollution of nearby water body due to improper disposal of construction wastes.	4. Construction wastes will be properly collected and disposed. No construction wastes will be allowed to be disposed in water bodies.	Included in the Project Cost
24.Cubi-Naval Magazine (OHTL)	This project is the installation of 69kV overhead sub-transmission line from Cubi Substation to the proposed Naval Magazine Substation. This will be the transmission of power to supply Naval Magazine Substation.	1. Increased traffic and possible congestion.	1. Proper coordination with Law Enforcement regarding implementation of traffic system. Parking of vehicles will be limited w/in the leased property.	Included in the Project Cost
		2. Generation of domestic wastes.	2. Provision of portalet.	Included in the Project Cost
		3. Top soil removal and loss due to earthmoving and excavation activities.	3. The top soil will be used as filling materials and will be used in landscaping.	Included in the Project Cost
		4. Generation of solid wastes.	4. Proper sorting and disposal of wastes. Compliance to SBMA Waste Management System.	Included in the Project Cost
25.Underground Transmission Line	This project is the installation of Underground Transmission Line. This is in replacement if overhead transmission line is not feasible.	1. Increased traffic and possible congestion.	5. Proper coordination with Law Enforcement regarding implementation of traffic system. Parking of vehicles will be limited w/in the leased property.	Included in the Project Cost
		2. Increase in dust due to clearing, civil works and earthmoving activities.	2. Sprinkling of water during clearing and earthmoving activities.	Included in the Project Cost
		3. Top soil removal and loss due to earthmoving and excavation activities.	3. The top soil will be used as filling materials and will be used in landscaping.	Included in the Project Cost
		4. Generation of solid wastes.	4. Proper sorting and disposal of wastes. Compliance to SBMA Waste Management System.	Included in the Project Cost
26.Installation of New Underground Cables	This project is the installation/extension of new underground 13.8kV Distribution Line for customer expansion. This is in replacement if overhead distribution line is not feasible. This is to cater customer's needs.	1. Increased traffic and possible congestion.	1. Proper coordination with Law Enforcement regarding implementation of traffic system. Parking of vehicles will be limited w/in the leased property.	Included in the Project Cost
		2. Generation of solid wastes.	2. Proper sorting and disposal of wastes. Compliance to SBMA Waste Management System.	Included in the Project Cost

27. Naval Magazine Substation	This project is the installation of proposed Naval Magazine Substation. This is to address problems on power shortage in Naval Magazine and neighboring areas in the future.	1. Increased traffic and possible congestion.	1. Proper coordination with Law Enforcement regarding implementation of traffic system. Parking of vehicles will be limited w/in the leased property.	Included in the Project Cost
		2. Generation of domestic wastes.	2. Provision of portalet.	Included in the Project Cost
		3. Increase in dust due to clearing, civil works and earthmoving activities.	3. Sprinkling of water during clearing and earthmoving activities.	Included in the Project Cost
		4. Top soil removal and loss due to earthmoving and excavation activities.	4. The top soil will be used as filling materials and will be used in landscaping.	Included in the Project Cost
		5. Sedimentation/dilatation of drainage or waterways from unconfined stockpiles of soil and other materials.	5. Stockpiling of soil and other materials will be confined in an area away from the water ways. Stockpiles will be removed after construction.	Included in the Project Cost
		6. Generation of solid wastes.	6. Proper sorting and disposal of wastes. Compliance to SBMA Waste Management System.	Included in the Project Cost
28. Rehabilitation of Remy Field Substation (Third Transformer)	This project is the installation of the proposed third Power Transformer in Remy Field Substation. This is to address problems on power shortage in CBD areas in the future.	1. Generation of solid wastes.	1. Proper sorting and disposal of wastes. Compliance to SBMA Waste Management System.	Included in the Project Cost
		2. Top soil removal and loss due to earthmoving and excavation activities.	2. The top soil will be used as filling materials and will be used in landscaping.	Included in the Project Cost

Environmental Management Plan

B. SEZC Initiated Projects

Project	Project's Description	Predicted Environmental Impact	Mitigation	Cost of Mitigation or Enhancement
1. Rerouting of 13.8 kV Sta. Rita Communication Line to Subic-Tipo	This project includes the installation of 13.8kV Line from George Dewey Convention Center to Tipo Highway Security Plaza and the upgrading of existing lines from Tipo Highway Security Plaza to Baily Bridge. This is to re-route the existing lines supplying Sta. Rita Communication Towers.	1. Increased traffic and possible congestion.	1. Proper coordination with Law Enforcement regarding implementation of traffic system. Parking of vehicles will be limited.	Included in the Project Cost
		2. Top soil removal and due to earthmoving and excavation activities.	2. The top soil will be used as filling materials and will be used in landscaping.	Included in the Project Cost
		3. Generation of solid wastes.	3. Proper sorting and disposal of wastes. Compliance to SBMA Waste Management System.	Included in the Project Cost
2. Rehabilitation of Padmounted Transformers	This project is the rehabilitation of dilapidated pole/pad mounted distribution transformers. This is improving the reliability of these transformers supplying various customers.	1. Generation of solid wastes.	1. Proper sorting, collecting and disposal of solid wastes. Compliance to SBMA Waste Management System	Included in the Project Cost
3. Installation of Cut-outs and Distribution Line Correction	This project is the installation of fuse cut-outs on 13.8kV Distribution Line. This will be the isolation point when interrupting laterals of 13.8kV Distribution Line.	1. Generation of solid wastes.	1. Proper sorting, collecting and disposal of solid wastes. Compliance to SBMA Waste Management System	Included in the Project Cost
4. Power Factor Correction	This project is the installation of capacitor bank on 13.8kV Distribution Lines. This is improving the efficiency of power usage and will deliver quality power to customers.	1. Generation of solid wastes.	1. Proper sorting, collecting and disposal of solid wastes. Compliance to SBMA Waste Management System	Included in the Project Cost
		2. Increased traffic and possible congestion.	2. Proper coordination with Law Enforcement regarding implementation of traffic system. Parking of vehicles will be limited w/in the leased property.	Included in the Project Cost



OFFICE OF THE CHAIRMAN
ECOLOGY CENTER
Bldg. 157, Bonifacio St., Subic Bay Freeport Zone, Philippines 2222
(63-47) 252-4059/4435 Fax (63-47) 252-4157



**SUBIC BAY FREEPORT ZONE
CERTIFICATE OF NON-COVERAGE
EC-SBFZCNC-309-22-223**

The Subic Bay Metropolitan Authority (SBMA) through the Ecology Center (EC) hereby grants this Subic Bay Freeport Zone Certificate of Non-Coverage (SBFZCNC) for the operation of

SUBIC ENERZONE CORPORATION

with office address at Building No. 502, Dewey Avenue, Subic Bay Freeport Zone after complying with the application for Certificate of Non-Coverage (CNC) requirements as prescribed pursuant to SBMA Environmental Impact Statement (EIS) System and the Department of Environment and Natural Resources Administrative Order No. 96-37, series of 1996.

This Certificate is being issued subject to existing and applicable laws, rules and regulations and the following conditions:

1. This Certificate is valid only for the distribution and operation of the existing SBMA Power Distribution System, which include the following activity:
 - Annual preventive maintenance of all substations
 - Upgrading of all rotten electrical poles
 - Tree trimming and cutting as part of the regular maintenance
 - Extension of power lines to new locators,
 - Replacement of bare to insulated cables on selected areas.

and that any expansion and/or modification (i.e. construction of new overhead and underground transmission lines, replacement of submarine cables, expansion of substations, etc.) shall be subject to a separate Environmental Impact Assessment (EIA) requirements;

2. The Proponent shall be responsible in ensuring strict compliance at all times by its employees, agents, consultants, contractors and subcontractors with the SBMA Environmental Rules and Regulations, Likewise, they shall conform with all the conditions cited in this Certificate;;
3. The Proponent shall secure from appropriate SBMA Departments and other national government agencies all the necessary permits and approval prior to commencement of any activity. The Proponent/Contractor shall obtain and keep current all permits related to the Company's operation;

16. That the transfer of ownership of this business operation carries the same conditions in this Certificate for which a written notification shall be made by herein grantee to the EC within 15 days of said transfer;

This *EC-SBFZECC-56-24-365* supersedes the previously issued *Certificate of Non-Coverage (EC-SBFZCNC-309-22-223)* and its Amendment issued to the company on September 23, 2003 and October 14, 2004 respectively.

Non-compliance with any the above stipulations shall be sufficient cause for the suspension or cancellation of this certificate and/or a penalty in the amount not to exceed Fifty Thousand Pesos (Php 50,000.00) for every violation thereof shall be imposed at the discretion of the EC, pursuant to the SBMA EIS System and all other applicable Philippine environmental laws, rules and regulations.

The SBMA reserves the right to amend this SBFZECC should additional information become available or if circumstances should so warrant.

Signed this JUL 05 2005

By Authority of the Administrator


AMETHYA P. DELA LLANA
Department Head

Given this JUL 06 2005



November 21, 2011

AMETHYA P. DELA LLANA-KOVAL
Head
ECOLOGY
Regulatory Building
Labitan Street, CBD, Area
Subic Bay Freeport Zone

Through: Ms. SELINA BARRERA JAYME
Division Chief
Ecology – Regulatory Permitting Division

Subject: ECOLOGY CLEARANCE

Dear Ma'am:

In compliance to your requirements for the processing of our building permit clearance for the construction of our Warehouse expansion project. We are submitting to your good office the the following documents for your reference. Please see attachments.

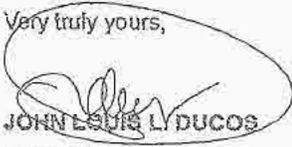
List of Requirements:

- a.) One (1) copy of Certificate of Non-Coverage (CNC) Application form
- b.) Description of project activities – please refer to DMSA
- c.) One (1) copy of Colored pictures (property labeled/with caption) North, South, East, West – please refer to attached file.
- d.) One (1) copy of Site Development plan, location plan, vicinity map & drainage plan - please refer to attached file.
- e.) Proof of ownership (i.e. SEC Registration/DTI & Lease Agreement) - please refer to DMSA

For further inquiries, please visit or call us at telephone number 252-7392 and look for Engr. Philip Ricablanca or Engr. John Louis Ducos.

Thank you very much.

Very truly yours,


JOHN LOUIS DUCOS

Project Engineer

Attachment: s/s

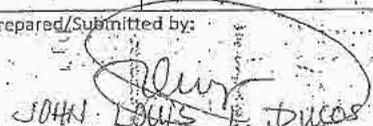


ECOLOGICAL CENTRAL
DATE: _____
TIME: _____
11-22-11
B. 10 12/11

CERTIFICATE OF NON-COVERAGE (CNC)

AND OPERATION

CONSTRUCTION OF WAREHOUSE

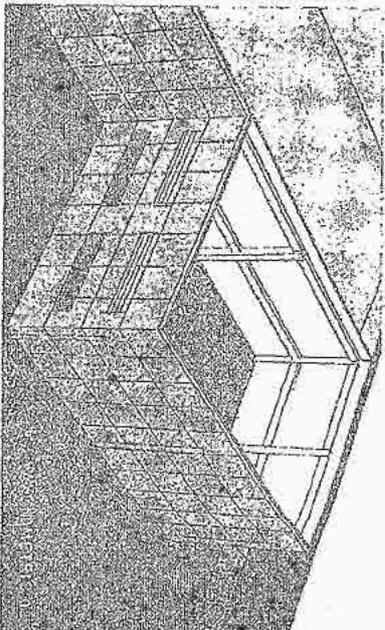
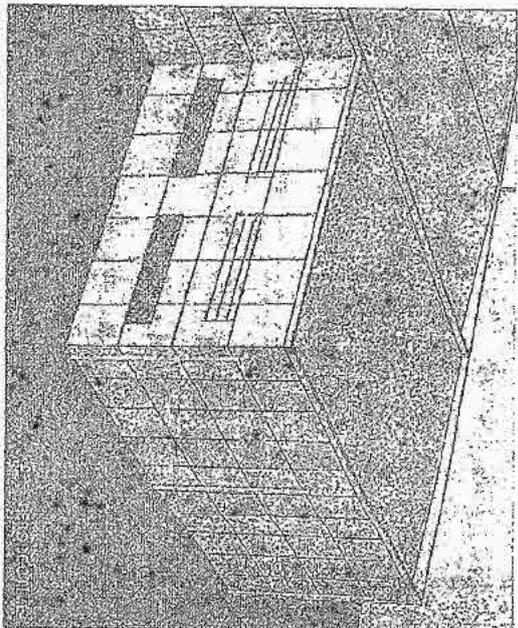
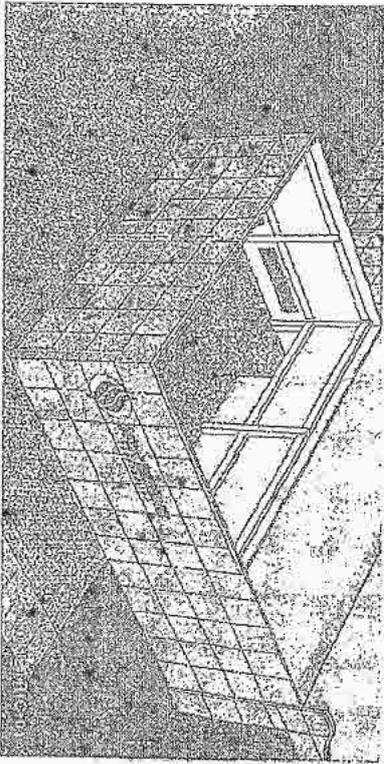
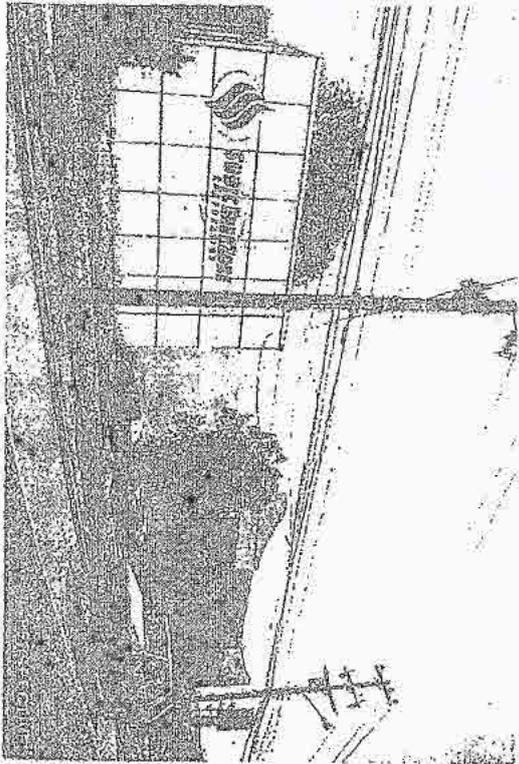
1. Name of the Project	OPERATION OF A TWO STOREY OFFICE BLDG. OF WAREHOUSE		
2. Project Location	Street	CANAL ROAD CORNER LABITAN STREET, CBD, SUBIC BAY FREEPORT	Zone/Classification (i.e. industrial; residential) COMMERCIAL
	City/Municipality	OLONGAPO	Province ZAMBALES Region III
3. Proponent Name	SUBIC ENERZONE CORPORATION		
4. Proponent Address	CANAL ROAD CORNER LABITAN STREET, CBD, SUBIC BAY FREEPORT ZONE		
5. Contact Person	Name	ENGR. WARELL KEVIN SARIO	Designation GENERAL MANAGER
	Landline No.	252-7392	Fax No. 252-7397
6. Proponent Means of Contact	Mobile No.		Email wsario@aboit.com.ph
	7. Project Type/ Undertaking POWER DISTRIBUTION		
8. Project Size	Fill up only relevant parameters		
	Capacity/Others (i.e. MW, m3, heads)		Space Allocation/Area (i.e. km., ha., sqm.) 1,794 sq. meters
	Quantity to be Processed (i.e. MT of raw material)		Others
	Production Rate (i.e. MT/year)		
9. Description of Project Activities (i.e. during pre-construction, construction, operation and abandonment phase)	SUBIC ENERZONE CORP. IS A PRIVATE DISTRIBUTION UTILITY WHICH IS COMMITTED TO PROVIDE SAFE, EFFICIENT, RELIABLE AND AFFORDABLE ELECTRICITY TO MEET THE ULTIMATE SATISFACTION OF ITS LOCAL AND FOREIGN CUSTOMERS IN SUBIC BAY FREEPORT ZONE		
Prepared/Submitted by:	Concurred/Approved by:		
 JOHN LOUIS E. DUCOS	 WARELL KEVIN B. SARIO		
Signature Over Printed Name	Proponent's Signature Over Printed Name		

Required Attachments:

- Description of project activities
- Colored pictures (properly labeled/with captions) North, South, East, West
- Site Development Plan, Location Plan, Vicinity Map & Drainage Plan
- Proof of Ownership (i.e. SEC Registration/ DTI & Lease Agreement)
- Permit to Cut/Tree Inventory (if applicable)

Remarks:

- Please accomplish in two (2) copies.
- Signatories should be proponent/owner (i.e. president, proprietor).
- Site inspection/verification shall be conducted after submission of complete documents.
- Payment of P 00.00 upon submission of complete documents.



PROJECT
 LOCATION
 OWNER
 DATE

PROPOSER: UNIVERSITAS BRAWIJAYA
 RUMAH PAU, PAKSI BELA SISI PAU
 SUKSES KENDANG CONTOH
 (DEK. MULOJO 2011)

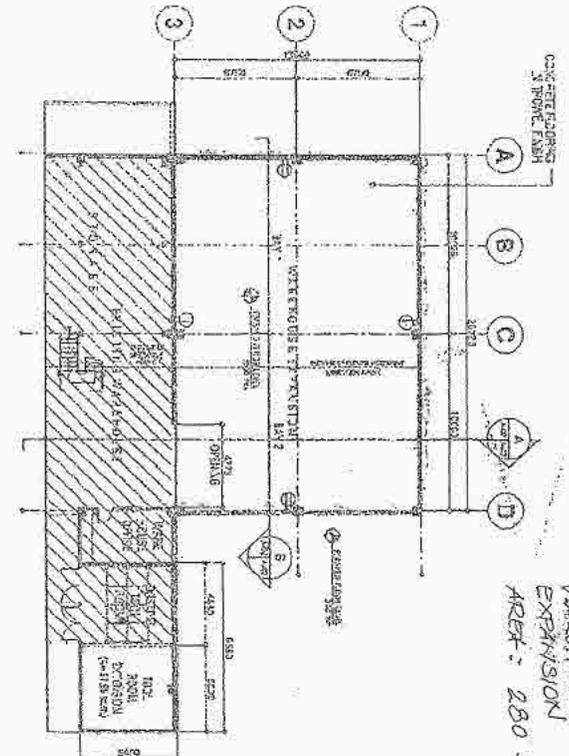
ASHERPRAZANING



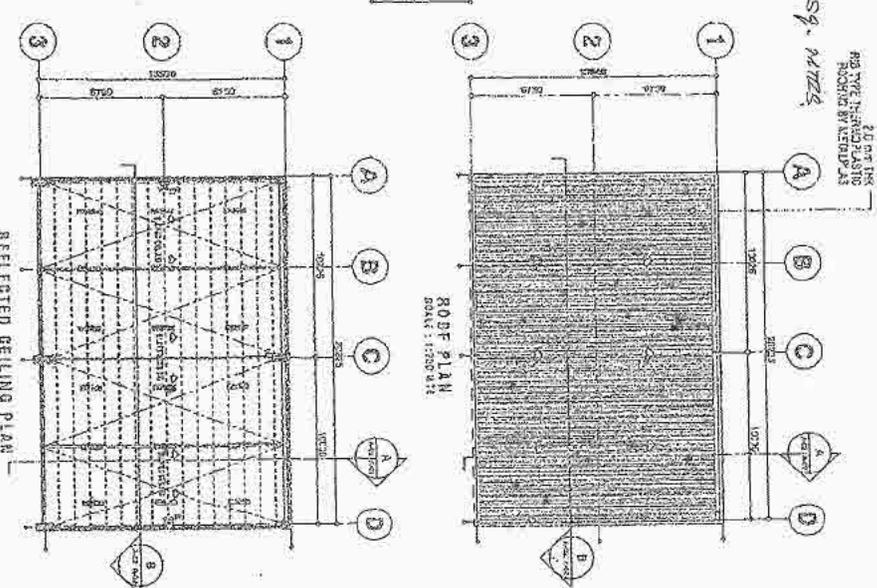
Perencanaan dan Gambar Arsitektur, Interior & Eksterior, Struktur, dan Teknik Sipil. Kami juga menyediakan jasa konsultasi dan pengawasan konstruksi. Untuk informasi lebih lanjut, silakan hubungi kami di nomor telepon atau email kami.

SHEET NO
A - 03
 Page 3 of 11

**PROPOSED
WAREHOUSE
EXPANSION**
AREA: 280 SQ. FTZS.



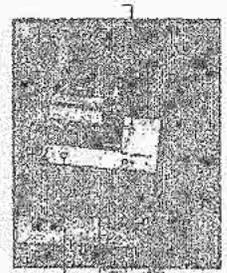
GROUND FLOOR PLAN
SCALE: 1/8" = 1'-0"



ROOF PLAN
SCALE: 1/8" = 1'-0"

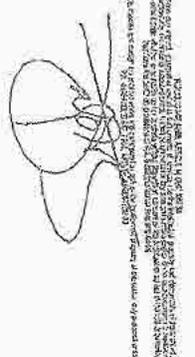
REFLECTED CEILING PLAN
SCALE: 1/8" = 1'-0"

PROJECT:
GENERAL CONTRACTOR: [Name]
OWNER: [Name]
DATE: [Date]



SITE DEVELOPMENT PLAN
SCALE: 1/4" = 1'-0"

- LEGEND:**
- 2-42" W. SUSPENDED CONCRETE FLOORS/CEILING LIGHTS WITH VENT SQUARE
 - EMERGENCY LIGHT
 - POWER JUNCTION



SHEET NO. A-01
DATE: 11/20/11



June 21, 2005

MS. AMETHYA DELA LLANA
Department Manager
Ecology Department
Subic Bay Metropolitan Authority

Dear Ms. Dela Llana,

This is in connection with our request for the amendment of Certificate of Non-Coverage released by your office. We are forwarding to you the completed documents required for the issuance of Environmental Compliance Certificate. This is for the projects stated in the Distribution Management Service Agreement. Please refer to the attached folders.

We hope for the immediate action on this matter.

Thank you and God Bless.

Respectfully yours,

SUBIC ENERZONE CORPORATION



ENGR. DANTE T. POLLESCAS
General Manager



June 21, 2005

MS. AMETHYA DELA LLANA
Department Manager
Ecology Department
Subic Bay Metropolitan Authority

Dear Ms. Dela Llana,

This is in connection with our request for the amendment of Certificate of Non-Coverage released by your office. We are forwarding to you the completed documents required for the issuance of Environmental Compliance Certificate. This is for the projects stated in the Distribution Management Service Agreement. Please refer to the attached folders.

We hope for the immediate action on this matter.

Thank you and God Bless.

Respectfully yours,

SUBIC ENERZONE CORPORATION



ENGR. DANTE T. POLLESCAS
General Manager



OFFICE OF THE CHAIRMAN
ECOLOGY CENTER

☒ Bldg. 157, Bonifacio St., Subic Bay Freeport Zone, Philippines 2222
☎ (63-47) 252-4059/4416



Fax (63-47) 252-4157

EC-PMD-06-0026
4 January 2006

DANTE T. POLLESCAS
General Manager
SUBIC ENERZONE CORP
Labitan St. corner Canal Rd., CBD,
Subic Bay Freeport Zone
Tel: (6347) 252-7392
Fax: (6347) 252-7397

SUBJECT : NOTICE OF COMPLIANCE

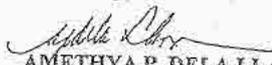
Dear Sir,

This office considers lifting the penalties imposed stated on the issued Notice of Violation (EC-PMD-05-0786) dated 5 September 2005 after due evaluation and consideration of the reasons and necessity of the activity cited during the Technical Compliance Conference last 13 September 2005 and Letter of Appeal dated 21 December 2005.

We hope you will be our partner in our continuing effort to safeguard and sustain our precious environment. Please do not hesitate to report to our office any incident involving environmental hazard that you have observed inside the Freeport. Rest assured that immediate and appropriate attention shall be provided.

Thank you very much.

Yours truly,


AMETHYA P. DELA LLANA
Manager

Cc: Marjorie S. Capili, Head, LRLD

Minutes of Technical Conference

Purpose of Conference : DISCUSSION OF NOVI ISSUED TO SUBIC ENERZONE
 Reference : NOV LETTER DATED 5 SEPT. 2005 (EC-FMD-05-0786)
 Date & Time : SEPTEMBER 13, 2005 10:00 AM
 Venue : ECOLGY CENTER
 Attendees :

Ecology Center :

1. AMETHYA P. DELA LLANA
2. ANGEL P. BACALOYOS *ajpv*
3. LILIA ALCAZOR *ajpv*
- BEVERLY ENRILE *Enri*
- FLEBIDA CASTRO *Enri*

Company Representative:

1. ROSS PATRICIA *ross*
2. EVISIA RECORDO
3. _____

Discussion :

<u>Violations</u>	<u>Proposed Action/Reason</u>
1. <u>Illegal cutting /trimming of five (5) mangrove trees.</u>	
2. <u>Eight mangrove trees (mostly api- api) were covered by excavated earth materials at the basal portion.</u>	
3. _____	
4. _____	

Resolution :

- The subcontractor of Enerzone explained to EC that it was not them who trimmed/cut the mangroves.
- Subic Enerzone's maintenance worker might be responsible for the activity.
- Clarification of terms, cutting & trimming was discussed.
- A joint inspection was scheduled on Sept. 14 (Tue) together with Subic Enerzone's representatives and EC personnel. 9:00 am.
- Result of reinspection will be the basis for the resolution of the issued NOVI.

Conforme:

Amethya P. Dela Llana
AMETHYA P. DELA LLANA
 Ecology Center

[Signature]
 Company Representative



OFFICE OF THE CHAIRMAN
ECOLOGY CENTER



☒ Bldg. 157, Bonifacio St., Subic Bay Freeport Zone, Philippines 2222
☎ (63-47) 252-4059/4656 Fax (63-47) 252-4157

EC-PMD-05-0786
5 September 2005

DANTE T. POLLESCAS
General Manager
SUBIC ENERZONE CORPORATION
Bldg 502, Dewey Avenue, CBD Area, SBFZ
Telefax: (047) 252-7392

SUBJECT: NOTICE OF VIOLATION

Dear Sir:

The Ecology Center hereby issues this Notice of Violation (NOV) to your company based on result of the inspection conducted on one of your project sites along Maritan Highway corner Binictican Drive (near Subic Power Plant) last 30 August 2005.

This NOV is issued pursuant to the authority vested in the Department Manager of the Ecology Center under Section 96 of the Republic Act 7227 (Basic Conversion Development Act) Implementing Rules and Regulations.

VIOLATION NOTED	BASIS OF VIOLATION	PENALTY
<p>I. Illegal cutting/trimming of five (5) mangrove trees.</p> <p>• Eight mangrove trees (mostly Api-Api) were covered by excavated earth materials at the basal portion.</p>	<p>Guidelines on the Allowable Tree Cutting/ Trimming within the Subic Bay Freeport Zone,</p> <p><i>Section 4. Type of Activity/ Action Subject to these Guidelines</i></p> <p>These guidelines specifically address the cutting/trimming of trees under justifiable circumstances within the SBFZ. If the cutting or damaging trees is necessary or unavoidable, it should be covered by a Permit issued by the Ecology Center. Permits issued may specify conditions such as restoration, replanting and other remedial measures deemed reasonable by the Ecology Center.</p> <p><i>Section 11. Special Provision on Mangroves</i></p> <p>Strips or patches or groups or individual mangroves or associate mangrove species growing along shoreline, shoreline roads, river mouths, and coastal areas shall at all cost be maintained and protected. They must be kept free from artificial obstruction and any injury or damage. No mangrove shall be cut or damaged.</p>	<p>Guidelines on the Allowable Tree Cutting/ Trimming within the Subic Bay Freeport Zone,</p> <p>Section 13. Fines and Penalties "Any person or entity caught in violation of any provisions of these Guidelines shall be fined and penalized with twice the replacement ratios and fees as provided for in Section 9."</p> <p>(<i>Pls. see Attachment A, for computation of replacement and fees and Attachment B for the recommended replacement species.</i>)</p>

As such you are hereby directed by this office to attend a Compliance Conference on September 13, 2005 (Tuesday) 10:00 AM at the Ecology Center to discuss the violation cited. The Compliance Conference will allow you to explain the circumstances on the violation and present a proposal to remedy



OFFICE OF THE CHAIRMAN
E. ECOLOGY CENTER



☒ Bldg. 157, Bonifacio St., Subic Bay Freeport Zone, Philippines 2222
☎ (83-47) 252-4059/4656 Fax (63-47) 252-4157

For non-compliance with the above-mentioned requirement, the Ecology Center may commence appropriate enforcement action which includes the collection of all fines for penalties cited on each violation.

For your information and immediate action.

Yours truly,


AMETHYA DELA LLANA
Manager

Cc: Marjorie S. Capili, Head, LRLD

Annex B

Recommended Replacement Species for Cut Trees:

Forest Trees:

1. Agolo
2. Antipolo
3. Akle
4. Alupag
5. Amugis
6. Banaba
7. Binayuyo
8. Binucao
9. Bitag
10. Bolong-cta
11. Dapdap
12. Dao
13. Fire Tree
14. Hang-Hang
15. Kupang
16. Kalumpit
17. Lipote
18. Molave
19. Narra
20. Puhutan
21. Rain Tree
22. Tangisang Bayawak

Fruit Bearing Trees:

1. Atis
2. Avocado
3. Cacao
4. Cashew
5. Duhat
6. Guava
7. Guyabano
8. Kalmito
9. Kamachile
10. Katmon
11. Langka
12. Mango
13. Santol
14. Tiesa

Note: The height of the seedlings must be at least one(1) meter.



OFFICE OF THE CHAIRMAN
ECOLOGY CENTER

☐ Bldg. 157, Bonifacio St., Subic Bay Freeport Zone, Philippines 2222
 ☒ (63-47) 252-4435/4059/4656 Fax (63-47) 252-4157



ENVIRONMENTAL MANAGEMENT & PROTECTED AREA DIVISION
INSPECTION REPORT

NAME OF COMPANY Subic Enerzone Corp. ACTIVITY Rectification of steel pole
 ADDRESS/LOCATION B-502, Dewey Ave., SBF2 POSITION _____
 CONTACT PERSON _____ INSPECTION DATE Nov. 14, 2005
 TEL/FAX NO. 252-7393/7392

I. FINDINGS

- o 15 mangrove trees were affected by the rectification of the steel pole for powerlines located on mangrove area along Maritan Highway cor. Causeway Ext.
- o of the 15 mangrove trees:
 - 3- have wilted
 - 2- being attacked by fungi/bacteria
 - 2- fallen (marked w/ red paint)
 - 2- already stumps
 - 1- cut, reclined, >10 cm diameter
 - 4- small, 2 cm diameter, were gone/covered by earth materials
 - 1- wounded

II. REQUIREMENTS/RECOMMENDATIONS

- o call a meeting w/ the company to settle previous violations committed and inform them of another set of trees that have been affected by their operation.

Inspected by:

Isorance E.O. Breganza
M.A. Torres / E.O. Breganza
 Ecology Staff
 Printed Name/Signature

confirm?

Submitted to PND on 15 Nov. 2005 for further actions.
 EC Division Date

Noted by:
Division chief

Received by:

 Signature Over Printed Name

 Date



21 December 2005

Ms. AMETHYA P. DELA LLANA
Manager
Ecology Department
Subic Bay Metropolitan Authority

Reos

Subject: NOTICE OF VIOLATION

Dear Madam:

This pertains to the Notice of Violation dated 5 September 2005 regarding the cutting/trimming of five (5) mangrove trees at the swampy area along Causeway Extension corner Maritan Highway (back of Subic Power Plant).

One of the projects included in the Distribution Management Services Agreement (DMSA) with SBMA is the Cubi 25 mVA Substation. In line with this project is the construction of new 69 kV OHTL from TransCo100 mVA Subic Substation to Cubi Substation. It also includes the clearing of right of way in preparation for the stringing of 336.4 ACSR wire.

In view of the above, the five (5) mangrove trees en route of the 69 kV OHTL were cut/trimmed as stated in the Notice of Violation. In addition, the new lines should be clear from vegetation to prevent power interruption.

Also, during the site inspection held last September 2005, it was observed that new twigs have grown from the cut/trimmed mangrove trees.

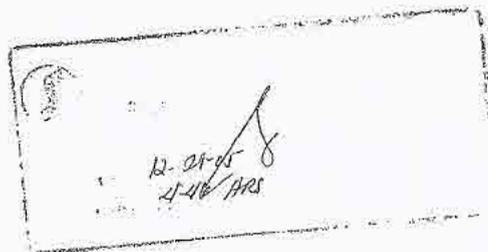
We would appreciate to sit down with you to discuss more on the matter.

Thank you and best regards.

Respectfully yours,

SUBIC ENERZONE CORPORATION


FREDERICK L. CORONEL
Supervisor, Operation Group





OFFICE OF THE CHAIRMAN
ECOLOGY CENTER

Bldg. 157, Bonifacio St., Subic Bay Freeport Zone, Philippines 2222
 (63-47) 252-4435/4059/4656 Fax (63-47) 252-4157



**ENVIRONMENTAL MANAGEMENT & PROTECTED AREA DIVISION
 INSPECTION REPORT**

NAME OF COMPANY Subic Erergone (Per SBMA-Engg Dept.) ACTIVITY construction of concrete post
 ADDRESS/LOCATION along Marikina Highway cor. Bimochan Drive, near ENRON POSITION _____
 CONTACT PERSON not available during inspection INSPECTION DATE Aug. 29, 2005
 TEL/FAX NO. _____

I. FINDINGS

- 8 mangrove trees (mostly Api-Api) were covered by excavated earth materials at the basal portion
- 5 mangrove trees were illegally cut/trimmed; paint applied on exposed portion
- see attached pictures

II. REQUIREMENTS/RECOMMENDATIONS

- issue Notice of Violation
- replace the illegally cut trees
- remove excavated soil from the base the mangrove trees to restore growth

Inspected by:

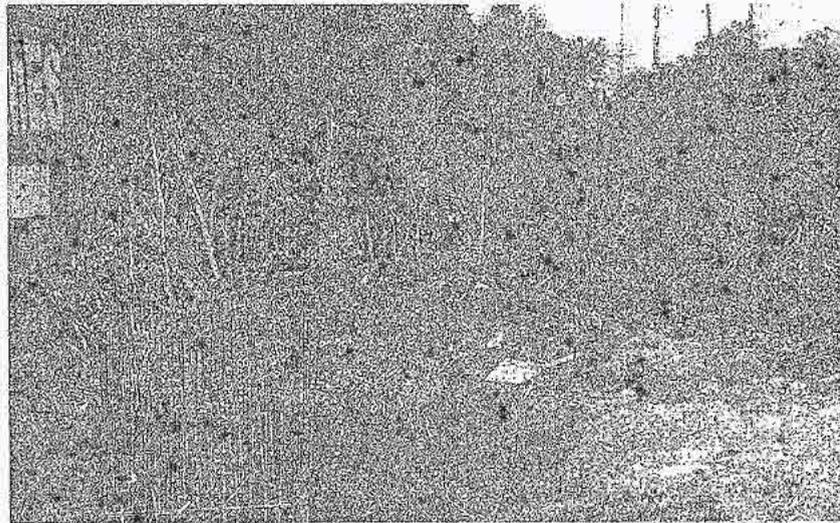
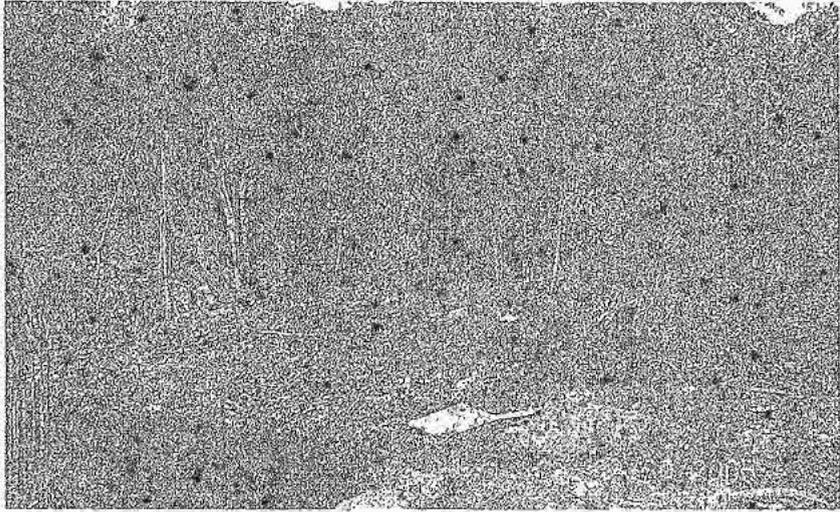
M.A. Torres / P.M. Castro
 Ecology Staff
 Printed Name/Signature

Submitted to PMD on September 1, 2005 for further actions.
 EC Division Date

Pls. indicate diameter of the mangrove trees, to determine replacement

Received by:

Rebelle
 REVELLY N. REBELLE
 Signature Over Printed Name
9/01/05
 Date



ADLC	
<i>Admin Division</i>	
RRJS	
KPM	
MFD	
BMU	
<i>Regulatory & Permitting Division</i>	<i>10/29/04</i>
RMMD	
RAAJ	
RGR	
LPC	
FRR	
<i>Env'l. Protected Areas Division</i>	
LRA	
EOB	
FMC	
<i>Policy Planning & Monitoring Division</i>	<i>10/29/04</i>
APB	
MART	<i>Copy provided</i>
SBJ	<i>ppd</i>
VVD	
RDL	
FED	
MDA	
<i>Social Development Division</i>	
VCT	
HEE	
EDJ	
RSL	

SCHEDULE OF TREE TRIMMING ACTIVITIES
For the Month of August 2005

Date of Trimming	Area	Place of Disposal	Names of Personnel
1st to 2nd Week	Upper and Lower Cubi	Landfill	Alexander Simborio Bernard Ballejos
3rd to 4th Week	Upper and Lower Cubi	Landfill	Hilario Surnalinog Sherwin Celorico



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
DENR Compound, Visayas Avenue, Diliman, Quezon City, 1116
Telephone Nos. 927-15-17, 928-20-96
Email: emb@emb.gov.ph
Visit us at <http://www.emb.gov.ph>

May 2, 2013

ENGR. WARREL SARIO
AVP General Manager
Subic Enerzone Corp.
Block B, Labitan St., CBD Area, SBFZ

Subject: Request for Permission to Use Old Transformers with Potential to Contain Polychlorinated Biphenyls (PCB) Located in Subic Enerzone Corp. for the Train-the-Trainers of Package 4 of the Integrated Persistent Organic Pollutants (IPOP) Management Project: Technical Assistance and Training on Implementation and Monitoring of Environmentally Sound Management of PCBs

Dear Engr. Sario:

The Environmental Management Bureau (EMB) of the Department of Environment and Natural Resources (DENR), with assistance from the World Bank (WB), is currently conducting the Technical Assistance and Training on Implementation and Monitoring of Environmentally Sound Management of PCBs (hereafter referred to as the Project). As part of the country's obligations to the Stockholm Convention to reduce and eliminate POPs, this Project aims to strengthen DENR-EMB oversight on PCB management and improve the onsite management practices of PCB owners.

In line with this, DENR-EMB has contracted the services of ESD China Ltd. (ESD), in association with Innogy Solutions, Inc. (Innogy), to provide technical assistance in completing the Project. The Project involves a Train-the-Trainers workshop wherein PCB Management Specialists will be trained on the fundamentals of PCB management. The training will also level-off on the training methods to be employed by PCB Specialists in the subsequent training for PCB Owners.

In the Train-the-Trainers, a site demonstration on PCB sampling and analysis will be conducted. With regards to this, ESD-Innogy would like to request permission to use old transformers located in Subic Enerzone Corp's facility in Argonaut Highway, Subic Bay Freeport Zone. The training will be conducted on May 7-10, 2013.

Should you have any questions or clarifications, please do not hesitate to contact Ms. Loly Yana de Jesus of ESD-Innogy at (632)687-3831/914-0443.

Your cooperation in this undertaking will be very highly appreciated. Thank you very much for your support.

Sincerely,


EVA S. OCFEMINA, PhD.
OIC-Asst. Director
— OIC, Office of the Director



SUBIC BAY
METROPOLITAN AUTHORITY

REGULATORY GROUP
ECOLOGY CENTER

☒ Regulatory Bldg., corner Labitan Street, Rizal Highway, Subic Bay Freeport Zone, Philippines
☎ (63-47) 252-4416 Fax (63-47) 252-4157

ECD-PMD-13-0225

May 03, 2013

ENGR. WARREL SARIO

AVP - General Manager

Subic Enerzone Corp.

Block B, Labitan St., CBD Area, SBFZ

Fax Nos. 252-8190

Dear Sir:

We are forwarding herewith the attached letter-request of EMB-DENR, with regard to the use of old transformers in your facility at Argonaut Highway, SBFZ, for the Trainers Training Workshop on PCB Handling and Management on May 7-10, 2013.

Moreover, we would like to invite one of your staff to participate in the said workshop. For additional information, please do not hesitate to coordinate with Rossell Abuyo at 252-4059.

We are hoping for your kind consideration on this request.

Thank you very much.

Very truly yours,

ANGEL P. BAGALOYOS

OIC-Manager

Apb/via



REGULATORY GROUP
ECOLOGY CENTER

Regulatory Bldg., corner Labitan Street, Rizal Highway, Subic Bay Freeport Zone, Philippines
(63-47) 252-4416 Fax (63-47) 252-4157

SUBIC BAY
METROPOLITAN AUTHORITY

ECD-PMD-13-0225
May 03, 2013

ENGR. WARREL SARIO
AVP - General Manager
Subic Enerzone Corp.
Block B, Labitan St., CBD Area, SBFZ
Fax Nos. 252-8190

Dear Sir:

We are forwarding herewith the attached letter-request of EMB-DENR, with regard to the use of old transformers in your facility at Argonaut Highway, SBFZ, for the Trainers Training Workshop on PCB Handling and Management on May 7-10, 2013.

We are hoping for your kind consideration on this request.

Thank you very much.

Very truly yours,

ANGEL P. BAGALOYOS
OIC-Manager

Apb/ria



PERFORMANCE EVALUATION SHEET



**SUBIC BAY
METROPOLITAN AUTHORITY**

LOCATOR : **SUBIC ENERZONE CORP**
ADDRESS : Canal corner Labitan Road, SBFZ
EXPIRY DATE : 03 September 2010
ACCOUNT OFFICER : LOREN PALMA
ECOLOGY CENTER :

Recommendation: YES NO

Justification: With ECC. No Deficiency/ies noted.

Recommending Officer: ANGEL P. BAGALLOYOS Date: 03 September 2010
APB
 Chief, PMD



REGULATORY GROUP
ECOLOGY CENTER

Regulatory Bldg., corner Labitan Street, Rizal Highway, Subic Bay Freeport Zone, Philippines
(63-47) 252-4416 Fax (63-47) 252-4157

ECD-PMD-13-0201
April 22, 2013

ENGR. WARREL SARIO
AVP - General Manager
Subic Enerzone Corp.
Block B, Labitan St., CBD Area, SBFZ
Fax Nos. 252-8190

Dear Sir:

The DENR as part of their Stockholm Convention obligations to manage Persistent Organic Pollutants (POPs) is implementing several projects funded by the World Bank. One of the project component is the conduct of training/workshop on PCB management.

Innogy Solutions, Inc., DENR consultant for this particular component is looking for possible sites/areas for training and demonstration on PCB inventory and screening. We have identified your facility at the Cubi area as one possible site for the said demonstration.

In this connection, we would like to request for an inspection on the said facility, to identify if it is suitable for demonstration. The inspection will be on April 23, 2013 at around 1:30 pm.

We are hoping for your kind consideration on this request.

Thank you very much.

Very truly yours,

ANGEL P. BAGALOYOS
OIC-Manager

Apb/la



August 10, 2005

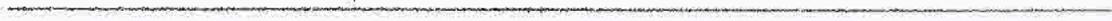
ARTHUR A. TANSECO
Department Head
PWTSG
Subic Bay Freeport Zone

Handwritten signature of Arthur A. Tanseco
Date: 10/18/2005
1000 hrs.

Mr. Tanseco;

We are submitting attached **MONITORING REPORT** on tree trimming activities for the period *May to July 2005* as per your requirement.

Handwritten signature of Eng. R. Dante T. Pollescas
ENG. R. DANTE T. POLLESCAS
General Manager
Subic Enerzone Corporation



Name of Tree	May			June			July			Grand Total
	Trimmed	Cut	Total	Trimmed	Cut	Total	Trimmed	Cut	Total	
Pfinggen	0	28	28		2	2	13		13	31
Posivine	2		2				29		29	31
Sambalok	3	1	4			1			1	4
Santol				1		1	1		1	13
Starapple							13		13	2
Talito					2	2				2
Tuba-tuba	9	5	14		1	1			1	15
Tugog	5	47	52	1	9	10			10	82
Tulip							30		30	30
Total:	123	952	1075	49	356	405	441	142	583	2083



July 4, 2005

AMETHYA DL. CONCEPCION
Department Head
Ecology Center
Subic Bay Freeport Zone

Ms. Concepcion;

We are submitting attached schedule of Tree Trimming Activities for the month of July 2005 for your reference.


ENG'R. DANIE T. POLLESCAS
General Manager
Subic Enerzone Corporation

received by: 
7/8/5 - 8850

SCHEDULE OF TREE TRIMMING ACTIVITIES
For the Month of July 2005

Date of Trimming	Area	Place of Disposal	Names of Personnel
1st to 2nd Week	Kalayaan	Landfill	Alexander Simborio Bernard Balajoc Hilarlo Sumalinog
			Jerson Barroga
			Richard Dallega
3rd to 4th Week	Upper and Lower Cubi	Landfill	Shervyn Calofico



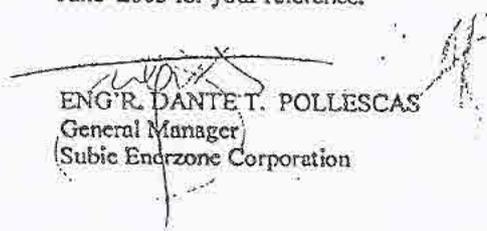
SUBIC ENERZONE
CORPORATION

June 1, 2005

AMETHYA DL. CONCEPCION
Department Head
Ecology Center
Subic Bay Freeport Zone

Ms. Concepcion;

We are submitting attached schedule of Tree Trimming Activities for the month of June 2005 for your reference.


ENG'R. DANTE T. POLLESCAS
General Manager
Subic Enerzone Corporation

SRMA
ECOLOGICAL CENTER

RECEIVED BY: HAO
DATE: 6-1-05
TIME: 9:50H

SCHEDULE OF TREE TRIMMING ACTIVITIES

For the Month of June 2005

Date of Trimming	Area	Place of Disposal	Names of Personnel
1st to 2nd Week	Upper and Lower Cubi	Landfill	Alfredo Guibao Adonis Basilo
3rd to 4th Week	Upper and Lower Cubi	Landfill	Eduardo Nohadera Ricardo Fajardo Ricardo Rivera

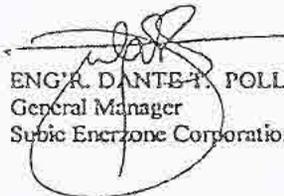


May 3, 2005

AMETHYA DL. CONCEPCION
Department Head
Ecology Center
Subic Bay Freeport Zone

Ms. Concepcion;

We are submitting attached schedule of Tree Trimming Activities for the month of May 2005 for your reference.


ENG. DANTE T. POLLESCAS
General Manager
Subic Enerzone Corporation

SBMA
ECOLOGICAL CENTER
5-12-2005
Minda Malaga
Ecology Center

SCHEDULE OF TREE TRIMMING ACTIVITIES

For the Month of May 2005

Date of Trimming	Area	Place of Disposal	Names of Personnel
1st to 2nd Week	Naval Magazine, Cubi	Landfill	Alfredo Guibao Adonis Basilio
3rd to 4th Week	Upper and Lower Cubi	Landfill	Eduardo Nohadera Ricardo Fajardo Ricardo Rivera



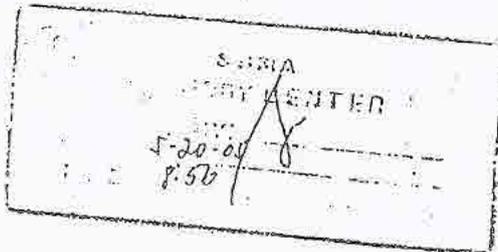
May 11, 2005

AMETHYA DL. CONCEPCION
Department Head
Ecology Center
Subic Bay Freeport Zone

Ms. Concepcion;

We are submitting attached **MONITORING REPORT** on tree trimming activities for the period *February to April 2005* as per your requirement.


ENG'R. DANTE T. POLLESCAS
General Manager
Subic Enerzone Corporation



Name of Tree	February			March			April			Grand Total
	Trimmed	Cut	Total	Trimmed	Cut	Total	Trimmed	Cut	Total	
Jackfruit	1		1	1		1	1		1	3
Kalamansi	2		2			9				9
Kasoy						1				1
Kumpang	5		5			8				8
Kuyong-Kuyong						1				1
Lagunb						16				16
Lomboy/Duhet	11		11	10		10				21
Madre de Cacao						4				4
Mahogany	22		22	4		23				26
Mango	2		2	23		23				25
Moling-moling						14				14
Nagdong						4				4
Narra	8		8	4		4				12
Palmera	4		4	3		3				7
Palochina						22				22
Paitcan										
Pine Tree	1		1	1		1				2
Postvine		1	1		8	8				11
Sencil	1		1	10		10				11
Star/Sampalok	14		14	6		6				20
Star Apple	1		1			2				2
Tailsay	3		3	2		2				5
Taluto						2				2
Tansang Bayawak						4				4
Tubog						2				2
Tulip	3		3	3		3				6
Grand Total:	78	1	79	144	8	152	133	15	148	379
	139	24	163	482	6942	7424	242	417	659	8246



April 1, 2005

AMETHYA DL. CONCEPCION
Department Head
Ecology Center
Subic Bay Freeport Zone

Ms. Concepcion;

We are submitting attached schedule of Tree Trimming Activities for the month of April 2005 for your reference.


ENG. DANTE T. POLLESCAS
General Manager
Subic Enerzone Corporation

RECEIVED

BY ju
DATE 4/5/05

SCHEDULE OF TREE TRIMMING ACTIVITIES
 For the Month of April 2005

Date of Trimming	Area	Place of Disposal	Names of Personnel
1st to 2nd week	Causeway Extension, Binictican Drive, El Kabayo Road	Landfill	Alfredo Guilbao Dante Vela Eduardo Nohadara
3rd to 4th week	Causeway Extension, Golf Course Rd., Pastolero, Tripo Road	Landfill	Jose Mon Ricardo Rivera

RECEIVED
 BY
 DATE 4/21/05



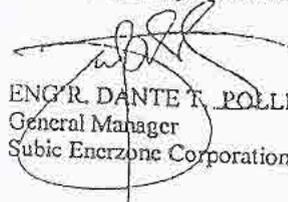
SUBIC ENERZONE
CORPORATION

March 1, 2005

AMETHYA DL. CONCEPCION
Department Head
Ecology Center
Subic Bay Freeport Zone

Ms. Concepcion;

We are submitting attached schedule of Tree Trimming Activities for the month of March 2005 for your reference.


ENG. R. DANTE T. POLLESCAS
General Manager
Subic Enerzone Corporation

SBMA
ECOLOGY CENTER
3-7-05
8:57

SUBIC : Bldg. 502, Dawoy Ave., Subic Bay Freeport Zone, Olongapo City, Philippines. Tel. 252-7392
MANILA : 110 Legaspi St., Legaspi Village, Makati City, Philippines. Tel. 817-9506

2200 Tel/Fax No. (047) 252-7392
2881 Fax No. (63-2) 817-9506

SCHEDULE OF TREE TRIMMING ACTIVITIES
For the Month of March 2005

Date of Trimming	Area	Place of Disposal	Names of Personnel
1st to 2nd week	Causeway Extension, Birniccan Drive, El Kabayo Road	Landfill	Alfredo Guibao Dante Vale
3rd to 4th week	Causeway Extension, Golf Course Rd., Pastolan, Tigo Road	Landfill	Eduardo Nohadera Jose Mon Ricardo Rivera



February 16, 2005

AMETHYA DL. CONCEPCION
Department Head
Ecology Center
Subic Bay Freeport Zone

received by Jie 16/02/05

Ms. Concepcion;

We are submitting attached **MONITORING REPORT** on tree trimming activities for the month of *January 2005* as per your requirement.


for-ENG'R DANTE T. POLLESCAS
General Manager
Subic Enerzone Corporation

TREE TRIMMING ACTIVITIES MONITORING REPORT
For the month of January 2005

AREA:	Whole area of Cenral Business District
Period Covered:	January 4 - 31, 2005
Personnel Involved:	Alfredo Guibao
	Dante Vete
	Eduardo Nohadera
	Jose Mon
	Ricardo Rivera
Place of Disposal:	Landfill

SUMMARY OF TREES TRIMMED/CUT				
Name of Trees		No. of Trees Trimmed	No. of Trees Cut	Total
Acacia		13		13
Bagras		8		8
Binunga		1		1
Camatsili		55		55
Coco		16		16
Dap-dap		1		1
Falcata		2		2
Guava		1		1
Indian Tree		8		8
Ipil-ipil		112	78	190
Kupang		2		2
Lomboy		6		6
Mabolo		1		1
Mahogany		27		27
Malunggay		2		2
Mango		1		1
Nagdung		5		5
Narra		21		21
Palmera		1		1
Palochina		6		6
Pinetree		46		46
Postvine			1	1
Sampalok		17		17
Santol		1		1
Talisay		13		13
Tulip		2		2
Total:		368	79	447

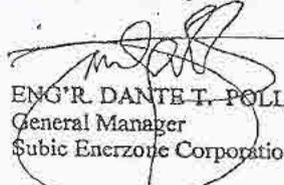


December 28, 2004

AMETHYA DL. CONCEPCION
Department Head
Ecology Center
Subic Bay Freeport Zone

Ms. Concepcion;

We are submitting attached schedule of Tree Trimming Activities for the month of January 2005 for your reference:


ENG'R. DANTE T. POLLESCAS
General Manager
Subic Enerzone Corporation

RECEIVED
BY *[Signature]*
DATE *12-28-04/11-20H*

SCHEDULE OF TREE TRIMMING ACTIVITIES
For the Month of January 2005

Area	Whole Area of Central Business District
Date of Trimming	January 1 -31, 2005
Names of Personnel	Alfredo Guibao
	Dante Vete
	Eduardo Nohadera
	Jose Mon
	Ricardo Rivera
Place of Disposal	Landfill



ENVIRONMENTAL MONITORING REPORT

Bldg. 157 Bonifacio St. SBFZ, Philippines 2222 Tel: (6347) 252-4416 Fax: 252-4157



A. Basic Information

Date of Inspection: JULY 11, 2005 Time: 2:50 N OUT

Name of Enterprise: GLINC ENERGY CORP.

Location: INDG. BLD DENVER AVE. CDD AREA, SBFZ

Purpose of Inspection:

compliance permit renew. re-inspection

hazardous report visible emission / discharge

Level: 1 2 3

B. Operational and Facility Status

1. On-going Activities

REHABILITATION, MAINTAIN OPERATION OF THE SDMA POWER DISTRIBUTION SYSTEM.

2. Pollution Sources

Waste Water	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Type(s)	
Pollution Control Facility/Device	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Type(s) Location	With PTO <input type="checkbox"/> Yes <input type="checkbox"/> No
Air	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Type(s) Location	With PTO <input type="checkbox"/> Yes <input type="checkbox"/> No
Hazardous Waste	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Type(s) Volume/Frequency Storage Disposal/Frequency Transporter/Treater	

3. Solid Waste

<input type="checkbox"/> Recyclable	Type	Volume	Collector/Hauler
<input checked="" type="checkbox"/> Non-recyclable	REGULAR WASTE	3 PDL BAGS	<input checked="" type="checkbox"/> regular EVERY FRIDAY <input type="checkbox"/> special <input type="checkbox"/> others

C. Documentary Requirements

ECC CNC PTO Monitoring Reports

REMARKS	ACTIONS REQUIRED
<u>- NO DEFICIENCY NOTED</u>	

EC INSPECTORS		CONFORME (Company Representative)		
1. <u>TERME DELA CERVA</u>	Name	Position	Date	
2.				
3.				
4.	<u>FOGAR CALUSA</u> (signature over printed name)	<u>SUPERVISOR (CUSTOMER SERVICE)</u>	<u>JULY 11, 2005</u>	

For Ecology Center's Actions

RECOMMENDATIONS

compliance notification (no deficiency)

recommend renewal of CR

disapproved for renewal of CR

issue Warning Letter, re-inspection on _____

issue Notice of Violation

issue CDO

secure CNC/ECC

secure addendum to CNC/ECC

recommend renewal of PTO

secure PTO

others _____

FURTHER ACTIONS	Approved by:
	<u>ANGEL P. BAGALOYOS</u> Division Chief, Policy & Monitoring Division



OFFICE OF THE CHAIRMAN
ECOLOGY CENTER

☒ Bldg. 157, Bonifacio St., Subic Bay Freeport Zone, Philippines 2222
☎ (63-47) 252-4059/4656 Fax (63-47) 252-4157



MEMORANDUM

TO : AMETHYA P. DELA LLANA-CONCEPCION
Department Manager

THRU : ANGEL P. BAGALOYOS
Chief, Policy Planning and Monitoring Division

FROM : ENVIRONMENTAL MONITORING TEAM

SUBJECT : INSPECTION REPORT ON *SUBIC FREEZONE CORP.*

Location : CENTRAL BUS. DISTRICT AREA, SBFZ

Approved Activity : _____

Date of Inspection : JULY 21, 2004

Purpose of Inspection

- | | |
|--|---|
| <input type="checkbox"/> complaint / hazard report | <input type="checkbox"/> level 1 |
| <input checked="" type="checkbox"/> site inspection / permit renewal / application | <input checked="" type="checkbox"/> level 2 |
| <input type="checkbox"/> visible emission discharge | <input type="checkbox"/> level 3 |
| <input type="checkbox"/> random / enforcement presence | |
| <input type="checkbox"/> re-inspection | |

FINDINGS DURING INSPECTION

On-going Activities

Environmental Conditions / Findings (spills, wastes, housekeeping, etc.)

w/ CAG

No DEFICIENCY NOTED

Pollution sources

WASTE WATER

No
 Yes Type(s) _____
Pollution Control Facility/Device?
 No
 Yes Type(s) _____
Location _____

With PTO? yes no

Remarks _____

AIR

No
 Yes Type(s) _____
Pollution Control Facility/Device?
 No
 Yes Type(s) _____
no: Location _____

With PTO? yes no

Remarks _____

HAZARDOUS WASTE

No
 Yes Type(s) TRANSFORMER OIL
Volume/freq. _____
Storage _____
Disposal /freq. _____
Transporter _____
Treater _____

Remarks _____

SOLID WASTE

Volume _____ Storage _____
 regular collection SBMA special SBMA others _____
Recyclables: type _____ volume _____ hauler(s) _____

Remarks _____

OTHER FINDINGS

EC INSPECTORS
1. B. GIBBLE
2. S. DUBRE
3. _____
4. _____

SIGNATURE
[Signature]

CONFORME
[Signature]
SIGNATURE OVER PRINTED NAME
OF LOCAL REPRESENTATIVE

CEO SUPERVISOR
POSITION

07/21/2007
DATE



ECC-RPD-04-1264

October 24, 2004

DANTE T. POLLESCAS
General Manager
Subic Enerzone Corporation
Tel. No.: 252-7392

SUBJECT : PERMIT TO TRIM TREES

Mr. Pollescass,

The Ecology Center hereby granted this permit to Subic Enerzone Corporation to trim trees that obstruct and touch the power distribution lines of SBMA covering the areas of Central Business District, Kalayaan and Binetician Housing, Cubi Point, and Naval Magazine area subject to existing and applicable laws, rules and regulations and the following conditions:

1. This permit is for tree trimming only. Cutting of trees to their trunk is strictly prohibited unless it is really justified to do so and unless a written permit from this Office has been obtained for this purpose;
2. Enamel paint shall be applied on the cut/exposed portion (15 cm in diameter) to avoid fungal and bacterial attack on the tree. Good aesthetics and well-groomed trimming of trees shall be observed at all times;
3. The trimmed branches shall be cut into smaller pieces and disposed of in the SBMA Landfill. A permit has to be obtained from this Office prior to disposal of the same. In cases of trimming in forested areas, cut branches may be left on site to rot, however, these shall be done properly to prevent damage to wildlife and property;
4. Hunting and collection of any species of wild plants and animals (dead or alive) from the forest and bay shall not be allowed at all times. In the event that any of the staff, officials and subcontractors of Subic Enerzone Corporation are caught fishing and collecting any species of plants and animals or have caused deaths of any wildlife species, the company (Subic Enerzone Corporation) shall be held liable. They shall pay the corresponding fines and penalties to be imposed by the SBMA in accordance with the Subic Bay Protected Area Management Plan (SBPAMP) and its Rules and Regulations and other pertinent Philippine Environmental Laws;
5. Staff, officials, and subcontractors of Subic Enerzone Corporation are prohibited from smoking, cooking, and establishing makeshift huts in the forest;
6. The Subic Enerzone Corporation shall notify our Office prior and after completion of the trimming operation for each major area, i.e. Kalayaan Housing, Binetician Housing, Central Business District, etc.;

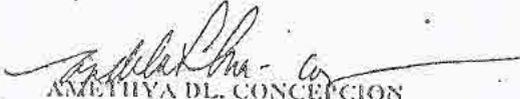
The Subic Enerzone Corporation shall inform/warn residents that they will be in their area to do the trimming. Subic Enerzone Corporation can do this through flyers to be distributed before their scheduled activity. Proper courtesy shall be accorded to residents and the Subic Enerzone Corporation shall present a copy of the trimming permit when requested;

8. The Subic Enerzone Corporation shall submit a monthly monitoring report to this Office regarding tree trimming activities. The report shall contain the areas where trimming activities are to be conducted, date of trimming, number of trees to be trimmed, names of personnel involved in the trimming activities, and place of disposal of cut tree branches;
9. In accidental death of trees due to severe trimming the same shall be replaced in accordance with the Allowable Tree Cutting and Tree Trimming Guidelines within the Subic Bay Freeport Zone. This kind of incident shall also be included in their monthly report to be submitted to this office;
10. Should there be any complaint related to the conduct of such activity, Subic Enerzone Corporation shall be held responsible to address such problems in a manner acceptable to this Office;
11. This permit is non-transferable and shall be in full force and in effect for a period of one (1) year from the date of issuance hereof unless sooner revoked or cancelled for non-compliance and/or violation of any terms and conditions herein specified.

For your information and strict compliance.

Thank you.

Very truly yours,


AMETHYA D. CONCEPCION
Department Head

cc: Francisco H. Licuanan III, Chairman
Alfredo C. Antonio, Administrator
Marcelino S. Sanqui, DA for PW&TSG
Col. Jaime C. Calmasag, Acting Head, Law Enforcement Department

FROM :Subic Enerzone Corporation

FAX NO. :+63472527392

Oct. 29 2004 03:20PM P1



28 October 2004

MS. AMETHYA DELA LLANA CONCEPCION
Manager
Ecology Center
Office of the Chairman
Subic Bay Metropolitan Authority

Subject: **STATION TRANSFORMER NO.7**

Dear Ms. Dela Llana Concepcion:

Reference to your letter dated 16 September 2004, we wish to inform you that the cause of transformer oil leak at sub-station no.7, SRF Area was identified and fixed on 30 September 2004. Our finding shows that the oil seeps out of the transformer because the nuts that hold the secondary bushing were removed by unknown personnel.

The said transformer is de-energized and our plan is to use this as spare for our future use.

For more queries, please feel free to visit our office or call us at telephone no. 252-4590.

Thank you and best regards.

Respectfully yours,

Subic Enerzone Corporation


FREDERICK L. CORONEL
Supervisor, Operation Group



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
Regional Office No. III, 4/F Mel-Vi Bldg.
Olongapo-Gapan Rd., Dolores, City of San Fernando, Pampanga
(045)9615203/9615206

CERTIFICATE OF ACCREDITATION

FILE NO. 128-0324-01

Pursuant to Administrative Order No. 2014-02 Revised Guidelines for Pollution Control Officer Accreditation dated February 3, 2014 of the Department of Environment and Natural Resources and having substantially met all the requirements prescribed therein,

ACHILLES PHILL B. BALBUENA

is hereby duly accredited as

POLLUTION CONTROL OFFICER

of

SUBIC ENERZONE CORPORATION

located at

Canal Road corner Labitan St., CBD Area, SBFZ

Granted this 1st day of February in the year of our Lord, 2016

This accreditation is valid until **February 1, 2019** unless sooner revoked for cause. The accreditation shall be renewed not later than one (1) month prior to its expiration.


LORMELYN E. CLAUDIO, CESO IV
Regional Director



August 23, 2012

AMETHYA P. DELA LLANA-KOVAL
Head
ECOLOGY
Regulatory Building
Labitan Street, CBD, Area
Subic Bay Freeport Zone

Subject: REQUEST FOR INSPECTION FOR CRTE RENEWAL

Dear Ma'am:

in connection to our on-going processing of our CRTE renewal, we would like to request your good office for inspection of our administration office building located at Canal Road Corner Labitan Street, CBD, SBFZ.

Should you have further inquiries, please feel free to visit or call us at telephone number 252-7392 and look for Engr. Ryan S. Griva or John Louis Ducos.

Thank you very much.

Very truly yours,

SUBIC ENERZONE CORPORATION


WARELL KERN B. SARIO
AVP & General Manager

ECOLOGY CENTER



RECEIVED BY:
DATE:
TIME:

8-24-12
9:20 AM

*Griva
8-28-12*

an Aboitiz company

SUBIC ENERZONE CORP.
Canal Road cor. Labitan St., Central Business District
Subic Bay Freeport Zone, Olongapo City 2200
Tel. No.: (63-47) 252-7392
Fax No.: (63-47) 252-7397

RAKATI OFFICE:
119 Legaspi St., Legaspi Village,
Makati City, Philippines
Tel. No.: (63-2) 743-2600
Fax No.: (63-2) 817-9508



ECOLOGY CENTER

Regulatory Bldg., cor. Labitan Street, Rizal Highway, SBFZ Tel: (6347) 252-4416 Fax: (6347) 252-4157

ENVIRONMENTAL COMPLIANCE MONITORING REPORT

A. Basic Information

Date of Inspection	4 Sept 2012	Time	0940H	IN		OUT
Name of Enterprise	SUBIC ENERZONE CORP.			Tel/Fax No.	252-7392	
Location	Genl Rd., Labitan St., CBD, SBFZ					
Environmental Permit	<input checked="" type="checkbox"/> ECC (<input type="checkbox"/> EC, <input type="checkbox"/> DENR) <input type="checkbox"/> CNC <input type="checkbox"/> None					
Purpose of Inspection	<input type="checkbox"/> complaint <input checked="" type="checkbox"/> CRTE renewal <input type="checkbox"/> re-inspection <input type="checkbox"/> hazard report <input type="checkbox"/> Validation of SMR <input type="checkbox"/> others _____					
Level	<input type="checkbox"/> 1 <input checked="" type="checkbox"/> 2 <input type="checkbox"/> 3	Potential Environmental Impact Classification	<input checked="" type="checkbox"/> High <input type="checkbox"/> Medium <input type="checkbox"/> Low			

B. Operational and Facility Status

1. On-going Activities
power distribution

2. Pollution Sources

Waste Water	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Type(s)	domestic wastewater		
Pollution Control Facility/Device	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Type(s)	septic tanks	With PTO	<input type="checkbox"/> Yes <input type="checkbox"/> No
Air	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Type(s)			
Pollution Control Facility/Device	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Type(s)			
Hazardous Waste	<input type="checkbox"/> Yes <input type="checkbox"/> No	Type(s)	Volume	Storage	Disposal/Frequency
Solid Waste	<input type="checkbox"/> Recyclable	Type	Volume	Collector/Hauler	
<input checked="" type="checkbox"/> Non-recyclable	Type	Volume	Schedule of Collection		
	assorted waste tree trimmings	- 38 bags/month - 13 truckloads/month	<input type="checkbox"/> regular <input type="checkbox"/> special <input type="checkbox"/> others SBMA Solid Waste		

C. RESULTS OF INSPECTION & EVALUATION

Facility Compliance	Required Action
<ul style="list-style-type: none"> - All unusable PCB's are being turned over to PFMD storage area. - Used oil are also recyclable including scrap metals. 	<ul style="list-style-type: none"> - No deficiency noted. - Maintain good housekeeping.
Documentary Compliance	
<input type="checkbox"/> ECC/CNC <input type="checkbox"/> SMR <input type="checkbox"/> PTO <input type="checkbox"/> Others	

INSPECTION TEAM	CONFORME (Company Representative)
<input checked="" type="checkbox"/> F. Bustamante <input checked="" type="checkbox"/> P. Escusa <input type="checkbox"/> J. Paje <input type="checkbox"/> L. Rosapapan	Name: <u>JOHN S. GRISA</u> Position: <u>PROJ. ENGINEER</u> Signature: <u>JOHN S. GRISA</u> (signature over printed name)

For Ecology Center's Actions

RECOMMENDATIONS	REMARKS
<input type="checkbox"/> Issue Notice of Compliance <input type="checkbox"/> Issue Notice of Deficiency <input type="checkbox"/> Issue Notice of Violation <input type="checkbox"/> Issue Cease and Desist Order <input type="checkbox"/> others	ANGEL P. BAGALYOS



ENVIRONMENTAL COMPLIANCE MONITORING REPORT

A. Basic Information

Date of Inspection: 28 August 2013 Time: 10:00H IN: 13:00H OUT: _____

Name of Enterprise: SUBIC ENERZONE CORP. Tel/Fax No. 250-1230

Location: Bk. B. Labitan St., CBD, SBFZ

Environmental Permit: ECC (EC; DENR) CNC None

Purpose of Inspection
 complaint CRTE renewal re-inspection
 hazard report Validation of SMR others ECD renewal

Level: 1 2 3 Potential Environmental Impact Classification: High Medium Low

B. Operational and Facility Status

1. On-going Activities
power distribution services

2. Pollution Sources

Waste Water	<input type="checkbox"/> Yes <input type="checkbox"/> No	Type(s)	<u>domestic wastewater</u>
Pollution Control Facility/Device	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Type(s) Location	<u>septic tank</u> With PTO <input type="checkbox"/> Yes <input type="checkbox"/> No
Air	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Type(s)	
Pollution Control Facility/Device	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Type(s) Location	With PTO <input type="checkbox"/> Yes <input type="checkbox"/> No
Hazardous Waste	<input type="checkbox"/> Yes <input type="checkbox"/> No	Type(s)	Volume Storage Disposal/Frequency Transporter/Treater
Solid Waste	<input type="checkbox"/> Recyclable	Type	Volume Collector/Hauler
<input checked="" type="checkbox"/> Non-recyclable	Type	Volume	Schedule of Collection
	<u>trimming/gard waste</u> <u>regular waste</u>	<u>46 truckloads/q.</u> <u>89 bags/quarter</u>	<input type="checkbox"/> regular <input type="checkbox"/> special <input type="checkbox"/> others <u>SBMA Solid Waste</u>

C. RESULTS OF INSPECTION & EVALUATION

Facility Compliance	Required Action
<u>The company has stored some transformers in substation along Labitan Cubi.</u>	<u>Submit letter to Ecology Center for the registration of PCB owner, as per DENR Administrative Order 01-2004 (Chemical Control Order for PCBs).</u> <u>Wanted good housekeeping</u>
Documentary Compliance	
<input type="checkbox"/> ECC/CNC <input type="checkbox"/> SMR <input type="checkbox"/> PTO <input type="checkbox"/> Others	

INSPECTION TEAM	CONFORME (Company Representative)	
<input type="checkbox"/> R. Abuyo <input checked="" type="checkbox"/> F. Bustamante <input type="checkbox"/> P. Escosa <input type="checkbox"/> J. Paje <input type="checkbox"/>	Name	Position
	 RIVAL S. GENA (signature over printed name)	<u>SAFETY OFFICER</u> <u>TRD SUPERVISOR</u>

For Ecology Center's Actions

RECOMMENDATIONS	REMARKS
<input type="checkbox"/> Issue Notice of Compliance <input type="checkbox"/> Issue Notice of Deficiency <input type="checkbox"/> Issue Notice of Violation <input type="checkbox"/> Issue Cease and Desist Order <input type="checkbox"/> others	ANGEL P. BAGALOYOS Officer-In-Charge, Ecology Center



REGULATORY GROUP
ECOLOGY CENTER

Regulatory Bldg., cor. Labitan Street, Rizal Highway, Subic Bay Freeport Zone
(63-47) 252-4416 Fax (63-47) 252-4157



Certificate Number: AJA13/16GR

EC-PMD-14-1132
November 11, 2014

ENGR. WARREL SARIO
AVP – General Manager
SUBIC ENERZONE CORP.
Subic Enerzone Substation, Rizal Highway, SBFZ
T: 252-8190

**SUBJECT : CONNECTION TO SUBIC WATER & SEWERAGE CO., INC.
CENTRALIZED SEWER LINE ALONG RIZAL HIGHWAY**

Dear Engr. Sario:

The Philippine Clean Water Act of 2004 (Republic Act No. 9275) aims to protect the country's water bodies from pollution coming from land-based sources (industries and commercial establishments, agriculture and community/household activities). In line with the implementation of its Implementing Rules and Regulation (IRR) DAO 2005-10, the water supply and sewerage companies are mandated to construct facilities such as wastewater treatment facility and sewer lines within five years following the effectivity of this Act.

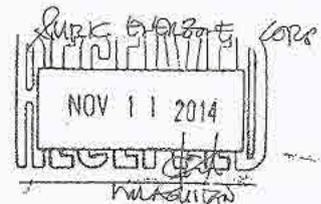
The Subic Water and Sewerage Company, as the Subic Bay Freeport water and sewerage system provider, has finally constructed a centralized waste water treatment facility at the CBD area and the installation of sewer lines along Rizal Highway is nearing its completion. In this connection, all companies located along the stretch of Rizal Highway are required to connect to the centralized sewer lines, to ensure that all domestic wastewater coming from all Subic Bay Freeport locators are treated properly prior to its discharge to the Subic Bay. This initiative is part of the Subic Water 2020 Masterplan and in line with the SBMA's vision for a swimmable and fishable Subic Bay by 2020. This is also in compliance with the conditions set in your Company's environmental permit.

We are hoping that you will give utmost importance to this directive. Thank you.

Very truly yours,


ANGEL P. BAGALOYOS
OIC- Manager

APB/rla


NOV 11 2014
Subic Enerzone Corp.



SUBIC BAY

ECOLOGY CENTER

Regulatory Bldg., cor. Labitan Street, Rizal Highway, SBFZ Tel: (6347) 252-4416
Fax: (6347) 252-4157

General Quality Form
ECD-PMD-018
Rev. No. 02
Effectivity Date: 01/02/14

ENVIRONMENTAL COMPLIANCE MONITORING REPORT

Date of Inspection		DECEMBER 24, 2014	Time	10:15	IN	OUT
Name of Enterprise		SUBIC ENERGY CORPORATION		Tel/Fax No.	252-2297(7) 252-1255	
Location		Block 24 Canal Ramonaldo St. cor. Labitan St. CAD, SBFZ / Army Field / Maritan / HET B				
President		ENGR. MARCEL SARID / Director				
Environmental Permits		<input checked="" type="checkbox"/> ECC <input checked="" type="checkbox"/> EC <input checked="" type="checkbox"/> DENR <input type="checkbox"/> CNC <input type="checkbox"/> None				
Purpose of Inspection		<input type="checkbox"/> complaint <input type="checkbox"/> hazard report <input checked="" type="checkbox"/> BPTO renewal <input type="checkbox"/> Validation of SMR <input type="checkbox"/> re-inspection <input type="checkbox"/> others				
Level		<input type="checkbox"/> 1 <input checked="" type="checkbox"/> 2 <input type="checkbox"/> 3		Potential Environmental Impact Classification <input type="checkbox"/> High <input checked="" type="checkbox"/> Medium <input type="checkbox"/> Low		

1. On-going Activities
 POWER DISTRIBUTION (PUBLIC UTILITY), LEASE / LEASE OUT
 PERMITTING - 4810
 N/A - 12.8 (E-8002)
 SUBIC - 1040
 CUBI - 7565
 PERM - 2050

2. Project Profile/Status		Additional Facilities: (if any)	
Area Coverage	sq.m	Production	Approved
Capacity:	Actual	1.	2.

3. Pollution Sources	
Waste Water	Pollution Control Facility/Device
<input checked="" type="checkbox"/> domestic	<input type="checkbox"/> Wastewater Treatment Facility
<input type="checkbox"/> industrial	<input type="checkbox"/> Septic tank
	<input checked="" type="checkbox"/> Sewerline
	<input type="checkbox"/> others
Discharge Permit No. _____	
Expiry Date: _____	

Air		APCS/Device	
<input type="checkbox"/> oven	N/A	<input type="checkbox"/> dust filter/collector	with PTO _____
<input type="checkbox"/> boiler		<input type="checkbox"/> air scrubber	without PTO _____
<input type="checkbox"/> paint booth		<input type="checkbox"/> others	Expiry Date: _____

Hazardous Waste		<input type="checkbox"/> Yes	<input type="checkbox"/> No
Type(s)	Volume	Storage	Disposal/Frequency
TRANSFORMER OIL			WASTETECH
Solid Waste		Type	Volume
<input type="checkbox"/> Recyclable			USING COLD WASTE
<input type="checkbox"/> Non-recyclable			Schedule of Collection

Facility Compliance regular special

Name of PCO: _____

w/Training (Yes) _____ (No) N/A

Facility Compliance	Regulatory Action
- BUSINESS ACTIVITY TO DEVELOP, CONSTRUCT, LEASE, LEASE OUT, OPERATE AND MAINTAIN PROPERTY, STRUCTURES, MACHINERIES IN THE FACILITY NOT INCLUDED IN THE ISSUED ENVIRONMENTAL PERMIT - UPDATE ADDRESS FROM RAYMONDO ST. TO CANAL RD	- Submit AMENDMENT TO ENVIRONMENTAL PERMIT REFLECTING LEASING ACTIVITY AND UPDATE OF ADDRESS WITHIN 60 DAYS (7) DAYS letter to update information

INSPECTION TEAM	CONFORME (Company Representative)
<input checked="" type="checkbox"/> R. DELA CRUZ	Name: RYAN GRIYA
<input type="checkbox"/>	Position: OIC - ENG'G MANAGER
<input type="checkbox"/>	Signature over printed name

RECOMMENDATIONS	REMARKS
<input type="checkbox"/> Issue Notice of Compliance <input checked="" type="checkbox"/> Issue Notice of Deficiency <input type="checkbox"/> Issue Notice of Violation <input type="checkbox"/> Issue Cease and Desist Order <input type="checkbox"/> others	ANGEL P. BAGALOYOS Officer-In-Charge, Ecology Center



SUBIC BAY
FREEPORT ZONE

REGULATORY GROUP
ECOLOGY CENTER

Regulatory Bldg. Rizal Highway corner Labitan St., Subic Bay Freeport Zone, Philippines
☎ (63-47) 252-4416 Fax (63-47) 252-4157



Certificate Number: AJA33/16628

ECD-PMD-14-1222
09 December 2014

ENGR. WARREL SARIO
President
SUBIC ENERZONE CORPORATION
Labitan Street corner Canal Road, CBD Area
Subic Bay Freeport Zone
Tel. No. 250-1200, Fax. No. 252-7397

SUBJECT : NOTICE OF DEFICIENCY

Dear Engr. Sario:

Greetings from the Ecology Center!

Please be informed that based on inspection conducted in your facility last December 04, 2014, some observations were made by our personnel which requires some specific action from your part. Such action is required based on particular environmental laws, rules and regulations also mentioned below:

DEFICIENCIES NOTED	BASIS	REQUIRED ACTION
1. Business activities "to develop, construct, lease out, operate and maintain property, structures, machineries in the freeport" not included in your issued environmental permit; 2. Old company address is reflected in the environmental permit	Condition No. 1 of the General Condition of issued Environmental Compliance Certificate (EC-SBFZ-ECC-56-24-365) states that "any expansion and/or modification/alteration shall be subject to a separate Environmental Impact Assessment (EIA) requirements.	Secure an amendment of environmental permit to reflect the following: 1. Additional business activity; 2. Change of business address.

For any inquiries on the matter, kindly contact Mr. Rommel R. dela Cruz, Engineer IV at telephone no. 252-4416.

Thank you very much.

Very truly yours,


ANGEL P. BAGALOYOS
OIC, Manager

APB/rla/trc



REGULATORY GROUP
ECOLOGY CENTER

Regulatory Bldg. Rizal Highway corner Labitan St., Subic Bay Freeport Zone, Philippines
(63-47) 252-4416 Fax (63-47) 252-4157



Certificate Number: AJA33/16526

SUBIC BAY
PHILIPPINE FREEPORT ZONE

EC-PMD-15-1019
December 9, 2015

WARELL B. SARIO
General Manager
SUBIC ENERZONE CORPORATION
Subic Bay Freeport Zone
Fax No. 252-7397

SUBJECT: REQUEST POWER CONNECTION FOR AIR QUALITY MONITORING STATION (AQMS) AT THE REMY FIELD

Dear Mr. Sario,

This is to officially request **Subic Enerzone Corporation** to install permanent electrical power for SBMA's newly installed Air Quality Monitoring Station (AQMS) at the Remy Field.

The account shall be under the SBMA Ecology Center.

Should you require coordination from our end, please contact the following; Ms. Lilia Alcazar or Ms. Rossell L. Abuyo at 252-4416.

For your usual assistance.

Thank you.

Very truly yours,


ATTY. RUEL JOHN T. KABIGTING
OIC - SDA, Regulatory Group /
OIC - Manager, Ecology Center

cc: Office of the Chairman and Administrator
Office of the Deputy Administrator for Public Works and Technical Services Group
Utilities Department

PRIME SERVICE ACHIEVERS DEVELOPMENT COOPERATIVE
SUMMARY OF TREES CUT/TRIMMED
 For the Month of January 2016

NAME OF TREES	TRIMMED	CUT	TOTAL
Akling Parang	74		74
Avocado	2		2
Alom-Alom	75		75
Balite	28		28
Bamboo		153	153
Banana		89	89
Binunga	96		96
Bitan-ag	27		27
Bulong Aeta	58		58
Camatsili	86		86
Cashew	2		2
Coconut	18		18
Dau	24		24
Dita	26		26
Guava	11		11
Hanagdong	54		54
Narra	25		25
Acacia	12		12
Ipil-Ipil	420		420
Kupang	88		88
Kuyong-Kuyong	34		34
Lawaan	49		49
Madre de Cacao	5		5
Manga-Mangahan	82		82
Mango	24		24
Pine Tree	19		19
Sampaloc	11		11
Santol	27		27
Siar	49		49
Star Apple	9		9
Talisay	26		26
Taluto	95		95
Tubog	24		24
Tugas	22		22
Vines		124	124
Total	1602	366	1968

Prepared by:

A.C. Simborio
 PSADECO-Technical Representative

PRIME SERVICE ACHIEVERS DEVELOPMENT COOPERATIVE

SUMMARY OF TREES CUT/TRIMMED
For the Month of January 2016

NAME OF TREES	TRIMMED	CUT	TOTAL
Aking Parang	49		49
Avocado	2		2
Alom-Alom	65		65
Balite	21		21
Bamboo		948	948
Banana		62	62
Binunga	74		74
Bitan-ag	5		5
Bulong Aeta	48		48
Camatsli	87		87
Cashew	1		1
Coconut	11		11
Dau	88		88
Dita	24		24
Guava	17		17
Hanagdong	66		66
Narra	74		74
Acacia	13		13
Ipil-Ipil	1184		1184
Kupang	85		85
Kuyong-Kuyong	23		23
Lawaan	27		27
Madre de Cacao	4		4
Manga-Mangahan	95		95
Mango	47		47
Pine Tree	24		24
Sampaloc	12		12
Santol	26		26
Siar	43		43
Star Apple	12		12
Talisay	28		28
Taluto	92		92
Tubog	37		37
Tugas	24		24
Vines		587	587
Total	2408	1597	4005

Prepared by:

A.C. Simborio
PSADECO-Technical Representative

SCHEDULE OF TREE TRIMMING ACTIVITIES
For the Month of February 2016

<u>Estimated Date of Trimming</u>	<u>Area</u>	<u>Duration</u>	<u>Names of Personnel</u>
Month of Feb. 2016	Kalayaan Area		Prunner Group
Feb. 16- March 15, 2016.	East Kalayaan Finback st. Corsair st. Bonita st. Entemedor st. Argonaut high way. Gray back st. Buffer Circle. Skate Circle. Cavalla st. Archerfist Terrace. Harder st. Flag st.	29 Days	Bustamante, Zaldy Juab, Fernando Muyano, Erick Lanorias, Romel Condiman Ruel

Note :
 Special Trimming : Some parts of CBD Area, Pastolan Area,
 Naval Magazine Area, Had-Had Road,
 & Kalayaan Area - Binictican Area. Boton Area.
 Argonaut high way,

Prepared by:

A.C. Simborio
 PSADECO- Technical Representative

SCHEDULE OF TREE TRIMMING ACTIVITIES
For the Month of February 2016.

<u>Estimated Date of Trimming</u>	<u>Area</u>	<u>Duration</u>	<u>Names of Personnel</u>
Month of February 2016	Binictican Area		Trimmer Group
Feb.16 – March 16, 2016	Binictican Drive Acacia st. Narra st. Balete st. Durian st. Chico st. Antipolo st. Calumpit st. Easy st. Echo st. 4 th st. Davis st. 3 rd st. Cabin st Beta st. Babylon st. 2 nd st. 1 st st Alpha st.	29 Days	Luaña, Orlando Luardo, Timoteo Obligado, Angellito Ortega, Norbert Balboa, Roland

Note :

Special Trimming : Some parts of Boton Area, CBD Area, Cubi Area,
Naval Mag. Area. & kalayaan Area, Pastolan village,
MT. Sta Rita Tower. Had- Had Road.

Prepared by:


A. C. Simborio
PSADECQ- Technical Representative



February 15, 2016

ANGEL P. BAGALOYOS
Manager
Construction and Maintenance Department
Subic Bay Metropolitan Authority
Canal Road, Central Business District Area,
Subic Bay Freeport Zone, 2222

Dear Sir:

This is to transmit attached schedule of Tree Trimming Activities to be undertaken by our accredited contractor, PSADECO from February 16 - March 15, 2016.

Should you have clarifications, please feel free to visit our office or call us at telephone number 250-1200.

Thank you very much.

Respectfully yours,

SUBIC ENERZONE CORPORATION


WARELL KERN B. SARIO
AVP & General Manager


Attachment: a/s

Cc:T&D, SEED, LED

SUBIC ENERZONE CORP.
Canal Road cor. Lulayan St., Central Business District
Subic Bay Freeport Zone, Olongapo City, 2209
Tel. No.: (047) 252-7392
Fax No.: (047) 252-7397

MAHATI OFFICE
110 Lagana St., Legaspi Village,
Makati City, Philippines
Tel. No.: (63-1) 793-2809
Fax No.: (63-1) 817-3508

an Aboliz company



February 15, 2016

Atty. RUEL JOHN T. KABIGTING
OIC- Ecology Department
SUBIC BAY METROPOLITAN AUTHORITY
Regulatory Bldg. Labitan St. corner Rizal Highway
Subic Bay Freeport Zone

Dear Sir:

This is to transmit attached schedule of Tree Trimming Activities to be undertaken by our accredited contractor, PSADECO from February 16 - March 15, 2016.

Should you have clarifications, please feel free to visit our office or call us at telephone number 250-1200.

Thank you very much.

Respectfully yours,

SUBIC ENERZONE CORPORATION


WARELL KERN B. SARIO
AVD & General Manager

Attachment: a/s

Cc: T&D, SEED, LED.

SUBIC ENERZONE CORP.
Cavut Road cor. Inabitan St., Central Business District
Subic Bay Freeport Zone, Olongapo City, 2200
Tel. No.: (042) 252-7392
Fax No.: (042) 252-7397

MANILA OFFICE
110 Lopez St., Legaspi Village
Makati City, Philippines
Tel. No.: (63-2) 793-2600
Fax No.: (63-2) 817-9508

an Aboitiz company

PMD



February 15, 2016

Atty. RUEL JOHN T. KABIGTING
OIC- Ecology Department
SUBIC BAY METROPOLITAN AUTHORITY
Regulatory Bldg. Labitan St. corner Rizal highway
Subic Bay Freeport Zone

Dear Sir:

Please be informed that we already completed the Tree Trimming Activities that were conducted at Binictican Area, Kalayaan Area.

We attached the summary of trimmed trees for your reference.

Should you have clarifications, please feel free to visit our office or call us at telephone number 250-1200.

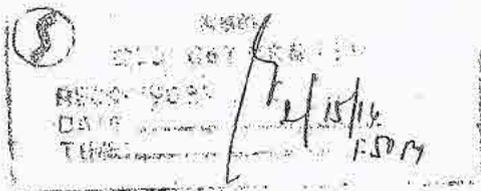
Thank you very much.

Respectfully yours,

SUBIC ENERZONE CORPRAOTION


WARELL KERN B. SARIO
AVP & General Manager


Attachment: a/s
Cc: T&D, SEED. LED.



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SUBIC ENERZONE CORP.
Canel Road cor. Labitan St., Central Business District
Subic Bay Freeport Zone, Olongapo City, ZOO
Tel. No.: (047) 252-7392
Fax No.: (047) 252-7397

HOUSTON OFFICE
110 Legaspi St., Ingepsal Village,
Makati City, Philippines
Tel. No.: (63-2) 799-2800
Fax No.: (63-2) 817-9508



SUBIC BAY METROPOLITAN AUTHORITY
ECOLOGY CENTER

Regulatory Bldg, Labitan St. cor. Rizal Ave.,
Subic Bay Freeport Zone, Philippines 2222
Tel 047.252.4059/4435/ Fax 047.252.4157
Visit us at <http://www.mvs.subicbay.com.ph>

**ENVIRONMENTAL CLEARANCE
FOR VARIOUS ACTIVITIES**
CONTROL NO. ECD-RFP-ECVA-- 0152

is hereby granted to

Carmel Lights Manpower & Allied Svcs. Inc / Subic Enerzone Corp.

(Company Name or Person)

for its Clearance requirements for the activity

Distribution Line Starting Maintenance (Trimming only)

(Nature of Activity Requiring Clearance)

at

Kapangan Area

(Specific Location)

GENERAL CONDITIONS:

- The company shall comply with all the applicable SBMA Environmental Rules and Regulations, including specific permits/agreements/undertakings issued for this specific activity and location, i.e., Environmental Compliance Certificate (ECC) Certificate of Non-Coverage (CNC) Notice to Proceed (NTP) Deed of Undertaking (DOU) or some other form of official agreement, and any *Special Condition/s* indicated in all annexes hereto.
- Non-compliance with any of SBMA's applicable Environmental Rules and Regulations shall be subject to fines and penalties and/or revocation of this Clearance.
- Only Authorized Personnel and Authorized Vehicle/s/Vessel/s indicated in the Annex/es attached hereto shall be allowed to operate inside the Freeport.
- The Proponent shall secure all the necessary permits and clearances from concerned SBMA departments and other concerned government agencies as part of the operational activities and prior to engaging in any activity which may have significant impacts on the Subic Freeport environment, e.g. PTO's, Certifications, DOL, DOH, ROFA, FPA required permits & clearances & other related & required documents.
- Engaging in an activity other than the activity and location specified and approved in this Clearance including *Special Conditions* specified in the Annex/es attached herewith shall be grounds for the imposition of appropriate fines and penalties.
- The following Annex/es shall likewise form part of this Clearance (if applicable):
 - Annex A. *Specific Conditions for* _____
 - Annex B. *Authorized Personnel and Authorized Vehicle/s or Vessel/s*
 - Other Specific Requirements* Secure Tax Collecting Permit and cutting of trees will be involved

Issued at the Ecology Center, Regulatory Building, Labitan Street corner Rizal Avenue, Subic Bay Freeport Zone, this FEB 16 2016

This Environmental Clearance shall be valid until MAR 15 2016

ATTY. RUEL JOHN T. KABIGTING
OIC-SDA, Regulatory Group/OIC-Manager, Ecology Center

CONFORME: ALEX ANDER SIMBOKIO DATE: FEB 16 2016
(Printed Name & Signature of Authorized Representative)

O.R. # 3614059 AMOUNT PAID: PhP 100.00 PAYMENT DATE: FEB 16 2016



SUBIC BAY METROPOLITAN AUTHORITY
 ECOLOGY CENTER
 Regulatory Bldg, Labitan St. cor. Rizal Ave.,
 Subic Bay Freeport Zone, Philippines 2222
 Tel 047.252.4059/4435/ Fax 047.252.4157
 Visit us at <http://www.mysubicbay.com.ph>

**ENVIRONMENTAL CLEARANCE
 FOR VARIOUS ACTIVITIES**
 CONTROL NO. ECD-RPD-ECVA- 015

Is hereby granted to

Carmel Lights Manpower & Allied Services Inc / Subic Enerzone Corp.

(Company/Name of Person)

for its Clearance requirements for the activity

Distribution Line Clearance (Training only)

(Nature of Activity Requiring Clearance)

at

Personnel Area

(Specific Location)

GENERAL CONDITIONS:

1. The company shall comply with all the applicable SBMA Environmental Rules and Regulations, including specific permits/agreements/undertakings issued for this specific activity and location, i.e., Environmental Compliance Certificate (ECC) Certificate of Non-Coverage (CNC) Notice to Proceed (NTP) Deed of Undertaking (DOU) or other form of official agreement, and any *Special Condition/s* indicated in all annexes hereto.
2. Non-compliance with any of SBMA's applicable Environmental Rules and Regulations shall be subject to fines and penalties and/or revocation of this Clearance.
3. Only Authorized Personnel and Authorized Vehicle/s /Vessel/s indicated in the Annex/es attached hereto shall be allowed to operate inside the Freeport.
4. The Proponent shall secure all the necessary permits and clearances from concerned SBMA departments and other concerned government agencies as part of their operational activities and prior to engaging in any activity which may have significant impact on the Subic Freeport environment, e.g. PTO's, Certifications, DOE, DOH, ROR, FPA related permits & clearances & other related & required documents.
5. Engaging in an activity other than the activity and location specified and approved in this Clearance including *Special Conditions* specified in the Annex/es attached herewith shall be grounds for the imposition of appropriate fines and penalties.
6. The following Annex/es shall likewise form part of this Clearance (if applicable):
 - Annex A. *Specific Conditions* for training
 - Annex B. *Authorized Personnel and Authorized Vehicle/s or Vessel/s*
 - Other Specific Requirements* Since the Cutting Permit of trees will be involved

Issued at the Ecology Center, Regulatory Building, Labitan Street corner Rizal Avenue, Subic Bay Freeport Zone, this FEB 16 2016

This Environmental Clearance shall be valid until MAR 15 2016

ATTY. RUEL JOHN T. KABIGTING
 OIC-SDA, Regulatory Group/OIC-Manager, Ecology Center

CONFORME: ALEXANDER SI MENDOZA DATE: FEB 16 2016
 [Printed Name & Signature of Authorized Representative]
 O.R. # 7614059 AMOUNT PAID: PHP 100.00 PAYMENT DATE: FEB 16 2016

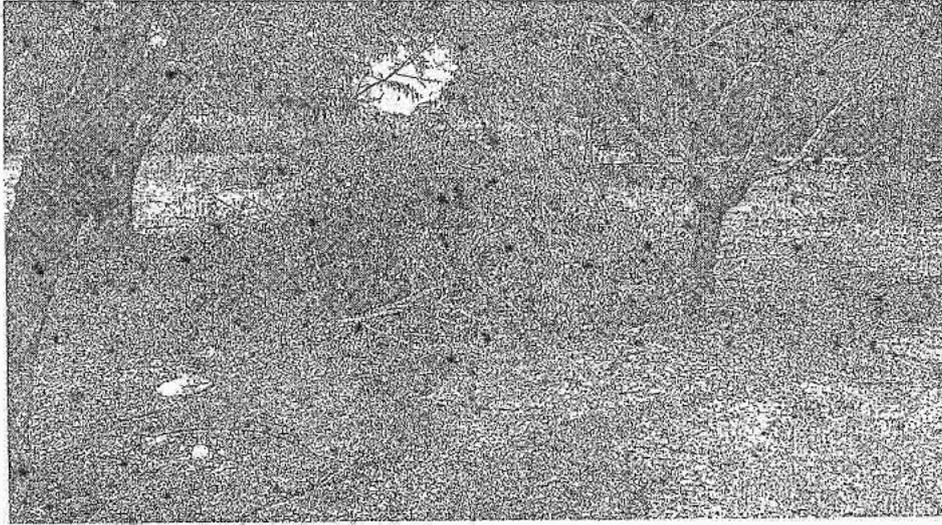
SUBIC ENERZONE CORPORATION



SUBIC ENERZONE CORPORATION



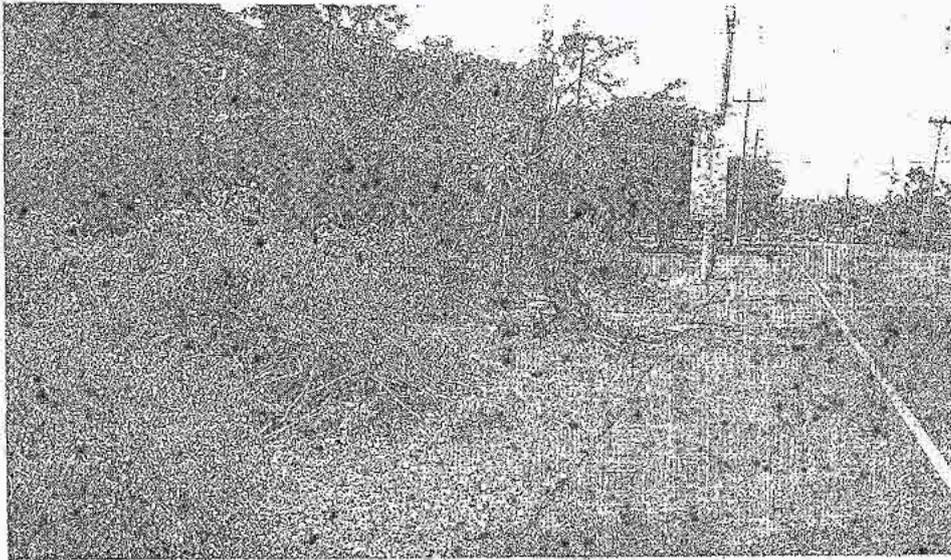
SUBIC ENERZONE CORPORATION

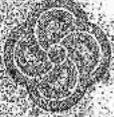


SUBIC ENERZONE CORPORATION



SUBIC ENERZONE CORPORATION





**SUBIC BAY METROPOLITAN AUTHORITY
REGULATORY GROUP
ACCREDITATION OFFICE**

SUBIC BAY Freeport Zone
2nd Floor Room, 205 Regulatory Bldg, Rizal Hi-way cor. Labitan Street, Subic Bay Freeport Zone, Phils. 2222
Telephone: (6347) 252-4088 Telefax: (6347) 252-4203

**CERTIFICATE OF PROVISIONAL ACCREDITATION
NO. REG_2016-011P**

In accordance with Republic Act No. 7227, known as the Bases Conversion and Development Act of 1992, and the powers vested on the Subic Bay Metropolitan Authority ("SBMA") in accordance with Section 12 of the Act, and the Rules and Regulations Implementing the Provisions Relative to the Subic Special Economic and Freeport Zone, this Authority hereby certifies that:

Business Name: CARMEL LIGHTS MANPOWER & ALLIED SERVICES INC.
Business Address: Blk. 5, Lot 9, Platinum Street, San Rafael Village, Maa Davao City
Nature of Business: LINE CLEARING MAINTENANCE

Shall be classified as a Subic Bay Freeport CANDIDATE FOR ACCREDITATION and is hereby granted this PROVISIONAL PERMIT for the limited operation of the aforementioned business in accordance with SBMA Office Order Nos. 14-04-0592 and 14-04-0593 Series of 2014.

Throughout the six (6) month provisional period of this permit or upon compliance with the requirements of FULL ACCREDITATION, the candidate shall be in accord with the following stipulations:

1. Acceptance of responsibility for the risks associated with the performance of the urgently required business process in terms of security, health, safety, and other controlled work practices rests entirely on the Candidate.
2. SBMA shall be free from liability which may result from any misconduct, misrepresentation, damage or incident occurring during the entire execution of the registered business activity.
3. This permit shall not serve as an exemption from compliance with applicable National laws and regulations.
4. Concerned SBMA Offices shall have the unimpeded right to inspect the conduct of business for the entire duration of activities.
5. Non-compliance with the conditions conveyed by SBMA herein or in other issuances shall be sufficient cause for the ineligibility of the Candidate for "full" accreditation.

FULL ACCREDITATION status shall automatically take effect in the event that the necessary criteria relevant to all policy guidelines, administrative orders and circulars promulgated by SBMA governing the operation of the registered business activity inside the Subic Bay Freeport Zone have been successfully secured.

Issued this 18th day of January 2016, Subic Bay Freeport Zone.


ATTY. RUEL JOHN T. KABIGTING
OIC, SDA for Regulatory Group

SCHEDULE OF TREE TRIMMING ACTIVITIES
For the Month of April 2016.

<u>Estimated Date of Trimming</u>	<u>Area</u>	<u>Duration</u>	<u>Names of Personnel</u>
Month of April 2016	Binictican Area		Trimmer Group
April 16 – May 15 2016	Binictican Drive Narra st. Balete st. Durian st. Chico st. Antipolo st. Calumpit st. Lamzones st. Mahogany st. Mango drive. Easy st. Echo st. Davis st. 3 rd st. Cabin st Beta st. Babylon st. 2 nd st. 1 st st Alpha st.	30 Days	Luaña, Orlando Luardo, Timoteo Obligado, Angellito Ortega, Norbert Condiman, Ruel

Note :

Special Trimming : Some parts of Boton Area, CBD Area, Cubi Area, Naval Mag. Area. & kalayaan Area. Pastolan village. MT. Sta Rita Tower. Had-Had Road.

Prepared by:


A. C. Simborio
PSADECO- Technical Representative



**SUBIC BAY METROPOLITAN AUTHORITY
ECOLOGY CENTER**

Regulatory Bldg. Labitan Rd. cor. Rizal Highway Subic Bay, Freeport Zone, Philippines 2222
Tel 047.252.4039/4435 Fax 047.252-4157 www.sbma.com

Departmental Quality Form
ECD-RPD-29
Rev.No.: 06
Effectivity Date: 07/15/2015

9-14-16
MLAR
V Bro. BAK...
scj

**APPLICATION FOR ENVIRONMENTAL CLEARANCE
FOR VARIOUS ACTIVITIES**

Part 1. Basic Information. (This portion to be filled up by Applicant)

Name of Applicant: CHARMEL LIGHTS MILLPOWER VALLED SERVICE, INC Company: SUBIC ENERZONE CORPORATION
 Pls check applicable box Locator Contractor Other (please specify or describe) _____
 REQUIRED TO SECURE CLEARANCE BY Seaport Dept. LED LAMD Bureau of Customs BPSO Other _____
 FOR THE PURPOSE OF (specify activity) DISTRIBUTION LINE CLEARANCE MAINTENANCE

AT (specify location of activity) VARIOUS LOCATION BINICTICAN AREA
 PROPOSED ACTIVITY INVOLVES (CHECK APPLICABLE BOX)
 Cutting/trimming/relocation of trees and other plants
 Disposal of solid waste and/or hazardous waste
 Collection/ Harvesting of natural resources
 Others (pls. describe) _____
 DOCUMENTS/ATTACHMENTS SUBMITTED IN SUPPORT TO REQUEST:
 Site dev't plan, vicinity map, location map for the proposed project
 Photos related to the proposed project with proper labels
 Copy of SBMA's Accreditation (if will tap the services of a contractor)
 Copy of environmental permit issued to the Company for this particular project

IF PROPOSED ACTIVITY INVOLVES BUNKERING OR FUEL LOADING, pls. fill in the following required information:

Mode of Bunkering : Truck-to-ship/vessel Ship-to-ship (vessel-vessel) Facility Pipeline-to-ship/vessel
 If Fuel Loading by Facility Pipeline, indicate name of Facility _____
 Name of Ship/Vessel/Barge to be Refueled : _____
 Fuel/Oil Requirements : Marine Gas Oil Intermediate Fuel Oil Lube Oils Others _____
 Volume Required : _____ liters or _____ metric tons
 Validity Date Requested (Date/Period of Bunkering/Loading Activity): _____ Assigned Berth: _____
 Name of Supplier/Fuel Provider/Transporter: _____ Mode of Delivery: By barge By truck
 Name of Barge Used to Provide Fuel: _____
 Supplier Accredited/Registered by SBMA as Petroleum (or Hazwaste) Hauler using only "authorized" trucks/vehicles or vessels
 e.g., w/ PASSED emission test)? Yes No (Note: A copy of the valid Accreditation Certificate may be required for verification)
 Requested by (Name of Person Indicated in Official Request) : _____ Contact No./s.: _____
 Name of Company Represented : _____

FOR OTHER PROPOSED ACTIVITY NOT COVERED ABOVE, pls give a brief description of the activity: _____

IF ACTIVITY REQUIRES USE OF PERSONNEL AND ENTRY OF VEHICLE/S, Pls indicate name/s of Personnel and vehicle's
 Make/Model & Plate No./s _____
 (FOR LIST OF PERSONNEL AND/OR LIST OF VEHICLE/S, USE ADDITIONAL SHEET/S IF NECESSARY)

ALEXANDER C.F. SIMPLOWIO
 Applicant's (Declarant's) Name and Signature: _____
 Date/Time Applied: APRIL 14, 2016 8:00 AM Contact No./s.: (047) 250-1200

Part 2: Evaluation (Please do not write beyond this point. This portion to be filled up by Ecology Center staff)
 Request Received by: MLAR Date/Time Received: 4/19/16/1053H

Activity applied for is covered by any of the following:
 For Locator, with the ff. Environmental Permit for this particular activity & location? - ECC CNC NTP
 For Service Contractor, with Certificate of Accreditation as Ship's Agent as Petroleum Hauler Other (specify) _____
 Visiting/Non-Accredited Agency/Company _____

Also with the following required attachments:
 Written Instruction from Seaport Dept. regarding bunkering BOC's Bunkering Permit
 Bureau of Customs (BOC)'s Subic Bunkering Clearance Others (pls. describe) _____

If Authorized Representative, w/Letter of Authorization: YES NONE. Pls. provide by date: _____ NOT REQUIRED
 EVALUATOR'S RECOMMENDATION: Grant Clearance Deny Clearance Grant Clearance Only If: _____

Remarks: _____
 Evaluated by: Mandel Luis D. Rasapapan Noted by: Sehna R. Jayme Date/Time Evaluation was Completed: 4/19/16/1703H

(Casehandler to Sign Over Printed Name) EC Authorized Signatory

SBMA
 ECOLOGY CENTER
 RECEIVED
 DATE: 4/19/16
 TIME: 10:53 AM



SUBIC BAY METROPOLITAN AUTHORITY
ECOLOGY CENTER
 Regulatory Bldg. Labitan St. cor. Rizal Ave.,
 Subic Bay Freeport Zone, Philippines 2222
 Tel 047.252.4059/4435/ Fax 047.252.4157
 Visit us at <http://www.mvsubicbay.com.ph>

**ENVIRONMENTAL CLEARANCE
 FOR VARIOUS ACTIVITIES**

CONTROL NO. ECD-RPD-ECVA-- 0377

is hereby granted to

Carmel Lights Manpower & Allied Services, Inc. / Subic Enerzone Corp.

(Company Name or Person)

for its Clearance requirements for the activity

Distribution Line Clearance Maintenance

(Nature of Activity Requiring Clearance)

at

Ductigan Area

(Specific Location)

GENERAL CONDITIONS:

- The company shall comply with all the applicable SBMA Environmental Rules and Regulations, including specific permits/agreements/undertakings issued for this specific activity and location, i.e., Environmental Compliance Certificate (ECC) Certificate of Non-Coverage (CNC) Notice to Proceed (NTP) Deed of Undertaking (DOU) or some other form of official agreement, and any *Special Condition/s* indicated in all annexes hereto.
- Non-compliance with any of SBMA's applicable Environmental Rules and Regulations shall be subject to fines and penalties and/or revocation of this Clearance.
- Only Authorized Personnel and Authorized Vehicle/s/Vessel/s indicated in the Annex/es attached hereto shall be allowed to operate inside the Freeport.
- The Proponent shall secure all the necessary permits and clearances from concerned SBMA departments and other concerned government agencies as part of their operational activities and prior to engaging in any activity which may have significant impacts on the Subic Freeport environment, e.g. PTO's, Certifications, DOL, DOH, POFA, FPA required permits & clearances & other related & required documents.
- Engaging in an activity other than the activity and location specified and approved in this Clearance including *Special Conditions* specified in the Annex/es attached herewith shall be grounds for the imposition of appropriate fines and penalties.
- The following Annex/es shall likewise form part of this Clearance (if applicable): 0/a
 Annex A. *Specific Conditions for* _____
 Annex B. *Authorized Personnel and Authorized Vehicle/s or Vessel/s* 0/a
 Other *Specific Requirements* _____

Issued at the Ecology Center, Regulatory Building, Labitan Street corner Rizal Avenue, Subic Bay Freeport Zone, this APR 14 2016

This Environmental Clearance shall be valid until MAY 16 2016

By _____
 ATTY. RUEL JOHN T. KABIGTING
 OIC-SDA, Regulatory Group/OIC-Manager, Ecology Center

CONFORME: ALEXANDER SIMBORIO
 (Printed Name & Signature of Authorized Representative)

DATE: APR 15 2016

O.R. # 2020/58 AMOUNT PAID: Php 100 PAYMENT DATE: APR 15 2016

CERTIFICATE OF PROVISIONAL ACCREDITATION
NO. REG_2016-011P

In accordance with Republic Act No. 7227, known as the Bases Conversion and Development Act of 1992, and the powers vested on the Subic Bay Metropolitan Authority ("SBMA") in accordance with Section 12 of the Act, and the Rules and Regulations Implementing the Provisions Relative to the Subic Special Economic and Freeport Zone, this Authority hereby certifies that:

Business Name: CARMEL LIGHTS MANPOWER & ALLIED SERVICES INC.
Business Address: Blk. 5, Lot 8, Platinum Street, San Rafael Village, Maa Davao City
Nature of Business: LINE CLEARING MAINTENANCE

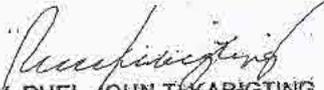
Shall be classified as a Subic Bay Freeport CANDIDATE FOR ACCREDITATION and is hereby granted this PROVISIONAL PERMIT for the limited operation of the aforementioned business in accordance with SBMA Office Order Nos. 14-04-0592 and 14-04-0593 Series of 2014.

Throughout the six (6) month provisionary period of this permit or upon compliance with the requirements of FULL ACCREDITATION, the candidate shall be in accord with the following stipulations:

1. Acceptance of responsibility for the risks associated with the performance of the urgently required business process in terms of security, health, safety, and other controlled work practices rests entirely on the Candidate.
2. SBMA shall be free from liability which may result from any misconduct, misrepresentation, damage or incident occurring during the entire execution of the registered business activity.
3. This permit shall not serve as an exemption from compliance with applicable National laws and regulations.
4. Concerned SBMA Offices shall have the unimpeded right to inspect the conduct of business for the entire duration of activities.
5. Non-compliance with the conditions conveyed by SBMA herein or in other issuances shall be sufficient cause for the ineligibility of the Candidate for "full" accreditation.

FULL ACCREDITATION status shall automatically take effect in the event that the necessary criteria relevant to all policy guidelines, administrative orders and circulars promulgated by SBMA governing the operation of the registered business activity inside the Subic Bay Freeport Zone have been successfully secured.

Issued this 18th day of January 2016, Subic Bay Freeport Zone.


ATTY. RUEL JOHN T. KABIGTING
OIC, SDA for Regulatory Group

SCHEDULE OF TREE TRIMMING ACTIVITIES
For the Month of April 2016

<u>Estimated Date of Trimming</u>	<u>Area</u>	<u>Duration</u>	<u>Names of Personnel</u>
Month of April 2016	Central Business District Area		Prunner Group
April 16 – May 15, 2016.	All CBD Area Burgos st. Canal Road. Dewey ave. WaterFront rd. Rizal hiway. Manila Ave. Security rd. Labitan st. Sta Rita rd. Aguinaldo st. Espirito st. Rojas st. Cause way rd. Mckinley st. Quezon st. Raymundo st. Taft st. Betty Lane.	30 Days	Bustamante, Zaldy Juab, Fernando Muyano, Erick Lanorias, Romel

Note :

Special Trimming : Some parts of Pastolan Area, Cubi Area
Naval Magazine Area, Had-Had Road.
& Kalayaan Area . Binictican Area. Boton Area.
Argonaut high way, Sta Rita Tower.

Prepared by:

A.C. Simporio
PSADECO- Technical Representative

April 14, 2016

Atty. RUEL JOHN T. KABIGTING
OIC- Ecology Department
SUBIC BAY METROPOLITAN AUTHORITY
Regulatory Bldg. Labitan St. corner Rizal Highway
Subic Bay Freeport Zone

Dear Sir:

This is to transmit attached schedule of Tree Trimming Activities to be undertaken by our accredited contractor, PSADECO from April 15 – May 16, 2016.

Should you have clarifications, please feel free to visit our office or call us at telephone number 250-1200.

Thank you very much.

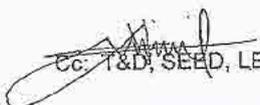
Respectfully yours,

SUBIC ENERZONE CORPORATION



WARELL KERN B. SARIO
AVP & General Manager

Attachment: a/s



Cc: T&D, SEED, LED.

SUBIC ENERZONE CORP.
Coral Road cor. Labitan St., Central Business District
Subic Bay Freeport Zone, Olongapo City, 2209
Tel. No. (03-17) 232-7392
Fax No. (03-17) 232-7387

REGISTRY OFFICE
370 Legaspi St., Legaspi Village
Alabang City, Muntinlupa
Tel. No. (02-5) 377-5088
Fax No. (02-5) 377-5558

an Absolut company



SUBIC BAY METROPOLITAN AUTHORITY
ECOLOGY CENTER
 Regulatory Bldg, Labitan St. cor. Rizal Ave.,
 Subic Bay Freeport Zone, Philippines 2222
 Tel 047.252.4059/4435/ Fax 047.252.4157
 Visit us at <http://www.mysubicbay.com.ph>

**ENVIRONMENTAL CLEARANCE
 FOR VARIOUS ACTIVITIES**

CONTROL NO. ECD-RPD-ECVA-0376
 is hereby granted to

Carmel Lights Manpower & Allied Services, Inc. / Subic Freezone Corp.

for its Clearance Requirements

Distribution of Cleaning Materials

at

Central Business District Area

(Specific Location)

GENERAL CONDITIONS:

- The company shall comply with all the applicable SBMA Environmental Rules and Regulations, including specific permits/agreements/undertakings issued for the specific activity and location, i.e., Environmental Compliance Certificate (ECC) Certificate of Non-Coverage (CNC) Notice to Proceed (NTP) Deed of Undertaking (DOU) or other form of official agreement, and any *Special Condition/s* indicated in an annex hereto.
- Non-compliance with any of SBMA's applicable Environmental Rules and Regulations shall be subject to fines and penalties and/or revocation of this clearance.
- Only Authorized Personnel and Authorized Vehicle/s /Wessel/s indicated in the Annex/es attached hereto shall be allowed to operate inside the Freeport.
- The Proponent shall secure all the necessary permits and clearances from concerned SBMA departments and other concerned government agencies as well as of their operational activities and prior to engaging in any activity which may have significant impact on the Subic Freeport environment, e.g. PTO's, Certifications, DOLE, DENR, BOA, FPA, etc. and all permits & clearances & other related & required documents.
- Engaging in an activity other than the activity and location specified and approved in this Clearance including *Special Conditions* specified in the Annex/es attached herewith shall be grounds for the imposition of appropriate fines and penalties.
- The following Annex/es shall likewise form part of this Clearance (if applicable): None
 Annex A. *Specific Conditions for* _____
 Annex B. *Authorized Personnel and Authorized Vehicle/s or Wessel/s* None
 Other *Specific Requirements* _____

Issued at the Ecology Center, Regulatory Building, Labitan Street corner Rizal Avenue, Subic Bay Freeport Zone, this APR 14 2016

This Environmental Clearance shall be valid until MAY 16 2016

ATTY. RUEL JOHN T. KABIGTING
 OIC-SDA, Regulatory Group/OIC-Manager, Ecology Center

CONFIRME: Alexander C. Simbario DATE: APR 18 2016
 (Printed Name & Signature of Authorized Representative)
 O.R. # 7620158 AMOUNT PAID: PHP 100 PAYMENT DATE: APR 15 2016

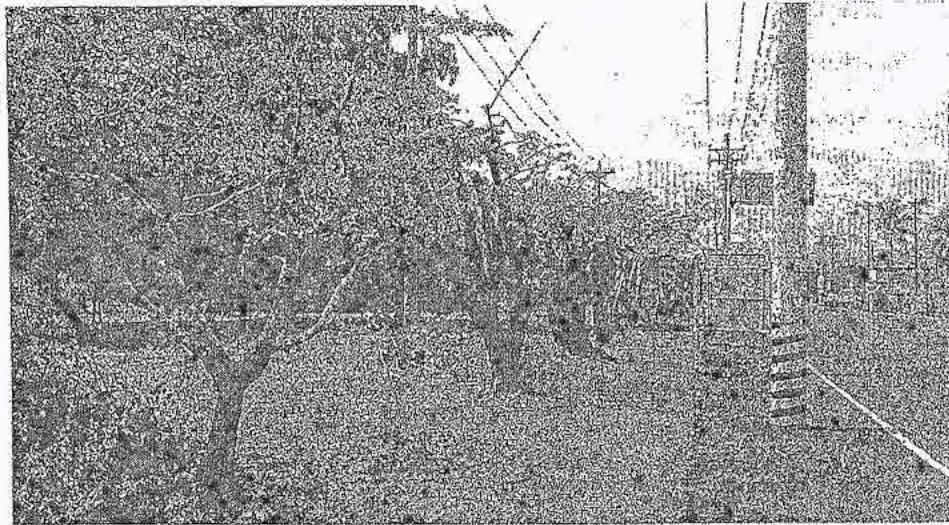
SUBIC ENERZONE CORPORATION



SUBIC ENERZONE CORPORATION



SUBIC ENERZONE CORPORATION



SUBIC ENERZONE CORPORATION





SUBIC BAY METROPOLITAN AUTHORITY

REGULATORY GROUP
ECOLOGY CENTER

Regulatory Bldg., cor. Labitan St., Rizal Highway, Subic Bay Freeport Zone, 2222
Tel. No.: (6347) 252-4416 Fax No.: (6347)252-4157

General Quality Form
ECD-PMD-015
Rev. No.: 06
Effectivity Date: 06-23-2015

ENVIRONMENTAL MONITORING INSPECTION REPORT

Company : SUBIC ENERGY CORPORATION
Contact Person : ENGR. RYAN GRIVA
Location : CANAL ROAD CORNER, LABITAN ST., CBD, SBFZ
Contact Nos.: 047-2501200 / 252 7392
Date / Time : APRIL 29, 2016 / 0920 HRS

INSPECTION CATEGORY:
 Hazard call Re-inspection Others
(Reported by Wymon Garcia)

FINDINGS/OBSERVATIONS:

- TO VERIFY THE TREE TRIMMING ACTIVITY DONE BY PCADELO (CONTRACTOR) BASED ON THE ISSUED ENVIRONMENTAL CLEARANCE ISSUED ON APRIL 14, 2016, VALID UNTIL MAY 16, 2016.
- THE AREAS INSPECTED WERE TRIMMING ACTIVITY COMPENSATIONS WERE AS FOLLOWS
- BURGOS STREET (ENLARGED SUB-STATION) (PARTIAL)
- STRIP OF SAMBAL ROAD (PARTIAL)
- RIZAL HIGHWAY (PARTIAL)

REQUIRED ACTION/RECOMMENDATION

- INFORMED ENGR. RYAN GRIVA ON THE SAID ISSUES
A MEETING WILL BE CONVENED TODAY AT REGULATORY BUILDING CONFERENCE ROOM W/ ATTY. ROTE by 1:30 p.m.

Conforme:
Environmental Specialist: C. CASIL
Environmental Specialist: _____
Establishment's Representative/Position: _____
Date: APRIL 29, 2016
Date: _____

Evaluation/Recommendation:
Invite for a meeting reps of Engrone & PCADELO (accredited service contractor) to discuss findings
Evaluated By: [Signature] 4/29/16
ROSSELL L. ABUYO
OIC-Division Chief

- PROOF OF NEW  TIME FROM  P&A DEPT - CARMEL LIGHTS
MAY POWER & AMULDO
SERVICES, INC.

- ENERGY CENTER NOT ECONOMIC DEPT.

- PROPOSED TRAINING ON SILICON VALLEY MGT PRACTICES



December 10, 2015

ATTY. RUEL JOHN T. KABIGTING
OIC-Manager, Ecology Center
SBMA ECOLOGY CENTER
Regulatory Bldg. Labitan Street corner Rizal Highway
Subic Bay Freeport Zone, Philippines

Dear Sir:

This is to bill you the amount of *Thirteen Thousand One Hundred Eighty Pesos (Php 13,180.00)* as payment for labor and materials that will be incurred for the installation of service drop wires and tapping of power supply of Air Quality Monitoring Station located at Remy Field area CBD, SBFZ.

Load Deposit : 2,580.00
Materials Deposit : 5,500.00
Labor Deposit : 5,100.00

See attached supporting document for further details.

Thank you very much.

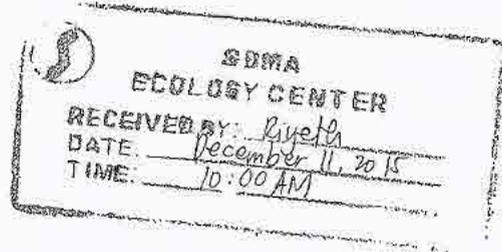
Respectfully yours,

SUBIC ENERZONE CORPORATION


EDGAR M. CALUZA
Manager, Admin & CSD

Attachment: a/s

cc: DA for PWTSG
SBMA Utilities Department



an Aboitiz company

SUBIC ENERZONE CORP
Canal Road cor. Labitan St., Central Business District
Subic Bay Freeport Zone, Olongapo City, 2200
Tel. No.: (63-47) 252-7272
Fax No.: (63-47) 252-7297

MAKATI OFFICE:
110 Legaspi St., Legaspi Village,
Makati City, Philippines
Tel. No.: (63-2) 793-2800
Fax No.: (63-2) 817-9508

7. The Subic Enerzone Corporation shall inform/warn residents that they will be in their area to do the trimming. Subic Enerzone Corporation can do this through flyers to be distributed before their scheduled activity. Proper courtesy shall be accorded to residents and the Subic Enerzone Corporation shall present a copy of the trimming permit when requested;
8. The Subic Enerzone Corporation shall submit a monthly monitoring report to this Office regarding tree trimming activities. The report shall contain the areas where trimming activities are to be conducted, date of trimming, number of trees to be trimmed, names of personnel involved in the trimming activities, and place of disposal of cut tree branches;
9. In accidental death of trees due to severe trimming the same shall be replaced in accordance with the Allowable Tree Cutting and Tree Trimming Guidelines within the Subic Bay Freeport Zone. This kind of incident shall also be included in their monthly report to be submitted to this office;
10. Should there be any complaint related to the conduct of such activity, Subic Enerzone Corporation shall be held responsible to address such problems in a manner acceptable to this Office;
11. This permit is non-transferable and shall be in full force and in effect for a period of one (1) year from the date of issuance hereof unless sooner revoked or cancelled for non-compliance and/or violation of any terms and conditions herein specified.

For your information and strict compliance.

Thank you.

Very truly yours,


AMETHYA D.L. CONCEPCION
Department Head 

Cc : Francisco H. Licuanan III, Chairman
Alfredo C. Antonio, Administrator
Marcelino S. Sanqui, DA for PW&TSG
Col. Jaime C. Calunsag, Acting Head, Law Enforcement Department



OFFICE OF THE CHAIRMAN
ECOLOGY CENTER

☒ Bldg. 157, Bonifacio St., Subic Bay Freeport Zone, Philippines 2222
(63-47) 252-4069/4435



ECC-RPD-04-1264

October 24, 2004

DANTE T. POLLESCAS
General Manager
Subic Enerzone Corporation
Tel. No.: 252-7392

SUBJECT : PERMIT TO TRIM TREES

Mr. Pollescas,

The Ecology Center hereby granted this permit to Subic Enerzone Corporation to trim trees that obstruct and touch the power distribution lines of SBMA covering the areas of Central Business District, Kalayaan and Binictican Housing, Cubi Point, and Naval Magazine area subject to existing and applicable laws, rules and regulations and the following conditions:

1. This permit is for **tree trimming only**. Cutting of trees to their trunk is strictly prohibited unless it is really justified to do so and unless a written permit from this Office has been obtained for this purpose;
2. Enamel paint shall be applied on the cut/exposed portion (>15 cm in diameter) to avoid fungal and bacterial attack on the tree. Good aesthetics and well-groomed trimming of trees shall be observed at all times;
3. The trimmed branches shall be cut into smaller pieces and disposed of in the SBMA Landfill. A permit has to be obtained from this Office prior to disposal of the same. In cases of trimming in forested areas, cut branches may be left on site to rot, however, these shall be done properly to prevent damage to wildlife and property;
4. Hunting and collection of any species of wild plants and animals (dead or alive) from the forest and bay shall not be allowed at all times. In the event that any of the staff, officials and subcontractors of Subic Enerzone Corporation are caught fishing and collecting any species of plants and animals or have caused deaths of any wildlife species, the company (Subic Enerzone Corporation) shall be held liable. They shall pay the corresponding fines and penalties to be imposed by the SBMA in accordance with the Subic Bay Protected Area Management Plan (SBPAMP) and its Rules and Regulations and other pertinent Philippine Environmental Laws;
5. Staff, officials, and subcontractors of Subic Enerzone Corporation are prohibited from smoking, cooking, and establishing makeshift huts in the forest;
6. The Subic Enerzone Corporation shall notify our Office prior and after completion of the trimming operation for each major area, i.e. Kalayaan Housing, Binictican Housing, Central Business District,, etc.;

0333

JUAN - GRIVA
EDGAR CALUSA



ECOLOGY CENTER

Regulatory Div., cor. Labian Street, Road Highway, BDFZ, Tel: (6347) 282-4418
Fax: (6347) 282-4167

General Quality Form
ECC-PMD-016
Rev. No. 05
Effectivity Date: 04/22/15

ENVIRONMENTAL COMPLIANCE MONITORING REPORT

A. Basic Information

Date of Inspection: MAY 20, 2016 Time: 10:59 IN: _____ OUT: _____

Name of Enterprise: SUALC ENERGIZATE CORPORATION Tel. No. 250-1630

Location: LABIAN ST. COR. CANAL RD, BDFZ AREA, BDFZ Fax No. 250-7397 (2)

President: DANTE T. FOURCARS Lessor: SBMA

Environmental Permit: MECC (EC DENR) EC-SUPP/EC-56-24-206 (JULY 09, 2006)
 CNC (EC DENR) NONE

Purpose of Inspection
 BPTO renewal
 1 2 3 others COMPLIANCE REVIEW INSPECTION
 Potential Environmental Impact Classification: High Medium Low

B. On-going Activities

1. On-going Activities
POWER DISTRIBUTION (PUBLIC UTILITY)

2. Project Profile/Status
 Area Coverage: _____ sq. m. Production Approved: _____ Capacity: _____ Actual: _____
 Additional Facilities: (if any)
 1. _____
 2. _____

3. Pollution Sources

Waste Water
 domestic industrial
 Pollution Control Facility/Device
 Wastewater Treatment Facility
 Discharge Permit Expiry Date: _____
 No Discharge Permit
 Septic tank
 Sewerline
 others

Air Pollution Source and Control Installations
 oven boiler paint booth
 dust filter/collector air scrubber generator set others
 PTO No PTO
 Expiry Date: _____
N/A

C. Hazardous Waste

Type(s)	Volume	Storage	Disposal/Frequency	Transporter/Treater
TRANSFORMER OIL USED		B-880		

Solid Waste
 Recyclable Non-recyclable Food waste
 No Plastic Policy (For restaurant operation): Compliant Non-compliant N/A
 Name of PCO: ZOLANDA CALUSA ANGEL PABLO BA BUENA
 PCO Training: Yes No PCO Accreditation: 64-c Managing Heads Training: Yes No
168-0224-100 ED CALUSA WARRYL SAKYO

Self-Monitoring Report Submission:
 1st quarter 2016 3rd quarter N/A
 2nd quarter 4th quarter 2015

D. Inspection Findings and Required Action

Inspection Findings	Required Action
LOCATION OF ENVIRONMENTAL PERMIT AT OLD LOCATION/ADDRESS (RAMUNDO ST)	SUBMIT OFFICIAL LETTER TO UPDATE INFORMATION REGARDING ADDRESS AND ACTIVITY OF 'LEASE, OPERATE AND MAINTAIN ...' - FOR VERIFICATION AT THE OFFICE.

ENVIRONMENTAL SPECIALISTS: R. Dela Cruz 940
 F. Bustamante
 C. Casil
 R. Linzaga 940

CONFIRMED BY: JUAN GRIVA EDGAR CALUSA
 (Signature over printed name) ENRIG MANAGDIR

RECOMMENDATIONS
 Issue Notice of Compliance
 Issue Notice of Deficiency
 Issue Notice of Violation
 Issue Cease and Desist Order
 others

RECOMMENDED BY: Rossell L. Abuyo
 ROSSELL L. ABUYO
 OIC-Division Chief

4 P.M

Sched. meeting w/ presense re: above findings & PCB matters. final



SUBIC BAY
METROPOLITAN AUTHORITY

ECD-PMD-16-0333

May 24, 2016



MR. WARELL B. SARIO

General Manager

SUBIC ENERZONE CORPORATION

Labitan Street corner Canal Road, CBD Area

Subic Bay Freeport Zone

Tel. No. 250-1230, Fax No.252-7397

ATTENTION : **MR. RYAN GRIVA**
Engineering Manager

SUBJECT : **INVITATION FOR MEETING**

Dear Mr. Sario:

Greetings from the Ecology Center!

We would like to invite you or your representative for a meeting on **Thursday, May 26, 2016, 4:00 pm** at the Regulatory Conference Room to discuss the result of the annual environmental compliance monitoring inspection conducted by this office and the Compliance Review Team (CRT).

Hoping for your cooperation on the matter.

For a cleaner environment

ATTY. RUEL JOHN T. KABIGTING

OIC – SDA for Regulatory Group

OIC-Manager, Ecology Center

RJT/rja/mc

Subic Bay Metropolitan Authority





SUBIC BAY
METROPOLITAN AUTHORITY

ECD-PMD-16-0333

May 24, 2016



Certificate Number: AJA13/18628

MR. WARELL B. SARIO

General Manager

SUBIC ENERZONE CORPORATION

Labitan Street corner Canal Road, CBD Area

Subic Bay Freeport Zone

Tel. No. 250-1230, Fax No.252-7397

ATTENTION : **MR. RYAN GRIVA**
Engineering Manager

SUBJECT : **INVITATION FOR MEETING**

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Hoping for your cooperation on the matter.

For a cleaner environment

ATTY. RUEL JOHN T. KABIGTING

OIC – SDA for Regulatory Group

OIC-Manager, Ecology Center

RJK/rla/rrc

Subic Bay Metropolitan Authority



7



**REGULATORY GROUP
ECOLOGY CENTER**

Regulatory Bldg. Labitan Street, cor. Rizal Hi-way SBFZ, Philippines
Tel No.: (63-47) 252-4416 Fax No.: (63-47) 252-4157

SUBIC BAY
AGROPECULIAR ASSESSMENT



Certificate Number: AAAS/1802/8

ACTIVITY : Meeting - Subic Freezone (Compliance Review Team)

DATE & TIME : May 27, 2016 (2:00 p.m.)

VENUE : Regulatory Bldg. Conference Room

ATTENDEES:

NAME	SIGNATURE	NAME	SIGNATURE
ARMY GRIWA		ARMY RUEL JOHN T. KARGALING	
YOLANDA CANTON		RASOELL L. BULLO	
		FIDEL BUSTAMANTE	

AGENDA

- (1) Environmental permit for Raymundo Street
- (2) For confirmation of Environmental permit to include the PCBs condition.

MINUTES

The Subic Freezone will submit a letter to DENR and Ecology Dept R. III to consolidate and re-confirm the environmental permit.

One of the conditions to be included is the PCB's inventory under Subic Freezone and their current operation.

5. All workers shall be provided with appropriate Personal Protective Equipment (PPE) to protect them from occupational hazards and health risks. As such, the Contractor shall develop and implement an Occupational Safety and Health Program that shall include electrical safety, lock-out and tag-out procedures and Emergency Response Plan to be submitted for approval by SBMA Health and Welfare Department;
6. An effective ~~proper~~ scheduling of power interruptions and notification of concerned SBMA Departments and SBFZ locators ~~for power outage~~ shall be implemented by the Proponent/Contractor; ~~for maintenance & operations~~ ^{during};
7. All "hot works" (welding, cutting, lead melting, soldering, blow torch, etc.) performed during maintenance operation shall be covered by a valid permit from Fire Department prior to operation. Fire extinguisher shall be provided at all times in the operation site especially during hot works activities. Fire watch shall be trained in the use of fire equipment that must be provided during and 30 minutes after hot work operation;
8. A Traffic Management Plan to ease traffic congestion and reduce road accident/hazards during maintenance activities shall be prepared by the Proponent/Contractor and submit to the Ecology Center and concerned SBMA Departments within one (1) week upon issuance of this Certificate for approval. Safety and road signs shall be posted and installed visible to motorists and pedestrians where activity is in progress;
9. No tree may be cut, pruned unless a joint inspection with the Proponent/Contractor, Utilities Department and Ecology Center shall be done and a permit to do so has been issued by the Ecology Center; ~~The Proponent shall comply with the SBMA Guidelines for Allowable Tree Cutting & Tree Pruning with in SBFZ;~~
10. The Proponent/Contractor shall ensure that no fishing, hunting or collection and/or buying of wild plants and animals is undertaken by its staff or its Sub-contractors;
11. The Proponent/Contractor shall be held liable for any damage to life, property and the environment as a result of the company's regular and maintenance operation and shall pay just and reasonable compensation to the aggrieved party;
12. Should there be any complaint related to environmental problems brought about by the project, the Proponent shall be held responsible to address such problems;
13. Any misleading/false information submitted to this Office shall be sufficient cause for the cancellation of this Certificate;
14. The Ecology Center shall have the authority to conduct on the spot inspection at any time to monitor compliance with all the conditions cited in this Certificate;

Non-compliance with any the above stipulations shall be sufficient cause for the suspension or cancellation of this certificate and/or a penalty in the amount not to exceed Fifty Thousand Pesos (PhP 50,000.00) for every violation thereof at the discretion of the EC,

11. All ^{transformers containing} polychlorinated biphenyls ~~containing~~ shall be handled, stored & disposed in compliance with RA 6969 otherwise known as the Toxic Substances & Hazardous & Nuclear Waste Control Act of 1990.



**REGULATORY GROUP
ECOLOGY CENTER**

Regulatory Bldg. Labitan Street, cor. Rizal Hi-way SBFZ, Philippines
Tel No.: (63-47) 252-4416 Fax No.: (63-47) 252-4157

SUBIC BAY
METROPOLITAN AUTHORITY



Certificate Number: AIAA3/16526

ACTIVITY : Meeting - Subic Freezone (Compliance Review Team)
DATE & TIME : May 27, 2016 (2:00 p.m.)
VENUE : Regulatory Bldg. Conference Room

ATTENDEES:

NAME	SIGNATURE	NAME	SIGNATURE
EMIL GRILVA		ATY RUEL JOHN T. KASILING	
YOLANDA CAWANGS		ROSELL L. BUNO	
		FIDES BUSTAMANTE	

AGENDA

- 1) Environmental permit for Raymundo Street.
- 2) For confirmation of Environmental permit to include the PCBs condition.

MINUTES

The Subic Freezone will submit a letter to DENR and Ecology Dept R. (I) to consolidate and re-confirm the environmental permit.

One of the conditions to be included is the PCB's inventory under Subic Freezone and their current operation.

Blank lined area for additional notes or minutes.

**SUBIC BAY FREEPORT ZONE
CERTIFICATE OF NON-COVERAGE
EC-SBFZCNC-309-22-223**

DRAFT

The Subic Bay Metropolitan Authority (SBMA) through the Ecology Center (EC) hereby grants this Subic Bay Freeport Zone Certificate of Non-Coverage (SBFZCNC) for the operation of

*april 9/22
ADR*

SUBIC ENERZONE CORPORATION

with office address at Building No. 502, Dewey Avenue, Subic Bay Freeport Zone after complying with the application for Certificate of Non-Coverage (CNC) requirements as prescribed pursuant to SBMA Environmental Impact Statement (EIS) System and the Department of Environment and Natural Resources Administrative Order No. 96-37, series of 1996.

RM/29/22

This Certificate is being issued subject to existing and applicable laws, rules and regulations and the following conditions:

*pre 9/22
-etc*

1. This Certificate is valid only for the ^{rehabilitation} and operation of the ^{existing} SBMA Power Distribution System, which include the following activity:

- Annual preventive maintenance of all substations
- Upgrading of all rotten electrical poles
- Tree trimming and cutting as part of the regular maintenance
- Extension of power lines to new locators.

and that any expansion and/or modification shall be subject to a separate Environmental Impact Assessment (EIA) requirements;

2. The Proponent shall be responsible in ensuring strict compliance at all times by its employees, agents, consultants, contractors and subcontractors with the SBMA Environmental Rules and Regulations, Likewise, they shall conform with all the conditions cited in this Certificate;;

3. The Proponent shall secure from appropriate SBMA Departments and other national government agencies all the necessary permits and approval prior to commencement of any activity. The Proponent/Contractor shall obtain and keep current all permits related to the Company's operation;

4. All solid wastes and other replaced electrical parts, electrical poles, equipment, etc. identified for disposal shall be properly contained, handled and disposed off at the SBMA landfill through the services rendered by the Ecology Center's Waste Management Division, following the SBMA Waste Management Guidelines (see Attachment A);

*replacement of those no longer needed cables in related areas
i.e. installation of new overhead & underground
lines, extension of power
lines, expansion of
substations, etc.*

13. Should there be any complaint related to environmental problems brought about by the project, the Proponent shall be held responsible to address such problems;
14. Any misleading/false information submitted to this Office shall be sufficient cause for the cancellation of this Certificate;
15. The Ecology Center shall have the authority to conduct on the spot inspection at any time to monitor compliance with all the conditions cited in this Certificate;

Non-compliance with any the above stipulations shall be sufficient cause for the suspension or cancellation of this certificate and/or a penalty in the amount not to exceed Fifty Thousand Pesos (PHP 50,000.00) for every violation thereof at the discretion of the EC, pursuant to the SBMA EIS System and all other applicable Philippine environmental laws, rules and regulations.

The SBMA reserves the right to amend this SBFZCNC should additional information become available or if circumstances should so warrant.

Signed this SEP 23 2003

By Authority of the Chairman


AMETHYA DL. CONCEPCION
Head, Ecology Center

Given this SEP 23 2003

4. All solid wastes and other replaced electrical parts, electrical poles, equipment, etc. identified for disposal shall be properly contained, handled and disposed off at the SBMA landfill through the services rendered by the Ecology Center's Waste Management Division, following the SBMA Waste Management Guidelines (*see Attachment A*);
5. All workers shall be provided with appropriate Personal Protective Equipment (PPE) to protect them from occupational hazards and health risks. As such, the Contractor shall develop and implement an Occupational Safety and Health Program that shall include electrical safety, lock-out and tag-out procedures and Emergency Response Plan to be submitted for approval by SBMA Health and Welfare Department;
6. An effective scheduling of power interruptions and notification of concerned SBMA Departments and SBFZ locators for power outage shall be implemented by the Proponent/Contractor during maintenance and operations;
7. All "hot works" (welding, cutting, lead melting, soldering, blow torch, etc.) performed during maintenance operation shall be covered by a valid permit from Fire Department prior to operation. Fire extinguisher shall be provided at all times in the operation site especially during hot works activities. Fire watch shall be trained in the use of fire equipment that must be provided during and 30 minutes after hot work operation;
8. A Traffic Management Plan to ease traffic congestion and reduce road accident/hazards during maintenance activities shall be prepared by the Proponent/Contractor and submit to the Ecology Center and concerned SBMA Departments within one (1) week upon issuance of this Certificate for approval. Safety and road signs shall be posted and installed visible to motorists and pedestrians where activity is in progress;
9. No tree may be cut, pruned unless a joint inspection with the Proponent/Contractor, Utilities Department and Ecology Center shall be done and a permit to do so has been issued by the Ecology Center. Hence, the Proponent shall comply with the SBMA Guidelines for allowable Tree Cutting and Tree Trimming with in SBFZ;
10. The Proponent/Contractor shall ensure that no fishing, hunting or collection and/or buying of wild plants and animals is undertaken by its staff or its Sub-contractors;
11. All transformers containing polychlorinated biphenyls shall be handled, stored and disposed in compliance with R.A. 6969 otherwise known as the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 and DENR Administrative Order (DAO) 29, Series of 1992;
12. The Proponent/Contractor shall be held liable for any damage to life, property and the environment as a result of the company's regular and maintenance operation and shall pay just and reasonable compensation to the aggrieved party;

Handwritten signature

13. Should there be any complaint related to environmental problems brought about by the project, the Proponent shall be held responsible to address such problems;
14. Any misleading/false information submitted to this Office shall be sufficient cause for the cancellation of this Certificate;
15. The Ecology Center shall have the authority to conduct on the spot inspection at any time to monitor compliance with all the conditions cited in this Certificate;

Non-compliance with any the above stipulations shall be sufficient cause for the suspension or cancellation of this certificate and/or a penalty in the amount not to exceed Fifty Thousand Pesos (PhP 50,000.00) for every violation thereof at the discretion of the EC, pursuant to the SBMA EIS System and all other applicable Philippine environmental laws, rules and regulations.

The SBMA reserves the right to amend this SBFZCNC should additional information become available or if circumstances should so warrant.

Signed this SEP 23 2003

By Authority of the Chairman


AMETHYA D.L. CONCEPCION
Head, Ecology Center

Given this SEP 23 2003



June 21, 2005

MS. AMETHYA DELA LLANA
Department Manager
Ecology Department
Subic Bay Metropolitan Authority

Dear Ms. Dela Llana,

This is in connection with our request for the amendment of Certificate of Non-Coverage released by your office. We are forwarding to you the completed documents required for the issuance of Environmental Compliance Certificate. This is for the projects stated in the Distribution Management Service Agreement. Please refer to the attached folders.

We hope for the immediate action on this matter.

Thank you and God Bless.

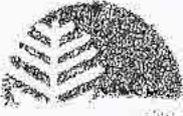
Respectfully yours,

SUBIC ENERZONE CORPORATION



ENGR. DANTE T. POLLESCAS
General Manager

Official Receipt of the Republic of the Philippines		
		
No. 8027626 1		
Date 10/18/2016		
Agency	Dona Emma B3	Fund 14
Payor	Public Energy Corporation	
Nature of Collection	Account Code	Amount
ECC Credit		P 3,000
Cash paid to Mr. Labitan of CBD Area Public Body Freeport Zone 2200		
TOTAL		P 3,000
Amount in Words <u>Three thousand</u> <u>None only</u>		
<input checked="" type="checkbox"/> Cash <input type="checkbox"/> Check <input type="checkbox"/> Money Order	Drawee Bank Number Date	
Received the amount stated above. AGNES U. ... Special Disbursing Officer Collecting Officer		
NOTE: Write the number and date of this receipt on the back of check or money order received.		



Republic of the Philippines
 DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
 ENVIRONMENTAL MANAGEMENT BUREAU

Regional Office No. III, 4 F. Mel-Vi Bldg., Olongapo-Capan Rd.
 Dolores, City of San Fernando, Pampanga
 Telefax Nos. (045) 961-5203 * (045) 961-5206 * (045) 861-2361

Funds 10/
 No. _____
 Date _____

ORDER OF PAYMENT

The Collecting Officer
 Cash End

Please Issue Official Receipt in favor of

Antic Emergency Cooperation
 (Name)

Antic Street Cor. Zambales
 (Address/Office)

In the amount of three thousand peso only

For payment of	(P)
Procedural Screening Fee	3,000
Database Mgmt Fee	1,000
Processing Fee	300
Filing Fee	1,700
PD 1856	
Permit to Transport	
Filing & Proc. Fee (CNC)	
LUC Payment	
Registration of Hazwaste	
Certification Fee	
Certified Xerox	
Laboratory Fee	
ECC Amendment	
Penalty of PD 1586	
Penalty of PD 984	
Wastewater Discharge Fee	
Arrears	
Others	
	P 3,000

Per OR No

Dated _____

Please deposit the collections under Banks Account/s

No.	Name of Bank	Amount
	Land Bank of the Phil	P _____
Total		P _____

(Authorized Signatory)
 Accounting Unit

Opunitinbal



September 19, 2016

LORMELYN E. CLAUDIO
Regional Director
EMB-Environmental Management Bureau
Department of Environmental And natural Resources
Region III San Fernando Pampanga

Subject: Request for SEZ Environmental Compliance Certificate (ECC) Confirmation

Dear Madam,

This is to respectfully request your good office for the confirmation of **Subic Enerzone Corporation's** Environmental Compliance Certificate (ECC) issued by Subic Bay Metropolitan Authority (SBMA) Ecology Center with Reference No. EC-SBFZECC-56-24-365 for the location, Canal Road. cor. Labitan St., Central Business District (CBD) Area, Subic Bay Freeport Zone.

This confirmation is pertinent to SEZ Hazardous Waste Registration application. Also, attached herewith are the documents related to this request.

Your usual support and consideration would be very much appreciated.

Thank you very much!

Respectfully yours,

SUBIC ENERZONE CORPORATION


WARELI KERN B. SARIO
AVP & General Manager

an Aboitiz company

SUBIC ENERZONE CORP.
Canal Road cor. Labitan St., Central Business District
Subic Bay Freeport Zone, Olongapo City, 2200
Tel. No.: (63-47) 252-7392
Fax No.: (63-47) 252-7397

MAKATI OFFICE:
110 Legazpi St., Legaspi Village,
Makati City, Philippines
Tel. No.: (63-2) 793-2800
Fax No.: (63-2) 817-9508



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
Cordillera Administrative Region
Baguio City

ENVIRONMENTAL COMPLIANCE CERTIFICATE

CAR 1109 – 139 – 4021

The Department of Environment and Natural Resources (DENR) thru the Environmental Management Bureau – Cordillera Administrative Region (EMB-CAR) hereby grants this Environmental Compliance Certificate (ECC) to **HEDCOR SABANGAN, INC.** for the proposed **SABANGAN HYDROELECTRIC POWER PROJECT** covering the Barangays of Namatec and Napua, Sabangan, Mt. Province, after complying with the Environmental Impact Assessment (EIA) requirements as prescribed in the promulgated guidelines implementing section 3 (b) of P.D. 1586.

This Certificate is further specified as follows:

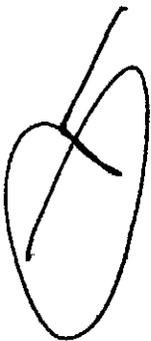
A. Scope:

1. This Certificate is valid only for the development and operation of the abovementioned project including, among others, the installation of transmission lines, the construction of access roads and/or, as described in the submitted documents;
2. This Certificate does not exempt the project from the legal requirements of other concerned agencies;

B. Conditions:

1. The development and operation of the power plant and its appurtenant facilities shall be in accordance with the submitted documents. Any major modification and/or expansion shall be subject to the Environmental Impact Statement (EIS) System requirement;
2. The legal requirements pursuant to RA 8749 or the Philippine Clean Air Act of 1999, RA 9275 or otherwise known as The Philippine Clean Water Act and, RA 6969, The Toxic Substances, Hazardous Waste, and Nuclear Waste Control Act of 1990, where applicable, shall be secured consistent to the operation of the project. Compliance to said requirements shall be coordinated with the EMB-CAR;

3. The project shall undergo the permitting requirements of P.D. 705 otherwise known as the Forestry Code of the Philippines and the latest DENR issuances relative thereto with regard to the trees affected;
4. The designated earth/construction spoils disposal site shall be developed, prior to dumping, as an engineered earth dump provided with, but not limited to, surface run-off drainage system, toe/retaining walls, to be maintained in a stable and non-pollutive condition;
5. The volume of earth materials to be impounded in the designated disposal site/facility shall at no time be in excess of the volume warranted by the computed carrying capacity of said dump facility. The proponent shall secure clearance from EMB-CAR prior to the use of disposal site(s) outside the designated disposal facility;
6. Earth and other construction spoils, solid wastes and other form of wastes shall be prevented from deposition to and along the course of Chico River and other environmentally sensitive areas;
7. The proponent shall effect solid waste management at source encompassing, the segregation, recycling and composting of wastes;
8. The proponent shall properly restore/rehabilitate any damage(s) to the environment as a result of project related activities;
9. Consistent with the project operation, a watershed management and enhancement plan shall be formulated and implemented in coordination with the DENR;
10. HEDCOR-Sabangan, Inc. shall within ninety (90) days from the issuance of this Certificate cause the formation, through a Memorandum of Agreement (MOA), of a Multipartite Monitoring Team (MMT) consisting, among others, of representatives from the proponent, EMB/DENR, stakeholder, LGUs, communities and a local NGO. The MMT shall primarily oversee the compliance of the proponent to the ECC conditions, EMP and, relevant rules and regulations;
11. HEDCOR-Sabangan shall set up an Environmental Monitoring Fund (EMF) to cover reasonable expenses for environmental monitoring undertaken by the MMT. The amount and mechanics of the EMF shall be proposed by the proponent and affirmed by the EMB-CAR following existing guidelines and procedures on the same;
12. The proponent shall submit to EMB-CAR one (1) year prior to the final shutdown of the facility a comprehensive abandonment plan. In relation,



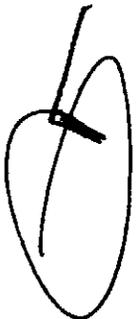
the EMB shall first review and approve the environmental aspects/components of the plan consistent with EMB functions prior to implementation;

13. The proponent shall submit to EMB-CAR a quarterly report, providing for, among others, the status of project implementation, the project compliance to ECC conditions and, the proponent's response to related issues/concerns arising thereof;
14. The project is subject to on-the-spot monitoring/inspection at any reasonable time by the EMB-CAR which may be in coordination with concerned groups;
15. The proponent shall cause the implementation of any undertaking which may be imposed by the EMB-CAR as a result of Technical Conference/s called relative hereof;
16. This Certificate shall be deemed automatically expired if the project is not implemented within five (5) years from the date of issuance; and
17. Any transfer of project proprietorship or project name carries the same conditions in this ECC for which notification to the EMB-CAR shall be made by the proponent within fifteen (15) days from such transfer.

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate, administrative sanctions against the office head and/or imposition of fine in the amount not to exceed Fifty Thousand Pesos (₱ 50,000.00) for every violations thereof, at the discretion of the DENR (Section 9 of P. D. 1586).

C. Recommendations (for the consideration of the proponent, Local Government Unit concerned and, other concerned agencies in the issuance of applicable permits/authorities):

1. The recommendation(s) cited in the Engineering Geological and Geohazard Assessment Report undertaken for the said project should be given preferential attention;
2. The appurtenant physical structures of the project where applicable, are subject to the requirements of the National Building Code of the Philippines. Compliance to the same should be coordinated with the concerned Local Building Official;
3. The implementation and operation of the project should include a provision for the adoption and implementation of a solid wastes



A handwritten signature in cursive script, appearing to be 'J. M. S.' or similar, located at the bottom center of the page.

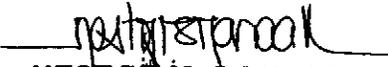
(garbage) collection and disposal scheme consistent with the provisions of RA 9003 (The Ecological Solid Waste management Act of 2000);

4. The proponent should coordinate with the surrounding stakeholder communities and concerned government agencies for the development and implementation of a doable watershed/forest resource management program to maintain and enhance the hydrological and ecological system of the project watershed;
5. Qualified local residents should be given priority employment during the development and operation of the project; and
6. Use of explosives should be covered by license/s to be issued by the concerned government agency/ies.

Issued this 20 day of OCT, 2011, Year Two Thousand Eleven.

RECOMMENDING APPROVAL:

APPROVED:


NESTOR M. DONAAL
Chief, EIA Division


PAQUITO T. MORENO, JR.
Regional Director



O.R. No.	Procedural Screening Fee	₱ 300.00	Date
O.R. No. / 1818943	Database Management Fee	₱ 1,000.00	Date / 11-3-11
O.R. No.	Processing Fee	₱ 2,700.00	Date

NOTE: NOT VALID WITHOUT SEAL

The proponent/authorized representative has read and understood
all the provisions of this ECC

GREGORIO P. JASONILLO
VP-BUSINESS DEVT

2
10/20/11
[Handwritten signature]

Signature Over Printed Name of Proponent
Or Authorized Representative

[Handwritten signature]
NESTOR M. DONAL

Authorized EMB Personnel

OCTOBER 20, 2011

Date

[Handwritten mark]



Republic of the Philippines
 Department of Environment and Natural Resources
 Visayas Avenue, Dillman, Quezon City, 1100
 Tel. Nos. (632) 929-66-26 to 29 • (632) 929-62-52
 929-66-20 • 929-66-33 to 35
 929-70-41 to 43



9611-002-201C
JOSE VENANCIO P. BATIQUIN
 Project Director
LUZON HYDRO CORPORATION
 2/F Legaspi Building, 110 Legaspi Street
 1200 Makati City

14 MAR 1997

LRC		
DATE FILED	CASE	SECTION
9/1/97		
234		
FILE NO		
83		

Dear Mr. Batiquin,

This refers to your application for an Environmental Compliance Certificate (ECC) for the proposed **BAKUN A/C HYDROELECTRIC POWER PROJECT** to be located in the municipalities of Bakun, Benguet and Alliem, Ilocos Sur.

After evaluation of the documents submitted on the aforesaid project, this Office has decided to grant the same an Environmental Compliance Certificate (ECC).

You may proceed with the project implementation after securing all the necessary permits from the pertinent government agencies. Please be advised, however, that the Department of Environment and Natural Resources will be monitoring the project periodically to ensure compliance with the stipulations cited in the attached ECC. Further, any expansion and/or modification of currently approved operations will be subjected to new Environmental Impact Assessment requirements.

Very truly yours,

V. Ramos
VICTOR O. RAMOS
 Secretary

cc: DENR-CAR
 DENR-Region 1

Grow a Tree for Legacy

9. Proper collection and disposal of solid wastes especially during construction shall be effected;
10. All construction spoils during tunnel and road construction shall be strictly contained in the pre-determined site stated in the submitted Environmental Impact Statement (EIS);
11. Passage/lifts for migratory fish/aquatic species in the Bakun River shall be provided to ensure the uninterrupted life cycles of these species ;
12. All measures to mitigate disruption of important ecological processes shall be undertaken. Affected aquatic and terrestrial habitats shall be turned into productive and stable ecosystems;
13. All other mitigating measures stated in the submitted EIS document, modifications to it and as approved by the EMB shall be strictly implemented;
14. A Memorandum of Agreement (MOA) shall be forged between the proponent and the two host municipalities within ninety (90) days of the issuance of this Certificate. The MOA shall detail the monetary and non-monetary benefits (e.g. missionary electrification, generation of employment and other social benefits) that shall be provided to the host municipalities as stipulated in Section 5.1 of RA 7638 (Department of Energy Act of 1992);
15. A Social Development Plan which provides for a continuing dialogue/participation of the local constituents in the project shall be formulated and implemented;
16. The proponent shall undertake an effective Information Education and Communication (IEC) program to explain publicly its mitigative measures as well as the conditions of the ECC. It shall open opportunities to educate the local residents, LGUs and other interested parties on the environment and human health safety features of the project. To ensure objectivity of presentation, the IEC activities shall be funded by the proponent and implemented by a joint team composed of the proponent, the DENR and DENR's selected NGO;
17. A Comprehensive Watershed Management Plan with specific evaluation and monitoring system shall be formulated, properly endorsed by the DENR-CAR and submitted to the EMB within sixty (60) days from receipt of the ECC;
18. The proponent shall initiate within thirty (30) days after receipt of this Certificate the creation of a Multipartite Monitoring Team (MMT) through a MOA with the DENR, the LGUs, a local environmental NGO and the affected communities. The MMT shall primarily oversee the compliance of the proponent with the ECC conditions, the Environmental Management Plan and applicable laws, rules and regulations;
19. The proponent shall set aside an Environmental Monitoring Fund (EMF) to support the activities of the MMT such as training, meals, accommodation, transportation etc.;
20. On-the-spot monitoring and inspection can be initiated by the DENR-Region 1, DENR-CAR or EMB anytime in coordination with concerned groups;
21. An Environmental Unit (EU) shall be created to oversee the implementation of the Comprehensive Watershed Management Plan, Social Development Plan and Monitoring

✓

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Program. It shall likewise ensure the quarterly reporting and monitoring activities to the EMB, DENR-CAR, DENR-Region 1 and establish coordination with the MMT;

- 22. The proponent shall set up an Environmental Guarantee Fund (EGF) to cover expenses for indemnification of damages caused by the project, including rehabilitation and/or restoration of areas affected by the project's implementation. The amount and mechanics of the EGF shall be determined by the DENR and the proponent within ninety (90) days after the issuance of this Certificate;
- 23. All other required government permits shall be secured by the proponent prior to the project's construction and operation;
- 24. Any expansion/modification of approved operations will be subjected to a new environmental impact assessment requirement; and
- 25. The transfer of ownership of this project carries the same conditions in the ECC for which written notification shall be made within fifteen (15) days from such transfer.

Non-compliance with any of the above conditions shall be sufficient cause for the suspension of this Certificate and/or imposition of fine in the amount not to exceed Fifty Thousand Pesos (P50,000.00) for every violation thereof, at the discretion of the EMB (Section 9 of P. D. 1586).

Given this 14 MAR 1997


VICTOR O. RAMOS
 Secretary

Recommending Approval:


DELFIN J. GANAPIN, JR.
 Undersecretary for Environment and
 Programs Development



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
Cordillera Administrative Region

ENVIRONMENTAL COMPLIANCE CERTIFICATE

Car 0403 - 030 - 201

The Department of Environment and Natural Resources (DENR) thru the Environmental Management Bureau-Cordillera Administrative Region (EMB-CAR), hereby grants this Environmental Compliance Certificate (ECC) for the **proposed Kayapa water Diversion Project of Luzon Hydro Corporation (LHC)** to be located at Kayapa, Bakun, Benguet, after complying with the Environmental Impact Assessment (EIA) requirement as prescribed in the promulgated guidelines implementing Section 3(b) of P.D. 1121 and P.D. 1586.

This Certificate is being issued subject to the following conditions:

1. The Certificate is valid only for the proposed Kayapa Water Diversion Project with the following components:
 - a) Poy-oacan River Intake Weir and Kayapa River Intake Weir;
 - b) Desanders;
 - c) One (1) km. long surface conveyance pipes/channels from the Poy-oacan intake weir to the tunnel inlet portal;
 - d) Four (4) Km. long and 3.5 m. in diameter tunnel;
 - e) Two (2) km. conveyance pipes/channels from the Kayapa intake weir (tunnel outlet portal) to the vertical drop shaft;
 - f) 300-m. deep and 2.0-m. diameter vertical drop shaft;
 - g) Mini Power Plant with a maximum capacity of 10MW; and
 - h) Access (Barangay) roads and bridges
and/or as described in the submitted documents.

✓

2. The proponent shall strictly implement the Environmental Management Plan/Program (EMP) and, all other LHC commitments as described in the submitted documents;
3. The final design of the project components shall take into consideration the recommendations provided in the Engineering Geological and Geohazard Assessment Report (EGGAR) and other geology related concerns. The determination of proponent's compliance with the recommendations contained in the EGGAR shall be the sole responsibility of its preparer and/or the Mines and Geo-sciences Bureau-CAR;
4. Aggregate requirement for the project shall only be sourced from quarries granted ECCs by the EMB/DENR;
5. The proponent shall implement appropriate slope protection measures along the inlet and outlet areas of the tunnel. A slope stability analysis shall be conducted prior to initial development to determine the appropriate protection measures to be undertaken;
6. The proponent shall secure all pertinent permits/clearances from appropriate/concerned government agencies/units prior to project implementation;
7. Water diversion shall be in accordance with the permitting requirements of the National Water Resources Board (NWRB);
8. The communities downstream the intake weirs shall have priority use of the river waters specially during seasons of low flow. The proponent shall cease diverting water to their power station should the downstream flow be critical to the actual water needs of the downstream residents/communities;

8

9. Inventory of all the affected* trees shall be conducted prior to project implementation and shall be disposed off in accordance with the existing Forestry Laws, Rules and Regulations; *o/c DENR - DENR/US*

10. Passage/lifts for migratory fish/aquatic species in the affected rivers shall be provided to ensure the uninterrupted life cycles of these species;

11. The proponent shall provide a water quality/quantity monitoring station for tunnel effluents;

12. The proponent shall submit to EMB-CAR every after three (3) years an aerial photograph of the ground surface along the route of the tunnel taken towards the end of May or during the dry season;

13. Excess excavated earth materials shall be disposed of only at pre-designated disposal site(s) and shall be maintained in a non-pollutive and stable condition; and

14. The proponent shall form, prior to project implementation, a Multi-Partite Monitoring Team (MMT) through a Memorandum of Agreement (MOA) with the DENR thru the EMB-CAR, the LGU concerned, a local environmental NGO, concerned indigenous peoples organization and the affected communities. The MMT shall primarily oversee the compliance of the proponent with the conditions of the ECC, the EMP and other applicable laws, rules and regulations.

15. The proponent shall set aside an Environmental Monitoring Fund (EMF) to cover costs attendant to the operation of the MMT.

The proponent shall submit an EMF proposal (with supporting computations) based on existing/relevant guidelines within thirty (30) days from the receipt of the ECC. The said amount shall be incorporated in the EMF-MMT MOA to be discussed among the signatories and the final draft should be submitted

o

to EMB-CAR within sixty (60) days from receipt of this ECC;

16. The proponent shall set up an Environmental Guarantee Fund (EGF) to cover expenses for indemnification of damages caused by the project's implementation. The amount and mechanics of the EGF shall be determined by the EMB/DENR and the proponent within ninety (90) days after the issuance of this ECC;
17. EMB/DENR shall conduct on-the-spot inspection/monitoring at reasonable time which may be in coordination with other concerned groups;
18. Any expansion and/or modification/deviation in the submitted documents shall be subject to the Environmental Impact Assessment requirement prior to its implementation;
19. The proponent shall be solely responsible for the resolution of any legal issues resulting from project implementation;
20. The proponent shall cause the implementation of any undertaking imposed by the EMB-CAR as a result of a Technical Conference called relevant hereof;
21. Any transfer of ownership of the project carries the same conditions in this ECC for which a written notification to the EMB-CAR shall be made within fifteen (15) days from such transfer; and
22. This ECC shall form part of the Terms of Reference (TOR) of the contractor(s) of the project.

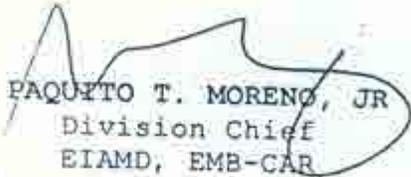
OK

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate, administrative sanctions against the proponent and/or imposition of fine in an amount not to exceed Fifty Thousand Pesos (PhP 50,000.00) for any violation thereof at the discretion of the DENR (Section 9 of PD 1586).

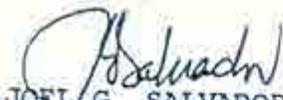
16 APR 2004

Issued this _____ day of _____, Two Thousand and Four,

RECOMMENDING APPROVAL:


PAQUITO T. MORENO, JR
Division Chief
EIAMD, EMB-CAR

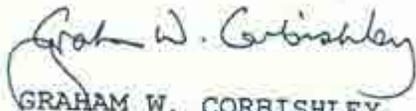
APPROVED:


JOEL G. SALVADOR
Regional Director
EMB-CAR

CONFORME:

LUZON HYDRO CORPORATION

BY:


GRAHAM W. CORBISHLEY
Managing Director

O.R. No.		Procedural Screening Fee	₱ 200.00	Date	
O.R. No.	8033804	Filing Fee	460.00	Date	
O.R. No.		Processing Fee	2,100.00	Date	
O.R. No.	0099508	Legal & Research Fee	240.00	Date	April 16, 2004

This ECC is not valid without seal.



ENVIRONMENTAL COMPLIANCE CERTIFICATE CAR 0403-030-201 (Amended)

AMENDING the Environmental Compliance Certificate (ECC) issued by the DENR-CAR on April 16, 2004 to the Kayapa Creek Water Diversion project of Luzon Hydro Corporation (LHC) located at Kayapa, Bakun, Benguet pursuant to Section 8.3 of DAO 2003-30 (Implementing Rules and Regulations (IRR) for the Philippine Environmental Impact Statement (EIS) System:

I, JOEL G. SALVADOR, Regional Director, EMB-CAR, by virtue of the powers vested in me by law, do hereby order:

Section 1. Amendment

- I. Condition No. 1 of the ECC describing its scope and validity is amended and shall now read as follows:

This certificate is valid only for the Kayapa creek water diversion project with the following components:

- a. Desander;
- b. About 1.1 km long conveyance pipes/channels from the Kayapa intake weir to the drop shaft;
- c. 300-m deep and 0.70-m diameter vertical drop shaft;
- d. Mini Power plant with a maximum capacity of 10 MW; and
- e. About 6-km access (barangay) road from Pilpil, Amilongan to Kayapa weir,

and/or as described in the submitted documents.

- II. Condition numbers 5, 11, and 12 of the same ECC owing to its inapplicability, are deleted.

Section 2. Applicability

All provisions of the ECC numbered CAR 0403-030-201 issued on April 16, 2004 to the project not hereto amended shall remain valid and existing.

Section 3. Effectivity

This Amendment is issued in the interest of all concerned parties and shall take effect immediately.

Done in the City of Baguio, Philippines, this 01 JUN 2005 day of _____ Year Two Thousand Five.

RECOMMENDING APPROVAL:

APPROVED:

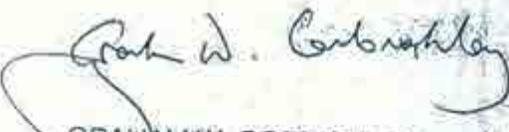

PAQUITO T. MORENO, JR.
Chief, EIAM Division


JOEL G. SALVADOR
Regional Director

CONFORME:

LUZON HYDRO CORPORATION

By:


GRAHAM W. CORBISHLEY
Managing Director

O.R. No. 9237164 Amendment of ECC Conditions P 4,800.00 Date 7/25/05
O.R. No. 9237051 Legal Research Fee P 240.00 Date

NOTE: NOT VALID WITHOUT SEAL



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
OFFICE OF THE REGIONAL DIRECTOR
Region XI
DENR Compound, Lanang, Davao City
Telefax No. 233-0809 • Tel. Nos. 234-0166 • 234-0061
email address: embdavu1@yahoo.com or embdavu1@skynet.net

August 9, 2012

OWNER'S FILE

Mr. Rene B. Ronquillo
President
HEDCOR TUDAYA, INC.
DANA Corporate Offices, Ladislawa Ave.
Buhangin, Davao City

ENVIRONMENTAL MANAGEMENT BUREAU
Records Section

Received
Date
by

Releaser: *BLP*
Date: *8-9-12*
by: *3:00 pm*

Sir:

In response to the letter dated August 8, 2012 and pursuant to Condition No. 14 of the Environmental Compliance Certificate No. ECC-R11-1108-0118 dated 26th August 2011 issued in favor of **HEDCOR SIBULAN, INC.**, for its Hedcor Sibulan Upstream (Tudaya 1) and Downstream (Tudaya 2) Hydro-Electric Power Plant Project located at Brgys. Sibulan, Darong and Astorga, Sta. Cruz, Davao del Sur, this Office hereby grants your request for the Transfer of Ownership of 8.4 MW Hedcor Sibulan Downstream (Tudaya 2) located in Brgy. Astorga, Sta. Cruz, Davao del Sur, from the former, to the latter:

HEDCOR TUDAYA, INC.
Transferee

It is understood that compliance of the terms and conditions stipulated in the ECC is a must and subject to the monitoring regulations of this Office.

Please be guided accordingly.

Very truly yours,

Ruth M. Tawantawan
RUTH M. TAWANTAWAN, CESO IV
Regional Director



Environmental Management Bureau

ENVIRONMENTAL COMPLIANCE CERTIFICATE

The Environmental Management Bureau (EMB) hereby grants this Environmental Compliance Certificate (ECC) to the proposed Amphobaw Mini Hydro Power Project of HYDRO ELECTRIC DEVELOPMENT CORP. (HEDECOR) to be located in Amphobaw R. at Barangay Bannogbang, Bagong and Battuay, Municipality of Sablan, Benguet, after complying with the Environmental Impact Assessment (EIA) requirement as prescribed in the promulgated guidelines implementing Section 3 (b) of P.D. 1121 and 1586.

This Certificate is being issued subject to the following conditions:

1. That the plant's power capacity and annual energy production shall not exceed 3,000 kilowatts and 14,650,020 kw-hrs. respectively;
2. That the stability of the dam/weir shall be monitored and ensured;
3. That in the event the proposed construction of an access road commence, necessary permits from government agencies shall be secured;
4. That proper mitigating measures shall be undertaken to minimize water, air, noise and dust pollution generated during the construction of the road and dam facilities;
5. That fish screens and trash racks shall be properly installed to protect the entry of fishes and surface debris into the reservoir/forebay;
6. That the noise generated from the churning of the turbines shall be kept within the prescribed limits;
7. That mechanical and biological rehabilitation of affected soils and rivers e.g. riprapping, concreting works, reforestation, etc. shall be effected;
8. That an appropriate compensation scheme shall be devised and implemented for damaged crops and properties;
9. That contingency plans shall be provided in case of accidents e.g. dam failure, etc.; and
10. That proper maintenance of access roads shall be effected and that measures be adopted to minimize dust; and
11. That appropriate mitigating measures shall be devised and effected to minimize any adverse impacts of the project on the uses of the river downstream the project site.

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate and/or a fine in an amount not to exceed Fifty Thousand Pesos (P50,000.00) for every violation thereof, at the discretion of the Bureau (Sec. 8 of P.D. 1586).

Given this 4th day of May, Nineteen Hundred and Ninety.



DELFIN J. GANAPIN, JR.
OIC, Office of the Undersecretary
for Environment and Research

/AFB/EAS/cb*

ENVIRONMENTAL COMPLIANCE CERTIFICATE

The Department of Environment and Natural Resources - Cordillera Administrative Region (DENR-CAR), hereby grants this Environmental Compliance Certificate (ECC) to the Amphohaw Minihydro Expansion Project of Hydro Electric Development Corporation (HEDCOR) located at Benengneng, Sablan, Benguet, after complying with the Environmental Impact Assessment (EIA) requirement as prescribed in the promulgated guidelines implementing Section 3(b) of P.D. 1121 and 1586.

This Certificate is being issued subject to the following conditions:

1. That this Certificate shall only be valid for the expansion of the Amphohaw Mini-Hydro Power system. All activities to be undertaken in relation thereto shall be limited only and in accordance to the Project Description and other pertinent submissions filed at the DENR-CAR;
2. That this Certificate carries all the pertinent conditions of the Environmental Compliance Certificate (ECC) issued for the development and operations of the Amphohaw Mini-Hydro Power System;
3. That on the spot monitoring and inspection shall be initiated by DENR-CAR anytime in coordination with concerned groups;
4. That the transfer of ownership of this project carries the same conditions in this ECC for which written notification shall be made within fifteen (15) days from such transfer.

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate and /or a fine in the amount not to exceed Fifty Thousand Pesos (P50,000.00) for every violation thereof, at the discretion of the Bureau (Section 9 P.D. 1586).

Given this ___ th day of June, Nineteen Hundred and Ninety Three.


SABADO T. BATCAGAN
Regional Executive Director
DENR - CAR

O.R. No. 015335 Filing & Processing fee 300 Date 6-30-97
O.R. No. 015382 P.D. 1856 10 Date 10



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF ENVIRONMENT
& NATURAL RESOURCES
CORDILLERA ADMINISTRATIVE REGION

City

ENVIRONMENTAL COMPLIANCE CERTIFICATE

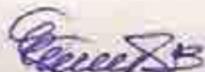
The Department of Environment and Natural Resources - Cordillera Administrative Region (DENR-CAR), through its Environmental Management and Protected Areas Service (EMFAS) hereby grants this Environmental Compliance Certificate (ECC) for the Proposed Amphohaw Minihydro Expansion Project of the Hydro Electric Development Corporation (HEDCOR) to be located along the Bagulin River at Barangay Banengbeng, Sablan, Benguet, after complying with the Environmental Impact Assessment requirement as prescribed in the promulgated guidelines implementing Section 3(b) of E.D. 1121 and P.D. 1586.

This Certificate is issued subject to the following conditions:

1. That this certificate shall be valid only for the proposed upgrading/expansion of the project's power output of 4000 kws from 5000 kws to 9000 kws thru the rehabilitation/expansion of the project's weir and the replacement of the turbines at the power house site as embodied in their Project Description (PD);
2. That all activities to be undertaken in relation thereto shall be limited only and in accordance to the Project Description (PD) and other pertinent instruments filed at the DENR-CAR; and
3. That this certificate carries all the pertinent conditions of the Environmental Compliance Certificates (ECCs) previously issued by the EMF and the DENR-CAR for the development and operations of the Amphohaw Minihydro Power System.

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate and/or a fine in an amount not to exceed fifty thousand pesos (P50,000.00) for every violation thereof, at the discretion of the RED DENR (Section 9 of P.D. 1586).

Given this 30 th day of July Nineteen Hundred and Ninety Five.



OSCAR M. HAMADA
Regional Executive Director
DENR - CAR

Conforme:



IRENE B. RONQUILLO
Vice President
Hydro Electric Dev't. Corp. (HEDCOR)

O.R. No. 8265282 Filing & Processing fee 9300.00 Date 7/31/95
O.R. No. 007747 P.D. 1856 10-87 Date 7/31/95



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF ENVIRONMENT
& NATURAL RESOURCES
CORDILLERA ADMINISTRATIVE REGION

OFFICE OF THE
DENR - CAR

RELEASED

Date: 11-21-95

Time: _____

ENVIRONMENTAL COMPLIANCE CERTIFICATE

The Department of Environment and Natural Resources - Cordillera Administrative Region (DENR-CAR) hereby grants this Environmental Compliance Certificate (ECC) to the proposed Bineng 3 Mini-hydroelectric Plant Expansion Project, a component of the Bineng Minihydro Power System of the Hydro Electric Development Corporation (HEDCOR), located at Bineng, LA Trinidad, Benguet, after complying with the Environmental Impact Assessment (EIA) requirement as prescribed in the promulgated guidelines implementing Section 3 (b) of PD 1121 and 1586.

This Certificate is issued subject to the following conditions:

1. That this certificate is valid only for the proposed expansion of the Bineng 3 Mini-hydroelectric Plant from its present capacity of 3500.00 KWS to 4500.00KWS for an estimated added annum generation of 3,898,000.00 KW-hrs. It shall cover only those activities/modification as stipulated in the Project Description (PD) and other supporting documents submitted to EMPAS, DENR-CAR;
2. Except for the increase in capacity of the Bineng 3 Plant, this Certificate carries all the pertinent conditions of the Environmental Compliance Certificate (ECC) previously issued for the development and operation of the Bineng Minihydro Power System of HEDCOR;
3. That for any change or modification of the submitted development plan, the proponent shall first secure approval from the DENR-CAR prior to implementation;
4. That all mitigating measures for the identified adverse impacts as stipulated in the submitted PD shall be strictly implemented by the proponent;
5. That the proponent shall submit a quarterly progress report to EMPAS, DENR-CAR reckoned from the start of construction;
6. That the proposed expansion shall be subject to on-the-spot monitoring and inspection by DENR-CAR within any reasonable time in coordination with concerned groups;
7. That for any damage/loss to life and/or property/improvements attributed to the implementation of the proposed expansion project, payment of just compensation to the aggrieved parties shall be the obligation of the proponent;
8. That this certificate does not exempt the project from regulatory requirements of other agencies concerned; and

9. That transfer of ownership of the project carries the same condition in this ECC for which a written notification to EMPAS, DENR-CAR shall be made within fifteen (15) days from such transfer.

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate and/or a fine in the amount not to exceed Fifty thousand pesos (P50,000.00) for any violation thereof at the discretion of the DENR (Section 9 of PD 1586).

Issued this 23rd day of November, Nineteen Hundred and Ninety Five.

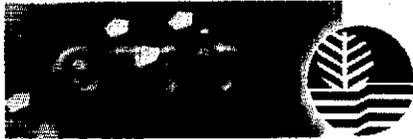
Conforme:

Hydro Electric Development Corporation
(HEDCOR)


*RENE V. RONQUILLO
Vice President


OSCAR M. HAMADA
Regional Executive Director
DENR-CAR

O.R. No. _____ Filing & Processing fee _____ Date _____
O.R. No. _____ P.D. 1856 _____ Date _____



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
Cordillera Administrative Region, Baguio City

MAY 21 2013

ECC Ref. Code: ECC No. CAR 1305 – 0078

MR. BENJAMIN BARTOLOME

Electrical Manager
HEDCOR, Inc.
Ambuklao Road, Obulan
Beckel, Benguet

Subject: **ENVIRONMENTAL COMPLIANCE CERTIFICATE (ECC)**

Dear **Sir Bartolome**:

This refers to your ECC application for the Banengbeng Main Substation to be located at Sablan, Benguet.

After a careful evaluation of the documents submitted for the aforesaid project, this office has decided to grant the an Environmental Compliance Certificate (ECC) which contains our findings and recommendations as a result of evaluation of the EIA document you have submitted to EMB – CAR. All the findings and recommendations shall be integrated by relevant Government Agencies in their decision making prior to the issuance of clearances, permits and licenses under their mandates.

Please be informed however, that this ECC, is not a permit per se and/or the sole requirement needed for project implementation but, a document to show that your project has undergone the Environmental Impact Assessment (EIA) process as required by law (P.D. 1586). In effect, the ECC when faithfully complied with, shall help in enhancing the environmental sustainability of your project. Thus, the need to secure all the other necessary permits from pertinent government agencies/units concerned prior to project implementation. Further, we will be monitoring the project periodically to ensure your compliance to the conditions stipulated in the attached ECC.

May we also remind you to abide with all the conditions stated in your ECC. A penalty of not less than Ten Thousand Pesos (₱ 10,000.00) for every violation of minor conditions and Twenty Five Thousand Pesos (₱ 25,000.00) for very violation of major conditions will be imposed on all types of FIRST Offenses. These penalties are based on the revised Procedural Manual for DAO 2003-30 or the Implementing Rules and Regulations of P.D. 1586. Likewise, penalties for succeeding offenses will also be based on the said manual.

Please be guided accordingly.

Very truly yours,

OSCAR C. CABANAYAN, CESO VI
OIC, Regional Director

"Beat the Heat! Let us work towards a safer climate"

DENR Compound, Gibraltar, Baguio City
Telefax No. (074)446-6440 – Regional Director's Office
Telefax No. (074) 443-4909 – Pollution Control Division/Pollution Laboratory Services, ESWM Coordinator
(074) 446-2881 – Environmental Impact Asst. and Monitoring Division
Telefax No. (074) 442-2346 – Administrative and Finance Division



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
Cordillera Administrative Region
Baguio City

ENVIRONMENTAL COMPLIANCE CERTIFICATE

(Issued under Presidential Decree 1586)
ECC No. CAR 1305 – 0078

This is to certify that the **HEDCOR, INC.** is granted this ECC for the proposed **BANENGBENG MAIN SUBSTATION** located at Banengbeng, Sablan, Benguet by the Department of Environment and Natural Resources (DENR), through the Environmental Management Bureau –Cordillera Administrative Region (EMB-CAR) **SUBJECT ONLY** to the conditions and restrictions set-out in this Certificate.

PROJECT DESCRIPTION

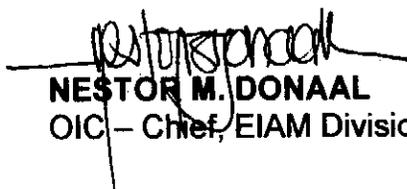
(Group II, C. Other Power Plants and Power Facilities)

The project involves the development of a main substation and its appurtenances including, among others, an access road, control room, oil & water separator, and/or, as described in the submitted documents. The main substation is approximately located in the intersection of geographical coordinates 16°30'50.56" North Latitude and 120°32'20.17" East Longitude.

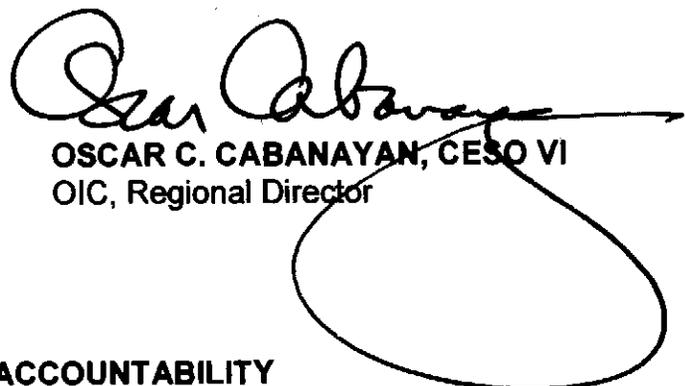
This ECC is issued in compliance to the requirements of Presidential Decree No. 1586 in accordance to Department Administrative Order No. 2003-30. EMB, DENR – CAR, however, is not precluded from reevaluating, adding, removing and correcting any deficiencies or errors that may be found to be inconsistent with the Revised Procedural Manual for DAO 2003-30 after issuance of this Certificate.

Issued on MAY 21 2013 .

RECOMMENDING APPROVAL:


NESTOR M. DONAAL
OIC – Chief, EIAM Division

APPROVED BY:


OSCAR C. CABANAYAN, CESO VI
OIC, Regional Director

STATEMENT OF ACCOUNTABILITY

HEDCOR, INC., the proponent of the above mentioned project located at Banengbeng, Sablan, Benguet, takes full responsibility in complying with all conditions stipulated in this Environmental Compliance Certificate (ECC) as well as in the Impact Assessment and Mitigation Section as contained in the Initial Environmental Examination Checklist. Further, I HEREBY CERTIFY that the information provided to the EMB, DENR – CAR pertaining to this project are true and correct to the best of my personal knowledge and based on the records on my possession.

MR. BENJAMIN BARTOLOME

I. CONDITIONS

ENVIRONMENTAL MANAGEMENT

The proponent shall strictly implement/comply the following mitigating, enhancement and rehabilitating measures:

1. The proponent shall ensure that all commitments, mitigating/enhancement measures described in the EIA documents and other submissions shall be instituted and strictly implemented throughout the project implementation;
2. Earth materials and other construction spoils shall be disposed-off properly in an appropriate disposal site(s) and to be maintained in a stable and non-pollutive condition. The same shall be prevented from deposition to and along public roads, natural water ways, and water bodies; and
3. The proponent shall, among others, restore/affected areas for the watershed to function effectively.

GENERAL CONDITIONS

Further administrative conditions for the grant of this Certificate shall be strictly complied:

1. The legal requirements pursuant to RA 6969 also known as the Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990, RA 9275 or The Philippine Clean Water Act of 2004 and, RA 8749 also called The Philippine Clean Air Act of 1999 shall be secured whenever applicable consistent to the implementation of the project. Compliance to said requirements shall be coordinated with the Pollution Control Division (PCD) of EMB-CAR;
2. Secure necessary permit(s)/clearances relative the project implementation as required by other concerned agencies;
3. The proponent shall allow entry of EMB-CAR field personnel into the project site at all times to conduct tangible monitoring and to validate project's compliance to the ECC conditions stipulated therein, the EMP and, proposed mitigating measures;
4. The proponent shall submit semi – annually to EMB-CAR a Compliance Monitoring Report one month (1) after every semester. Compliance to the said requirements shall be coordinated with EMB- CAR;
5. The proponent shall cause the implementation of any undertaking which may be imposed by EMB-CAR as a result of Technical Conference/s called relative to environmental issues arising from the implementation of the project;
6. The proponent shall, in coordination with EMB, DENR-CAR, participate in the adopt an Estero/River and/or the Water Quality Management Area (WQMA) Program of EMB-CAR;
7. For the information of the public, a billboard of appropriate size containing this message “**Notice to the Public, This project (title of the project) of**

ECC No.	:	CAR 1305 - 0078
Project Name	:	Banengbeng Main Substation
Project Proponent	:	HEDCOR, INC.

(Name of the proponent) has been issued an Environmental Compliance Certificate (ECC Number) by the Environmental Management Bureau of the Department of Environment and Natural Resources – Cordillera Administrative Region on (date)” shall be installed, during the construction/development phase, along places visible to the public. A picture(s) showing the same shall be attached to the compliance report as proof of its compliance; and

8. The proponent, where applicable, shall undergo the requirements of DENR-CAR including, but not limited to, those under PD 705 otherwise known as the Forestry Code of the Philippines and the latest issuances relative thereto with regard to the trees to be affected.

II. RESTRICTIONS:

The proponent is strictly subjected to the following restrictions:

1. Project development shall be in accordance with the submitted documents. Major modifications and/or expansion shall be subject to the Environmental Impact Statement (EIS) System requirement;
2. Any transfer of project proprietorship carries the same conditions and restriction in this ECC for which a written notification to the EMB-CAR shall be made by the transferee within fifteen (15) days from such transfer; and
3. This Certificate shall be considered automatically expired if the project construction has not commenced within a period of five (5) years from the issuance thereof. Request for extension of the same shall be made within three months from its expiration.



Non-compliance with any of the conditions shall be a sufficient cause for the cancellation or suspension of this Certificate and/or imposition of a fine in an amount not to exceed Fifty Thousand Pesos (50,000) for every violation thereof.

O.R. No.		Procedural Screening Fee	₱ 300.00	Date	
O.R. No.	858 7667	Database Management Fee	₱ 1,000.00	Date	May 22, 2013
O.R. No.		Processing Fee	₱ 2,700.00	Date	

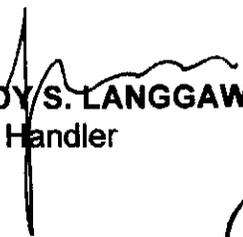
ECC No.	:	CAR 1305 - 0078
Project Name	:	Banengbeng Main Substation
Project Proponent	:	HEDCOR, INC.

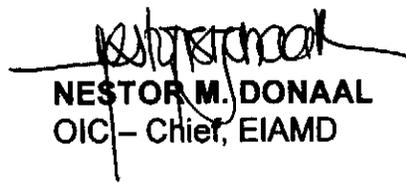
PROJECT ASSESSMENT PLANNING TOOL

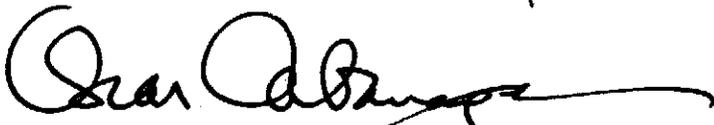
For the assistance of the Proponent, other DENR Divisions/Bureau's, other concerned government agencies and LGUs in the management of the project and for better coordination in mitigation on the impact of the project on its surrounding areas and to the environment.

By way of recommendation, the following have been taken notice by the EIA case handler and are forwarding these recommendations to the parties and authorities concerned for proper appreciation and action, and integration into their decision – making process.

1. Priority employment of qualified local residents during the development and operation of the project;
2. The project should be undertaken properly during reasonable time periods so as not to cause undue disturbance;
3. Tight supervision of the development of the project by competent technical personnel to ensure that standards and requirements of sound engineering, safety and health practices are strictly followed;
4. The recommendation(s) cited in the Geohazard Identification Report prepared for the said project should be given preferential consideration;
5. Adoption of a sewage treatment facility not limited to the utilization of a three (3) – chambered septic tank instead of the usual two (2) – chambered septic tank of which the regular de-sludging of the same by legal entities should be ensured purposed on protecting the receiving ecosystems. and
6. Development should be undertaken on geologically stable areas.


RANDY S. LANGGAWAN
 Case Handler


NESTOR M. DONAAL
 OIC – Chief, EIAMD


OSCAR C. CABANAYAN, CESO VI
 OIC, Regional Director

NOTE: NOT VALID WITHOUT SEAL

ECC No.	:	CAR 1305 - 0078
Project Name	:	Banengbeng Main Substation
Project Proponent	:	HEDCOR, INC.



Environmental Management Bureau

ENVIRONMENTAL COMPLIANCE CERTIFICATE

The Environmental Management Bureau (EMB) hereby grants this Environmental Compliance Certificate (ECC) to the proposed Irian Mini Hydro Power Project of HYDRO ELECTRIC DEVELOPMENT CORP. (HEADCOR) to be located in Aguyao, Tadiangan, Tuba, Benguet, after complying with the Environmental Impact Assessment (EIA) requirement as prescribed in the promulgated guidelines implementing Section 3 (b) of P.D. 1121 and 1500.

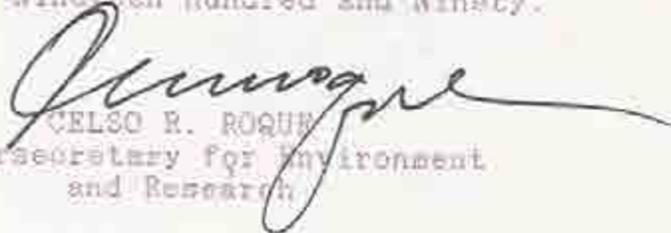
This Certificate is being issued subject to the following conditions:

1. That the plant's power capacity and annual energy production shall not exceed 1,000 kilowatts and 4,533,00 kw-hrs. respectively;
2. That the stability of the dam/weir shall be monitored and ensured;
3. That proper mitigating measures shall be undertaken to minimize water, air, noise and dust pollution generated during the project facilities construction i.e. weir, power conduits, forebay, penstocks, power house and transmission lines;
4. That no construction of an access road shall be undertaken;
5. That the noise generated from the churning of the turbines shall be kept within the prescribed limits;
6. That fish screens shall be properly installed to protect the fish from entering the reservoir;
7. That a just appropriate compensation scheme shall be devised and implemented for damaged crops and/or properties;
8. That contingency plans shall be provided in case of accidents e.g. dam failure, etc.; and
9. That appropriate mitigating measures shall be devised and effected to minimize any adverse impacts of the project on the uses of the river downstream the project site.

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this

Certificate and/or a fine in an amount not to exceed Fifty Thousand Pesos (P50,000.00) for every violation thereof, at the discretion of the Bureau (Sec. 9 of P.D. 1586).

Given this 3rd day of May, Nineteen Hundred and Ninety.


CELSO R. ROQUE
Undersecretary for Environment
and Research

/ARB/EAS/cb*



ENVIRONMENTAL COMPLIANCE CERTIFICATE

CAR 1006 – 101 – 4021

The Department of Environment and Natural Resources (DENR) thru the Environmental Management Bureau – Cordillera Administrative Region (EMB-CAR) hereby grants this Environmental Compliance Certificate (ECC) to **HEDCOR, INC.** for the proposed **IRISAN 1 HYDROELECTRIC POWER PLANT (run-of-river) PROJECT** located at Tadiangan, Tuba, Benguet, after complying with the Environmental Impact Assessment (EIA) requirements as prescribed in the promulgated guidelines implementing section 3 (b) of P.D. 1586.

This Certificate is further specified as follows:

A. Scope:

1. This Certificate is valid only for the development and operation of the abovementioned project including, among others, the installation of transmission lines, the construction of access roads and/or, as described in the submitted documents;
2. This Certificate does not exempt the project from the legal requirements of other concerned agencies;

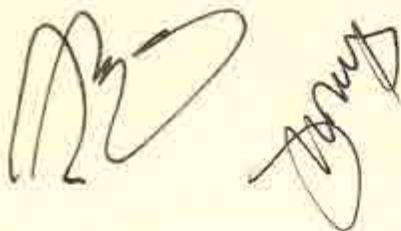
B. Conditions:

1. The development and operation of the power plant and its appurtenant facilities shall be in accordance with the submitted documents. Any major modification and/or expansion shall be subject to the Environmental Impact Statement (EIS) System requirement;
2. Earth materials and other construction spoils shall be disposed off properly in pre-determined appropriate disposal area(s) and to be maintained in a stable and non-pollutive condition;
3. Earth and other construction spoils, solid wastes and other form of wastes shall be prevented from deposition to and along the Elew Creek and other areas outside of the designated disposal site;
4. The legal requirements pursuant to RA 8749 or the Philippine Clean Air Act of 1999, RA 9275 or otherwise known as The Philippine Clean Water

Act and, RA 6969, The Toxic Substances, Hazardous Waste, and Nuclear Waste Control Act of 1990, where applicable, shall be secured consistent to the operation of the project. Compliance to said requirements shall be coordinated with the EMB-CAR;

5. The project, where applicable, shall undergo the permitting requirements of P.D. 705 otherwise known as the Forestry Code of the Philippines and the latest DENR issuances relative thereto with regard to the trees affected;
6. The proponent shall properly restore/rehabilitate any environmental damage(s) resulting from project related activities;
7. Consistent with the project operation, a watershed management and enhancement plan shall be formulated and implemented in coordination with the DENR;
8. The proponent shall submit to EMB-CAR one (1) year prior to the final shutdown of the facility a comprehensive abandonment plan. In relation, the EMB shall first review and approve the environmental aspects/components of the plan consistent with EMB functions prior to implementation;
9. The proponent shall submit to EMB-CAR a quarterly report, providing for, among others, the status of project implementation, the project compliance to ECC conditions and, the proponent's response to related issues/concerns arising thereof;
10. The project is subject to on-the-spot monitoring/inspection at any reasonable time by the EMB-CAR which may be in coordination with concerned groups;
11. The proponent shall cause the implementation of any undertaking which may be imposed by the EMB-CAR as a result of Technical Conference/s called relative hereof;
12. This Certificate shall be deemed automatically expired if the project is not implemented within five (5) years from the date of issuance; and
13. Any transfer of project proprietorship or project name carries the same conditions in this ECC for which notification to the EMB-CAR shall be made by the proponent within fifteen (15) days from such transfer.

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate, administrative sanctions against the office head and/or imposition of fine in the amount not to exceed Fifty Thousand Pesos (P 50,000.00) for every violations thereof, at the discretion of the DENR (Section 9 of P. D. 1586).



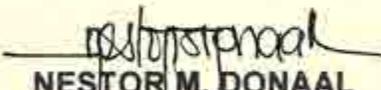
C. Recommendations (for the consideration of the proponent, Local Government Unit concerned and, other concerned agencies in the issuance of applicable permits/authorities):

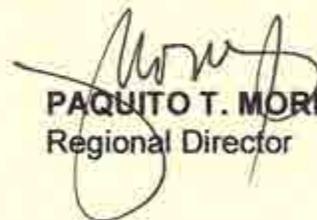
1. The appurtenant physical structures of the project where applicable, are subject to the requirements of the National Building Code of the Philippines. Compliance to the same should be coordinated with the concerned Local Building Official;
2. The implementation and operation of the project should include a provision for the adoption and implementation of a solid wastes (garbage) collection and disposal scheme consistent with the provisions of RA 9003 (The Ecological Solid Waste management Act of 2000);
3. The proponent should coordinate with the surrounding stakeholder communities and concerned government agencies for the development and implementation of a doable watershed/forest resource management program to maintain and enhance the hydrological and ecological system of the project watershed;
4. Qualified local residents should be given priority employment during the development and operation of the project;
5. Water to be used for power generation should be limited to the volume specified in the permit issued by the National Water Resources Board; and
6. Use of explosives should be covered by license/s to be issued by the concerned government agency/ies.

Issued this 07 day of JULY, Year Two Thousand Ten.

RECOMMENDING APPROVAL:

APPROVED:


NESTOR M. DONAAL
Chief, EIA Division

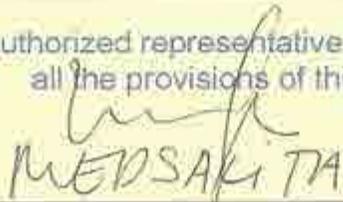

PAQUITO T. MORENO, JR.
Regional Director

O.R. No.	Procedural Screening Fee	₱ 300.00	Date	
O.R. No. <u>1818/10</u>	Database Management Fee	₱ 1,000.00	Date	<u>7-8-10</u>
O.R. No. _____	Processing Fee	₱ 2,700.00	Date	_____

NOTE: NOT VALID WITHOUT SEAL



The proponent/authorized representative has read and understood
all the provisions of this ECC


MEDSAKI TA

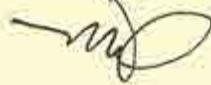
Signature Over Printed Name of Proponent
Or Authorized Representative



Authorized EMB Personnel

08-03-10

Date

08/03/10




Republic of the Philippines
Department of Environment and Natural Resource
ENVIRONMENTAL MANAGEMENT BUREAU

DENR Compound, Gibraltar, Baguio City
Telephone No. (074) 442-2346, (074) 446-2881, (074) 443-4909 Fax No. (074) 446-6440
car@emb.gov.ph

Visit us at <http://www.emb.gov.ph/portal/car>

May 14, 2019

MS. DARLENE C. ARGUELLES
VP-Corporate and Regulatory Affairs, Hedcor, Inc.
214 Ambuciao Road, Obulan,
Beckel, La Trinidad, Benguet

Subject: **ENVIRONMENTAL COMPLIANCE CERTIFICATE AMENDMENT**

Dear Ms. Arguelles:

This refers to the application for the amendment of the Environmental Compliance Certificate (ECC) issued on May 3, 1990 for the Irisan 3 Hydroelectric Power Project located at Barangay Tadiangan, Tuba, Benguet.

After careful evaluation of the submitted documents to support the said request and in consideration of the payment of PHP 2,050 under O.R. number 267392/1700 dated MAY 24 2019, this office has decided to grant the ECC amendment. This ECC supercedes the original ECC issued on May 3, 1990.

With the issuance of this ECC, you are expected to implement the measures intended to protect and mitigate the project's adverse impacts on community health, welfare and the environment. Environmental considerations shall be incorporated in all phases and aspects of the project and all the necessary permits must be secured from other pertinent Government agencies. This Office will be monitoring the project periodically to ensure your compliance with stipulations cited in the attached ECC.

Please be guided accordingly.

Very truly yours,


MA. VICTORIA V. ABRERA
Regional Director



20193017



Republic of the Philippines
Department of Environment and Natural Resource
ENVIRONMENTAL MANAGEMENT BUREAU

DENR Compound, Gibraltar, Baguio City
Telephone No. (074) 665-2904 Fax No. (074) 446-6440
car@emb.gov.ph
Visit us at <http://www.emb.gov.ph/portal/cnr>

ENVIRONMENTAL COMPLIANCE CERTIFICATE

(1st Amendment)
ECC-CAR-1905-0001

This is to certify that the proponent, **Hedcor, Inc.**, represented by **Ms. Darlene C. Arguelles**, Vice President for Corporate and Regulatory Affairs, is granted this Environmental Compliance Certificate (ECC) for the **1.8-MW Irian 3 Hydroelectric Power Project** located along the **Elew River at Barangay Tadiangan, Municipality of Tuba, Province of Benguet** by the Department of Environment and Natural Resources (DENR), through the Environmental Management Bureau (EMB).

SUBJECT ONLY to the conditions and restrictions set in this ECC and in the attached document labeled as Annexes "A", "B" and "C".

This Certificate is issued with the following details:

PROJECT DESCRIPTION

The ECC covers the operation of the 1.8-MW Irian 3 Hydroelectric Power Project located along the Elew River at Barangay Tadiangan, Municipality of Tuba, Province of Benguet.

Its main facilities are located at Tadiangan, Tuba, Benguet, approximately at the intersection of the following geographical coordinates:

- Weir/intake 16°26'4.17"N, 120°31'51.38"E.
- Powerhouse 16°25'43.88"N, 120°31'32.69"E.

The other project components is attached at Annex "C" hereof.

This Certificate is issued in compliance with the requirements of Presidential Decree No. 1586, and in accordance to DENR Administrative Order (D.A.O.) No. 2003-30. The EMB, however, is not precluded from reevaluating and correcting any deficiencies or errors that may be found after issuance of this Certificate.

This ECC supercedes the original ECC issued on May 3, 1990.

Issued at EMB-CAR, DENR Compound, Gibraltar, Baguio City this MAY 28 2019

Recommending Approval:

NESTOR M. DONAAL

OIC-Chief, Clearance & Permitting Division

Approved:

MA. VICTORIA V. ABRERA
Regional Director

L. CONDITIONS

ENVIRONMENTAL MANAGEMENT

All commitments, mitigating measures and monitoring requirements, contained in the Initial Environmental Examination Checklist Report for the hydroelectric power project, particularly in the Environmental Management Plan/ Environmental Monitoring Plan, including any modifications and/or additional information as approved by the EMB, shall be instituted to minimize any adverse impact of the project to the environment throughout its implementation, which shall include among others, to wit:

1. Timely construction of applicable slope stabilization measures along affected and geologically unstable areas to protect adjacent properties/environment from erosion; and
2. The implementation and operation of the project should include a provision for the adoption and implementation of a solid wastes collection and disposal scheme consistent with the provisions of RA 9003 (The Ecological Solid Waste Management Act of 2000);

GENERAL CONDITIONS

3. The legal requirements pursuant to RA 6969 (The Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990), RA 8749 (The Philippine Clean Air Act of 1999), RA 9003 (Ecological Solid Waste Management Act of 2000) and RA 9275 (The Philippine Clean Water Act of 2004) shall be secured whenever applicable consistent with the operation of the project. Compliance with the said requirements shall be coordinated with the Clearance and Permitting Division of EMB-CAR.
4. Secure necessary permit(s)/clearances/authority as may be required relative to project implementation/ operation, including its support facilities and construction materials needing permit from concerned local and national agencies;
5. The proponent shall allow entry of EMB-CAR personnel into the project site at all times to conduct monitoring and to validate the project's compliance with the ECC conditions stipulated herein;
6. Preservation of existing vegetation within the project areas shall be instituted as an essential component of the development/improvement. However, if the cutting thereof is inevitable, 100% tree inventory shall be conducted and applicable permits should first be secured from the DENR;
7. The proponent shall submit to EMB-CAR a Compliance Monitoring Report (CMR) within fifteen (15) days after every semester;
8. The proponent shall cause the implementation of any undertaking which may be imposed by EMB-CAR as a result of Technical Conference/s called relative to environmental issues arising from the operation of the project;

9. Any transfer of project ownership carries the same conditions and restrictions in this ECC for which a written notification to the EMB-CAR shall be made by the transferee/transferee within fifteen (15) days from such transfer;
10. The proponent shall submit to EMB-CAR one (1) year prior to the final shutdown of the facility a comprehensive decommissioning plan. In relation, the EMB shall first review and approve the environmental aspects/components of the plan consistent with the EMB functions prior to implementation;
11. This certificate shall neither be construed as a grant of title nor conferment of any ownership rights to the proponent relative to the land area where the project is located, and
12. EMB-CAR reserves the right to cancel or withdraw this certificate for any misrepresentation of facts vital to the issuance of this certificate and for any violation of the conditions stipulated hereof;
13. Excess earth materials and other construction spoils shall be disposed-off properly in pre-designated disposal site/s;
14. Project development shall be in accordance with the submitted documents. Major modifications and/or expansion shall be subject to a new Environmental Impact Assessment (EIA) requirement; and
15. All temporary facilities/structures should be properly demolished and debris deposited along water channels as deemed caused by the proponent/contractor shall be removed in order not to impede the natural flow of the water

Non-compliance with any of the provisions of this Certificate shall be a sufficient cause for the cancellation of this Certificate and/or imposition of a fine in an amount not to exceed Fifty Thousand Pesos (P50, 000.00) for every violation thereof without prejudice to imposition of fines and penalties under other environmental laws.



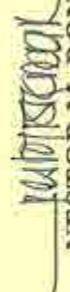
PROJECT ASSESSMENT PLANNING TOOL

For the assistance of the Proponent and the Government agencies concerned in the management of the Project and for better coordination in mitigation of the impacts of the Project on its surrounding areas and the environment, and by way of recommendation, forwarding these recommendations to the parties and authorities concerned for appropriate action.

OTHER REGULATORY REQUIREMENTS/CONDITIONS	CONCERNED GOVERNMENT AGENCIES/ENTITIES
1. Compliance with the latest Labor Code of the Philippines	DOLE – Bureau of Working Condition
2. Compliance with the latest Sanitation Code of the Philippines	Department of Health (DOH)
3. Compliance with the Ecological Solid Waste Management Act.	Local Government Unit
4. Compliance with the latest Building Code of the Philippines and the National Structural Code of the Philippines (2010 Edition)	LGU Concerned / DPWH
5. Compliance with the Zoning Ordinance of the Municipality of La Trinidad	LGU Concerned
6. Secure Tree Cutting Permit/Special Land Use Permit (SLUP)/Forest Land Agreement (FLAG)	DENR

ENVIRONMENTAL PLANNING RECOMMENDATION FOR THE PROPONENT

1. The appurtenant physical structures of the project shall be subject to the requirements of the National Building Code and the National Structural Code of the Philippines (2010 Edition). Compliance to the same should be coordinated with the Tuba Building Official.
2. Preferential employment shall be given to qualified, competent and physically fit local residents. Adequate public information for jobs available to local residents in the affected areas shall be provided.
3. Construction activities employing the use of heavy equipment shall be undertaken at reasonable time periods so as not to cause undue disturbance to nearby residents especially during night time;
4. Strict supervision of the project implementation shall be employed to ensure that standards and requirements of sound engineering, safety and health practices are strictly followed;
5. Working areas should have appropriate warning signs, lighting during night time and adequate railings/barricade to prevent accident; and
6. The project engineer and the contractor shall strictly comply with the conditions of this ECC and of the Environmental Management Plan during construction phase to ensure environmentally sound implementation of the project.


NESTOR M. DONAAL
 OIC-Chief, Clearance & Permitting Division


MA. VICTORIA V. ABRERA
 Regional Director

PROJECT COMPONENT	DESCRIPTION/SPECIFICATION
Diversion Weir	<i>Type:</i> Side Intake <i>Length:</i> 14.80 meters <i>Width:</i> 1.0 meter <i>Height:</i> 1.8 meters
Desander	<i>No. of Basins:</i> 1 <i>Length:</i> 6.84 meters <i>Width:</i> 3.95 meters <i>Height:</i> 3.97 meters
Headrace	<i>Type:</i> RCPC <i>Length:</i> 478 meters <i>Width:</i> 0.95 meter <i>Thickness:</i> 100 mm.
Penstock	<i>Length:</i> 500.85 meters <i>Width:</i> 600 mm <i>Thickness:</i> 6.35-12 mm.
Power house	<i>Length:</i> 19.80 meters <i>Width:</i> 12.75 meters <i>Turbine:</i> Two (2) units Horizontal Pelton of Synchronous Generators

Conforme:



MS. DARLENE C. ARGUELLES
 VP-Corporate and Regulatory Affairs
 Hedcor, Inc.

SWORN ACCOUNTABILITY STATEMENT

I, **MS. DARLENE C. ARGUELLES**, VP for Corporate and Regulatory Affairs of Hedcor, Inc. with office address at 214 Ambucloao Road, Obulan, Beckel, La Trinidad, Benguet takes full responsibility in complying with all conditions in this Environmental Compliance Certificate (ECC).



MS. DARLENE C. ARGUELLES

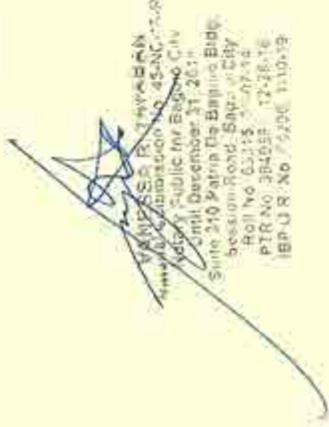
Signature

TIN No. _____

Subscribed and sworn before me this MAY 24 2019, the above-named affiant taking oath presenting Passport No. P3660554A, issued on July 4, 2017 at DFA Baguio.

Doc. No. 226
Page No. 48
Book No. V1
Series of 2019

Notary Public



VANESSA R. TRIVERRAN
Notary Public, No. 45-A, ...
Notary Public for Benguet City
Dinh, December 31, 2017
Suite 210 Patricia Building Bldg.
Bessou Road, Baguio City
Roll No. 63315-2017
PTR No. 38405F-12-18-16
IBP-U.R. No. 75206-110019



Republic of the Philippines
 Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU

Cordillera Administrative Region
 Baguio City

Office of the
 Regional Director
 EMB-CAR
RECEIVED
 By: *[Signature]* Date: 4/13
RELEASED
 By: *[Signature]* Date: 4/12

April 13, 2018

ENGR. CHRIS FERNANDO B. FAELNAR
 Senior Vice President
 Hedcor, Inc.
 214 Ambuklao Rd., Beckel, La Trinidad, Benguet

SUBJECT : AMENDMENT OF ECC NO. ECC-CAR-1703-0001 ISSUED TO HEDCOR, INC. ON APRIL 28, 2017 FOR THE PROPOSED 19 MW BINENG COMBINED HYDROELECTRIC POWER PROJECT SPANNING THREE BARANGAYS NAMED BINENG, ALAPANG AND ALNO, LOCATED IN THE MUNICIPALITY OF LA TRINIDAD, BENGUET

Dear Engr. Faelnar:

This has reference to the letter dated March 20, 2018, received by this Office on March 27, 2018, requesting for an amendment of the Environmental Compliance Certificate (ECC) numbered ECC-CAR-1703-0001 issued on April 28, 2017 for the change in the project name from '19 MW Bineng Combined Hydroelectric Power Project' to '19 MW La Trinidad Hydroelectric Power Project'. The said change of project name was officially approved by the Department of Energy per the letter dated January 22, 2018 of Secretary Alfonso G. Cusi.

After careful evaluation of the submitted documents and in consideration of the payment of Php 1,050.00 under O.R. numbers 2673603 and 7643508 dated April 12, 2018, this Office has decided to grant the ECC amendment. The introductory paragraph of the ECC shall now read as follows:

"THIS IS TO CERTIFY THAT the Hedcor, Inc. herein represented by its Senior Vice President, Engr. Chris Fernando B. Faelnar, is granted this ECC for the proposed 19 MW La Trinidad Hydroelectric Power Project located along the stretch of Balili River within the jurisdiction of Barangays Bineng, Alno and Alapang, Municipality of La Trinidad, Benguet by the Department of Environment and Natural Resources (DENR), through the Environmental Management Bureau (EMB)."

All other provisions of the ECC numbered ECC-CAR-1703-0001 issued on April 28, 2017 and its approved amendment (change in project design) issued on September 18, 2017 not herein amended shall remain valid and existing. Consequently, non-compliance with the said conditions shall be sufficient cause for the imposition of fines in accordance with the penal provisions of PD 1586 and/or cancellation of the ECC.

This letter shall be attached to and shall form part of the aforementioned ECC.

For information and record.

Very truly yours,

[Signature]
REYNALDO S. DIGAMO
 OIC, Regional Director

DENR Cmpd., Gibraltar Rd.
 Baguio City 2600
 P.O. Box 1959

EMB-CAR - RECORDS UNIT
 RECEIVED *[Signature]* ON: 4/16/18
 RELEASED *[Signature]* ON: 4/17/18
 FILED BY: *[Signature]* ON: _____

Telefax No. (074) 444-6440
 Tel. No. (074) 442-2346/ 442-3896
 (074) 446-2881/ 443-4909



ECC-AMEND-65-2018
 17/04/2018 8:45:58 AM



Republic of the Philippines
Department of Environment and Natural Resource
ENVIRONMENTAL MANAGEMENT BUREAU

DENR Compound, Gibraltar, Baguio City
Telephone No. (074) 442-2346, (074) 446-2881, (074) 443-4909 Fax No. (074) 446-6440
car@emb.gov.ph
Visit us at <http://www.emb.gov.ph/portal/car>

April 28, 2017

ECC-CAR-1703-0001

ENGR. CHRIS FERNANDO B. FAELNAR
Senior Vice President
Hedcor, Inc.
214 Ambuklao Rd., Beckel, La Trinidad, Benguet

Subject: **ENVIRONMENTAL COMPLIANCE CERTIFICATE**

Dear Engr. Faelnar:

This refers to the Environmental Compliance Certificate (ECC) application for the **19 MW Bineng Combined Hydroelectric Power Project** described by its geographical coordinates approximately within $120^{\circ}35'E$ to $120^{\circ}34'E$ and $16^{\circ}27'N$ to $16^{\circ}28'N$ spanning three barangays namely Bineng, Alapang and Alno, located in the Municipality of La Trinidad.

After satisfying the requirements of the said application, this Bureau has decided to grant an ECC for the above-mentioned project.

With the issuance of this ECC, you are expected to implement the measures presented in the Environmental Impact Statement (EIS), intended to protect and mitigate the project's adverse impacts on community health, welfare and the environment. Environmental considerations shall be incorporated in all phases and aspects of the project. You may proceed with the project implementation after securing all the necessary permits from other pertinent Government agencies. This Office will be monitoring the project periodically to ensure your compliance with stipulations cited in the attached ECC.

Please be guided accordingly.

Very truly yours,


REYNALDO S. DIGAMO
OIC, Regional Director



Republic of the Philippines
Department of Environment and Natural Resource
ENVIRONMENTAL MANAGEMENT BUREAU

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ENVIRONMENTAL COMPLIANCE CERTIFICATE

(Issued under Presidential Decree 1586)

ECC-CAR-1703-0001

This is to certify that the **Hedcor, Inc.** herein represented by its Senior Vice President, **Engr. Chris Fernando B. Faelnar**, is granted this ECC for the proposed **19 MW Bineng Combined Hydroelectric Power Project** located along the stretch of Balili River within the jurisdiction of Barangays Bineng, Alno and Alapang, Municipality of La Trinidad, Benguet by the Department of Environment and Natural Resources (DENR), through the Environmental Management Bureau (EMB).

SUBJECT ONLY to the conditions and restrictions set in this ECC and in the attached document labelled as Annexes A and B.

This Certificate is issued with the following details:

PROJECT DESCRIPTION

The ECC covers the development and operation of the 19 MW Bineng Combined Hydroelectric Power Project, which comprises a total area of 31.5373 hectares, to be located along the Balili River within the jurisdiction of Barangays Bineng, Alno and Alapang, Municipality of La Trinidad, Benguet. The project involves the integration of the three existing Bineng Plants (Bineng 1, Bineng 2 and Bineng 2b) to a single 19 MW capacity hydropower plant.

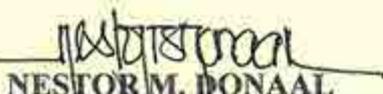
The project development will entail the abandonment/decommissioning/rehabilitation of the three existing plants and, the construction of a new weir, headrace pipe, desander, penstock powerhouse, and access roads. It will also involve the improvement of existing access roads and upgrading of the existing 23 kVA transmission line to 69 kVA.

The project components is attached as Annex 'C' hereof.

This Certificate is issued in compliance with the requirements of Presidential Decree No. 1586, and in accordance to DENR Administrative Order (D.A.O.) No. 2003-30. The EMB, however, is not precluded from reevaluating and correcting any deficiencies or errors that may be found after issuance of this Certificate.

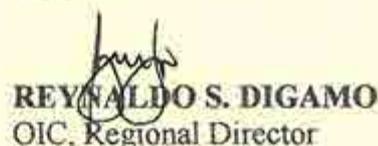
Issued at EMB-CAR, DENR Compound, Gibraltar, Baguio City this April 28, 2017.

Recommending Approval:


NESTOR M. DONAAL

OIC-Chief Clearance & Permitting Division

Approved:


REYNALDO S. DIGAMO
OIC, Regional Director

SWORN ACCOUNTABILITY STATEMENT

I, ENGR. CHRIS FERNANDO B. FAELNAR, Senior Vice President of the Hedcor, Inc., with Office address at 214 Ambuklao Rd., Beckel, La Trinidad, Benguet, takes full responsibility in complying with all conditions in this Environmental Compliance Certificate (ECC).



ENGR. CHRIS FERNANDO B. FAELNAR
Signature

TIN No. 001-946-873-00000

Subscribed and sworn before me this 28th day of April, 2017 the above-named affiant taking oath presenting Community Tax Certificate No. 21430062, issued on January 14, 2017 at La Trinidad, Benguet.

Notary Public

Doc. No. 305
Page No. 59
Book No. IV
Series of 2017



VANESSA B. TATABAN
Notarial Commission No. 64-NC-16-R
Notary Public for Baguio City
Until December 31, 2017
Suite 310 Patria De Baguio Bldg.
Session Road, Baguio City
Roll No. 63315, 05-07-14
PTR No. 2946884 1-06-17
IBP O.R. No. 1061981 1-09-17

L CONDITIONS**ENVIRONMENTAL MANAGEMENT**

All commitments, mitigating measures and monitoring requirements, contained in the Environmental Impact Statement (EIS) for the proposed 19 MW Bineng Combined Hydroelectric Power Project, particularly in the Environmental Management Plan/ Environmental Monitoring Plan, including any modifications and/or additional information as approved by the EMB, shall be instituted to minimize any adverse impact of the project to the environment throughout its implementation, which shall include among others, to wit:

1. Timely construction of applicable slope stabilization measures along affected and geologically unstable areas to protect adjacent properties/environment from erosion;
2. The implementation and operation of the project should include a provision for the adoption and implementation of a solid wastes collection and disposal scheme consistent with the provisions of RA 9003 (The Ecological Solid Waste Management Act of 2000); and
3. Consistent with the project development, a watershed management and enhancement plan shall be formulated, submitted and implemented during the construction and operation stages of the project in coordination with the DENR.

GENERAL CONDITIONS

4. The legal requirements pursuant to RA 6969 (The Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990), RA 8749 (The Philippine Clean Air Act of 1999), RA 9003 (Ecological Solid Waste Management Act of 2000) and RA 9275 (The Philippine Clean Water Act of 2004) shall be secured whenever applicable consistent with the implementation/operation of the project. Compliance with the said requirements shall be coordinated with the Clearance and Permitting Division of EMB-CAR;
5. Regularly secure necessary permit(s)/clearances/authority as may be required relative to project implementation/ operation, including its support facilities and construction materials needing permit from concerned local and national agencies;
6. The proponent shall allow entry of EMB-CAR personnel into the project site at all times to conduct monitoring and to validate the project's compliance with the ECC conditions stipulated herein;
7. Preservation of the trees along the road right-of-way shall be instituted as an essential component of the development/improvement. However, if the cutting thereof is inevitable, 100% tree inventory shall be conducted and CUTTING PERMIT should be secured first from the DENR;
8. The proponent shall submit to EMB-CAR within fifteen (15) days after every quarter a Self-monitoring Report (SMR) and, a Compliance Monitoring Report (CMR) semi-annually;

9. The proponent shall cause the implementation of any undertaking which may be imposed by EMB-CAR as a result of Technical Conference/s called relative to environmental issues arising from the implementation of the project;
10. Any transfer of project ownership carries the same conditions and restrictions in this ECC for which a written notification to the EMB-CAR shall be made by the transferee/transferor within fifteen (15) days from such transfer;
11. The proponent shall submit to EMB-CAR one (1) year prior to the final shutdown of the facility a comprehensive decommissioning plan. In relation, the EMB shall first review and approve the environmental aspects/components of the plan consistent with the EMB functions prior to implementation;
12. The project shall undergo the requirements specified in the implementing guidelines of the Department Administrative Order No. 2003-30 if the project is not implemented within five (5) years from the issuance thereof; and
13. This certificate shall neither be construed as a grant of title nor conferment of any ownership rights to the proponent relative to the land area where the project is located.

II. RESTRICTIONS

14. Excess earth materials and other construction spoils shall be disposed-off properly in a pre-designated disposal site/s (with geographical coordinates/geotags) and to be maintained in a stable and non-pollutive condition. Any modifications in the predesignated disposal sites or outside of the SLUP shall require approval by the EMB;
15. Project development shall be in accordance with the submitted documents. Major modifications and/or expansion shall be subject to a new Environmental Impact Assessment (EIA) requirement;
16. All temporary facilities/structures should be properly demolished and debris deposited along water channel as deemed caused by the proponent/contractor shall be removed in order not to impede the natural flow of the water;
17. Employment of controlled blasting and, the use of explosives should be covered by license/s to be issued by the concerned government agency/ies;
18. The proponent shall comply with the provisions of the abandonment/rehabilitation plan contained in the EIS for the existing Bineng 1, 2 and 2b hydropower facilities; and
19. All existing conveyance pipe lines that will not be included in the new plan shall be properly removed and to be secured by the proponent. In case such facility/ies will be requested to be turned-over to the landowner/s, such transfer shall be covered by proper documentation.

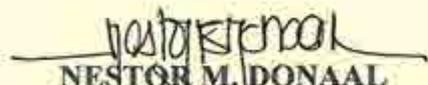
Non-compliance with any of the provisions of this Certificate shall be a sufficient cause for the cancellation of this Certificate and/or imposition of a fine in an amount not to exceed Fifty Thousand Pesos (P50, 000.00) for every violation thereof without prejudice to imposition of fines and penalties under other environmental laws.

PROJECT ASSESSMENT PLANNING TOOL

For the assistance of the Proponent and the Government agencies concerned in the management of the Project and for better coordination in mitigation of the impacts of the Project on its surrounding areas and the environment, and by way of recommendation, forwarding these recommendations to the parties and authorities concerned for appropriate action.

OTHER REGULATORY REQUIREMENTS/CONDITIONS	CONCERNED GOVERNMENT AGENCIES/ENTITIES
1. Compliance with the latest Labor Code of the Philippines	DOLE – Bureau of Working Condition
2. Compliance with the latest Sanitation Code of the Philippines	Department of Health (DOH)
3. Compliance with the Ecological Solid Waste Management Act.	Local Government Unit
4. Compliance with the latest Building Code of the Philippines and the National Structural Code of the Philippines (2010 Edition)	LGU Concerned / DPWH
5. Compliance with the Zoning Ordinance of the Municipality of La Trinidad	LGU Concerned
6. Secure Tree Cutting Permit/Special Land Use Permit (SLUP)/Forest Land Agreement (FLAG)	DENR
7. Secure Water Permit	NWRB
8. Compliance with the IPRA Law	NCIP
ENVIRONMENTAL PLANNING RECOMMENDATIONS FOR THE PROPONENT	
<ol style="list-style-type: none"> 1. The appurtenant physical structures of the project where applicable are subject to the requirements of the National Building Code and the National Structural Code of the Philippines (2010 Edition). Compliance to the same should be coordinated with the La Trinidad Building Official; 2. Preferential employment shall be given to qualified, competent and physically fit local residents. Adequate public information for jobs available to local residents in the affected areas shall be provided; 3. Construction activities employing the use of heavy equipment shall be undertaken at reasonable time periods so as not to cause undue disturbance to nearby residents especially during night time; 4. Dust and soil spillages along roads which are associated with the earthworks and, hauling and delivery of concrete and aggregates should be controlled and should not be a source of nuisance to nearby residents; 	

5. Strict supervision of project implementation by competent technical personnel to ensure that standards and requirements of sound engineering, safety and health practices are strictly followed;
6. Working areas should have appropriate warning signs, lighting during night time and adequate railings/barricade to prevent accident; and
7. The project engineer and the contractor shall strictly comply with the conditions of this ECC and of the Environmental Management Plan during construction phase to ensure environmentally sound implementation of the project.


NESTOR M. DONAAL
OIC, Chief, Clearance & Permitting Division


REYNALDO S. DIGAMO
OIC, Regional Director

PROJECT COMPONENTS

PROJECT COMPONENT/FACILITY	DESCRIPTION/SPECIFICATION
Major Project Components	
Weir and Intake	<p><i>Approximately 4,974 sq. m</i></p> <p><i>Weir Structure</i></p> <ul style="list-style-type: none"> ▪ <i>Approximately 6.3m high</i> ▪ <i>Approximately 13.50m width including Apron</i> <p><i>Intake box Structure</i></p> <ul style="list-style-type: none"> ▪ <i>Approximately 7.40m high, 4.10m wide and 14.0m long</i> <p><i>Control Shed</i></p> <ul style="list-style-type: none"> ▪ <i>Will be housing</i> <ul style="list-style-type: none"> ○ <i>Battery Banks</i> ○ <i>150KVA Standby generator set</i> ○ <i>PLCs</i> <p><i>Equipped with:</i></p> <ul style="list-style-type: none"> ▪ <i>Drop intake trashrack (1.30 m x 22 m) which can accommodate flow up to 7.545 cu. m per sec.</i> ▪ <i>Three maintenance gates with accessories</i>
Headrace	<p><i>Approximately 1,488 sq. m.</i></p> <p><i>Steel Pipe</i></p> <ul style="list-style-type: none"> • <i>1.90m internal diameter</i> • <i>7.00mm thick</i> • <i>Approximately 145m long</i> <p><i>Pipe Supports</i></p> <ul style="list-style-type: none"> • <i>Support piers with steel straps</i> • <i>Flume bridge approximately 22.30m in length</i> • <i>Transition blocks at both ends</i>
Desander	<p><i>Approximately 3,052 sq. m.</i></p> <p><i>Desander Structure:</i></p> <ul style="list-style-type: none"> • <i>Single chamber</i> • <i>Approximately 7.00m wide</i> • <i>Approximately 9.30m high from footing to platform</i> • <i>Approximately 87.00m long including inlet and outlet zone</i>

	<p><i>Equipped with:</i></p> <ul style="list-style-type: none"> • <i>Two maintenance gates with accessories</i> • <i>Inline Flushing System</i> • <i>Spillway and flushing pipes</i> • <i>Control Shed to house battery bank and PLCs</i>
Penstock	<p><i>Steel Pipe</i></p> <ul style="list-style-type: none"> • <i>1.32 m internal diameter</i> • <i>7.00mm to 27.00mm thickness range</i> • <i>Approximately 2.07km length</i> <p><i>Pipe Supports</i></p> <ul style="list-style-type: none"> • <i>Support piers with steel straps</i> • <i>Transition block at inlet</i> • <i>Thrust blocks</i> • <i>Anchor blocks with collar rings</i> • <i>Flume bridges</i> • <i>Expansion joints</i>
Powerhouse	<p><i>Approximately 3,149 sq. m.</i></p> <p><i>Which will be housing:</i></p> <ul style="list-style-type: none"> • <i>Two (2) Vertical Shaft Pelton turbines with runners with a total rated capacity of 19 MW</i> • <i>300KVA Standby generator set</i> • <i>13.80kV Switchgear</i> • <i>AC-DC Cubicles</i> • <i>Protection/Control Panels</i> • <i>Battery banks</i> • <i>300KVA Dry Type Transformer</i> • <i>21 units - Window type Current Transformer, 13.8kV</i>
Substation	<p><i>Approximately 1,822 sq. m.</i></p> <p><i>Components</i></p> <ul style="list-style-type: none"> • <i>1 unit - 30MVA Three Phase Power Transformer, 13.8/69kV</i> • <i>1 set - SF6 Dead Tank PCB 69kV</i> • <i>3 units - Potential Transformer, 69kV</i> • <i>3 units - Surge Arresters, 72.5kV</i> • <i>1 set - Disconnect Switch, 72.5kV</i> • <i>1 set - Disconnect Switch, 13.8kV</i> • <i>6 units - Post Insulators, 72.5kV</i> • <i>6 units - Post Insulators, 13.8kV</i>

Transmission Line	<p><i>Approximately 2.6 km length</i></p> <p><i>Components:</i></p> <ul style="list-style-type: none"> • <i>Plant substation</i> • <i>Banengbeng main substation</i> • <i>3T structures (56 m - 450 m max average span length)</i> • <i>Optical Ground Wire (OPGW)</i> • <i>336.4 mcm Aluminum Conductor Steel Reinforced (ACSR), Linnet, 54/7 Strands, 0.721 in dia. & 14050 LBS rated strength of transmission line conductor</i>
Permanent Access Roads	<i>Approximately 1.542 km - Road Opening to Powerhouse</i>
Temporary Construction	
Coffer Dam (Optional)	<i>Constructed by sandbagging or earth fill dam (Optional-weir can be scheduled to be constructed in two dry seasons where the river is almost dry)</i>
Temporary Facilities	<p><i>Approximately 5,480 sq. m.</i></p> <ul style="list-style-type: none"> • <i>Offices</i> • <i>Batching Plant</i> • <i>Temporary stockpile/Laydown area</i> • <i>Bankhouse/camp</i>
Spoil Disposal	<i>Approximately 12,705 sq. m.</i>
Temporary Access Roads	<ul style="list-style-type: none"> • <i>Approximately 530 m - Road rehabilitation of Samoyao road</i> • <i>Approximately 394 m - Road opening to Desander</i> • <i>Approximately 791 m - Road opening to existing Forebay 1</i> • <i>Approximately 924 m - Construction of road along penstock alignment</i>

Conforme:



ENGR. CHRIS FERNANDO B. FAELNAR
Senior Vice President, Hedcor, Inc.



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU

DENR Compound, Gibraltar, Baguio City
Telephone No. (074) 442-2346, (074) 446-2881, (074) 443-4909 Fax No. (074) 446-6440
car@emb.gov.ph
Visit us at <http://www.emb.gov.ph/portal/car>

September 11, 2019

ENGR. CHRIS FERNANDO B. FAELNAR
Senior Vice President
Hedcor, Inc.
214 Ambuklao Rd., Beckel, La Trinidad, Benguet

SUBJECT: AMENDMENT OF ECC NO. ECC-CAR-1703-0001 ISSUED TO HEDCOR, INC. ON APRIL 28, 2017 FOR THE PROPOSED 19 MW BINENG COMBINED HYDROELECTRIC POWER PROJECT SPANNING THREE BARANGAYS NAMEDLY BINENG, ALAPANG AND ALNO, LOCATED IN THE MUNICIPALITY OF LA TRINIDAD, BENGUET

Dear Engr. Faelnar:

This has reference to your online application for an amendment of the Environmental Compliance Certificate (ECC) numbered ECC-CAR-1703-0001 issued on April 28, 2017. The subject of the amendment is the increase in plant capacity from 19MW to 20.4 MW due to the actual manufacturing and test results of the generating units that was conducted last June 2019,

After careful evaluation of the submitted documents and in consideration of the payment of Php 2,050.00 under sequence number 32200 dated September 5, 2019, this Office has decided to grant the ECC amendment. The introductory paragraph and the project description of the ECC shall now read as follows:

"THIS IS TO CERTIFY THAT the Hedcor, Inc. herein represented by its Senior Vice President, Engr. Chris Fernando B. Faelnar, is granted this ECC for the proposed 20.4 MW La Trinidad Hydroelectric Power Project located along the stretch of Balili River within the jurisdiction of Barangays Bineng, Alno and Alapang, Municipality of La Trinidad, Benguet by the Department of Environment and Natural Resources (DENR), through the Environmental Management Bureau (EMB)."

This Certificate is issued with the following details:

PROJECT DESCRIPTION

The ECC covers the development and operation of the 20.4 MW La Trinidad Hydroelectric Power Project, which comprises a total area of 31.5373 hectares, to be located along the stretch of Balili River within the jurisdiction of Barangays Bineng, Alno and Alapang, Municipality of La Trinidad, Benguet. The project involves the integration of the three existing Bineng Plants (Bineng 1, Bineng 2 and Bineng 2b) to a single 20.4 MW capacity hydropower plant.

The project development will entail the abandonment/decommissioning/rehabilitation of the three existing plants, the construction of a new weir and intake, installation of new penstock pipes, construction of a new powerhouse, and construction of access roads. It will also involve the improvement of existing access roads and the upgrading of the existing 23 kVA transmission line to 69 kVA.

The project components is attached as Annex "A" hereof.



Environmental Compliance Certificate
La Trinidad Hydro Electric Power Project
Bineng La Trinidad, Benguet
Hedcor, Inc.

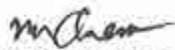
This Certificate supersedes the earlier ECC amendments issued on April 13, 2018 (2nd amendment-change of project name) and August 22, 2018 (3rd amendment-changes in project design - which superseded the 1st amendment dated September 18, 2017).

All other provisions of the original ECC numbered ECC-CAR-1703-0001 issued on April 28, 2017 not herein amended shall remain valid and existing. Consequently, non-compliance with the said conditions shall be sufficient cause for the imposition of fines in accordance with the penal provisions of PD 1586 and/or cancellation of the ECC.

This letter shall be attached to and shall form part of the aforementioned ECC.

For information and record.

Very truly yours,


MA. VICTORIA V. ABRERA
Regional Director



Environmental Compliance Certificate
La Trinidad Hydro Electric Power Project
Bineng La Trinidad, Benguet
Hedcor, Inc.

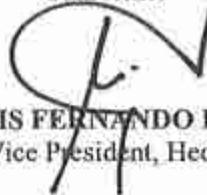
PROJECT COMPONENTS

PROJECT COMPONENT/FACILITY	DESCRIPTION/SPECIFICATION
Major Project Components	
Weir and Intake	<p><i>Approximately 4,974 sq. m</i> <i>Weir Structure with floodwalls</i></p> <ul style="list-style-type: none"> • <i>Approximately 6.3m high</i> • <i>Approximately 13.50m width including Apron</i> <p><i>Intake Box Structure</i></p> <ul style="list-style-type: none"> • <i>Approximately 6.70m high, 5.20m wide and 24.50m long</i> <p><i>Control Shed</i></p> <ul style="list-style-type: none"> • <i>Will be housing:</i> <ul style="list-style-type: none"> ○ <i>Battery Banks</i> ○ <i>50KVA Standby generator set</i> ○ <i>PLCs</i> <p><i>Equipped with:</i></p> <ul style="list-style-type: none"> • <i>Drop intake trashrack (1.30 m x 22 m) which can accommodate flow up to 7,545 cu. m per sec.</i> • <i>Five maintenance gates with accessories</i>
Penstock	<p><i>Steel Pipe</i></p> <ul style="list-style-type: none"> • <i>1.32 m internal diameter</i> • <i>7.00mm to 27.00mm thickness range</i> • <i>Approximately 2.4km length</i> <p><i>Pipe Supports</i></p> <ul style="list-style-type: none"> • <i>Support piers with steel straps</i> • <i>Transition block at inlet</i> • <i>Thrust blocks</i> • <i>Anchor blocks with collar rings</i> • <i>Flume bridges</i> • <i>Expansion joints</i>
Powerhouse	<p><i>Approximately 3,149 sq. m.</i> <i>Which will be housing:</i></p> <ul style="list-style-type: none"> • <i>Two (2) Vertical Shaft Pelton turbines with runners with a total rated capacity of 20.4MW</i> • <i>200KVA Standby generator set</i> • <i>13.80kV Switchgear</i> • <i>AC-DC Cubicles</i> • <i>Protection/Control Panels</i> • <i>Battery banks</i> • <i>300KVA Dry Type Transformer</i> • <i>21 units - Window type Current Transformer, 13.8kV</i> • <i>45 ton capacity overhead crane</i>



Substation	<p><i>Approximately 1,822 sq. m.</i></p> <p><i>Components:</i></p> <ul style="list-style-type: none"> • <i>1 unit - 30MVA Three Phase Power Transformer, 13.8/69kV</i> • <i>1 set - SF6 Dead Tank PCB 69kV</i> • <i>3 units – Potential Transformer, 69kV</i> • <i>3 units – Surge Arresters, 72.5kV</i> • <i>1 set – Disconnect Switch, 72.5kV</i> • <i>1 set – Disconnect Switch, 13.8kV</i> • <i>6 units – Post Insulators, 72.5kV</i> • <i>6 units – Post Insulators, 13.8kV</i>
Transmission Line	<p><i>Approximately 2.6 km length</i></p> <p><i>Components:</i></p> <ul style="list-style-type: none"> • <i>Plant substation</i> • <i>Banengbeng main substation</i> • <i>3T structures (56 m - 450 m max average span length)</i> • <i>Optical Ground Wire (OPGW)</i> • <i>336.4 mcm Aluminum Conductor Steel Reinforced (ACSR), Linnet, 54/7 Strands, 0.721 in dia. & 14050 LBS rated strength of transmission line conductor</i>
Permanent Access Roads	<i>Approximately 1.60 km - Road Opening to Powerhouse</i>
Temporary Construction	
Coffer Dam (Optional)	<i>Constructed by sandbagging or earth fill dam</i>
Temporary Facilities	<p><i>Approximately 5,480 sq. m.</i></p> <ul style="list-style-type: none"> • <i>Offices</i> • <i>Batching Plant</i> • <i>Temporary stockpile/laydown area</i> • <i>Fabrication shop</i> • <i>Bankhouse/camp</i>
Spoil Disposal	<i>Approximately 12,705 sq. m.</i>
Temporary Access Roads	<ul style="list-style-type: none"> • <i>Approximately 1.10 Km - Construction of road along penstock alignment</i>
Skyline Systems	<ul style="list-style-type: none"> • <i>Skyline system for delivery of construction materials, equipment and installation of pipeline</i>

Conforme:



ENGR. CHRIS FERNANDO B. FAELNAR
Senior Vice President, Hedcor, Inc.



Environmental Compliance Certificate
La Trinidad Hydro Electric Power Project
Bineng La Trinidad, Benguet
Hedcor, Inc.



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
Cordillera Administrative Region
Baguio City

September 18, 2017

ENGR. CHRIS FERNANDO B. FAELNAR
Senior Vice President
Hedcor, Inc.
214 Ambuklao Rd., Beckel, La Trinidad, Benguet

cpd-558-17
Office of the Regional Director
EMB-CAR
RELEASED
By [Signature] Date 9/18

SUBJECT : AMENDMENT OF ECC NO. CAR 1703-0001 ISSUED ON APRIL 28, 2017 TO HEDCOR, INC. FOR THE PROPOSED 19 MW BINENG COMBINED HYDROELECTRIC POWER PROJECT SPANNING THREE BARANGAYS NAMELY BINENG, ALAPANG AND ALNO, LOCATED IN THE MUNICIPALITY OF LA TRINIDAD

Dear Engr. Faelnar:

This has reference to the letter dated August 18, 2017 requesting for an amendment of the Environmental Compliance Certificate (ECC) numbered CAR 1703-0001 issued on April 28, 2017 for the changes in the design of the proposed hydroelectric power project.

After careful evaluation of the submitted documents and in consideration of the payment of PhP 1,015.00 under O.R. numbers 2673406 and 7643266 dated 09/14/2017, this office has decided to grant the ECC amendment. The project description and project components (Annex C) of the ECC shall now read as follows:

ENVIRONMENTAL MANAGEMENT BUREAU
CORDILLERA ADMINISTRATIVE REGION



ECC-AMEND-36-2017
22/09/2017 8:54:41 AM

PROJECT DESCRIPTION

The ECC covers the development and operation of the 19 MW Bineng Combined Hydroelectric Power Project, which comprises a total area of 31.5373 hectares, to be located along the Balili River within the jurisdiction of Barangays Bineng, Alno and Alapang, Municipality of La Trinidad, Benguet. The project involves the integration of the three existing Bineng Plants (Bineng 1, Bineng 2 and Bineng 2b) to a single 19 MW capacity hydropower plant.

The project development will entail the abandonment/decommissioning/rehabilitation of the three existing plants, the construction of a new weir and intake, installation of new penstock pipes, construction of a new powerhouse, and construction of access roads. It will also involve the improvement of existing access roads and the upgrading of the existing 23 kVA transmission line to 69 kVA.

The project components is attached as Annex 'C' hereof.

PROJECT COMPONENTS

PROJECT COMPONENT/FACILITY	DESCRIPTION/SPECIFICATION
Major Project Components	
Weir and Intake	<p>Approximately 4,974 sq. m</p> <p><i>Weir Structure</i></p> <ul style="list-style-type: none"> • Approximately 6.3m high • Approximately 13.50m width including Apron <p><i>Intake box Structure</i></p> <ul style="list-style-type: none"> • Approximately 6.70m high, 5.20m wide and 24.50m long <p><i>Control Shed</i></p> <ul style="list-style-type: none"> • Will be housing: <ul style="list-style-type: none"> ○ Battery Banks ○ 150KVA Standby generator set ○ PLCs <p><i>Equipped with:</i></p> <ul style="list-style-type: none"> • Drop intake trashrack (1.30 m x 22 m) which can accommodate flow up to 7.545 cu. m per sec. • Three maintenance gates with accessories
Penstock	<p><i>Steel Pipe</i></p> <ul style="list-style-type: none"> • 1.32 m internal diameter • 7.00mm to 27.00mm thickness range • Approximately 2.293km length <p><i>Pipe Supports</i></p> <ul style="list-style-type: none"> • Support piers with steel straps • Transition block at inlet • Thrust blocks • Anchor blocks with collar rings • Flume bridges • Expansion joints
Powerhouse	<p>Approximately 3,149 sq. m.</p> <p><i>Which will be housing:</i></p> <ul style="list-style-type: none"> • Two (2) Vertical Shaft Pelton turbines with runners with a total rated capacity of 19 MW • 300KVA Standby generator set • 13.80kV Switchgear • AC-DC Cubicles • Protection/Control Panels • Battery banks • 300KVA Dry Type Transformer • 21 units - Window type Current Transformer, 13.8kV

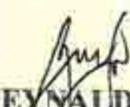
Substation	<p>Approximately 1,822 sq. m.</p> <p>Components:</p> <ul style="list-style-type: none"> • 1 unit - 30MVA Three Phase Power Transformer, 13.8/69kV • 1 set - SF6 Dead Tank PCB 69kV • 3 units - Potential Transformer, 69kV • 3 units - Surge Arresters, 72.5kV • 1 set - Disconnect Switch, 72.5kV • 1 set - Disconnect Switch, 13.8kV • 6 units - Post Insulators, 72.5kV • 6 units - Post Insulators, 13.8kV
Transmission Line	<p>Approximately 2.6 km length</p> <p>Components:</p> <ul style="list-style-type: none"> • Plant substation • Banengbeng main substation • 3T structures (56 m - 450 m max average span length) • Optical Ground Wire (OPGW) • 336.4 mcm Aluminum Conductor Steel Reinforced (ACSR), Linnet, 54/7 Strands, 0.721 in dia. & 14050 LBS rated strength of transmission line conductor
Permanent Access Roads	Approximately 1.542 km - Road Opening to Powerhouse
Temporary Construction	
Coffer Dam (Optional)	Constructed by sandbagging or earth fill dam
Temporary Facilities	Approximately 5,480 sq. m.
Spoil Disposal	Approximately 12,705 sq. m.
Temporary Access Roads	<ul style="list-style-type: none"> • Approximately 530 m - Road rehabilitation of Samoyao road • Approximately 791 m - Road opening to existing Forebay I • Approximately 924 m - Construction of road along penstock alignment

All other provisions of the original ECC (No. CAR 1703-0001 issued on April 28, 2017) not herein amended shall remain valid and existing. Consequently, non-compliance with the said conditions shall be sufficient cause for the imposition of fines in accordance with the penal provisions of PD 1586 and/or cancellation of the ECC.

This letter shall be attached to and shall form part of the aforementioned ECC.

For information and record.

Very truly yours,


REYNALDO S. DIGAMO
 OIG, Regional Director

ECC No. : CAR 1703-0001
 Project Name : 19MW Bineng Combined Hydroelectric Power Project
 Proponent Name : Hedcor, Inc.



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
Cordillera Administrative Region
Baguio City

ENGR. CHRIS FERNANDO B. FAELNAR
Senior Vice President
Hedcor, Inc.
214 Ambuklao Rd., Beckel, La Trinidad, Benguet



SUBJECT : AMENDMENT OF ECC NO. CAR 1703-0001 ISSUED ON APRIL 28, 2017 TO HEDCOR, INC. FOR THE PROPOSED 19 MW LA TRINIDAD HYDROELECTRIC POWER PROJECT LOCATED ALONG THE STRETCH OF BALILI RIVER WITHIN THE JURISDICTION OF BARANGAYS BINENG, ALAPANG AND ALNO, MUNICIPALITY OF LA TRINIDAD, BENGUET.

Dear Engr. Faelnar:

This has reference to the letter dated July 18, 2018 requesting for an amendment of the Environmental Compliance Certificate (ECC) numbered CAR 1703-0001 issued on April 28, 2017 for the changes in the design of the proposed hydroelectric power project.

After careful evaluation of the submitted documents and in consideration of the payment of PhP 2,030.00 under O.R. numbers 2673712 and 7643707 dated 08/20/2018, this office has decided to grant the ECC amendment. The project description and project components (Annex C) of the ECC shall now read as follows:

PROJECT DESCRIPTION

The ECC covers the development and operation of the 19 MW La Trinidad Hydroelectric Power Project, which comprises a total area of 31.5373 hectares, to be located along the stretch of Balili River within the jurisdiction of Barangays Bineng, Alno and Alapang, Municipality of La Trinidad, Benguet. The project involves the integration of the three existing Bineng Plants (Bineng 1, Bineng 2 and Bineng 2b) to a single 19 MW capacity hydropower plant.

The project development will entail the abandonment/decommissioning/rehabilitation of the three existing plants, the construction of a new weir and intake, installation of new penstock pipes, construction of a new powerhouse, and construction of access roads. It will also involve the improvement of existing access roads and the upgrading of the existing 23 kVA transmission line to 69 kVA.

The project components is attached as Annex 'C' hereof.

ENVIRONMENTAL MANAGEMENT BUREAU
CORDILLERA ADMINISTRATIVE REGION



ECC-AMEND-87-2018
24.08.2018 10:50:37 AM

PROJECT COMPONENTS

PROJECT COMPONENT/FACILITY	DESCRIPTION/SPECIFICATION
Major Project Components	
Weir and Intake	<p><i>Approximately 4,974 sq. m Weir Structure with floodwalls</i></p> <ul style="list-style-type: none"> • <i>Approximately 6.3m high</i> • <i>Approximately 13.50m width including Apron</i> <p><i>Intake box Structure</i></p> <ul style="list-style-type: none"> • <i>Approximately 6.70m high, 5.20m wide and 24.50m long</i> <p><i>Control Shed</i></p> <ul style="list-style-type: none"> • <i>Will be housing:</i> <ul style="list-style-type: none"> ○ <i>Battery Banks</i> ○ <i>50KVA Standby generator set</i> ○ <i>PLCs</i> <p><i>Equipped with:</i></p> <ul style="list-style-type: none"> • <i>Drop intake trashrack (1.30 m x 22 m) which can accommodate flow up to 7.545 cu. m per sec.</i> • <i>Five maintenance gates with accessories</i>
Penstock	<p><i>Steel Pipe</i></p> <ul style="list-style-type: none"> • <i>1.32 m internal diameter</i> • <i>7.00mm to 27.00mm thickness range</i> • <i>Approximately 2.4km length</i> <p><i>Pipe Supports</i></p> <ul style="list-style-type: none"> • <i>Support piers with steel straps</i> • <i>Transition block at inlet</i> • <i>Thrust blocks</i> • <i>Anchor blocks with collar rings</i> • <i>Flume bridges</i> • <i>Expansion joints</i>
Powerhouse	<p><i>Approximately 3,149 sq. m. Which will be housing:</i></p> <ul style="list-style-type: none"> • <i>Two (2) Vertical Shaft Pelton turbines with runners with a total rated capacity of 19 MW</i> • <i>200KVA Standby generator set</i> • <i>13.80kV Switchgear</i> • <i>AC-DC Cubicles</i> • <i>Protection/Control Panels</i> • <i>Battery banks</i> • <i>300KVA Dry Type Transformer</i>

ENVIRONMENTAL MANAGEMENT BUREAU
CORDILLERA ADMINISTRATIVE REGION



ECC-AMEND-87-2018
24/06/2018 10:30:32 AM

ECC No. : CAR 1703-0001
 Project Name : 19MW La Trinidad Hydroelectric Power Project
 Proponent Name : Hedcor, Inc.

	<ul style="list-style-type: none"> • 21 units - Window type Current Transformer, 13.8kV • 45 ton capacity overhead crane
Substation	<p>Approximately 1,822 sq. m.</p> <p>Components:</p> <ul style="list-style-type: none"> • 1 unit - 30MVA Three Phase Power Transformer, 13.8/69kV • 1 set - SF6 Dead Tank PCB 69kV • 3 units – Potential Transformer, 69kV • 3 units – Surge Arresters, 72.5kV • 1 set – Disconnect Switch, 72.5kV • 1 set – Disconnect Switch, 13.8kV • 6 units – Post Insulators, 72.5kV • 6 units – Post Insulators, 13.8kV
Transmission Line	<p>Approximately 2.6 km length</p> <p>Components:</p> <ul style="list-style-type: none"> • Plant substation • Banengbeng main substation • 3T structures (56 m - 450 m max average span length) • Optical Ground Wire (OPGW) • 336.4 mcm Aluminum Conductor Steel Reinforced (ACSR), Linnet, 54/7 Strands, 0.721 in dia. & 14050 LBS rated strength of transmission line conductor
Permanent Access Roads	Approximately 1.60 km - Road Opening to Powerhouse
Temporary Construction	
Coffer Dam (Optional)	Constructed by sandbagging or earth fill dam
Temporary Facilities	<p>Approximately 5,480 sq. m.</p> <ul style="list-style-type: none"> • Offices • Batching plant • Temporary stockpile/laydown area • Fabrication shop • Bankhouse/camp
Spoil Disposal	Approximately 12,705 sq. m.
Temporary Access Roads	<ul style="list-style-type: none"> • Approximately 1.10 Km - Construction of road along penstock alignment
Skyline Systems	<ul style="list-style-type: none"> • Skyline system for delivery of construction materials, equipment and installation of pipeline

ENVIRONMENTAL MANAGEMENT BUREAU
 CORDILLERA ADMINISTRATIVE REGION



ECC-AMEND-87-2018
 24062018 10:50:32 AM



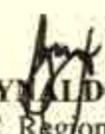
ECC No. : CAR 1703-0001
 Project Name : 19MW La Trinidad Hydroelectric Power Project
 Proponent Name : Hedcor, Inc.

All other provisions of the original ECC (No. CAR 1703-0001 issued on April 28, 2017) not herein amended shall remain valid and existing. Consequently, non-compliance with the said conditions shall be sufficient cause for the imposition of fines in accordance with the penal provisions of PD 1586 and/or cancellation of the ECC.

This letter shall be attached to and shall form part of the aforementioned ECC.

For information and record.

Very truly yours,


REYNALDO S. DIGAMO
OIC, Regional Director

EMB-CAR RECORDS UNIT

RECEIVED BY: *[Signature]* DATE: 8/23/18
RECEIVED BY: *[Signature]* DATE: 8/23/18
MAILING BY: *[Signature]* UNIT: 2018377

ENVIRONMENTAL MANAGEMENT BUREAU
CORDILLERA ADMINISTRATIVE REGION

ECC-AMEND-87-2018
24/08/2018 10:50:32 AM

ECC No. : CAR 1703-0001
Project Name : 19MW La Trinidad Hydroelectric Power Project
Proponent Name : Hedcor, Inc.



Environmental Management Bureau

ENVIRONMENTAL COMPLIANCE CERTIFICATE

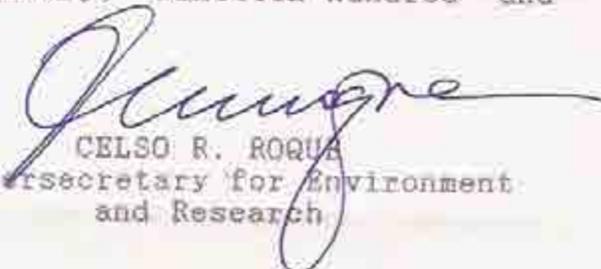
The Environmental Management Bureau (EMB) hereby grants this Environmental Compliance Certificate (ECC) to the proposed mini hydro plant of HYDRO ELECTRIC DEVELOPMENT CORP. to be located at Salangan and Ampucao, Itogon, Benguet, after complying with the Environmental Impact Assessment (EIA) as prescribed in the promulgated guidelines implementing Section 3 (b) of P.D. 1121 and 1586.

This Certificate is being issued subject to the following conditions:

1. That the dam's estimated power capacity shall not exceed two thousand (2,000) kilowatts;
2. That the stability of the dam shall be monitored and ensured;
3. That in the installation of a conveyance line, bolting of foundation to the side of slope shall be undertaken to firmly install the footings to the bedrock;
4. That proper mitigating measures shall be implemented to minimize water, air, noise and dust pollution during the construction, operation and/or maintenance phases of the project;
5. That mechanical and biological rehabilitation of disturbed areas shall be effected to avoid soil erosion and siltation of the rivers; e.g. grouted riprapping and concreting works, reforestation, etc.;
6. That noise from moving turbines shall be confined within the wells of the power plant itself; and
7. That contingency plans shall be provided in case of accidents e.g. dam failure.

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate and/or a fine in an amount not to exceed Fifty Thousand Pesos (P50,000.00) for every violation thereof, at the discretion of the Bureau (Sec. 9 of P.D. 1586).

Given this 18th day of January, Nineteen Hundred and
Ninety.



CELSO R. ROQUE
Undersecretary for Environment
and Research

/AFB/EDM/cb*



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF ENVIRONMENT
& NATURAL RESOURCES
CORDILLERA ADMINISTRATIVE REGION

Baguio City

ENVIRONMENTAL COMPLIANCE CERTIFICATE

The Department of Environment and Natural Resources - Cordillera Administrative Region (DENR-CAR), through its Environmental Management and Protected Areas Service (EMPAS) hereby grants this Environmental Compliance Certificate (ECC) for the Proposed Sal-angan II Minihydro Expansion Project of the Hydro Electric Development Corporation (HEDCOR) to be located along the Sal-angan River at Barangay Sal-angan Itogon, Benguet, after complying with the Environmental Impact Assessment requirement as prescribed in the promulgated guidelines implementing Section 3(b) of P.D. 1121 and P.D. 1586.

This Certificate is issued subject to the following conditions:

1. That this certificate shall be valid only for the construction and operation of the Proposed Sal-angan II Minihydro Expansion Project having a plant capacity of 10,000 kws.;
2. That the proponent shall submit to the DENR-CAR 60 days prior to the project's implementation the detailed design and working drawings of the different components/appurtenances of the proposed project, including the proposed access roads, the details of its Environmental Protection and Enhancement Programs which shall include among others, an abandonment scheme/contingency plan in case of abandonment of the project and dam failure;
3. That all activities and installations to be undertaken in relation thereto shall be in accordance to the Project Description (PD) and other pertinent instruments filed at the DENR-CAR;

4. That the different components/appurtenances of the project and other related civil works shall be designed, constructed, rehabilitated and operated in accordance with accepted Engineering practices and specifications and shall be governed by the PD and all other pertinent documents submitted;
5. That for any damage/loss to life or property resulting from or attributable to the implementation and operation of the project, just compensation to the aggrieved parties shall be the obligation of the proponent;
6. That the proponent shall strictly comply with the mitigating measures stipulated in the PD covering the project including all measures to mitigate air, noise, water and dust pollution generated during the implementation of the project;
7. That the proponent shall institute control measures for the abatement of erosion and siltation during the construction and operation/maintenance of access roads;
8. That the implementation of the project shall commence only after all pertinent permits, clearances and endorsements have been secured from other government agencies;
9. That the proponent shall negotiate for the acquisition/compensation of properties and improvements that are to be affected by the project prior to implementation;
10. That for any modification, expansion and/or deviation from the PD and the subsequent submitted instruments, the proponent shall first inform the DENR-CAR prior to implementation;
11. That the Progress of Work relative to the implementation of the project be submitted periodically to the DENR-CAR;
12. That on-the-spot monitoring be conducted by the DENR-CAR in coordination with other concerned groups and agencies; and



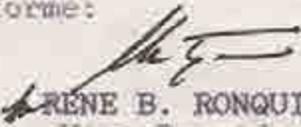
13. That the transfer of ownership of this project carries the same conditions in this ECC for which written notification shall be made within fifteen (15) days from such transfer.

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate and/or a fine in an amount not to exceed fifty thousand pesos (P50,000.00) for every violation thereof, at the discretion of the RED DENR (Section 9 of P.D. 1586).

Given this 31st day of July Nineteen Hundred and Ninety Five.


OSCAR M. HAMADA
Regional Executive Director
DENR - CAR

Conforme:


RENE B. RONQUILLO
Vice President
Hydro Electric Dev't. Corp. (HEDCOR)

O.R. No. 8265282 Filing & Processing fee 7300.00 Date 7/31/95
O.R. No. 009747 P.D. 1856 10-0 Date 7/31/95

/ibd/rgc/hedcor/eqd22

060813



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
Office of the Regional Director
Region-10, Macabalan, Cagayan de Oro City

March 7, 2014

ECC Ref. Code: ~~EMB-R10-1402-0036~~

MR. RENE B. RONQUILLO

President & COO
Hedcor Bukidnon, Inc.
DANA Corporate Office, Ladislawa Avenue
Buhangin, Davao City, 8000

Subject: **Certificate of Environmental Compliance Certificate (ECC)**

Sir:

This refers to your Environmental Compliance Certificate (ECC) application for the Manolo Fortich Hydroelectric Power System Project in Manolo Fortich and Impasug-ong, Bukidnon.

After satisfying the requirements in the said application and after substantive review of the submitted documents for the said project, this Office has decided to grant the necessary Environmental Compliance Certificate (ECC).

With the issuance of this ECC, you are expected to implement the measures presented in the Initial Environmental Examination (IEE) Report intended to protect and mitigate the project's adverse impacts on the environment. You may proceed with project implementation after securing all the necessary permits from other pertinent government agencies and providing them copies of this approved ECC and the EIS/IEE Report. This office will be monitoring the project periodically to ensure your compliance with stipulations cited in the attached ECC.

Please be guided accordingly.

Very truly yours,

DR. ABDULLAH C. ABUBACAR, CESO IV
Regional Director



Environmental Compliance Certificate

(Issued under Presidential Decree 1586)

ECC-B10-1402-0036

THIS IS TO CERTIFY THAT THE PROPONENT, **HEDCOR BUKIDNON, INC.** is granted this Environmental Compliance Certificate (ECC), for the proposed **68.8 MW MANOLO FORTICH HYDROELECTRIC POWER SYSTEM PROJECT** located in Barangays Guilang-guilang, Santiago, Maluko and Dalirig of Manolo Fortich and Barangay Guihean of Impasug-ong, all in the province of Bukidnon by the Department of Environment and Natural Resources (DENR), through the Environmental Management Bureau (EMB), Region 10.

SUBJECT ONLY to the conditions and restrictions set-out in this certificate.

This certification is issued for the **68.8 MW MANOLO FORTICH HYDROELECTRIC POWER SYSTEM PROJECT**, with the following details:

PROJECT DESCRIPTION

This ECC shall cover the construction and operation of the 68.8 MW **MANOLO FORTICH HYDROELECTRIC POWER SYSTEM (RUN-OF-RIVER HYDROELECTRIC POWER)** that will have two (2) main components: Manolo Fortich 1 HPP and Manolo Fortich 2 HPP to be located in Barangays Guilang-guilang, Santiago, Maluko and Dalirig of Manolo Fortich and in Barangay Guihean of Impasug-ong all in the province of Bukidnon. The Hydroelectric Power Plants shall have the following appurtenant structures:

• Weir Intake 1-Tanaon River	• Silt Basin/Forebay
• Weir Intake 2- Guihean River	• Box Culvert
• Weir Intake 3- Upper Amusig River	• Water Conveyance Tunnel
• Desander 1,2 & 3	• Turbine
• Water Conveyance Pipeline 1,2,& 3	• Generator
• Surge Tank	• Powerhouse & Tailrace
• Headpond	• Switchyard
• Penstock 1 & 2	Access roads, Substation & Transmission Line

This certification is issued in compliance to the requirements of Presidential Decree No. 1586, in accordance to Department Administrative Order No. 2003-30. The Bureau, however, is not precluded from reevaluating, adding, removing, and correcting any deficiencies or errors that may be found after issuance of this certificate.

Issued at EMB - 10 Cagayan de Oro City this MAR 07 2014 day of _____, 2014.

Recommending Approval:

ALEX D. JIMENEZ

Chief, Clearance & Permitting Division

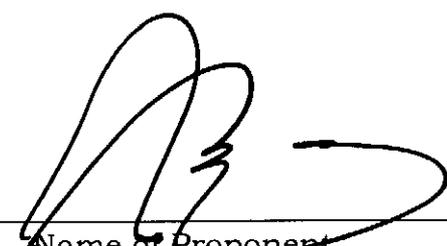
Approved by:

DR. SABDULLAH C. ABUBACAR, CESO IV

Regional Director

SWORN STATEMENT OF OWNER

I, **MR. RENE B. RONQUILLO-PRESIDENT & COO, HEDCOR BUKIDNON, INC**, proponent of this **(68.8. MW MANOLO FORTICH HYDROELECTRIC POWER SYSTEM PROJECT)** located in Barangays Guilang-guilang, Santiago, Maluko, & Dalirig of Manolo Fortich and in Barangay Guihean of Impasug-ong all in the province of Bukidnon, takes full responsibility in complying with all conditions contained in this Environmental Compliance Commitment (Environmental Compliance Certificate or ECC).



Name of Proponent
Signature

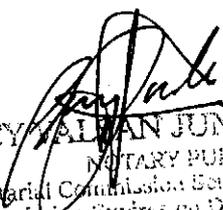
TIN 137 - 059 - 594

Subscribed and sworn to before me this MAR 10 2014, the above-named affiant taking oath presenting Residence Certificate No. 0177 8351 issued on January 15, 2014 at Davao City.

Signature of Notarizing Officer

Doc. No. 104
Page No. 26
Book No. IV
Series of 2014




PERCY VAL SAN JUN P. DONALVO
NOTARY PUBLIC
Notarial Commission Serial No. 192-2013
Commission Expires on December 11, 2014
Roll of Attorneys No. 58858
ISP O.R. No. 943544 • 01/23/11 • D.C.
PTR No. 3642016 • 01/03/14 • D.C.
Latacan Montejo & Vicencio Law Firm
7th Floor, Abreeza Corporate Center
J.R. Dela Cruz Ave., Davao City

I. CONDITIONS

ENVIRONMENTAL MANAGEMENT

The proponent shall strictly implement the following mitigating enhancement, and rehabilitating measures:

1. Measures to minimize soil erosion, siltation and turbidity of affected water body during construction and operation shall be undertaken;
2. Noise, dust emission, and other forms of nuisance emitted during project implementation shall be adequately controlled/isolated within the project site. Dump trucks loaded with filling materials shall be covered with tarpaulin canvas or jute sacks to prevent dust and spillage along road routes;
3. Waste materials generated during construction and installation shall be disposed of properly and never to be dumped on any waterbody;
4. All effluents and emissions shall conform with the EMB-DENR Standards and will be subjected to monitoring by this Office;
5. Appropriate flow control measures shall be installed in the affected area to attain the minimum riparian flow;
6. Conduct Information, Education and Communication (IEC) Program to inform and educate all stakeholders about the mitigating measures embodied in the submitted EIS;

GENERAL CONDITIONS

Further administrative conditions for the grant of this certificate shall be strictly complied:

7. Annual Detailed Watershed Management Plan/Program e.g. engineering & vegetative measures, riverbank stabilization, reforestation, strategies to protect against illegal tree cutting and mining activities along the riverbanks and riparian zone management strategies shall be submitted to this Office before project construction and every 15th of January onwards;
8. A Detailed Emergency Preparedness and Response Plan indicating preventive measures against accidents resulting from penstock burst, flooding and earthquake shall be submitted to EMB-10 office prior to project operation;
9. The structural design or component structures of the project shall conform with the design guidelines and approved by the concerned government agency/ies;

10. The local qualified residents shall be given priority for employment;
11. Implement the Social Development Program that will be anchored to the Barangay Development Plan of the Communities affected;
12. Submit Self Monitoring report (SMR) and Compliance Monitoring Report (CMR) to this Office on a semi-annual basis;
13. The proponent shall put up a replenishable Environmental Guarantee Fund (EGF) to cover the following expenses:
 - a. for further environmental assessments, compensation/indemnification for whatever damages to life and property that may be caused by the project;
 - b. Rehabilitation and/or restoration of areas affected by the project's implementation; and
 - c. Abandonment/decommissioning of the project facilities related to the prevention of possible negative impacts and as a source of fund for contingency and clean-up activities;
14. The proponent shall initiate to put-up an Environmental Monitoring Fund (EMF) for the use of Multi-Partite Monitoring Team in monitoring compliance to ECC;
15. A Multipartite Monitoring Team (MMT) composed of representative(s) from the proponent, EMB Region 10, a local environmental Non-Government Organization (NGO), DOE and the LGUs concerned shall be organized. The MMT shall primarily oversee the compliance of the proponent with the Environmental Management Plan/Environmental Monitoring Plan as well as the conditions of this ECC;
16. An Environmental Unit (EU) shall be created prior to project construction phase;
17. The DENR-EMB-10 and/or multi-partite team can initiate an on-the-spot monitoring and inspection anytime without prior notice;
18. In case of abandonment, the Proponent shall notify the EMB Regional Office concerned within three (3) months prior to the abandonment and the Proponent shall submit its abandonment mitigation plan;

II. RESTRICTIONS

The proponent is strictly subject to the following restrictions:

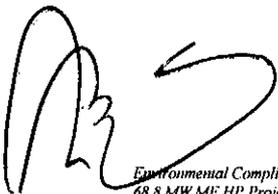
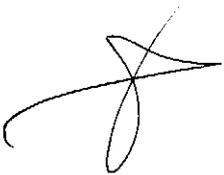
19. No other activities should be undertaken other than what was stipulated in the Environmental Impact Statement (EIS) document. Should there be an expansion of the project beyond the project description, or any significant change in the activity beyond those stated in the EIS document; shall be made subject to a new Environmental Impact Assessment;
20. All other permits from the concerned government agencies especially from NWRB, NCIP, Special Land Use Permit (SLUP) & Tree Cutting Permit from DENR and Road-Right-of-Way Permit shall be secured prior to project construction, otherwise this ECC shall be considered null and void. Further, these permits shall be submitted to this Office prior to project construction; and

21. In case of transfer of ownership of this project, these same conditions and restrictions shall apply and the transferee shall be required to notify the EMB Regional Office concerned within fifteen (15) days as regards to the transfer of ownership.

Non-compliance with any of the provisions of this certificate shall be a sufficient cause for the cancellation or suspension of this certificate and/or imposition of a fine in an amount not to exceed Fifty Thousand Pesos (50,000.00) for every violation thereof.

Processing Fee ... PHP 2700.00
Database Mgt fee ... 1,000.00
Procedural Screening Fee ... 300.00
O.R. No. 4997237
Date: 11-18-13

cc: PENRO Bukidnon
LGU Mayor - Manolo Fortich & Impasug-ong
file...





Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
Region VII

Document IS No.	R7-2020-000720
Company ID No.	EMBR7-813240-1870

Date: 10.5 AUG 2020



MR. ABE P. NISNISAN
Vice President
Therma Power - Visayas, Inc.
Old Veco Compound, Brgy. Ermita, Cebu City

Subject: Environmental Compliance Certificate ECC-R07-2007-0004

Dear Mr. Nisnisan,

This refers to the Environmental Compliance Certificate (ECC) application of Therma Power - Visayas, Inc. for the **Remediation and Clean-Up of the Naga Power Plant Complex** located in Barangay Colon, City of Naga, Province of Cebu, Region VII.

After satisfying the requirements of the said application, this Bureau has decided to grant an ECC for the above-mentioned project.

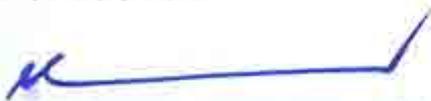
With the issuance of this ECC, you are expected to implement the measures presented in the Environmental Impact Assessment (EIA) document, intended to protect and mitigate the project's adverse impacts on community health, welfare and the environment. Environmental considerations shall be incorporated in all phases and aspects of the project.

This Certificate does not create any right nor be used as an authorization to implement the project. Therefore, you are hereby reminded to secure all the necessary permits from other pertinent government agencies but not limited to as stated in Annex B.

For further inquiries, please use the Document IS No. and/or Company ID indicated at the upper left portion of this document for faster tracking of your case.

Please be guided accordingly.

Very truly yours,


LORMELYN E. CLAUDIO, CESO IV
Regional Director





ENVIRONMENTAL COMPLIANCE CERTIFICATE

(Issued under Presidential Decree 1586)

ECC-R07-2007-0004

THIS IS TO CERTIFY THAT THE PROPONENT, **Therma Power-Visayas, Inc. (TPVI)**, represented by its Vice President, Mr. Abe P. Nisnisan, is granted this Environmental Compliance Certificate (ECC) for **Remediation and Clean-Up of the required areas for diesel operations (areas 4,5,6,7,8,9,10,11 and 12) within the Naga Power Plant Complex** located in Barangay Colon, City of Naga, Province of Cebu, Region VII by the Department of Environment and Natural Resources (DENR), through the Environmental Management Bureau Region VII.

SUBJECT ONLY to the conditions and restrictions set-out in this ECC and in attached document labeled as Annex A, Recommendations have been provided in Annex B as guidance to concerned government agencies and local government units for consideration in the decision making process.

PROJECT DESCRIPTION

The ECC covers the dismantling, removal, remediation, and clean up of toxic and hazardous materials and equipment in an area of One Hundred Forty Four Thousand One Hundred Twenty Two (144,122) square meters located in required areas for diesel operations (4 to 12) within the Naga Power Plant Complex, Barangay Colon, City of Naga, Province of Cebu, Region VII with geographical coordinates 10°133.518'N and 123°45'29.348'E.

Project Components	Estimated Quantity
Removal of non-friable and friable asbestos containing materials (ACM);	To be determined
Dismantling/Removal of polychlorinated biphenyls (PCB) contaminated transformers and equipment;	To be determined
Dismantling/Removal of hazardous wastes, other materials and equipment contaminated with toxic and hazardous chemicals regulated under RA 6969;	To be determined
Removal, decontamination, and remediation of contaminated soil;	To be determined
Establishment of temporary holding/staging area for collected hazardous materials/wastes and decontaminated hazardous materials;	To be determined

This ECC is issued in compliance to the requirements of Presidential Decree No. 1586, in accordance to Department Administrative Order No. 2003-30. The Bureau, however, is not precluded from reevaluating, adding, removing, and correcting any



deficiencies or errors that may be inconsistent with the Revised Procedural Manual of
DAO 2003-30 after issuance of this ECC:

Issued at EMB Region VII, Bantad, Mandaue City this 10 5 AUG 2020 day of
 , 2020.

Recommending Approval:

A. Q. Dinoy

ENGR. ANECITA Q. DILOY
Chief, Clearance and Permitting Division

Approved by:

[Signature]
LORMELYN E. CLADIO, CESO IV
Regional Director



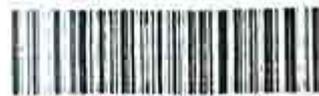
I. CONDITIONS

A. ENVIRONMENTAL IMPACT AND MANAGEMENT

1. All mitigating measures in the Environmental Site Assessment/Remediation Plan, Environmental Management and Monitoring Plan and other pertinent documents shall be implemented;
2. Implement waste minimization, segregation, re-use, and other ecological waste management practices;
3. Groundwater, surface water, and oil sampling tests and analyses for contaminants of concern (COC) such as polychlorinated biphenyls (PCB), total petroleum hydrocarbon (TPH), heavy metals, and other applicable parameters shall be undertaken before and after the remediation and clean-up process. The sampling stations shall be based on the pre-identified sites stated in the environmental site assessment (ESA). Sampling test results shall be submitted to this Office after three (3) months from receipt hereof;
4. Establish temporary storage areas for hazardous waste contaminated materials and decontaminated materials and implement appropriate storage practices, i.e. labeling/installation of signages or placards and segregation according to compatibilities of hazardous wastes;
5. System of controls and protective barrier surrounding the designated holding/staging area shall be provided to prevent possible liquid seep out;
6. The demolition or dismantling of asbestos containing materials (ACM) and ten (10) transformers containing polychlorinated biphenyls (PCB) shall be guided by the procedures in accordance with the provisions of DENR Administrative Order No. 02-2000 and DENR Administrative Order No. 01-2004 otherwise known as *The Chemical Control Order (CCO) for Asbestos and The Chemical Control Order (CCO) for PCB*, respectively;
7. Submit a comprehensive Remediation Plan for the arsenic-contaminated ash pond, seawater intake and tank farm areas within sixty (60) days from receipt hereof;

B. GENERAL CONDITIONS

8. The proponent shall comply with the requirements of other environmental laws: RA 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), RA 8749 (Philippine Clean Air Act of 1999), RA 9003 (Ecological Solid Waste Management Act of 2000), RA 9275 (Philippine Clean Water Act of 2004), and Other relevant policies, rules and regulations such as stated in Annex B;
 - a. Designate pollution control and safety officer (PCSO);
 - b. Submit monthly progressive report activities undertaken and completed;
 - c. Secure Notice to Proceed for asbestos dismantling;
 - d. Secure Permit to Transport for all hazardous wastes to be hauled, transported, and treated by accredited Treatment Storage Disposal (TSD) facility;



9. The proponent shall establish an Environmental Guarantee Fund/Environmental Liability Fund to cover costs of remediation and rehabilitation of affected areas and compensation of damages caused during the operation and abandonment phases of the project;
10. A Report shall be submitted to EMB Region VII for evaluation and approval upon completion of the remediation and clean-up activities;
11. A mechanism to ensure the effective transport and treatment of hazardous wastes shall be carried out;
12. That should there be any complaint from the community related to environmental pollution, nuisance, risks, and sanitation problems brought about by the project's operation, the proponent shall be held responsible to address such concerns;
13. The proponent shall allow the conduct of tangible monitoring by this Office anytime to validate the project's compliance to the ECC conditions stipulated therein;
14. All hazardous waste-contaminated materials for off-site treatment and decontaminated materials shall be temporarily stored in the designated storage/holding area. Transport of these materials shall be covered by Permit to Transport secured from EMB Regional Office where the Treatment, Storage, Disposal (TSD) facility is located.
15. Dismantling of structures shall be covered by a Demolition Permit issued by the City Engineer's Office of the City of Naga;

II. RESTRICTIONS

The proponent is strictly subject to the following restrictions:

16. This project shall cover exclusively the removal and clean-up of hazardous materials inside the required areas for diesel operations (4,5,6,7,8,9,10,11 and 12) within the Naga Power Plant Complex located in Barangay Colon, City of Naga, Province of Cebu, Region VII;
17. No activity shall be undertaken other than what were stipulated in the ECC. Should there be any expansion of the project beyond the project description or any change in the activity or transfer of location, the same shall be subject to a new Environmental Impact Assessment; and
18. In case of transfer of ownership of this project, these same conditions and restrictions shall apply and the transferee shall be required to notify the EMB Region VII within fifteen (15) days from the transfer of ownership to allow the necessary changes brought about by such transfer.

Pursuant to Section 9.0 of P.D. 1586, non-compliance with any of the provisions of this ECC shall be sufficient cause for its cancellation or suspension and/or imposition of a fine in an amount not to exceed Fifty Thousand Pesos (Php50,000.00) thereof.



PROJECT ASSESSMENT PLANNING TOOL

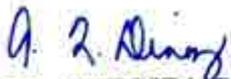
This is for the assistance of the Proponent and government agencies concerned in the management of the project and for better coordination in mitigating the impact of the project on its surrounding areas and to the environment.

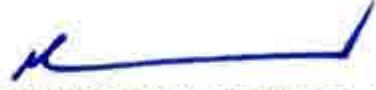
By way of recommendation, the following have been taken notice. We are forwarding these recommendations to the parties and authorities concerned for proper appreciation and action, and integration into their decision-making process.

Any issue and/or complaint arising from the following condition/ requirements shall be resolved by the concerned Government Agency/Entity:

OTHER REGULATORY REQUIREMENTS/CONDITIONS	CONCERNED GOVERNMENT AGENCIES/ENTITIES
1. Compliance with the Sanitation Code of the Philippines;	DOH
2. Compliance with the Labor Code of the Philippines	DOLE - Bureau of working condition
3. Compliance with the Building Code of the Philippines and LGU Zoning Board	LGU Concerned
4. Compliance with the Ecological Solid Waste Management Act	LGU Concerned
5. Secure tree cutting permit if there are trees affected	DENR7-CENRO
6. Implementation of land classification to minimize the significant impact on the conflict with project boundary pursuant to P.D. 705; legal Easement/salvage zones and protected area policies	DENR - LMS/CENRO
7. Compliance with BFP policies and guideline; Provide firefighting equipment;	Bureau of Fire Protection (BFP) Proponent
8. Issuance of Certificate of Compliance (COC) for power supply agreement between the company and the local government; Other DOE related permits;	DOE/Energy Regulation Board
ENVIRONMENTAL PLANNING RECOMMENDATIONS FOR THE PROPONENT	
9. Formulate and implement an Emergency Preparedness, Contingency and Preventive Measures and Maintenance Program to address possible case of explosion, fire, accidental spill of dangerous goods/hazardous wastes while in transit and during remediation and clean-up activities and other nuisance.	
10. Undertake close monitoring of the project to maintain a high level of safety and efficiency and immediately address any environmental hazard that may take place.	

For dissemination and proper action of the parties concerned.


ENGR. ANECITA Q. DINYO
Chief, Clearance and Permitting Division


LORMELYN E. CLAUDIO, CESO IV
Regional Director



SWORN STATEMENT OF OWNER

I, Abe P. Nisnisan, Vice President, representing Therma Power - Visayas, Inc., proponent of this **Remediation and Clean-up of the Naga Power Plant Complex** located Barangay Colon, City of Naga, Province of Cebu, Region VII take full responsibility in complying with all conditions contained in this Environmental Compliance Certificate or ECC.

ABE P. NISNISAN
Signature over Printed Name

TIN No. _____

Subscribed and sworn to before me this _____ 2020, the above-named affiant taking oath presenting Residence Certificate No. _____ issued on _____ at _____.

Signature of Notary Public

Doc. No. _____
Page No. _____
Book No. _____
Series of _____



10. Health and sanitation practices shall be observed at all times and protective gadgets/devices shall be provided to all workers to prevent accidents or minimize hazards posed by the project;
11. An Environmental Risk Assessment (ERA) inclusive of but not limited to natural hazards shall be conducted and the same shall be submitted to the DENR-EMB for approval not later than six (6) months after receipt of this ECC. An environmental risk auditing report shall be submitted to the EMB and the DENR Regional Units annually;
12. The proponent's shall submit to EMB a detailed oil spill contingency plan which includes the proponent's and supplier's responsibilities in the clean-up in case of oil spills, fire and leakages during transport and handling of the fuel oil within ninety (90) days after the issuance of ECC;
13. Qualified local residents including women in the impact areas shall be given priority for employment;
14. The proponent shall assist the LGUs in the provision of medical/dental, education and other social services to residents in the area and its vicinities in coordination with the Department of Health (DOH), the Department of Social Welfare and Development (DSWD) and the Department of Education, Culture and Sports (DECS);

The proponent in coordination with local health officials shall conduct an annual medical check-up and monitoring on the health of the workers and affected residents and submit report to EMB and the DENR Regional Units;
16. The proponent shall maintain a quarterly consultation with the nearby residents, concerned LGUs and representatives of the Carbon Market Management, the report of which shall be submitted to the DENR Regional Units;
17. The proponent shall set-up an Environmental Guarantee Fund (EGF) to cover the expenses for indemnification of damages to life and property that might be caused by the project including rehabilitation and/or restoration of areas affected by the project's implementation and decommissioning of the activities related to the prevention of possible negative impacts including its required monitoring. It shall be set up within thirty (30) days from the receipt of this ECC through a separate MOA with the DENR Region VII and the EMB. The absence of this shall cause cancellation of this ECC;
18. A Multipartite Monitoring Team (MMT) to be composed of the representatives of the proponent, the DENR, the LGUs, a local environmental NGO and the affected communities shall be organized through a MOA within thirty (30) days from receipt of this ECC. The MMT shall monitor weekly the impacts of the project and the proponent's compliance with the ECC conditions and applicable laws, rules and regulations.

Within thirty (30) days upon receipt of the ECC, an Environmental Monitoring Fund (EMF) shall be established to cover all costs attendant to the operation of the MMT such as training, accommodation, transportation, etc.

19. An Environmental Unit (EU) shall be created by the management to handle the environment-related aspects of the project. The EU shall submit environmental/monitoring reports to the EMB and the DENR Regional Units on a quarterly basis and coordinate with the MMT;
20. The proponent shall undertake an effective Information Education Campaign (IEC) to explain publicly its mitigative measures as well as the conditions of this ECC. It shall open opportunities to educate the public, interested academic institutions and other parties on the environment and human health safety features of the project.

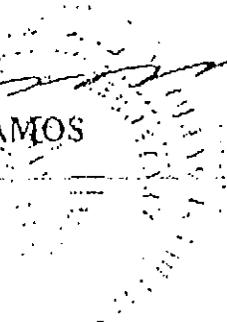
To assure the objectivity of presentation, the IEC activities shall be funded by the proponent but implemented by a joint team of the proponent, the DENR and an NGO. The proponent shall submit a detailed IEC Program to the EMB, the DENR Regional Units and the LGUs annually and a report of its implementation bi-annually;
21. On-the-spot monitoring and inspection may be conducted by the EMB and/or the DENR Regional Units in coordination with the concerned groups;
22. All other necessary permits from concerned government agencies shall be secured prior to the operation of the power plant;
23. Any expansion/modification of drilling operations will be subjected to a new environmental impact assessment requirements; and
24. The transfer of ownership of this project carries the same conditions in this Certificate for which written notification shall be made to the DENR-EMB within fifteen (15) days from such transfer;

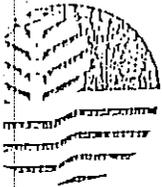
Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate and/or a fine in an amount not to exceed Fifty Thousand Pesos (P 50,000.00) for every violation thereof, at the discretion of the Bureau (Section 9 of P.D. 1586).

Given this 17th day of Nov., 1997.


VICTOR O. RAMOS

Secretary





DEPARTMENT OF
ENVIRONMENT AND
NATURAL RESOURCES

OCT 13 1993

9303-012-207C
MACTAN POWER CORPORATION (MPC)
4th Floor, Ortigas Building,
Ortigas Avenue, Pasig,
Metro Manila

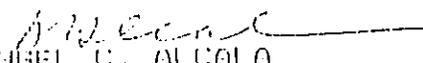
Gentlemen :

This has reference to your proposed 50 MW DIESEL/DUNKER-
FIRED POWER PLANT located at Mactan Export Processing Zone,
Mactan, Cebu.

After evaluation of the documents submitted on the aforesaid
project, this Office has decided to grant the same an
Environmental Compliance Certificate (ECC).

You may proceed with project implementation after securing
the necessary permits from the pertinent government agencies.
Please be advised, however, that this Office will be monitoring
the project periodically to ensure your compliance with the
stipulations cited in the attached Environmental Compliance
Certificate (ECC). Further, any expansion of currently approved
operations will be subject to the Environmental Impact Assessment
(EIA) requirement.

Very truly yours,


ANGEL C. ALCALA
Secretary

cc: Environment Sector
DENR - Region VII

.. RAV/RPA/LEC/RUE

ENVIRONMENTAL COMPLIANCE CERTIFICATE

The Environmental Management Bureau hereby grants this Environmental Compliance Certificate (ECC) to the 50 MW DIESEL/BUNKER-FIRED POWER PLANT of MACTAN POWER CORPORATION located at Mactan Export Processing Zone, Mactan, Cebu, after complying with the Environmental Impact Assessment (EIA) requirement as prescribed in the promulgated guidelines implementing Section 3 (b) of P.D. 1121 and 1506.

This Certificate is being issued subject to the following conditions:

1. OPERATION PHASE :

1. This Certificate shall cover the construction and operation of a 50 MW Diesel-Fired Power Plant to be located at Lot No. 9 and 10, Block 3 within the Mactan Export Processing Zone, Mactan, Cebu;
2. Plant operation shall commence only after all necessary permits from the government agencies including Local Government Units (LGU) endorsement have been secured for the project. DENR-EMB shall be informed of the date when operation commences;
3. The plant shall be designed, constructed and operated in conformity with the National Structural Code of the Philippines and with the submitted Environmental Impact Statement (EIS);
4. Revegetation shall be undertaken immediately upon completion of construction activities;
5. Proper solid waste management and disposal shall be implemented in conformity to the Code on Sanitation of the Philippines (P.D. 856);
6. That all plant effluents and emissions including noise shall conform with the DENR Standards;
7. Appropriate species should be planted around the project perimeter to serve as a buffer zone to attenuate the noise generated by plant operation and absorb SO emissions;



DEPARTMENT OF
ENVIRONMENT AND
NATURAL RESOURCES

II. OPERATIONS PHASE :

8. Fuel specification must meet the requirements set by the DENR Administrative Order No. 14;
9. The smoke stack shall have a minimum height of forty (40) meters with the provision to upgrade further should the dispersion of emission and assimilative capacity of air atmosphere requires;
10. Air and water pollution control devices shall be installed and maintained effectively. Emissions and effluents including noise shall meet the DENR air/water quality standards;
11. During the construction and operation of the plant, utmost regard must be given to the safety of workers by providing them with safety gadgets and following safety rules that minimize work-related risks and hazards.
12. The proponent shall regulate and continuously monitor the groundwater extraction to prevent saltwater intrusion;
13. Proper mitigating measures shall be effected to prevent oil spills and leakages and used oil shall be disposed of properly;
14. All other mitigating measures indicated in the EIS shall be complied with in addition to the specific measures indicated above.

III. ENVIRONMENTAL MONITORING :

15. An Environmental Monitoring Plan shall be submitted to this Office sixty (60) days from receipt hereof. The same shall be implemented upon approval of this Office.
16. Monitoring of stack emissions and ambient air quality (TSP, SO₂, NO_x) shall be conducted at least twice a month during the first six months of operation and once every quarter thereafter. The results of which shall be submitted to EMB and DENR Region VII;
17. Should effluents and emissions exceed the standards as determined by the monitoring team, operations shall be suspended after prior notice and due



DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

IV. OTHERS :

- 18. The MPC shall formulate and pursue a program for awareness and preparedness for emergency events resulting from fire, explosion, spills or release of hazardous materials;
- 19. That transfer of ownership of this project carries the same conditions in this Certificate for which written notification shall be made to the DENR-EMB within fifteen (15) days from such transfer;

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate and/or a fine in an amount not to exceed Fifty Thousand Pesos (P50,000.00) for every violation thereof, at the discretion of the Bureau (Section 9 of P.D. 1586).

Given this

OCT 13 1993

Angel C. Alcala
ANGEL C. ALCALA
Secretary

Recommending Approval:

Rodrigo U. Fuentes
RODRIGO U. FUENTES
Director

/RAY/RPA/CSS/LEC/RUE



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT AND PROTECTED AREAS SERVICES
Region VII, Banilad, Mandaue City
Tel. No. 82100 / 81062 / 81111

December 18, 1997

SUBJECT: Approval of ECC

Mr. Emilio H. Javier
Senior Vice President - Operations
EAST ASIA POWER UTILITIES
Ibo, Lapu-lapu City

Dear Mr. Javier:

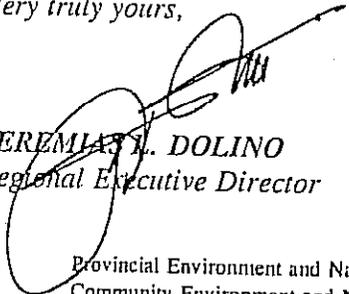
This has reference to your proposed Mooring and Fuel Oil receiving facility for the 50 MW Mactan Diesel Power Plant located at Barangay Ibo, Lapu-lapu City.

After evaluating the Initial Environmental Examination (IEE) document you submitted and with the favorable recommendation from the engineer who evaluated the document, this Office has determined that the same may be granted an Environmental Compliance Certificate (ECC).

You are advised to read carefully the conditions in the attached ECC and to secure all the necessary permits from other concerned government agencies. Please note that this Office will be conducting periodic ocular inspection to monitor the said ECC conditions. Be further reminded that any changes in your project in the future will be subject to the Environmental Impact Assessment (EIA) requirements.

Please be guided accordingly.

Very truly yours,


JEREMIAS L. DOLINO
Regional Executive Director

cc: Provincial Environment and Natural Resources Office (PENRO) - Cebu
Community Environment and Natural Resources Office (CENRO) - Cebu City
City Council of Lapu-lapu
Barangay Council of Ibo

Grow a tree for legacy



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT AND PROTECTED AREAS SERVICES
Region VII, Banilad, Mandaue City
Tel. No. 82100 / 81062 / 81111

ENVIRONMENTAL COMPLIANCE CERTIFICATE
(ECC-97L-07CE-146)

The **ENVIRONMENTAL MANAGEMENT AND PROTECTED AREAS SERVICES** of the **DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES**, Region VII hereby grants this **ENVIRONMENTAL COMPLIANCE CERTIFICATE (ECC)** to **EAST ASIA POWER UTILITIES** for the Proposed Mooring and Fuel Oil receiving facility for the 50 MW Mactan Diesel Power Plant located in Barangay Ibo, Lapu-lapu City after complying with the **ENVIRONMENTAL IMPACT ASSESSMENT (EIA)** requirements as prescribed in the promulgated guidelines implementing the revised rules and regulations of P.D. 1586.

This Certificate is being issued subject to the following conditions:

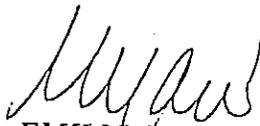
1. *This certificate is valid only for the installation of concrete anchors and deadman for anchoring purposes and the 200 mm. diameter by 260 meters submarine pipeline and its appurtenant connections for the transport of fuel oil from the tankers to the tank from the power plant.*
2. *Turbidity during construction of the trench using backhoe and air flushing shall be controlled so as not to affect adjoining areas.*
3. *Installation of the pipeline shall be in accordance with the norms of the oil industry and safety code requirements.*
4. *Pumping of fuel oil shall be conducted in a secured manner to prevent overflowing in the tank farm and spills/leaks on hose connections going into the surface waters.*
5. *Delivery of fuel-oil shall be scheduled at daytime to facilitate unloading and to minimize potential accident spillage. Where necessary, delivery during nighttime should be fully supervised by trained operators with adequate lighting, security and two-way communication system.*
6. *To ensure sanitation, dumping of solid and liquid waste overboard from the tankers should be restricted.*
7. *Periodic checking as to the mechanical integrity of the mooring and receiving facility should be implemented.*
8. *Oil containment and collection equipment to contain and collect accident spills should be ready and functional throughout the life of the project.*
9. *At no time will sludges from the tank farm be disposed to the sea via the pipeline.*

- 10. No other structure shall be constructed except these mentioned in the report that will constrict normal seawater circulation.
- 11. All other permits from concerned agencies shall be complied with prior to implementation of the project.
- 12. Transfer of ownership of this project carries the same conditions in this Certificate for which written notification shall be made by herein grantee to this Office within fifteen (15) days from such transfer.

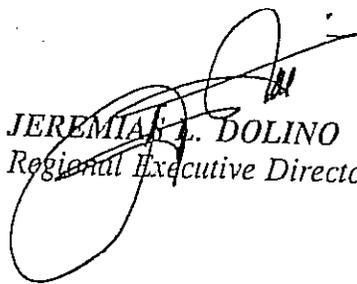
Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate and/or imposition of a fine in an amount not to exceed Fifty Thousand Pesos (P50,000.00) for every violation thereof, at the discretion of this Office (Section 9 of P.D. 1586).

Given this 18th day of December, 1997.

Conforme:


EMILIO H. JAVIER
 Senior Vice President - Operations

Approved:


JEREMIA L. DOLINO
 Regional Executive Director

Recommending Approval:


ALAN C. ARRANGUEZ
 OIC, Regional Technical Director
 EMPAS

PROCESSING	FEB :	□	1,750.00
FILING	FEB :		310.00
RESEARCH	FEB :		70.00

O.R. #: _____
 O.R. #: _____
 DATE: _____
 DATE: _____

ENVIRONMENTAL COMPLIANCE CERTIFICATE

The Environmental Management Bureau hereby grants this Environmental Compliance Certificate (ECC) to the proposed 2x100 MW MINDANAO DIESEL POWER BARGE PROJECT OF THE NATIONAL POWER CORPORATION to be located in Nasipit, Agusan del Norte and Maco, Davao del Norte, after complying with the Environmental Impact Assessment (EIA) requirement as prescribed in the promulgated guidelines implementing Section 3 (b) of P.D. 1121 and 1586.

This Certificate is being issued subject to the following conditions:

1. That this Certificate shall cover the installation and operation of 2x100 MW diesel power barges with one (1) unit to be located in Nasipit, Agusan del Norte and one (1) unit to be located in Maco, Davao del Norte;
2. That bilge water shall meet the prescribed effluent standards before being discharged into any receiving stream;
3. That plant emissions including noise shall meet the prescribed emission standards and that design of pollution control facilities shall consider the impending revision of air quality standards;
4. That proper solid waste management and disposal shall be implemented;
5. That there shall be provision of contingency equipment/materials in the barge for use in case of accidental oil spillage;
6. That permits from other government agencies concerned shall be secured prior to project operation; and
7. That all mitigating measures indicated in the EIS shall be properly implemented;
8. That transfer of ownership of this project carries the same conditions in this ECC for which written notification shall be made within fifteen (15) days from such transfer.

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate and/or a fine in an amount not to exceed Fifty

Thousand Pesos (P50,000.00) for every violation thereof, at the discretion of the Bureau (Section 9 of P.D. 1586).

Given this 29th day of June 1992.

ORIGINAL SIGNED

DELFIN J. GANAPIN, JR.
OIC, Office of the Undersecretary
for Environment and Research

Recommending Approval:

RODRIGO U. FUENTES *uw*
Director *F*

/CEBU/SET/LAG/ng*

ENVIRONMENTAL MANAGEMENT BUREAU /
ENVIRONMENTAL IMPACT ASSESSMENT GROUP
RECEIVED FROM
NAME: H. M. Costas Jr.
DATE: 6/29/92



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU

DENR Compound, Visayas Avenue, Diliman, Quezon City 1116
Telephone Nos.: 927-15-17, 928-37-42
Email : emb@emb.gov.ph
Visit us at <http://www.emb.gov.ph>

OCT 04 2010

Mr. Jose Venancio P. Batiquin

Executive Vice President/CEO

THERMA MARINE, INC.

Aboitiz Corporate Center, Gov. Manuel A. Cuenco Ave.
Banilad, Cebu City

Subject: ECC TRANSFER OF OWNERSHIP (ECC-CO-9206-018-120)

Dear Mr. Batiquin:

This refers to the request for the transfer of the Environmental Compliance Certificate (ECC-CO-9206-018-120) issued to National Power Corporation for the **2x100 MW Mindanao Diesel Power Barge Project** located in Nasipit, Agusan del Norte and Maco, Compostela Valley, Davao del Norte.

Based on the review of documents received on 09 September 2010, the request for the transfer of ECCs for the above projects is hereby granted. As such, the proponent's name is changed from **National Power Corporation** to **THERMA Marine, Inc.** with office address stated above for the projects namely:

- a) 100 MW Mindanao Diesel Power Barge 117 (PB 117) located in Barangay San Ana, Nasipit Agusan del Sur.
- b) 100 MW Mindanao Diesel Power Barge 118 (PB 118) located in Barangay San Roque, Maco, Davao del Norte.

All other conditions stipulated in the abovementioned ECC shall remain in force unless revised/revoked in writing. Please be reminded however that the approved Environmental Management Plan (EMP) which is part of your commitments to the ECC are subject to compliance monitoring and evaluation of this Office.

Any expansion or modification of currently approved project components shall be subject to a new EIA evaluation. Also, you are required to accomplish and submit to this Office, copy furnish the respective EMB Region, the semi-annual ECC Compliance Monitoring Report as specified under Section 9 of DAO 30-03.

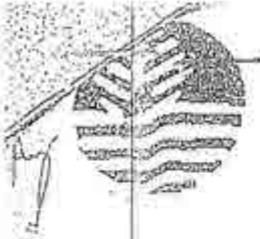
Please be guided accordingly.

Very truly yours,

ATTY. JUAN MIGUEL T. CUNA
OIC-Director

O.R. No.
Date

1384
10/4/10



DEPARTMENT OF
ENVIRONMENT AND
NATURAL RESOURCES

ENVIRONMENTAL COMPLIANCE CERTIFICATE

The DENR through the Environmental Management Bureau (EMB) hereby grants this Environmental Compliance Certificate (ECC) to the proposed 2 X 60 MW POWER BARGE PROJECT of the EAST ASIA POWER CORPORATION, under a Build-Operate-Own (BOO) Agreement with the National Power Corporation, to be located in Navotas, Metro Manila, after complying with the Environmental Impact Assessment (EIA) requirement, as prescribed in the promulgated guidelines implementing Section 3 (b) of P.D. 1121 and P.D. 1386.

This Certification is being issued subject to the following conditions:

1. This Certificate shall cover the installation and operation of two power barges with a total generating capacity of 120 MW to be moored offshore the Navotas Fish Port Complex. It shall also include the installation of a 4-kilometer 115 kV transmission line and construction of support/mooring facilities;
2. A multiple source air quality modelling shall be undertaken, the report of which shall be submitted to the EMB within sixty (60) days from receipt of the ECC. A validation study in coordination with EMB and/or DENR-NCR, on the results of the air quality modelling shall be conducted, commencing on the third month of project operations and a report on the same shall be provided the EMB;
3. All emissions including noise and effluents of the power barges shall conform to DENR set standards;
4. All mitigating measures as stated in the EIS including those for noise abatement shall be undertaken;
5. The revised Environmental Monitoring Program (EMP) shall be strictly carried out to minimize degradation of the terrestrial and marine ecosystems. It shall additionally integrate the following:
 - 5.1 Installation of a continuous recording instrument for water temperature;
 - 5.2 Regular monitoring of the following parameters:
oil and grease, temperature, pH, DO - daily

[Handwritten signature]

noise levels - weekly for the first three months and monthly thereafter

SO₂, NO₂, CO, (HC), particulates - quarterly at receptor locations of Ground Level Concentrations (GLCs).

- 5/3 Creation of an Environmental Unit (EU) headed by a qualified Pollution Control Officer charged with overseeing the EMP, installation, operation and maintenance of pollution control equipment and facilities, as well as, coordination with the National Power Corporation, Philippine Coast Guard, Philippine Ports Authority and pollution control officers of power barges in the Manila Bay Region;
6. An Environmental Guarantee Fund (EGF) shall be put up to cover the expenses of environmental monitoring and surveillance, indemnification of damages caused by the project, immediate rehabilitation and/or restoration of areas affected by the project and research on acid rain, electromagnetic effects of the transmission line and health effects of the emissions on surrounding communities. The amount and mechanics of the EGF shall be in accordance with DENR-EMB guidelines and shall be submitted sixty (60) days from receipt hereof;
7. A more detailed Contingency Plan shall be submitted to EMB for approval within thirty (30) days from receipt hereof. It shall include the establishment of an effective communication system and emergency response plan in case of sabotage and fire;
8. On-the-spot monitoring and inspections shall be initiated by the EMB-DENR NCR in coordination with concerned groups;
9. All other pertinent government permits shall be secured prior to project implementation;
10. Transfer of ownership of this project carries the same conditions in this ECC for which written notification shall be made within fifteen (15) days from such transfer; and
- _____*

11. Transfer of location of the power barge operation during or after the 5-year project lifespan shall be subjected to another ECC application.

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate and/or a fine in an amount not to exceed Fifty Thousand Pesos (P50,000.00) for every violation thereof, at the discretion of the Bureau (Section 9 of P.D. 1586).

Given this

MAR 26 1994

Angel C. Alcala
ANGEL C. ALCALA
Secretary

Recommending Approval:

Rachel A. Vasquez
RACHEL A. VASQUEZ
OIC, EMB Director

408/204/205/LEC/REV



DEPARTMENT OF
ENVIRONMENT AND
NATURAL RESOURCES

ENVIRONMENTAL COMPLIANCE CERTIFICATE

The DENR through the Environment Environmental Management Bureau (EMB) hereby grants this Environmental Compliance Certificate (ECC) to the proposed two (2) Additional Power Barges of the East Asia / Duracom Power Corporation to be located in Navotas, Metro Manila after complying with Environmental Impact Assessment (EIA) requirement, as prescribed in the promulgated guidelines implementing Section 3 (b) of P.D. 1121 and P.D. 1586.

This certificate is being issued subject to the following conditions:

1. This certificate shall cover the installation and operation of two (2) power barges namely DURA I (11 units of Wartsila Engines) with generating capacity of 66 MW and 67.5 MW for DURA II (6 units of Sulzer Engines). It shall include the installation of a 600 meter 115 KV transmission line and construction of support/mooring facilities;
2. Validation of the air quality modelling must be made as soon as the proposed power barges are in operation, a report of which shall be submitted to EMB within sixty (60) days after the conduct of validation;
3. All mitigating measures as stated in the approved submitted documents including those for noise abatement shall be undertaken;
4. All emissions including noise and effluent of the power barges shall conform to DENR set standards;
5. The revised Environmental Monitoring Program (EMP) shall be strictly carried out and shall additionally integrate the following:
 - 5.1 Regular monitoring of the following parameters :

temperature, pH	-	Daily
oil and grease, noise levels	-	Weekly for the first three (3) months and monthly thereafter
 - 5.2 Automatic air sampling instruments for SO₂, NO_x & particulate shall be installed and operated continuously in at least two (2) verified sampling sites as approved by the EMB - DENR;
 - 5.3 Creation of an Environmental Unit (EU) headed by a qualified Pollution Control Officer ~~in charge with~~ overseeing the EMP;
6. The proponent together with NAPOCOR, PPA and owners of existing and proposed barges and other relevant entities shall become a member of the Working Group that would be set up by the DENR-NCR to address the water quality problem in the area;

7. An Environmental Guarantee Fund (EGF) shall be put up to cover the expenses of environmental monitoring and surveillance, indemnification of damages and immediate rehabilitation and/or restoration of areas affected by the project. The amount and mechanics of the EGF shall be in accordance with DENR-EMB guidelines and shall be submitted sixty (60) days from receipt hereof;
8. A more detailed Contingency Plan containing an emergency response plan in case of fire & other hazards shall be submitted within thirty (30) days upon receipt of the ECC. It shall include the establishment of an effective communication system and an emergency response plan in case of said hazards;
9. The proponent shall be required to submit a preliminary Environmental Risk Assessment Study to be submitted to the EMB and the DENR-NCR within ninety (90) days upon receipt of this ECC. A Risk Assessment Report shall be submitted, thereon, on an annual basis;
10. All other pertinent government permits shall be secured prior to project implementation;
11. On-the-spot monitoring and inspections shall be initiated by the EMB-DENR NCR in coordination with concerned groups;
12. Transfer of ownership of this project carries the same conditions in this ECC for which written notification within fifteen (15) days from such transfer; and
13. Any expansion and/or modification of currently approved operations will be subject to a new EIA requirement.

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate and/or imposition of fine in the amount of Fifty Thousand Pesos (P50,000.00) for every violation thereof, at the discretion of the Bureau (Section 9 of PD 1586).

Given this

DEC 05 1995


VICTOR O. RAMOS
Secretary

Recommending Approval:


DELFIN J. GANAPIN, JR.
Undersecretary for Environment
and Programs Development



NCR 2002 - 12 - 09 - 543 - 120
ECC2002 - 06 - 267 - NV - 120

ENVIRONMENTAL COMPLIANCE CERTIFICATE

DENR-NCR hereby grants Environmental Compliance Certificate (ECC) for the Maintenance Workshop and Office Building Project of DURACOM MOBILE POWER CORPORATION located in a 1,790.5 square meters of lot at Navotas Fishport Complex, Navotas Metro Manila City, after complying with the Environmental Impact Statement (EIS) System requirements as prescribed in the guidelines of the Implementing Rules and Regulations of Presidential Decree No. 1586.

This Certificate is issued subject to the following conditions:

1. That this Certificate covers the maintenance workshop and office building, any modification from the approved project scope shall be officially relayed to this Office for information, evaluation and approval;
2. That all the proposed mitigation measures contained in the Environmental Management Plan (EMP) shall be effected;
3. That should adverse environmental impacts occur as a result of project operations, all the activities causing the same shall be temporarily stopped until such time that remedial measures have been effected;
4. That the project proponent shall allow DENR-EMB-NCR personnel with proper identification card and travel/mission order to conduct inspection/ monitoring in the entire premises without prior notice to oversee compliance to ECC conditions;
5. That the transfer of ownership and/or change of name of the project carries the same conditions in this ECC for which written agreement shall be made, copy furnish this Office of the said document for record purposes;
6. That this Certificate shall be posted in a conspicuous place in the Administration's Office for easy reference and guidance;
7. That a report under oath on the results of monitoring proposed under the Environmental Monitoring Plan of the IEE and on compliance with each of the conditions shall be submitted to this Office annually;
8. That a written notification shall be made to the DENR-EMB-NCR, for approval, in case the project proponent cannot comply with any of the conditions for

Abelardo

Duracom Mobile Power Corp.
NCR 2002 12-09-543-120
ECC 2002-06-267-NV-120

- 9. That in case of abandonment or indefinite work stoppage the project proponent shall submit a written notification thirty (30) days before the scheduled abandonment/work stoppage and to restore the site to its original condition or provide safety and protective measures to prevent adverse environmental impacts that may be caused by the project.

Non-compliance with any of the above stipulations and/or misrepresentations in the IEE submitted by the proponent will be sufficient cause for the suspension or cancellation of this Certificate and/or imposition of a fine in an amount not to exceed **Fifty Thousand Pesos (P50,000.00) for every violation** thereof pursuant to Article IX, Section 6.0, DENR Administrative Order No. 37, Series of 1996. This ECC is not a permit rather it is a certification that the proponent has committed to undertake or implement mitigative measures to reduce the negative environmental impacts to acceptable level.

Given this _____ day of SEP 20 2002.

Approved:

Sixto E. Tolentino
SIXTO E. TOLENTINO, JR.
Regional Director

Recommending Approval:

IBARRA G. CALDERON
Chief, EIA Division



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
NATIONAL CAPITAL REGION
1000, EDSA, Alabang, Muntinlupa City
Tel. Nos. 781-0462/83, 781-0484/85, 781-0471, 781-0497, 749-9828/29
Telefax: 781-0497, 781-0482, 781-0465

AUG 15 2011

ECC Ref. Code: ECC-NCR-0212-0543

The President / General Manager
THERMA MOBILE, INC.
Navotas Fishport Complex,
Navotas City

Sir:

This has reference to your request for amendment of the Environmental Compliance Certificate (ECC-NCR-2002-12-09-543-120) previously issued for your Maintenance Workshop and Office Building project located at Navotas Fishport Complex, Navotas City.

After evaluation of the documents submitted, this Office has decided to grant the said request to reflect the new name, Therma Mobile, Inc. instead of Duracon Mobile Power Corporation.

With the issuance of this amended ECC, you are expected to implement the measures presented in the Initial Environmental Examination (IEE), intended to protect and mitigate the project's adverse impacts on community health, welfare and the environment. Environmental considerations shall be incorporated in all phases and aspects of the project. You may proceed with project implementation after securing all the necessary permits from other pertinent government agencies. This Office will be monitoring the project periodically to ensure your compliance with stipulations cited in the attached ECC.

Be further informed that you have to pay the amount of **Three Hundred Pesos (Php. 300.00)** representing post-ECC processing services and **Fifteen Pesos (Php. 15.00)** for documentary stamp tax before the said certificate could be released to your favor.

Very truly yours,


ROBERTO D. SHEEN
OIC, Regional Director

PROJECT ASSESSMENT PLANNING TOOL

For the assistance of the Proponent, other DENR Divisions/Bureaus, other concerned government agencies and LGUs in the management of the project and for better coordination in mitigation on the impact of the project on its surrounding areas and to the environment.

By way of recommendation, the following have been taken notice of by the EIA Review Committee and are forwarding these recommendations to the parties and authorities concerned for proper appreciation and action, and integration into their decision-making process.

A. RECOMMENDATIONS TO CONCERNED GOVERNMENT AGENCIES/LGUS	CONCERNED PERMITTING, DECIDING MONITORING ENTITIES
THERMA MOBILE, INC shall :	
1. Ensure that a social participation process is undertaken with the local government units and stakeholders.	LGU-City of Navotas
2. Implement segregation, collection, recycling, and disposal mechanism for solid waste.	LGU-City of Navotas
3. Implement safety rules and regulations in the project area	DOLE
4. Coordinate for the traffic management in the area affected in anticipation of the growth of traffic caused by the project.	LGU-City of Navotas
5. Implement fire and earthquake management plan	LGU-City of Navotas
6. Shall comply with the fire safety protection requirements of the Fire Code of the Philippines	LGU-City of Navotas
B. ENVIRONMENTAL PLANNING RECOMMENDATIONS FOR THE PROPONENT	
7. THERMA MOBILE, INC shall undertake close monitoring of the project to maintain a high level of safety and efficiency at all stages of the construction and operation, and to immediately address any environmental hazard/ change that may take place. It is strongly recommended that the same be strictly complied.	

For dissemination and proper action of the parties concerned:

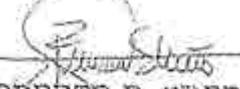

YVONNE V. GARABEO
 Case Handler

Case Handler


EMILIANO P. KEMPIS, JR.
 Chief, EIAM Division


DANILO J. GALAGNARA
 Chief, CMS

Chief, CMS


ROBERTO D. SHEEN
 OIC, Regional Director



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
NATIONAL CAPITAL REGION
5th Floor #29 Hizon Bldg. Quezon Ave. Quezon City
Tel. Nos. 781-0482/83, 781-0484/85, 781-0471, 781-0497, 749-9828/29
Telefax, 781-0497, 781-0482, 781-0485

ENVIRONMENTAL COMPLIANCE COMMITMENT
(Environmental Compliance Certificate)
(Issued under Presidential Decree 1586)
ECC-NCR-0212-0543
(Amending ECC-2002-06-267-NV-120)

THIS IS TO CERTIFY THAT PROPONENT THERMA MOBILE, INC. represented by its President, is granted this Environmental Compliance Certificate (ECC) for the Maintenance Workshop and Office Building Project located at Navotas Fishport Complex, Navotas City, by the Department of Environment and Natural Resources (DENR), through the Environmental Management Bureau, National Capital Region.

SUBJECT ONLY to the conditions and restrictions set-out in this ECC and by the attached document labeled as Annex A. Recommendations have been provided in Annex B as guidance to concerned government agencies and local government units for consideration in their decision making process.

PROJECT DESCRIPTION

The ECC covers the Maintenance Workshop and Office Building Project of Therma Mobile, Inc. located in a 1,790.50 square meters of lot at Navotas Fishport Complex, Navotas City.

This ECC is issued pursuant to the provisions of Presidential Decree No. 1586, in accordance to Department Administrative Order No. 2003-30. Non-compliance with any of the provisions of this ECC shall be sufficient cause for its cancellation or suspension and/or imposition of a fine in an amount not to exceed Fifty Thousand Pesos (PhP 50,000.00) for every violation thereof. The Bureau, however, is not precluded from reevaluating, adding, removing, and correcting any deficiencies or errors that may be found to be inconsistent with the Revised Procedural Manual of DAO 2003-30 after issuance of this ECC.

Issued at EMB-NCR, 5th Floor, Hizon Bldg., No. 29, Quezon Avenue, Quezon City this _____

Approved:


ROBERTO D. SHEEN
OIC, Regional Director

Recommending Approval:


EMILIANO P. KEMPIS, JR.
Chief, EIAM Division

1. CONDITIONS

A. ENVIRONMENTAL MANAGEMENT and MONITORING PLAN (EMMoP)

1. The proponent shall ensure that all commitments, appropriate mitigating/enhancement measures and monitoring requirements especially those contained in the EMMoP in the Initial Environmental Examination (IEE) Report, its modifications and additional information as approved by the EMB-NCR during the EIA Report review shall be instituted and strictly implemented throughout the project implementation.
2. Submit an Abandonment Plan to the EMB-NCR at least 30 days prior to the project's abandonment. The plan shall include rehabilitation measures / clean-up, remediation of areas affected by the project and proposed alternative projects in the area.

B. GENERAL CONDITIONS

3. The operations shall conform to the applicable provisions of RA 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), RA 8749 (Philippine Clean Air Act of 1999), RA 9003 (Ecological Solid Waste Management Act of 2000), and RA 9275 (Philippine Clean Water Act of 2004).
4. An Environmental Unit (EU) / Pollution Control Officer (PCO) must be established / appointed to handle the environment-related aspects of the project in addition to the monitoring requirements as specified in the Environmental Management Plan (EMP) / Environmental Monitoring Plan (EMoP). The EU / PCO shall:
 - 4.1 Monitor actual project impacts vis-à-vis the predicted impacts and management measures in the IEE Report.
 - 4.2 Submit semi-annually an ECC Compliance Report to the EMB-NCR, on or before 15 February and 15 August of each year. Each report must show the summary of cumulative performance of Proponent against previous years' requirements and commitments.
5. That the project proponent shall allow EMB-NCR personnel with proper identification card and mission/travel order to conduct inspection/monitoring in the entire premises without prior notice to oversee compliance to ECC conditions.

II. RESTRICTIONS

6. In case of transfer of ownership of this project, these same conditions and restrictions shall apply and the transferee shall be required to notify the EMB-NCR within fifteen (15) days as regards to the transfer of ownership.
7. No other activities should be undertaken other than what was stipulated in the IEE Report. Should there be any planned expansion of the project beyond the project description in the submitted documents; or any planned change in the activity, a request for an ECC amendment must be made prior to implementation of any project expansion/ modification.



OR No. : 9210475 - 6532209
Processing Fee: P 300.00 / P 15.00
Date : 5 September 2011



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU

DENR Compound, Visayas Avenue, Diliman, Quezon City 1116
Telephone Nos.: 927-15-17, 928-37-42
Email : emb@emb.gov.ph
Visit us at <http://www.emb.gov.ph>

JUL 29 2011

Mr. Jose Venancio A. Batiquin
Executive Vice President/ COO
THERMA MOBILE, INC.
Aboitiz Corp. Center, Gov. Manuel A.
Cuenco Ave., Banilad, Cebu City

Subject: **Transfer of Environmental Compliance Certificate (ECC Reference No. 9507-002-207) for the 2x60MW Power Barge Project of East Asia Power Corporation**

Dear *Mr. Batiquin*:

This refers to the request for transfer of ECC Reference No. 9507-002-207 issued in favor of East Asia Power Corporation for its 2x60MW Power Barge Project in Navotas Fish Port Complex, Navotas City, Metro Manila to Therma Mobile Inc.

Based on review and evaluation of the submitted documents, said request is hereby granted. Please be advised that this transfer shall carry with it the environmental liabilities and obligations including ECC compliance reporting requirements for the above mentioned project. Further, all conditions stipulated in the ECC shall remain in force unless otherwise revised in writing. Any expansion and/or modification of currently approved project operations/coverage shall be subject to a new Environmental Impact Assessment (EIA) requirement.

For your information and guidance.

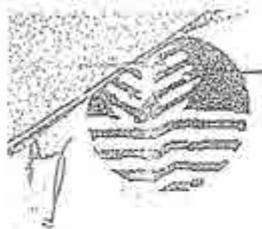
Very truly yours,


ATTY. JUAN MIGUEL T. CUNA
OIC-Director

cc: EMB-NCR
East Asia Power Corp.

OR No.: 6185455
Date: 0-5-2011
Amount: P300.00

Protect the environment... Protect life...



DEPARTMENT OF
ENVIRONMENT AND
NATURAL RESOURCES

ENVIRONMENTAL COMPLIANCE CERTIFICATE

The DENR through the Environmental Management Bureau (EMB) hereby grants this Environmental Compliance Certificate (ECC) to the proposed 2 X 60 MW POWER BARGE PROJECT of the EAST ASIA POWER CORPORATION, under a Build-Operate-Own (BOO) Agreement with the National Power Corporation to be located in Navotas, Metro Manila, after complying with the Environmental Impact Assessment (EIA) requirement, as prescribed in the promulgated guidelines implementing Section 3 (b) of P.D. 1121 and P.D. 1884.

This Certification is being issued subject to the following conditions:

1. This Certificate shall cover the installation and operation of two power barges with a total generating capacity of 120 MW to be moored offshore the Navotas Fish Port Complex. It shall also include the installation of a 4-kilometer 115 kV transmission line and construction of support/mooring facilities;
2. A multiple source air quality modelling shall be undertaken, the report of which shall be submitted to the EMB within sixty (60) days from receipt of the ECC. A validation study in coordination with EMB and/or DENR-NCR, on the results of the air quality modelling shall be conducted, commencing on the third month of project's operations and a report on the same shall be provided the EMB;
3. All emissions including noise and effluents of the power barges shall conform to DENR set standards;
4. All mitigating measures as stated in the EIS including those for noise abatement shall be undertaken;
5. The revised Environmental Monitoring Program (EMP) shall be strictly carried out to minimize degradation of the terrestrial and marine ecosystems. It shall, additionally integrate the following:
 - 5.1 Installation of a continuous recording instrument for water temperature;
 - 5.2 Regular monitoring of the following parameters:
oil and grease, temperature, pH, DO - daily

noise levels - weekly for the first three months and monthly thereafter

SO₂, NO₂, CO, (HC), particulates - quarterly at receptor locations of Ground Level Concentrations (GLCs).

- 5.3 Creation of an Environmental Unit (EU) headed by a qualified Pollution Control Officer charged with overseeing the EMP, installation, operation and maintenance of pollution control equipment and facilities, as well as, coordination with the National Power Corporation, Philippine Coast Guard, Philippine Ports Authority and pollution control officers of power barges in the Manila Bay Region;
6. An Environmental Guarantee Fund (EGF) shall be put up to cover the expenses of environmental monitoring and surveillance, indemnification of damages caused by the project, immediate rehabilitation and/or restoration of areas affected by the project and research on acid rain, electromagnetic effects of the transmission line and health effects of the emissions on surrounding communities. The amount and mechanics of the EGF shall be in accordance with DENR-EMB guidelines and shall be submitted sixty (60) days from receipt hereof;
7. A more detailed Contingency Plan shall be submitted to EMB for approval within thirty (30) days from receipt hereof. It shall include the establishment of an effective communication system and emergency response plan in case of sabotage and fire;
8. On-the-spot monitoring and inspections shall be initiated by the EMB-DENR NCR in coordination with concerned groups;
9. All other pertinent government permits shall be secured prior to project implementation;
10. Transfer of ownership of this project carries the same conditions in this ECC for which written notification shall be made within fifteen (15) days from such transfer; and

ke

11. Transfer of location of the power barge operation during or after the 5-year project lifespan shall be subjected to another ECC application.

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate and/or a fine in an amount not to exceed Fifty Thousand Pesos (P50,000.00) for every violation thereof, at the discretion of the Bureau (Section 9 of P.D. 1586).

Given this

1994-2-6-1994

Angel C. Alcala
ANGEL C. ALCALA
Secretary

Recommending Approval:

Rachel A. Vasquez
RACHEL A. VASQUEZ
OIC, EMS Director

ADD/ADA/CS/LCC/MS



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU

DENR Compound, Visayas Avenue, Diliman, Quezon City 1118
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JUL 29 2011

Mr. Jose Venancio A. Batiquin
Executive Vice President/ COO
THERMA MOBILE, INC.
Aboitiz Corp. Center, Gov. Manuel A.
Cuenco Ave., Banilad, Cebu City

Subject: **Transfer of Environmental Compliance Certificate (ECC Reference No. 9508-002-207) for the Two (2) Additional Power Barges (Dura I - 66MW and Dura II - 67.5MW) of East Asia/ Duracom Power Corporation**

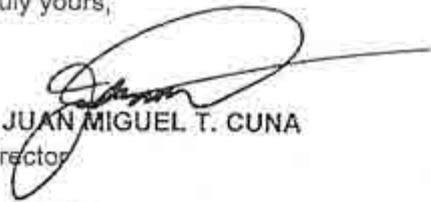
Dear *Mr. Batiquin*:

This refers to the request for transfer of ECC Reference No. 9508-002-207 issued in favor of East Asia/ Duracom Power Corporation for its Two (2) Additional Power Barges (Dura I - 66MW and Dura II-67.5MW) project in Navotas Fish Port Complex, Navotas City, Metro Manila to Therma Mobile Inc.

Based on review and evaluation of the submitted documents, said request is hereby granted. Please be advised that this transfer shall carry with it the environmental liabilities and obligations including ECC compliance reporting requirements for the above mentioned project. Further, all conditions stipulated in the ECC shall remain in force unless otherwise revised in writing. Any expansion and/or modification of currently approved project operations/coverage shall be subject to a new Environmental Impact Assessment (EIA) requirement.

For your information and guidance.

Very truly yours,


ATTY. JUAN MIGUEL T. CUNA
OIC-Director

cc: EMB-NCR
East Asia/ Duracom Power Corp.

OR No.: 0185454
Date: 9-5-2011
Amount: P300.00

Protect the environment... Protect life...



DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

ENVIRONMENTAL COMPLIANCE CERTIFICATE

The DENR through the Environment Environmental Management Bureau (EMB) hereby grants this Environmental Compliance Certificate (ECC) to the proposed two (2) Additional Power Barges of the East Asia / Duracom Power Corporation to be located in Navotas, Metro Manila after complying with Environmental Impact Assessment (EIA) requirement, as prescribed in the promulgated guidelines implementing Section 3 (b) of P.D. 1121 and P.D. 1586.

This certificate is being issued subject to the following conditions:

1. This certificate shall cover the installation and operation of two (2) power barges namely DURA I (11 units of Wartsila Engines) with generating capacity of 66 MW and 67.5 MW for DURA II (6 units of Sulzer Engines). It shall include the installation of a 600 meter 115 KV transmission line and construction of support/mooring facilities;
2. Validation of the air quality modelling must be made as soon as the proposed power barges are in operation, a report of which shall be submitted to EMB within sixty (60) days after the conduct of validation;
3. All mitigating measures as stated in the approved submitted documents including those for noise abatement shall be undertaken;
4. All emissions including noise and effluent of the power barges shall conform to DENR set standards;
5. The revised Environmental Monitoring Program (EMP) shall be strictly carried out and shall additionally integrate the following:
 - 5.1 Regular monitoring of the following parameters :

temperature, pH	-	Daily
oil and grease, noise levels	-	Weekly for the first three (3) months and monthly thereafter
 - 5.2 Automatic air sampling instruments for SO₂, NO_x & particulate shall be installed and operated continuously in at least two (2) verified sampling sites as approved by the EMB - DENR;
 - 5.3 Creation of an Environmental Unit (EU) headed by a qualified Pollution Control Officer ~~in charge with~~ overseeing the EMP;
6. The proponent together with NAPOCOR, PPA and owners of existing and proposed barges and other relevant entities shall become a member of the Working Group that would be set up by the DENR-NCR to address the water quality problem in the area;

7. An Environmental Guarantee Fund (EGF) shall be put up to cover the expenses of environmental monitoring and surveillance, indemnification of damages and immediate rehabilitation and/or restoration of areas affected by the project. The amount and mechanics of the EGF shall be in accordance with DENR-EMB guidelines and shall be submitted sixty (60) days from receipt hereof;
8. A more detailed Contingency Plan containing an emergency response plan in case of fire & other hazards shall be submitted within thirty (30) days upon receipt of the ECC. It shall include the establishment of an effective communication system and an emergency response plan in case of said hazards;
9. The proponent shall be required to submit a preliminary Environmental Risk Assessment Study to be submitted to the EMB and the DENR-NCR within ninety (90) days upon receipt of this ECC. A Risk Assessment Report shall be submitted, thereon, on an annual basis;
10. All other pertinent government permits shall be secured prior to project implementation;
11. On-the-spot monitoring and inspections shall be initiated by the EMB-DENR NCR in coordination with concerned groups;
12. Transfer of ownership of this project carries the same conditions in this ECC for which written notification within fifteen (15) days from such transfer; and
13. Any expansion and/or modification of currently approved operations will be subject to a new EIA requirement.

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate and/or imposition of fine in the amount of Fifty Thousand Pesos (P50,000.00) for every violation thereof, at the discretion of the Bureau (Section 9 of PD 1586).

Given this

DEC 05 1995


VICTOR O. RAMOS
Secretary

Recommending Approval:


DELFIN J. GANAPIN, JR.
Undersecretary for Environment
and Programs Development

ENVIRONMENTAL COMPLIANCE CERTIFICATE

The Environmental Management Bureau hereby grants this Environmental Compliance Certificate (ECC) to the proposed 2x100 MW MINDANAO DIESEL POWER BARGE PROJECT OF THE NATIONAL POWER CORPORATION to be located in Nasipit, Agusan del Norte and Maco, Davao del Norte, after complying with the Environmental Impact Assessment (EIA) requirement as prescribed in the promulgated guidelines implementing Section 3 (b) of P.D. 1121 and 1586.

This Certificate is being issued subject to the following conditions:

1. That this Certificate shall cover the installation and operation of 2x100 MW diesel power barges with one (1) unit to be located in Nasipit, Agusan del Norte and one (1) unit to be located in Maco, Davao del Norte;
2. That bilge water shall meet the prescribed effluent standards before being discharged into any receiving stream;
3. That plant emissions including noise shall meet the prescribed emission standards and that design of pollution control facilities shall consider the impending revision of air quality standards;
4. That proper solid waste management and disposal shall be implemented;
5. That there shall be provision of contingency equipment/materials in the barge for use in case of accidental oil spillage;
6. That permits from other government agencies concerned shall be secured prior to project operation; and
7. That all mitigating measures indicated in the EIS shall be properly implemented;
8. That transfer of ownership of this project carries the same conditions in this ECC for which written notification shall be made within fifteen (15) days from such transfer.

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate and/or a fine in an amount not to exceed Fifty

Thousand Pesos (P50,000.00) for every violation thereof, at the discretion of the Bureau (Section 9 of P.D. 1586).

Given this 29th day of June 1992.

ORIGINAL SIGNED

DELFIN J. GANAPIN, JR.
OIC, Office of the Undersecretary
for Environment and Research

Recommending Approval:

RODRIGO U. FUENTES *uw*
Director *F*

/CEBU/SET/LAG/ng*

ENVIRONMENTAL MANAGEMENT BUREAU /
ENVIRONMENTAL IMPACT ASSESSMENT GROUP
RECEIVED FROM
NAME: H. M. Costas Jr.
DATE: 6/29/92



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU

DENR Compound, Visayas Avenue, Diliman, Quezon City 1116
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Email : emb@emb.gov.ph
Visit us at <http://www.emb.gov.ph>

OCT 04 2010

Mr. Jose Venancio P. Batiquin

Executive Vice President/CEO

THERMA MARINE, INC.

Aboitiz Corporate Center, Gov. Manuel A. Cuenco Ave.
Banilad, Cebu City

Subject: ECC TRANSFER OF OWNERSHIP (ECC-CO-9206-018-120)

Dear Mr. Batiquin:

This refers to the request for the transfer of the Environmental Compliance Certificate (ECC-CO-9206-018-120) issued to National Power Corporation for the **2x100 MW Mindanao Diesel Power Barge Project** located in Nasipit, Agusan del Norte and Maco, Compostela Valley, Davao del Norte.

Based on the review of documents received on 09 September 2010, the request for the transfer of ECCs for the above projects is hereby granted. As such, the proponent's name is changed from **National Power Corporation** to **THERMA Marine, Inc.** with office address stated above for the projects namely:

- a) 100 MW Mindanao Diesel Power Barge 117 (PB 117) located in Barangay San Ana, Nasipit Agusan del Sur.
- b) 100 MW Mindanao Diesel Power Barge 118 (PB 118) located in Barangay San Roque, Maco, Davao del Norte.

All other conditions stipulated in the abovementioned ECC shall remain in force unless revised/revoked in writing. Please be reminded however that the approved Environmental Management Plan (EMP) which is part of your commitments to the ECC are subject to compliance monitoring and evaluation of this Office.

Any expansion or modification of currently approved project components shall be subject to a new EIA evaluation. Also, you are required to accomplish and submit to this Office, copy furnish the respective EMB Region, the semi-annual ECC Compliance Monitoring Report as specified under Section 9 of DAO 30-03.

Please be guided accordingly.

Very truly yours,

ATTY. JUAN MIGUEL T. CUNA
OIC-Director

O.R. No.
Date

1384
10/4/10



JUL 10 2007

CNC NO. 0707-009-020

Mr. Rodolfo T. Azanza, Jr.
Manager
SN ABOITIZ POWER, INC.
9/F Tower 1 Ayala Avenue
Makati City

Subject : **Certificate of Non-Coverage (CNC)**

Dear Mr. Azanza:

This refers to your request for a **Certificate of Non Coverage (CNC)** for the **360 MW Magat Hydroelectric Power Plant (MHEP)** located in Barangay Aguinaldo, Municipality of Ramon, Province of Isabela and Barangay Sto. Domingo, Municipality of Alfonso Lista, Province of Ifugao.

After evaluation of your submitted documents, it was determined that the plant has been operational prior to the implementation of the Philippine Environmental Impact Statement (EIS) System in 1982. As such, the said plant is not covered by the EIA requirement based on the Procedural Manual for DENR Administrative Order No. 30 Series of 2003 "Implementing Rules and Regulations (IRR) of the Philippine Environmental Impact Statement (EIS) System".

Please be reminded, however, that the Certificate of Non-Coverage will apply only if the plant's existing capacity of 360 MW will remain. An increase in the capacity would subject the plant and its expansion to the EIA requirement.

Further, you are advised to comply with other environmental regulations such as the RA 9275 (Philippine Clean Water Act of 2004) and RA 8749 (Philippine Clean Air Act of 1999). You may proceed with the project implementation after securing all the necessary permits from concerned agencies.

Very truly yours,

DR. ELY ANTHONY R. OUANO
OIC-Director

O.R. No. 6830942
Amount 100.00
Date 7-10-07

cc: EMB Region 2 Office
EMB CAR Office



ENVIRONMENTAL COMPLIANCE CERTIFICATE

CAR 0808 – 077 – 4021

The Department of Environment and Natural Resources (DENR) thru the Environmental Management Bureau-Cordillera Administrative Region (EMB-CAR) hereby grants this Environmental Compliance Certificate (ECC) for the proposed rehabilitation and upgrade of the **Ambuklao Hydroelectric Power Plant** by the **SN Aboitiz Power-Benguet, Inc. (SNAPB)** located at Ambuklao, Bokod, Benguet, after complying with the Environmental Impact Assessment (EIA) requirements as prescribed in the promulgated guidelines implementing Section (b) of P. D. 1121 and P. D. 1586.

This Certificate is further specified as follows:

A. Scope:

1. This Certificate covers the construction of new headrace/ intake and tailrace/outlet structures, refurbishing of plant equipment and appurtenances and/or, as described in the submitted documents;
2. This Certificate does not exempt the project from the requirements of other concerned agencies;

B. Conditions:

1. Project development shall be in accordance with the submitted documents. Major modifications and/or expansion shall be subject to the Environmental Impact Statement (EIS) System requirement;
2. The proponent shall cause the implementation of the Environmental Management Plan (EMP) and all other SNAPB commitments described in the submitted EIA documents;
3. Earth materials and other construction spoils shall be disposed off properly in designated disposal site(s) and to be maintained in a stable and non-pollutive condition;

4. The legal requirements pursuant to RA 6969 also known as the Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990, RA 9275 or the Philippine Clean Water Act of 2004 and, RA 8749 or the Philippine Clean Air Act of 1999 shall be secured consistent with the implementation of the project. Compliance to said requirements shall be coordinated with the EMB-CAR;
5. The proponent shall submit to EMB-CAR two (2) years prior to the final shutdown of the facility a comprehensive abandonment and decommissioning plan;
6. SN-Aboitiz shall within ninety (90) days from the issuance of this Certificate cause the formation, through a Memorandum of Agreement (MOA), of a Multipartite Monitoring Team (MMT) consisting of representatives from the proponent, EMB/DENR, stakeholder LGUs/communities and a local NGO. The MMT shall primarily oversee the compliance of the proponent to the ECC conditions, EMP and, relevant rules and regulations;
7. SN-Aboitiz shall set up an Environmental Monitoring Fund (EMF) to cover reasonable expenses for environmental monitoring undertaken by the MMT. The amount and mechanics of the EMF shall be determined by the proponent and EMB following existing guidelines and procedures on the same;
8. The resolution of all legal issues arising from the implementation of the project shall be the sole responsibility of the proponent;
9. The project is subject to on-the-spot monitoring/inspection at any reasonable time by the EMB-CAR which may be in coordination with concerned groups.
10. The proponent shall cause the implementation of any undertaking which may be imposed by the DENR-CAR as a result of Technical Conference/s called relative to environmental issues arising from the implementation of the project; and
11. Any transfer of project proprietorship or change of project name carries the same conditions in this ECC for which notification to the EMB-CAR shall be made by the proponent within fifteen (15) days from such transfer.

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate, administrative sanctions against the office head and/or imposition of fine in the amount not to exceed Fifty Thousand Pesos (₱ 50,000.00) for every violations thereof, at the discretion of the DENR (Section 9 of P. D. 1586).



C. Recommendations (for the consideration of other concerned agencies in the issuance of applicable permits/authorities):

1. The construction of appurtenant physical structures where applicable, are subject to the requirements of the National Building Code of the Philippines. Compliance to the same should be coordinated with the concerned Local Building Official;
2. Supplemental to relevant and existing NPC watershed functions, SN-Aboitiz should consult and coordinate with the surrounding stakeholder communities and concerned government agencies for the development and implementation of a comprehensive/detailed watershed/forest resource management program to maintain and enhance the hydrological and ecological function of the Ambuklao-Binga watershed;
3. Qualified local residents should be given priority employment during the development and operation of the project;

Given this _____ day of 12 AUG 2008, Two Thousand Eight.

RECOMMENDING APPROVAL:


NESTOR M. DONAAL
OIC - Chief, EIA Division

APPROVED:


PAQUITO T. MORENO, JR.
OIC - Regional Director

O.R. No.	_____	Procedural Screening Fee	₱ 300.00	Date	_____
O.R. No.	4-31055-75	Database Management Fee	₱ 1,000.00	Date	8-12-08
O.R. No.	_____	Processing Fee	₱ 2,700.00	Date	_____

NOTE: NOT VALID WITHOUT SEAL



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
Coordinated Administrative Services
Baguio City

ENVIRONMENTAL COMPLIANCE CERTIFICATE

CAR 0808 - 077 - 4021 (Amended)

AMENDING the Environmental Compliance Certificate (ECC) No. CAR 0808 - 077 - 4021 issued by the EMB, DENR-CAR on August 12, 2008 to **SN Aboitiz Power-Benguet, Inc. (SNAPBI)** for the proposed rehabilitation and upgrade of the **Ambuklao Hydroelectric Power Plant** located at Ambuklao, Bokod, Benguet, pursuant to Section 8.1 of DAO 2003-30.

I, **PAQUITO T. MORENO, JR.**, Regional Director, EMB-CAR, by virtue of the powers vested in me by law, do hereby order:

Section 1. Amendment

Item 1 of the Scope of the ECC No. CAR 0808 - 077 - 4021, is amended and shall now read as follows:

"This Certificate covers the construction of new headrace/intake and tailrace/outlet structures including the change in the old headrace tunnel plugging point, refurbishing of plant equipment and appurtenances and/or, as described in the submitted documents;"

Section 2. Applicability

All provisions of the ECC No. CAR 0808 - 077 - 4021 issued on August 12, 2008 to the project not hereto amended shall remain valid and existing.

Section 3. Effectivity

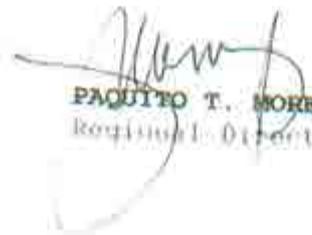
This Amendment is issued in the interest of all concerned parties and shall take effect immediately.

Done in the City of Baguio, Philippines, this DEC 7 1 2010
day of _____, Year Two Thousand Ten.

RECOMMENDING APPROVAL:


NESTOR M. DONAAL
Chief, EIA Division

APPROVED:


PAQUITO T. MORENO, JR.
Regional Director

Amendment of ECC Condition P 1,200.00 OR No. Date Dec 7 10
Legal Research Fee P 240.00 OR No. Date

NOTE: NOT VALID WITHOUT SEAL



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
Cordillera Administrative Region
Baguio City

ENVIRONMENTAL COMPLIANCE CERTIFICATE

0903 – 032 – 4021

The Department of Environment and Natural Resources (DENR) thru the Environmental Management Bureau-Cordillera Administrative Region (EMB-CAR) hereby grants this Environmental Compliance Certificate (ECC) to **SM Aboitiz Power-Benguet, Inc. (SNAPBI)** for the proposed rehabilitation and upgrade of the **BINGA Hydroelectric Power Plant** located at Tinongdan, Itogon, Benguet, after complying with the Environmental Impact Assessment (EIA) requirements as prescribed in the promulgated guidelines implementing Section (b) of P. D. 1121 and P. D. 1586.

This Certificate is further specified as follows:

A. Scope:

1. This Certificate covers the construction of new headrace/ intake and tailrace/outlet structures, refurbishing of plant equipment and appurtenances and/or, as described in the submitted documents;
2. This Certificate does not exempt the project from the requirements of other concerned agencies such as, but not limited to, DENR (permit requirements under The Forestry Code of the Philippines and the latest issuances relative thereto);

B. Conditions:

1. Project development and operations shall be in accordance with the submitted EPRMP, detailed plans and specifications, and other related documents. Major modifications and/or expansion shall be subject to the Environmental Impact Statement (EIS) System requirement;
2. The proponent shall cause the implementation of the Environmental Management Plan (EMP) and all other SNAPB commitments described in the submitted EIA documents;
3. The designated earth/construction spoils disposal site shall be developed, prior to dumping, as an engineered earth dump provided with, but not limited to, surface run-off drainage system, toe/retaining walls, to be maintained in a stable and non-pollutive condition;

4. The volume of earth materials to be impounded in the designated disposal site/facility shall at no time be in excess of the volume warranted by the computed carrying capacity of said dump facility. The proponent shall secure clearance from EMB-CAR prior to the use of disposal site(s) outside the designated disposal facility;
5. The legal requirements pursuant to RA 6969 also known as the Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990, RA 9275 or the Philippine Clean Water Act of 2004 and, RA 8749 or the Philippine Clean Air Act of 1999 shall be secured consistent with the implementation of the project. Compliance to said requirements shall be coordinated with the EMB-CAR;
6. The proponent, upon the start of project rehabilitation, shall plant appropriate tree species within the project vicinity and along access roads, and to be maintained throughout the project;
7. The proponent shall submit to EMB-CAR one (1) year prior to the final shutdown of the facility a comprehensive abandonment plan. In relation, the EMB shall first review and approve the environmental aspects/components of the plan consistent with EMB functions prior to implementation;
8. SN-Aboitiz shall within ninety (90) days from the issuance of this Certificate cause the formation, through a Memorandum of Agreement (MOA), of a Multipartite Monitoring Team (MMT) consisting of representatives from the proponent, EMB/DENR, stakeholder LGUs/ communities and a local NGO. The MMT shall primarily oversee the compliance of the proponent to the ECC conditions, EMP and, relevant rules and regulations;
9. SN-Aboitiz shall set up an Environmental Monitoring Fund (EMF) to cover reasonable expenses for environmental monitoring undertaken by the MMT. The amount and mechanics of the EMF shall be proposed by the proponent and affirmed by the EMB-CAR following existing guidelines and procedures on the same;
10. The project is subject to on-the-spot monitoring/inspection at any reasonable time by the EMB-CAR which may be in coordination with concerned groups.
11. The proponent shall comply with any order imposed by the DENR as a result of Technical Conference/s called relative to environmental issues arising from the implementation of the project; and
12. Any transfer of project proprietorship or change of project name carries the same conditions in this ECC for which notification to the EMB-CAR shall be made by the proponent within fifteen (15) days from such transfer.

MB

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate, administrative sanctions against the office head and/or imposition of fine in the amount not to exceed Fifty Thousand Pesos (P 50,000.00) for every violations thereof, at the discretion of the DENR (Section 9 of P. D. 1586).

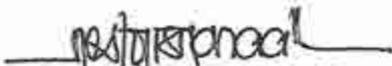
C. Recommendations (for the consideration of other concerned agencies in the issuance of applicable permits/authorities):

1. The construction of appurtenant physical structures, where applicable, are subject to the requirements of the National Building Code of the Philippines. Compliance to the same should be coordinated with the concerned Local Building Official;
2. Supplemental to relevant and existing NPC watershed functions, SN-Aboitiz should consult and coordinate with the surrounding stakeholder communities and concerned government agencies for the development and implementation of a comprehensive/detailed watershed/forest resource management program to maintain and enhance the hydrological and ecological function of the Ambuklao-Binga watershed. If possible, SNAPBI should enter into a Memorandum of Agreement (MOA) with NPC and other stakeholders as to the extent of the participation of the proponent with respect to watershed management;
3. Qualified local residents should be given priority employment during the development and operation of the project; and
4. Construction works should be under the tight supervision of a technical personnel to ensure that standards and requirements of sound engineering, safety and health practices are strictly followed.

Given this _____ day of 21 APR 2009, Two Thousand Nine.

RECOMMENDING APPROVAL:

APPROVED:


NESTOR M. DONAAL
 OIC – Chief, EIA Division


PAQUITO T. MORENO, JR.
 OIC – Regional Director

O.R. No.	Procedural Screening Fee	P 300.00	Date
O.R. No. <u>3105859</u>	Database Management Fee	P 1,000.00	Date <u>2/11/2009</u>
O.R. No.	Processing Fee	P 2,700.00	Date

NOT VALID WITHOUT SEAL

RENE B. RIVERA

[Signature]

04/21/09

50/12/10
[Signature]



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
Cordillera Administrative Region
Baguio City

ENVIRONMENTAL COMPLIANCE CERTIFICATE

CAR 0808 - 077 - 4021 (Amended)

AMENDING the Environmental Compliance Certificate (ECC) No. CAR 0808 - 077 - 4021 issued by the EMB, DENR-CAR on August 12, 2008 to **SN Aboitiz Power-Benguet, Inc. (SNAPBI)** for the proposed rehabilitation and upgrade of the **Ambuklao Hydroelectric Power Plant** located at Ambuklao, Bokod, Benguet, pursuant to Section 8.3 of DAO 2003-30.

I, **PAQUITO T. MORENO, JR.**, Regional Director, EMB-CAR, by virtue of the powers vested in me by law, do hereby order:

Section 1. Amendment

Item 1 of the Scope of the ECC No. CAR 0808 - 077 - 4021, is amended and shall now read as follows:

"This Certificate covers the construction of new headrace/intake and tailrace/outlet structures including the change in the old headrace tunnel plugging point, refurbishing of plant equipment and appurtenances and/or, as described in the submitted documents;"

Section 2. Applicability

All provisions of the ECC No. CAR 0808 - 077 - 4021 issued on August 12, 2008 for the project not hereto amended shall remain valid and existing.

Section 3. Effectivity

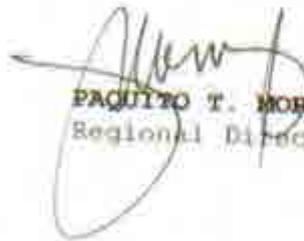
This Amendment is issued in the interest of all concerned parties and shall take effect immediately.

Done in the City of Baguio, Philippines, this DEC 01 2010
day of _____, Year Two Thousand Ten.

RECOMMENDING APPROVAL:

APPROVED:


NESTOR M. DONAAL
Chief, EIA Division


PACUITO T. MORENO, JR.
Regional Director

Amendment of ECC Condition P.1,200.00 O.R. No. 172310 Date 12-2-10
Legal Research Fee P.240.00 O.R. No. _____ Date _____

NOTE: NOT VALID WITHOUT SEAL



638-2015

Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
Cordillera Administrative Region
DENR Compound, Gibraltar, Baguio City
Telephone Nos. 442-3896, 446-2881, Telefax 446-6440

CERTIFICATE OF ACCREDITATION

COA No. 2015-CAR-015

Pursuant to Section 8 of Administrative Order No. 2014-02 dated February 3, 2014 (Revised Guidelines for Pollution Control Officer Accreditation) of the Department of Environment and Natural Resources and having substantially met all the requirements prescribed therein,

CLIFFORD S. DAILAY

is hereby duly accredited as

POLLUTION CONTROL OFFICER

of

**SN Aboitiz Power, Benguet Inc.,
Ambuklao Hydroelectric Power Plant**

located at

Brgy. Ambuklao, Bokod, Benguet

Granted this 20th day of March, Twenty Hundred and Fifteen

This accreditation is valid until March 20, 2018 unless sooner revoked for cause. The accreditation shall be renewed not later than one (1) month prior to its expiration.


ENGR. MARIA DORICA N. HIPE
OIC, Regional Director

CATEGORY B

Processing Fee: PhP 500.00
O.R. No. 2672243/03-06-15

NOTE: NOT VALID WITHOUT SEAL

REPUBLIC OF THE PHILIPPINES
PROVINCE OF BENGUET
BOKOD
MUNICIPAL HEALTH OFFICE

SANITARY PERMIT TO OPERATE

SN ABOITIZ POWER BENGUET INC.

Issued to _____

(Registered Name)

POWER GENERATION

(Type of Establishment)

Address : AMBUKLAO HYDRO POWER PLANT, Ambuklao, Bokod, Benguet

Sanitary Permit No. SP2015-184

Date Issued: JANUARY 16, 2015

Date of Expiration: December 31, 2015

This permit is not transferable and will be revoke for violation of the Sanitary rules, Laws or Regulation of P.D. 522, P.D. 856 and R.A. 9003 and Pertinent Local Ordinances.

Recommending Approval:


BRENT S. PINO

Rural Sanitation Inspector

Approved:


LILIAN L. VELASCO, MD

Municipal Health Officer

O.R. No. _____

Amount Paid: _____

Date of Issue: _____

Place of Issue: BOKOD, BENGUET

DISPLAY IN PLAIN VIEW



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
Cordillera Administrative Region
Baguio City

ENVIRONMENTAL COMPLIANCE CERTIFICATE

CAR 0903 - 032 - 4021 (Amended)

AMENDING the Environmental Compliance Certificate (ECC) No. CAR 0903 - 032 - 4021 issued by the EMB, DENR-CAR on April 21, 2009 to **SN Aboitiz Power-Benguet, Inc. (SNAPBI)** for the proposed rehabilitation and upgrade of the **Binga Hydroelectric Power Plant** located at Tinongdan, Itogon, Benguet, pursuant to Section 8.3 of DAO 2003-30.

I, **PAQUITO T. MORENO, JR.**, Regional Director, EMB-CAR, by virtue of the powers vested in me by law, do hereby order:

Section 1. Amendment

Item 1 of the Scope of the ECC No. CAR 0903 - 032 - 4021, is amended and shall now read as follows:

"This Certificate covers the construction of new high level intake/headrace, refurbishing of plant equipment and appurtenances and/or, as described in the submitted documents;"

Section 2. Applicability

All provisions of the ECC No. CAR 0903 - 032 - 4021 issued on April 21, 2009 for the project not hereto amended shall remain valid and existing.

Section 3. Effectivity

This Amendment is issued in the interest of all concerned parties and shall take effect immediately.

Done in the City of Baguio, Philippines, this _____
day of _____, Year Two Thousand Eleven.

RECOMMENDING APPROVAL:

APPROVED:


NESTOR M. DONAAL
Chief, EIA Division


PAQUITO T. MORENO, JR.
Regional Director

Amendment of ECC Condition	<u>P 1,200.00</u>	O.R. No.	<u>1816/28</u>	Date	<u>7-21-11</u>
Legal Research Fee	<u>P 240.00</u>	O.R. No.		Date	

NOTE: NOT VALID WITHOUT SEAL



Date: MAR 16 2018

ECC Reference No.: ECC-R02-1502-0003

MR. JOSEPH S. YU
President and CEO
SN Aboitiz Power-Magat, Inc.
10F NAC Rower, 32nd Street, Bonifacio Global City 1634
Taguig City, Metro Manila



Subject: **Amendment of Certificate of Environmental Compliance Certificate (ECC) No. ECC-R02-1502-0003**

Dear *Mr. Yu*:

This has reference to your amendment application for ECC No. **ECC-R02-1502-0003** issued to the **SN Aboitiz Power-Magat, Inc. (SNAPM)** for the **MARIS SOUTH CANAL HYDRO-ELECTRIC POWER PLANT** Project located at Barangay Ambatali, Ramon, Isabela.

After satisfying the requirements in the said application and upon recommendation of the Environmental Impact Assessment Section (EIAS) under the Clearance and Permitting Division (CPD), the Department of Environment and Natural Resources (DENR) through the Environmental Management Bureau (EMB) hereby grants the abovementioned application for amendment of ECC. Consistent with the mandate of this Bureau to continuously reevaluate the project's performance and commitments, make the necessary addition, removal and correction of any deficiencies or errors that may be inconsistent with the issued ECC, pursuant to the Revised Procedural Manual of DAO 2003-30, based on the document submitted, this Office incorporated additional conditions and deleted inconsistent items in the ECC in accordance with the latest policies and issuances of the Department. As such, **ECC-R02-1701-0001** will finally read as follows:

ORIGINAL STATEMENT	AMENDED STATEMENT
ECC Reference Number	
ECC-R02-1502-0003	ECC-R02-1502-0003 (B)
Project Name	
MARIS SOUTH CANAL HYDRO ELECTRIC POWER PLANT (HEPP)	MARIS MAIN CANAL 1 HYDROELECTRIC POWER PLANT (HEPP)
Project Description	
Total Power Generating Capacity of 8MW	Total Power Generating Capacity of 8.5MW

CS

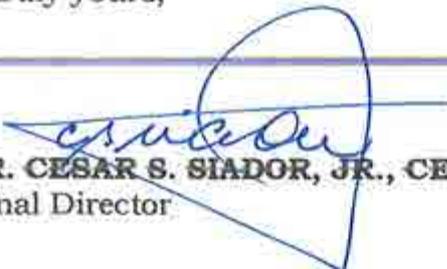


Additional Conditions:

1. Implement an Energy Conservation Program (ECP) (eg. use of alternative fuels, LED lighting fixtures, energy-efficient equipment, etc.) that aims to reduce emissions of greenhouse gases and provide Emergency Preparedness Response / Contingency Plan (EPR/CP) to provide resilience to climate change, and shall be included in the Compliance Monitoring Report (CMR);
2. The proponent shall plant additional five hundred (500) appropriate tree (endemic or indigenous) species or at least one hundred (100) trees per year for five (5) consecutive years along the perimeter of the area and in areas to be rehabilitated as part of its environmental commitment and shall register the same in the National Greening Program (NGP) of the Government. In case tree planting of tree is not feasible within or near the project site, the proponent shall coordinate with the DENR for the latter to identify and provide/designate an area for planting under the NGP.

Please be informed that all conditions stipulated in the original ECC should be strictly complied.

Very truly yours,



ENGR. CESAR S. SIADOR, JR., CESE
Regional Director



Republic of the Philippines
 Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
 Regional Office No. 02
 No.20 Pagayaya Road, Government Center,
 Calig, Tuguegarao City
 Tel. No. (078) 304-1160

Date: MAY 05 2015
 ECC Ref. Code: ECC-R02-1502-0003



MR. EMMANUEL V. RUBIO
 President and Chief Executive Officer
 SN Aboitiz Power-Magat, Inc. (SNAP-M)
 10/F NAC Tower 32nd Street,
 Bonifacio Global City, Taguig City

Subject: **Amendment of Certificate of Environmental Compliance Commitment (ECC) No. ECC-R02-1502-0003**

Dear **Mr. Rubio**:

This has reference to **ECC No. ECC-R02-1502-0003** issued to the **Maris South Canal Hydro-Electric Power Plant** located at **Ambatali, Municipality of Ramon, Isabela**.

After satisfying the requirements in the said application and upon recommendation of the Environmental Impact Assessment and Management Division (EIAMD), the Department of Environment and Natural Resources (DENR) through the Environmental Management Bureau (EMB) hereby grants the abovementioned application for amendment of ECC. Consistent with the mandate of this Bureau to continuously reevaluate the project's performance and commitments, make the necessary addition, removal and correction of any deficiencies or errors that may be inconsistent with the issued ECC, pursuant to the Revised Procedural Manual of DAO 2003-30, based on the document submitted, this Office incorporated additional conditions and deleted inconsistent items in the ECC in accordance with the latest policies and issuances of the Department. As such, **ECC No. ECC-R02-1502-0003** will finally read as follows:

ORIGINAL STATEMENT	AMENDED STATEMENT
Project Description	
The 8 MW Maris South Canal Hydroelectric Power Plant (HEPP) Project will have the following components:	The 8 MW Maris South Canal Hydroelectric Power Plant (HEPP) Project will have the following components:

CSM

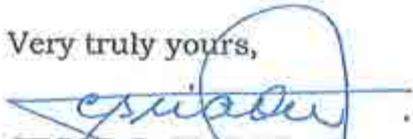
<ul style="list-style-type: none"> • One (1) Power house • Two (2) Turbine (4 MW) • Two Generators (4 MW) • Electrical switchyard and control • Headrace (1,700 m²) • Culvert (100 m @ 120m³/s) • Flushing and sluicing gates 	<p>Permanent Facilities</p> <ul style="list-style-type: none"> • One (1) Power house • Two (2) Turbine (4 MW) • Two Generators (4 MW) • Electrical switchyard and control • Headrace (1,700 m²) • Culvert (100 m @ 120m³/s) • Flushing and sluicing gates • Disposal Areas for Spoils (2x10,600 m³ capacity) <p>Temporary Facilities</p> <ul style="list-style-type: none"> • Stockpile area (3x9.800 m³) • Borrow area (1x4,500 m³) • Site Office Complex • Construction Camp with Sanitary Toilet and treatment facilities
<p>Establish Environmental Guarantee Fund (EGF) and Multi-partite Monitoring Team (MMT) immediately after issuance of this Certificate or two (2) months before project operations. The establishment of EGF and composition of the team should follow the provisions of DAO 2003-30 and its revised procedural manual. The proponent should initiate the formation or join a cluster MMT for the project;</p>	<p>Establish Environmental Guarantee Fund (EGF) and Multi-partite Monitoring Team (MMT) immediately after issuance of this Certificate or two (2) months before project construction. The establishment of EGF and composition of the team should follow the provisions of DAO 2003-30 and its revised procedural manual. The proponent should initiate the formation or join a cluster MMT for the project;</p>
<p>Set-up within sixty (60) days from receipt hereof of an Environmental Unit (EU) to handle the environmental aspects of the project. The EU shall have the following responsibilities:</p>	<p>Set-up sixty (60) days before start of construction an Environmental Unit (EU) to handle the environmental aspects of the project. The EU shall have the following responsibilities:</p>
<p>Prepare a Social Development Plan (SDP) in coordination with various stakeholders. The SDP should ensure answers to all valid issues</p>	<p>Prepare a Social Development Plan (SDP) in coordination with various stakeholders. The SDP should ensure answers to all valid issues</p>

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and concerns of stakeholders specially those who are directly affected by project operations. Copy of the final SDP shall be forwarded to EMB Region 02 within thirty (30) days from receipt of this ECC. The same shall be effectively carried out during the operation;	and concerns of stakeholders specially those who are directly affected by project operations. Copy of the final SDP shall be forwarded to EMB Region 02 sixty (60) days before the start of construction. The same shall be effectively carried out during the operation;
In case of complaints, this Certificate is automatically suspended and the proponent shall voluntarily stop its project operation. A public hearing or consultation shall be conducted to resolve valid issues and concerns raised. Lifting of the suspension shall take effect after the proponent presents proof of resolution to valid issues and concerns to EMB Region 02.	In case a valid environmentally-related complaint is determined and that it poses a threat to life and property, this Certificate shall be suspended through proper notification. A public hearing or consultation shall be conducted to resolve valid issues and concerns raised. Lifting of the suspension shall take effect after the proponent presents proof of resolution to valid issues and concerns to EMB Region 02.

Please be informed that all conditions stipulated in the original ECC together with the above amendment should be strictly complied.

Very truly yours,



CESAR S. SIADOR, JR.
Regional Director and
Concurrent Chief, EIAM Division

Cc: RED, DENR R-02
The Regional Director, DOLE R-02
The PENRO, Isabela
The LGU, Ramon, Isabela

The Regional Director, DPWH Region 02
The Regional Director, DOH R-02
Municipal Engineer, Ramon, Isabela

REPUBLIC OF THE PHILIPPINES
_____, MAKATI CITY

)
) S.S.

CERTIFICATION

We, **Jose Eduardo A. Quimpo II** and **Allen T. Tenedero**, both of legal age, Filipinos, and with office address at BDO Corporate Center, 7899 Makati Avenue, Makaty City 0726, after having been duly sworn in accordance with law, hereby certify that:

1. We are the First Vice President and Assistant Vice President, respectively, of **BDO Capital & Investment Corporation** (the "**Corporation**"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with office address at BDO Corporate Center, 7899 Makati Avenue, Makaty City 0726.

2. The Corporation has been engaged by **Aboitiz Power Corporation** (the "**Issuer**") as one of the joint lead underwriters for the offer of fixed rate bonds for up to Four Billion Pesos (Php4,000,000,000.00) (the "**Base Offer**") with an oversubscription option of up to Four Billion Pesos (Php4,000,000.00) (the "**Oversubscription Option**"), to be issued and offered by the Issuer under its Thirty Billion Pesos (Php30,000,000,000.00) shelf registration to be registered with the Securities and Exchange Commission ("**SEC**").

3. The Corporation is aware of the documents submitted to the SEC as of the date hereof in connection with the Registration Statement for the public offer of the Offer Bonds.

IN WITNESS WHEREOF, we have hereunto set our hands this _____ 2020
in _____, Metro Manila.


Jose Eduardo A. Quimpo II
First Vice President


Allen T. Tenedero
Assistant Vice President

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in the City of MAKATI CITY, Philippines, this ____ day of DEC 17 2020, 2020, affiants who are personally known to me and whose identity I have confirmed through the following:


Doc. No. 207
Page No. 43
Book No. ✓
Series of 2020.


ATTY. SYLVIA M. MARFIL-QADAPAN
Appointment No. M-352/Makati City
Notary Public until December 31, 2021
11th Floor, South Tower, BDO Corporate Center
7899 Makati Avenue, Makati City
IBP No. 103136, 01/06/20, Laguna
PTR No. 3121024, 01/07/20, Makati City Roll No. 43222
MCLC Compliance No. Y-3022551, until 04/14/2022

CERTIFICATION

We, **Lester Ong** and **Reinier A. Llaga**, both of legal age, Filipinos, and with office address at 11F, Tower One, Ayala North Exchange, 6796 Ayala Avenue, Makati City, after having been duly sworn in accordance with law, hereby certify that:

1. We are the Director and Associate Director, respectively, of BPI Capital Corporation (the "**Corporation**"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with office address at 11F, Tower One, Ayala North Exchange, 6796 Ayala Ave., Makati City.

2. The Corporation has been engaged by **Aboitiz Power Corporation** (the "**Issuer**") as one of the joint lead underwriters for the offer of fixed rate bonds for up to Four Billion Pesos (Php4,000,000,000.00) (the "**Base Offer**") with an oversubscription option of up to Four Billion Pesos (Php4,000,000.00) (the "**Oversubscription Option**"), to be issued and offered by the Issuer under its Thirty Billion Pesos (Php30,000,000,000.00) shelf registration to be registered with the Securities and Exchange Commission ("**SEC**").

3. The Corporation is aware of the documents submitted to the SEC as of the date hereof in connection with the Registration Statement for the public offer of the Offer Bonds.

IN WITNESS WHEREOF, we have hereunto set our hands this **DEC 16 2020** 2020
in MAKATI CITY, Metro Manila.

[Redacted Signature]

Lester Ong
Director

[Redacted Signature]

Reinier A. Llaga
Associate Director

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in the City of MAKATI CITY, Philippines, this DEC 16 2020 day of 2020, affiants who are personally known to me and whose identity I have confirmed through the following:

[Redacted Affiant Information]

Doc. No. 406
Page No. 83
Book No. 13
Series of 2020.

[Redacted Signature]
HERMENEGILDO M. RAMOS, JR.
Notary Public for Makati City
Until December 31, 2021
Appointment No. M-11
Rms. 301-303 3/F Erlag Bldg.,
102 Esteban St., Legazpi Village,
Makati City 1229
PTR No. 8116335/1-03-2020/Makati City
IBP Lifetime Member Roll No. 012125
Roll of Attorney's No. 37404
MCLE Compliance No. VI-0024140/4-04-19

REPUBLIC OF THE PHILIPPINES)
_____ Makati City) S.S.

CERTIFICATION

I, **RYAN MARTIN L. TAPIA**, of legal age, Filipino, and with office address at 28F BDO Equitable Tower, 8751 Paseo de Roxas, Makati City, after having been duly sworn in accordance with law, hereby certify that:

1. I am the President of **China Bank Capital Corporation** (the "**Corporation**"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with office address at 28F BDO Equitable Tower, 8751 Paseo de Roxas, Makati City.

2. The Corporation has been engaged by **Aboitiz Power Corporation** (the "**Issuer**") as one of the joint lead underwriters for the offer of fixed rate bonds for up to Four Billion Pesos (Php4,000,000,000.00) (the "**Base Offer**") with an oversubscription option of up to Four Billion Pesos (Php4,000,000.00) (the "**Oversubscription Option**"), to be issued and offered by the Issuer under its Thirty Billion Pesos (Php30,000,000,000.00) shelf registration to be registered with the Securities and Exchange Commission ("**SEC**").

3. The Corporation is aware of the documents submitted to the SEC as of the date hereof in connection with the Registration Statement for the public offer of the Offer Bonds.

IN WITNESS WHEREOF, we have hereunto set our hands this 16th of December 2020 in Makati City, Metro Manila.

(Signature page follows)


RYAN MARTIN L. TAPIA
President

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in the City of Makati City, Philippines, this 16 DEC 2020 day of 2020, affiant who are personally known to me and whose identity I have confirmed through the following:


Doc. No. 380
Page No. 77
Book No. 3
Series of 2020.


REGINE C. YU
Notary Public for Makati City
Appt. No. M-187 until December 31, 2021
4/F Philcom Building
8755 Paseo de Roxas, Makati City
PTR No. 8117231; 02 January 2020; Makati City
IBP Lifetime No. 016425; Makati City
Roll of Attorneys No. 68781

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

CERTIFICATION

We, **JOHN WESLEY M. PERALTA** and **KIMBERLY B. ABADILLA**, both of legal age, Filipinos, and with office address at 45th Floor, G.T. International Tower, 6813 Ayala Avenue, H.V. Dela Costa, Street, Makati City, after having been duly sworn in accordance with law, hereby certify that:

1. We are the Vice President and Assistant Vice President, respectively, of **First Metro Investment Corporation** (the "**Corporation**"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with office address at 45th Floor, G.T. International Tower, 6813 Ayala Avenue, H.V. Dela Costa, Street, Makati City.

2. The Corporation has been engaged by **Aboitiz Power Corporation** (the "**Issuer**") as one of the joint lead underwriters for the offer of fixed rate bonds for up to Four Billion Pesos (Php4,000,000,000.00) (the "**Base Offer**") with an oversubscription option of up to Four Billion Pesos (Php4,000,000.00) (the "**Oversubscription Option**"), to be issued and offered by the Issuer under its Thirty Billion Pesos (Php30,000,000,000.00) shelf registration to be registered with the Securities and Exchange Commission ("**SEC**").

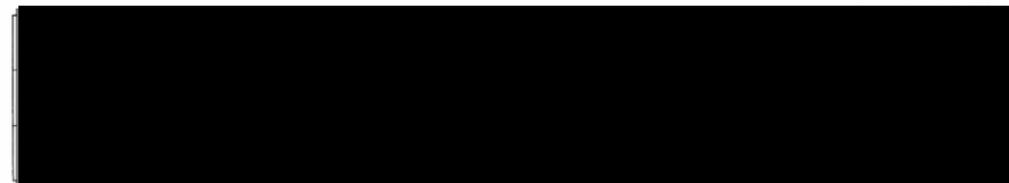
3. The Corporation is aware of the documents submitted to the SEC as of the date hereof in connection with the Registration Statement for the public offer of the Offer Bonds.

IN WITNESS WHEREOF, we have hereunto set our hands this DEC 17 2020
2020 MAKATI CITY, Metro Manila.


JOHN WESLEY M. PERALTA
Vice President


KIMBERLY B. ABADILLA
Assistant Vice President

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in the City of _____, Philippines, this ____ day of _____ 2020, affiants who are personally known to me and whose identity I have confirmed through the following:



Doc. No. 467 ;
Page No. 99 ;
Book No. 12 ;
Series of 2020.


ATTY. MALISSA B. REYES
Notary Public for Makati City until December 31, 2020
Roll No. 41639 / Appointment No. M-120
IEP 054764 / PTR No. 8618489
45/F GT Tower International, Ayala Avenue
Corner H.V. Dela Costa, Makati City

CERTIFICATION ON THE PERFORMANCE OF DUE DILIGENCE

BDO Capital & Investment Corporation ("**Name of Underwriter**"), a private financial institution, duly organized and existing under and by virtue of the laws of the Republic of the Philippines and authorized to operate as an investment house in the Philippines, with principal office address at **BDO Corporate Center, 7899 Makati Avenue, Makati City 0726**, under oath, hereby certifies that:

1. **BDO Capital & Investment Corporation** has been appointed as a **Joint Lead Underwriter** for the public offer and sale of Philippine Peso-denominated fixed rate bonds to be issued by **Aboitiz Power Corporation** ("**Issuer**") in the aggregate amount of up to Eight Billion Pesos (Php8,000,000,000.00), consisting of a base offer of up to Four Billion Pesos (Php4,000,000,000.00) (the "**Base Offer**"), with an over-subscription option of up to Four Billion Pesos (Php4,000,000,000.00) (the "**Oversubscription Option**"), to be issued and offered under the Issuer's Thirty Billion Pesos (Php30,000,000,000.00) shelf registration to be registered with the Securities and Exchange Commission ("**SEC**").
2. In the performance by **BDO Capital & Investment Corporation** of its mandate as a **Joint Lead Underwriter**, **BDO Capital & Investment Corporation** has exercised due diligence required by regulations applicable under Philippine law in a manner sufficient to ensure that all material representations contained in the prospectus are true and correct and that no material information was omitted, which was necessary to make the statements contained in the Issuer's prospectus or offering supplement not misleading.

This Certification is issued in compliance with the requirements of the SEC and the Philippine Dealing & Exchange Corp.

Signed this _____ at _____.

BDO Capital & Investment Corporation,

By:

Jose Eduardo A. Quimpo II ✓
First Vice President

Allen T. Tenedero
Assistant Vice President

REPUBLIC OF THE PHILIPPINES
_____, MAKATI CITY

)
) S.S.
DEC 17 2020

SUBSCRIBED AND SWORN to before me this ____ day at [City], Metro Manila, affiants exhibited to me their identification documents as follows:

Doc. No. 208
Page No. 43
Book No. V
Series of 2020.

ATTY. SYLVIA M. MARFIL-CADAPAN
Appointment No. M-352/Makati City
Notary Public until December 31, 2021
11th Floor, South Tower, BDO Corporate Center
7899 Makati Avenue, Makati City
IBP No. 103126, 01/06/20, Laguna
PTR No. 8121024, 01/03/20, Makati City Roll No. 43222
MCLE Compliance No. V-0022561, until 04/14/2022

CERTIFICATION ON THE PERFORMANCE OF DUE DILIGENCE

CHINA BANK CAPITAL CORPORATION ("China Bank Capital"), a private financial institution, duly organized and existing under and by virtue of the laws of the Republic of the Philippines and authorized to operate as an investment house in the Philippines, with principal office address at **28F BDO Equitable Tower, 8751 Paseo de Roxas, Makati City**, under oath, hereby certifies that:

1. **China Bank Capital** has been appointed as a **Joint Lead Underwriter** for the public offer and sale of Philippine Peso-denominated fixed rate bonds to be issued by **Aboitiz Power Corporation ("Issuer")** in the aggregate amount of up to Eight Billion Pesos (Php8,000,000,000.00), consisting of a base offer of up to Four Billion Pesos (Php4,000,000,000.00) (the "**Base Offer**"), with an over-subscription option of up to Four Billion Pesos (Php4,000,000,000.00) (the "**Oversubscription Option**"), to be issued and offered under the Issuer's Thirty Billion Pesos (Php30,000,000,000.00) shelf registration to be registered with the Securities and Exchange Commission ("**SEC**").
2. In the performance by **China Bank Capital** of its mandate as a **Joint Lead Underwriter**, **China Bank Capital** has exercised due diligence required by regulations applicable under Philippine law in a manner sufficient to ensure that all material representations contained in the prospectus are true and correct and that no material information was omitted, which was necessary to make the statements contained in the Issuer's prospectus or offering supplement not misleading.

This Certification is issued in compliance with the requirements of the SEC and the Philippine Dealing & Exchange Corp.

Signed this 16th of December 2020 at Makati City.

(Signature page follows)

China Bank Capital Corporation

By: 

Ryan Martin L. Tapia
President

REPUBLIC OF THE PHILIPPINES)
Makati City, METRO MANILA) S.S.

SUBSCRIBED AND SWORN to before me this 16 DEC 2020 day at [City], Metro Manila, affiant exhibited to me their identification documents as follows:



Doc. No. 379;
Page No. 77;
Book No. 3;
Series of 2020.


REGINE YU
Notary Public for Makati City
Appt. No. M-187 until December 31, 2021
4/F Philcom Building
8755 Paseo de Roxas, Makati City
PTR No. 8117281; 02 January 2020, Makati City
IBP Lifetime No. 016425; Makati City
Roll of Attorneys No. 68781

CERTIFICATION ON THE PERFORMANCE OF DUE DILIGENCE

FIRST METRO INVESTMENT CORPORATION ("FIRST METRO"), a private financial institution, duly organized and existing under and by virtue of the laws of the Republic of the Philippines and authorized to operate as an investment house in the Philippines, with principal office address at 45th Floor, G.T. International Tower, 6813 Ayala Avenue, H.V. Dela Costa, Street, Makati City, under oath, hereby certifies that:

1. **FIRST METRO** has been appointed as a **Joint Lead Underwriter** for the public offer and sale of Philippine Peso-denominated fixed rate bonds to be issued by **Aboitiz Power Corporation ("Issuer")** in the aggregate amount of up to Eight Billion Pesos (Php8,000,000,000.00), consisting of a base offer of up to Four Billion Pesos (Php4,000,000,000.00) (the **"Base Offer"**), with an over-subscription option of up to Four Billion Pesos (Php4,000,000,000) (the **"Oversubscription Option"**), to be issued and offered under the Issuer's Thirty Billion Pesos (Php30,000,000,000.00) shelf registration to be registered with the Securities and Exchange Commission ("**SEC**").
2. In the performance by **FIRST METRO** of its mandate as a **Joint Lead Underwriter**, **FIRST METRO** has exercised due diligence required by regulations applicable under Philippine law in a manner sufficient to ensure that all material representations contained in the prospectus are true and correct and that no material information was omitted, which was necessary to make the statements contained in the Issuer's prospectus or offering supplement not misleading.

This Certification is issued in compliance with the requirements of the SEC and the Philippine Dealing & Exchange Corp.

Signed this DEC 17 2020 at MAKATI CITY

FIRST METRO INVESTMENT CORPORATION,

By:

[Redacted Signature]

JOHN WESLEY M. PERALTA

Vice President

[Redacted Signature]

KIMBERLY B. ABADILLA

Assistant Vice President

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA) S.S.

SUBSCRIBED AND SWORN to before me this ____ day at [City], Metro Manila, affiants exhibited to me their identification documents as follows:

[Redacted Identification Documents]

Doc. No. 468 ;
Page No. 94 ;
Book No. 12 ;
Series of 2020.

[Redacted Notary Seal]

ATTY. BALIGSA B. REYES
Notary Public for Makati City until December 31, 2020
Roll No. 41639 / Appointment No. M-120
ISP/054784 / PTR No. 8610489
45/F GT Tower International, Ayala Avenue
Corner H.V. Dela Costa, Makati City

CERTIFICATION ON THE PERFORMANCE OF DUE DILIGENCE

BPI Capital Corporation ("BPI Capital"), a private financial institution, duly organized and existing under and by virtue of the laws of the Republic of the Philippines and authorized to operate as an investment house in the Philippines, with principal office address at 11F, Tower One, Ayala North Exchange, 6796 Ayala Avenue, Makati City, Philippines, under oath, hereby certifies that:

1. BPI Capital has been appointed as a **Joint Lead Underwriter** for the public offer and sale of Philippine Peso-denominated fixed rate bonds to be issued by **Aboitiz Power Corporation ("Issuer")** in the aggregate amount of up to Eight Billion Pesos (Php8,000,000,000.00), consisting of a base offer of up to Four Billion Pesos (Php4,000,000,000.00) (the "**Base Offer**"), with an over-subscription option of up to Four Billion Pesos (Php4,000,000,000) (the "**Oversubscription Option**"), to be issued and offered under the Issuer's Thirty Billion Pesos (Php30,000,000,000.00) shelf registration to be registered with the Securities and Exchange Commission ("**SEC**").
2. In the performance by BPI Capital of its mandate as a **Joint Lead Underwriter**, BPI Capital has exercised due diligence required by regulations applicable under Philippine law in a manner sufficient to ensure that all material representations contained in the prospectus are true and correct and that no material information was omitted, which was necessary to make the statements contained in the Issuer's prospectus or offering supplement not misleading.

This Certification is issued in compliance with the requirements of the SEC and the Philippine Dealing & Exchange Corp.

Signed this _____ at _____.

BPI Capital Corporation,

By:



Lester Ong
Director



Reinier A. Litge
Associate Director

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA) S.S.

DEC 16 2020

SUBSCRIBED AND SWORN to before me this _____ day at Makati, Metro Manila, affiants exhibited to me their identification documents as follows:



Doc. No. 405 ;
Page No. 82 ;
Book No. 13 ;
Series of 2020.

HERMENEGILDO M. RAMOS, JR.
Notary Public for Makati City
Until December 31, 2021
Appointment No. M-11
Rms. 301-303 3/F Ertag Bldg.,
102 Esteban St., Legazpi Village,
Makati City 1229
PTR No. 8116935/1-03-2020/Makati City
IBP Lifetime Member Roll No. 012125
Roll of Attorney's No. 37404
MCLE Compliance No. VI-0024140/4-04-19



December 18, 2020

ABOITIZ POWER CORPORATION

NAC Tower, 32nd Street
Bonifacio Global City
1634 Taguig City

Attention: **Ms. Liza Luz T. Montelibano**
Senior Vice President and Chief Financial Officer

Ms. Maria Veronica C. So
First Vice President and Group Treasurer

Subject: **Aboitiz Power Corporation's Offer of Fixed Rate Bonds for up to ₱4,000,000,000.00 with an Oversubscription Option of up to ₱4,000,000,000.00 under its ₱30,000,000,000 Shelf Registration**

Ladies and Gentlemen:

This letter confirms the engagement of BDO Capital & Investment Corporation ("**BDO Capital**"), BPI Capital Corporation ("**BPI Capital**"), China Bank Capital Corporation ("**China Bank Capital**"), and First Metro Investment Corporation ("**First Metro**") as the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners (the "**Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners**") for the offering and issue by **Aboitiz Power Corporation** (the "**Company**") of fixed rate bonds in the principal amount of up to ₱4,000,000,000 (the "**Base Offer**"). We understand that the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners will be given the option, subject to consultation with the Company and with the Company's written consent, to increase the Base Offer by up to an additional ₱4,000,000,000 fixed rate bonds (the "**Oversubscription Option**"; the fixed rate bonds covered by the Oversubscription Option, the "**Oversubscription Option Bonds**"; the exercised portion of the Oversubscription Option together with the Base Offer, the "**Offer**"; and the fixed rate bonds subject of the Offer, the "**First Tranche Bonds**"). The First Tranche Bonds will constitute the first tranche of the Company's ₱30,000,000,000 shelf-registration to be registered by the Company with the Securities and Exchange Commission of the Philippines (the "**SEC**").

Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Indicative Terms and Conditions of the Offer attached hereto as **Annex "A"**.

For this Offer, BDO Capital, BPI Capital, China Bank Capital, and First Metro, as Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, agree to render the following key services:

- (a) act as Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners of the Offer;
- (b) provide guidance on the structure, timing, organization and terms of the Offer (including time of launch, size of issue, pricing and maturity);
- (c) assist with the preparation of the documentation required for the Offer in conjunction with legal counsels, which documents shall be executed in form and substance reasonably satisfactory to the Company and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners;

Aboitiz Power Corporation
Fixed Rate Bonds
December 18, 2020

- (d) work and coordinate with the legal counsel of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and the legal counsel of the Company on the finalization and execution of the Offer documents;
- (e) coordinate the marketing, virtual roadshow and book-building process for the Offer;
- (f) work with the Company and legal counsel to obtain from the SEC, a registration order and permit to sell for the First Tranche Bonds;
- (g) work with the Company and its legal counsel to obtain a listing and/or admission to trading of the First Tranche Bonds on the Philippine Dealing & Exchange Corporation;
- (h) as set out in the immediately succeeding paragraph and subject to the conditions stated therein, underwrite the First Tranche Bonds on a firm commitment basis.
- (i) as may be determined by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, form a syndicate of sub-underwriters and/or selling agents for the Offer and coordinate with the syndicate members; and
- (j) provide such other services as may be agreed with the Company in writing to achieve the successful completion of the Offer.

As set out in item (h) above, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners seek the mandate to offer and procure investors to purchase the First Tranche Bonds, and to underwrite the Base Offer and, in case the Oversubscription Option is exercised, the Oversubscription Option Bonds, on a firm commitment basis following a successful bookbuild with investors, the execution of the relevant agreements with financial institutions, as applicable (which may or may not also carry the title "*Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner*"), and subject to (i) satisfactory due diligence by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, (ii) compliance with all required regulatory and listing notices and filings, (iii) receipt of all regulatory and internal approvals (including internal committee approvals of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and any relevant sub-underwriter, engaged with the consent of the Company), (iv) agreement on customary documentation, (v) signing of underwriting agreements and other necessary agreements on mutually acceptable terms and conditions, and (vi) compliance with (or as applicable, waiver of) conditions precedent as may be specified in the said agreements.

The obligations of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners are joint, and not solidary, and no Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner shall be responsible or liable for any act or omission of any other Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner. The rights expressed to be in favor of more than one Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall be exercisable by them individually and separately and are not required to be exercised by them collectively. This letter is not an underwriting agreement and does not obligate the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners or the Company to enter into an underwriting agreement or otherwise proceed with the Offer. The indicative terms of the Offer and of the services are neither complete nor final and are subject to further negotiation and final documentation in the form to be agreed between the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and the Company. This letter does not create any legally binding obligations on the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and the Company and/or their respective affiliates with respect to the Offer.

Should the foregoing accurately reflect our understanding of the arrangements in respect of the mandate to underwrite the Offer, kindly affix your signature in the space provided in the duplicate copy of this letter enclosed herewith and return such signed copy to us.

This letter may be executed in any number of counterparts each of which shall be an original with the same effect as if the signatures thereto and hereto were upon the same instrument.

Sincerely,

For and on behalf of

BDO Capital & Investment Corporation

By:

[Redacted Signature]

Jose Eduardo A. Quimpo II
First Vice President

By:

[Redacted Signature]

Allen T. Tehedero
Assistant Vice President

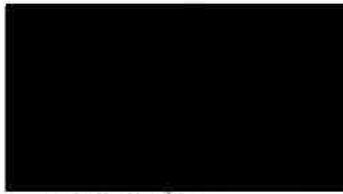
For and on behalf of

BPI Capital Corporation

By:



Lester Ong
Director



Reinier A. Llige
Associate Director



For and on behalf of

China Bank Capital Corporation



Ryan Martin L. Tapia
President

For and on behalf of

First Metro Investment Corporation

By:



John Wesley M. Peralta
Vice President

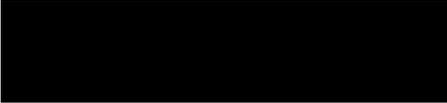


Kimberly B. Abadilla
Assistant Vice President

Acknowledged, accepted and agreed to by:

For and on behalf of

Aboitiz Power Corporation



Name: Maria Veronica C. So

Position: First Vice President – Group Treasurer

Date: December 18, 2020

Annex "A"

Indicative Terms and Conditions of the Offer

Issuer	Aboitiz Power Corporation
Issue	<p>Philippine Peso denominated fixed rate bonds, consisting of the Base Offer of up to ₱4,000,000,000, with an oversubscription option of up to ₱4,000,000,000, to be issued from the Company's ₱30,000,000,000 shelf registration program to be registered with the Securities and Exchange Commission ("SEC").</p> <p>The First Tranche Bonds shall be issued in scripless form in minimum denominations of ₱50,000 each, and in integral multiples of ₱10,000 thereafter.</p>
Registration and Listing	The First Tranche Bonds will be registered with the SEC. An application for listing will be applied with the Philippine Dealing & Exchange Corp.
Use of Proceeds	Proceeds of the Offer will be used by the Issuer to fund the payment of the fixed-rate bonds issued on 10 September 2014
Issue Date	Targeted within March 2021



REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY, METRO MANILA) S.S.

**CERTIFICATION
(RE: LEGAL PROCEEDINGS)**

I, **MAILENE M. DE LA TORRE**, Filipino, of legal age, and with office address at NAC Tower, 32nd Street, Bonifacio Global City, 1634 Taguig City, after having been duly sworn in accordance with law, hereby certify that:

1. I am the Assistant Corporate Secretary of **Aboitiz Power Corporation** (the "**Corporation**"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, 1634 Taguig City.
2. As Assistant Corporate Secretary, I have in my custody, and/or have access to, the records of the Corporation.
3. Other than as disclosed in the Prospectus in relation to the registration statement (the "**Registration Statement**") for the issuance and registration of the Corporation's fixed-rate retail bonds to be registered under the shelf registration program of the Securities and Exchange Commission, and attached hereto as **Annex "A"**, there have been no new developments to the material legal proceedings to which the Corporation or any of its subsidiaries or affiliates is a party or of which any of their respective property is the subject.
4. The foregoing is true and correct, and in accordance with the records of the Corporation.
5. This certification is issued in relation to the filing of the Registration Statement with the SEC.

(Space below intentionally left blank. Signature page follows.)

IN WITNESS WHEREOF, I have hereunto set my hand this 16 December 2020 in Taguig City, Metro Manila.

[Redacted Signature]

MAILENE M. DE LA TORRE
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO before me this 16 December 2020, at Taguig City, Metro Manila affiant exhibited to me her passport with the following details:

[Redacted Details]

Doc. No. 259;
Page No. 53;
Book No. VIII;
Series of 2020.



[Redacted Signature]

Atty. Strella Marie G. Sacdalan
Notary Public for Taguig City
Notarial Commission No. 99
Until December 2020
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208020 January 7, 2019 Taguig City
IBP Lifetime OR No. 061321
Roll No. 63289
MCLE Compliance No. VI 0011090

Annex "A"

GR No. 244450 and GR No. 244659 (formerly CTA En Banc Case No. 1020; CBAA Case No. L-57 and L-59) entitled "*National Power Corporation vs. Luzon Hydro Corporation (LHC), Banggay T. Alwis, Municipal Assessor, Manuel C. Bagayao, Municipal Treasurer of Bakun, Benguet, Erlinda Estepa, Provincial Assessor and Mauricio B. Ambanloc, Provincial Treasurer of the Province of Benguet*", 24 May 2013

The Municipality of Bakun, Province of Benguet issued an assessment against LHC for deficiency RPT for the year 2002 on its machineries in the amount of approximately ₱11 Nn, inclusive of interests and penalties. LHC appealed the assessment to the LBAA. NPC intervened in the proceedings before the LBAA arguing that: (i) the liability for the payment of RPT over the machineries is assumed by NPC under Section 8.6(b) of the Bakun PPA dated 24 November 1996; and (ii) NPC is exempted from the payment of RPT under Section 234 of the LGC, which provides that machineries which are actually, directly and exclusively used by government-owned and controlled corporations engaged in the generation and transmission of electric power are not subject to RPT. The LBAA ruled in favor of the Municipality of Bakun on the ground that NPC could not invoke the exception under Section 234 of the LGC because the machineries covered by the assessment are not yet owned by NPC.

NPC appealed the ruling of the LBAA to the Central Board of Assessment Appeals ("CBAA"), which appeal was docketed as CBAA Case No. L-57/59. The Province of Benguet, through the Office of the Governor, and LHC negotiated to arrive at a possible settlement. In December 2009, NPC moved for the issuance of a decision based on a compromise agreement. The Province of Benguet opposed NPC's motion and prayed that the CBAA continue hearing the case and resolve the same on the merits. LHC filed its reply to the Province of Benguet's opposition.

On 03 July 2012, CBAA dismissed the appeals of LHC and NPC for lack of merit. LHC then filed its Motion for Reconsideration. The CBAA noted both LHC and NPC's motions, and gave the Province of Benguet ten days to file its comment/opposition.

On 11 October 2013, LHC, NPC, and the Province of Benguet filed a Joint Motion for Judgment based on a Compromise Agreement with the Court of Tax Appeals ("CTA"). The CTA En Banc ("CTA EB") ordered the parties to submit additional documents in support of the Joint Motion for Judgment, and held in abeyance the resolution of the Joint Motion for Judgment based on Compromise pending the submission of certain documents.

On 02 September 2015, LHC received a Manifestation from the Province of Benguet stating that the: (i) Sangguniang Panlalawigan of Benguet's Resolution authorizing their Provincial Governor to enter into the 29 January 2004 Compromise Agreement; and (ii) Sangguniang Bayan of Bakun, Benguet's Resolution authorizing its Municipal Mayor Marcelo Contada to enter into the December 2007 Compromise Agreement and 18 January 2008 MOA, do not exist.

Despite close coordination with both the Province of Benguet and the Municipality of Bakun for the issuance of the necessary resolutions to ratify the actions previously taken by their respective Sanggunian, no such action has been taken by the Sangguniang Panlalawigan of Benguet and the Sangguniang Bayan of Bakun. Given the foregoing and in the interest of substantial justice, LHC filed a Motion to Resolve the Joint Motion for Judgment based on Compromise Agreement on 29 December 2015, attesting that the Province of Benguet and the Municipality of Bakun made representations that they were authorized to execute the

Compromise Agreement and that they accepted the Compromise Payments made by LHC pursuant thereto. As a consequence, the Province of Benguet and the Municipality of Bakun are estopped from assailing the Compromise Agreement.

In March 2016, the CTA EB denied LHC's Motion to Resolve the Joint Motion for Judgment based on Compromise. The CTA EB also denied LHC's subsequent Motion for Reconsideration.

On 12 December 2016, LHC filed with the SC a Petition for Certiorari assailing the above resolutions of the CTA. On 07 June 2017, the SC dismissed LHC's Petition for Certiorari and in December 2019, issued the Entry of Judgment.

On 16 January 2020, the Municipal Treasurer of Bakun issued RPT Bills for the period covering 2002 to 2019 amounting to ₱284,448,073.24.

On 03 February 2020, LHC wrote to the Provincial Governor requesting for the amendment of the RPT Bills to align with the MOA dated 20 December 2012 by and between LHC and the Province of Benguet. In the same letter, LHC also cited EO No. 88, Series of 2019, which reduced the liability for RPT of IPPs such as LHC with BOT Agreements with Government Owned and Controlled Corporations (GOCCs) to an amount equivalent to the tax due if computed at 15% assessment level and condoned all interest and penalties for all years up to 2018.

On 14 September 2020, LHC filed a Petition with the RTC of La Trinidad, Benguet, praying for the issuance of a writ of mandamus to compel the Province of Benguet to comply with the provisions of the EO and recompute the RPT liabilities of LHC.

On 28 September 2020, the RTC of La Trinidad issued an Order directing the respondents to comment on LHC's petition within ten (10) days from receipt thereof.

Supreme Court GR No. 223403 and 223460-61 (formerly CTA En Banc Case Nos. 1024 and 1096; CBAA Case Nos. L-96 and L-99) "*Luzon Hydro Corporation and the National Power Corporation vs. The Local Board of Assessment Appeals of the Province of Ilocos Sur, Fatima Tenorio, in her official capacity as the Provincial Assessor of the Province of Ilocos Sur, Antonio A. Gundran, in his capacity as the Provincial Treasurer of the Province of Ilocos Sur*", 02 July 2003

LHC has an RPT dispute with the Province of Ilocos Sur and the Municipality of Alilem since 2003 when the Municipality assessed LHC for RPT over the portions of the Bakun Hydro Electric Plant located within the territorial jurisdiction of the Municipality. LHC protested the assessment, with NPC intervening in the proceedings since it had contractually assumed the obligation to pay RPT in the PPA. LHC escalated the protest to the CTA EB on the issue of which between NPC and LHC is obligated to pay the RPT. The CTA EB ruled that LHC, being the actual, direct and exclusive user of the subject properties, is the one obligated to pay RPT. This ruling was sustained by the SC with finality in a resolution dated 24 September 2018.

Meanwhile in 2014, while the case was pending before the CTA EB, then President Aquino issued EO No. 173, which reduced the liability for RPT of IPPs such as LHC to an amount equivalent to the tax due if computed at 15% assessment level and condoned all interest and penalties for all years up to 2014. More EOs of the same nature were subsequently issued, the latest being, EO No. 88 Series of 2019, dated 13 August 2019 ("EO 88") issued by President Duterte.

With the finality of the SC's determination that it is liable to pay RPT, LHC wrote to Gov. Singson on 18 December 2018 signifying its willingness to settle the outstanding RPT obligation, but at the reduced amount pursuant to the EOs. There was no response until 13 August 2019, when LHC received a Notice of Tax Delinquency from the Municipality with respect to four properties, computed based on an 80% assessment level. LHC received a second Tax Delinquency Notice on 18 September 2019 for seven other properties. The second tax delinquency notice covered the lodging house, admin buildings, warehouses, tunnel steel lining and industrial switchyard. Thereafter, the Municipality of Alilem issued warrants of levy for the properties covered by the notices, and scheduled them for auction sale.

LHC filed two separate "Petitions for Prohibition and Mandamus with prayer for TRO and Preliminary Injunction" to cover the two notices of auction sale, challenging the correctness of the amount assessed as RPT and to prevent the auction sale of the assets. The actions also sought the enforcement of the EOs directing the reduction of RPT on property, machinery and equipment actually and directly used by IPPs under BOT contracts (however denominated), and condoning related RPT interest and penalties.

The RTC of Tagudin, Ilocos Sur acting on both Petitions, issued two TROs enjoining the Municipality of Alilem from selling at public auction LHC's real properties for a period of 20 days. LHC, on its part, filed its Position Paper on 12 December 2019 and Supplemental Position Paper 19 December 2019, in compliance with the aforesaid court orders. On 11 February 2020, LHC filed its Memorandum. On 14 February 2020, the case was deemed submitted for resolution.

On 17 April 2020, LHC filed a Manifestation to inform the RTC of Tagudin, Ilocos Sur about the parties' renewed attempt to forge a settlement.

On 22 July 2020, LHC and the Province of Ilocos Sur entered into a Compromise Agreement ("CA"). On 23 July 2020, the Parties filed a Joint Motion to Render Judgment Based on Compromise. The RTC of Tagudin, Ilocos Sur approved the CA and promulgated the Judgment Based on Compromise Agreement on 27 July 2020.

On 4 August 2020, LHC complied with its obligation under the CA by paying the amounts stipulated therein.

On 17 August 2020, LHC filed with the RTC of Tagudin, Ilocos Sur a Manifestation (Re Payment of Amounts Stated in the Compromise Agreement) With Motion To Release TRO Bond. In the Manifestation with Motion, LHC asked the RTC of Tagudin, Ilocos Sur to: (a) note the payments made on 4 August 2020 by LHC to Ilocos Sur of the four amounts mentioned in the CA; (b) declare that LHC has fully complied with its obligation under the CA to pay the said amounts; and (c) release the TRO bond of ₱200,000.00 posted by LHC on 16 December 2019.

On 11 September 2020, the RTC of Tagudin, Ilocos Sur issued an Order noting LHC's full compliance with its obligations under the Compromise Agreement and directing the release to LHC of the TRO bond previously posted.

G.R. No. 210245 entitled "*Bayan Muna Representative Neri Javier Colmenares, et al. vs. Energy Regulatory Commission, et al.*", Supreme Court; 19 December 2013

G.R. No. 210255 entitled "*National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et al.*", Supreme Court; 20 December 2013

G.R. No. 210502 entitled "*Manila Electric Company, et al. v Philippine Electricity Market Corporation, et al.*", Supreme Court; 08 January 2014

On 19 December 2013, Bayan Muna representatives filed a Petition for Certiorari against ERC and Meralco with the SC, questioning the alleged substantial increase in Meralco's power rates for the billing period of November 2013. These cases raised, among others, the: (i) legality of Sections 6, 29 and 45 of the EPIRA, (ii) failure of ERC to protect consumers from high prices of electricity, and (iii) alleged market collusion by the generation companies. These cases were consolidated by the SC, which issued a TRO preventing Meralco from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended by the SC for another 60 days, or until 22 April 2014. On 22 April 2014, the SC extended the TRO indefinitely.

Meralco filed a counter-petition impleading all generation companies supplying power to the WESM to prevent the generation companies from collecting payments on power purchased by Meralco from the WESM during the contested billing period. The SC also ordered other power industry participants (DOE, ERC, PEMC, PSALM, and the generation companies) to respond to Meralco's counter-petition.

The SC set the consolidated cases for oral arguments on 21 January 2014, 04 and 11 February 2014. After oral arguments, all parties were ordered to file their comments and/or memoranda. Meralco has been prevented from collecting the differential increase of the price hike. Because of Meralco's counter-petition against the generation companies, PEMC withheld settlement of the power purchases during the covered period.

On 07 February 2019, petitioners in G.R. No. 210245 filed their Motion for Directions, Status Updates and Immediate Resolution. As of 30 September 2020, these cases before the Supreme Court are still pending resolution and the Supreme Court has not lifted the TRO.

SC GR No. 224341 entitled "*Philippine Electricity Market Corporation vs. Therma Mobile, Inc.*", Supreme Court

[CA G.R. SP No. 140177 entitled "*PEMC v. Therma Mobile Inc.*", Court of Appeals, Manila

SP Proc. No. 12790 entitled "*Therma Mobile Inc. vs. PEMC*", Regional Trial Court Branch 157-Pasig City

PEMC ECO-2014-0009 entitled "*Therma Mobile, Inc. (TMO Power Plants Units 1-4) Possible Non-Compliance with Must-Offer-Rule, Investigation Summary Report, dated 04 August 2014*"

The Enforcement and Compliance Office of the Philippines Electricity Market Corporation (PEMC-ECO) conducted an investigation on TMO for possible non-compliance with the Must-Offer-Rule for the period 26 October 2013 to 25 December 2013. PEMC-ECO concluded that TMO was non-compliant with the Must-Offer-Rule for 3,578 intervals and recommended a penalty of ₱234.9 mn.

TMO filed its letter request for reconsideration on 05 September 2014, contending that it did not violate the Must-Offer Rule because its maximum available capacity was limited to 100 MW due to: (i) the thermal limitations of the old TMO 115-kV transmission line, and (ii) the technical and mechanical constraints of the old generating units and the component engines of the TMO power plants which were under various stages of rehabilitation after having been non-operational for five years. Although TMO's rated capacity is 234 MW (net), it could only

safely and reliably deliver 100 MW during the November and December 2013 supply period because of limitations of its engines and the 115-kV transmission line. This temporary limitation of TMO's plant was confirmed during a dependable capacity testing conducted on 21 November 2013.

In its letter dated 30 January 2015, the PEMC Board of Directors denied TMO's request for reconsideration and confirmed its earlier findings. On 13 February 2015, TMO filed a Notice of Dispute with PEMC to refer the matter to dispute resolution under the WESM Rules, WESM Dispute Resolution Market Manual and the ERC-PEMC Protocol.

On 16 February 2015, TMO filed a petition for TRO before the Pasig City RTC. In its Order dated 24 February 2015, the RTC granted TMO a 20-day temporary order of protection and directed PEMC to: (i) refrain from demanding or collecting the amount of ₱234.9 mn as financial penalty; (ii) refrain from charging interest on the financial penalty and having the same accrue; and (iii) refrain from transmitting PEMC-ECO's investigation report to the ERC. TMO posted a bond in the amount of ₱234.9 mn to answer for any damage that PEMC may suffer as a result of the Order. On 01 April 2015, the RTC rendered a Decision in favor of TMO. PEMC appealed the RTC decision before the Court of Appeals ("CA") and sought to reverse and set aside the decision of the RTC.

On 14 December 2015, the CA rendered a Decision denying PEMC's Petition for Review and affirming the 01 April 2015 Decision of RTC in favor of TMO. On 06 June 2016, PEMC filed a Petition for Review on Certiorari with the SC to assail the 14 December 2015 CA Decision. TMO filed its Comment to PEMC's Petition for Review and PEMC filed a Reply. In its 29 March 2017 Resolution, the SC noted TMO's Comment and PEMC's Reply.

As of 30 September 2020, PEMC's Petition is still pending before the Supreme Court.

G.R. No. 24449 and 244455-56 entitled "*Energy Regulatory Commission vs. Therma Mobile, Inc., Manila Electric Company, and AP Renewables, Inc.*", SC, First Division;

[CA G.R. SP. No. 152588 entitled "*Therma Mobile, Inc. vs. Energy Regulatory Commission, Atty. Alfredo P. Vergara, Jr. and Engr. Nelson D. Canlas, in their capacity as Investigating Officers (IOs) of the Investigatory Unit constituted by the Honorable Commission pursuant to its Office Order No. 38, Series of 2013 dated 26 December 2013, as amended by Office Order No. 82, Series of 2017*", Court of Appeals, Manila;

ERC Case No. 2015-025 MC entitled "*Atty. Isabelo Joseph P. Tomas II, in his capacity as the Investigating Officer of the Investigatory Unit constituted by the Honorable Commission pursuant to its Office Order No. 38, Series of 2013 dated December 26, 2013 vs Meralco and Therma Mobile, Inc. [For Violation of Section 45 of RA 9136, otherwise known as EPIRA, Rule 11, Section 1 of IRR of the EPIRA (Commission of an Anti-Competitive Behavior, particularly Economic Withholding)]*", ERC Pasig City, 04 June 2015;

ERC Case No. 2015-027 MC entitled "*Atty. Isabelo Joseph P. Tomas II, in his capacity as the Investigating Officer of the Investigatory Unit constituted by the Honorable Commission pursuant to its Office Order No. 38, Series of 2013 dated 26 December 2013 vs Therma Mobile, Inc. [For Violation of Section 45 of RA 9136, otherwise known as EPIRA, Rule 11, Section 1 and 8(e) of IRR of the EPIRA (Commission of an Anti-Competitive Behavior, particularly Physical Withholding)]*", ERC, Pasig City, 04 June 2015]

Pursuant to the allegations in the Bayan Muna SC case, the Investigation Unit of ERC (“ERC-IU”) conducted investigations on the alleged anti-competitive behavior and market abuse committed by some participants of the WESM, including TMO.

On 24 January 2014, ERC issued a Subpoena Ad Testificandum and Duces Tecum directing TMO’s representative to give clarification on matters pertaining to offers per trading interval involving the November to December 2013 supply months and provisions on the PSA between Meralco and TMO. The representative was likewise directed to bring relevant documents.

On 29 January 2014, TMO filed its Compliance and Submission to the Subpoena Duces Tecum. Further, on 11 March 2014, TMO filed its Memorandum, arguing that it did not commit any act constituting anti-competitive behavior and/ or misuse of market power. TMO then requested ERC-IU to terminate and close the investigation.

On 20 May 2015, ERC-IU issued its report and found that in bidding the way they did for the November and December 2013 supply months, TMO and Meralco allegedly committed Economic Withholding, and TMO committed Physical Withholding, and thus recommended the filing of cases for Anti-Competitive Behavior against TMO and Meralco.

On 23 June 2015, ERC ordered Meralco and TMO to file their respective Answers to the Complaint. On 24 August 2015, TMO filed its Answers praying for the dismissal of the Complaints.

In its Manifestation dated 07 October 2016, ERC-IU manifested the resignation of Atty. Isabelo Tomas as Investigating Officer (IO) and the appointment of Director Alfredo Vergara, Jr. and Engr. Nelson Canlas as new IOs. In a separate pleading, the new IOs filed their Reply to various motions filed by TMO.

On 27 July 2016, Meralco filed in ERC Case No. 2015-025MC an Urgent Motion to Dismiss with Motion to Suspend Proceedings on the ground that ERC has no jurisdiction over anti-competitive behavior cases, and that jurisdiction is with Philippine Competition Commission (PCC). TMO filed in the same case a Manifestation and Motion adopting Meralco’s Urgent Motion to Dismiss, and sought the dismissal of ERC Case No. 2015-027MC for lack of jurisdiction.

In an Order dated 02 February 2017, ERC denied Meralco’s and TMO’s motions to dismiss for lack of jurisdiction. TMO filed its Motion for Reconsideration, which the ERC subsequently denied.

On 18 September 2017, TMO filed a Petition for Certiorari with the CA, praying that the CA: (i) issue a TRO commanding the ERC to desist from conducting further proceedings in ERC Case No. 2015-025MC and ERC Case No. 2015-027MC; (ii) after proceedings, issue a Writ of Preliminary Injunction; and (iii) annul and set aside the 02 February 2017 and 20 June 2017 ERC Orders.

In a Resolution dated 02 October 2017, the CA directed the respondents to file their comment on TMO’s Petition for Certiorari and denied TMO’s prayer for a TRO. TMO filed a Motion for Partial Reconsideration of the CA’s 02 October 2017 Resolution, which the CA denied. In a Resolution dated 28 January 2019, the CA denied the motions for reconsideration filed by TMO, Meralco and APRI and the motion for partial reconsideration filed by the ERC.

Subsequently, ERC filed a Petition dated 21 February 2019 with the SC via Rule 45 of the Rules of Court. In the Petition, ERC challenged the CA Decision and Resolution insofar as the CA ruled that the Philippine Competition Act (“PCA”) repealed the parts of the EPIRA that granted jurisdiction to ERC over anti-competition matters in the energy sector, and that PCC has original and exclusive jurisdiction over anti-competition matters, including those affecting the energy sector after the effectivity of the PCA.

In a Resolution dated 30 July 2019, the SC directed the respondents to file their Comments on ERC’s Petition. On 25 November 2019, TMO filed its Manifestation with the SC.

As of 30 September 2020, ERC’s Petition is still pending with the SC.

G.R. No. 24449 and 244455-56 entitled “Energy Regulatory Commission vs. Therma Mobile, Inc., Manila Electric Company, and AP Renewables, Inc.”, SC, First Division;

[CA G.R. SP. No. 152613 entitled, “AP Renewables, Inc. vs. Energy Regulatory Commission and Directors Alfredo P. Vergara, Jr. and Engr. Nelson Canlas, in their capacity as the Investigating Officers of the Investigatory Unit of the Energy Regulations Commission”, Court of Appeals, Manila;

ERC Case No. 2015-038 MC entitled “Energy Regulatory Commission vs. AP Renewables, Inc. ([Violation of Section 45 of EPIRA, Rule 11, Sec. 1 and 8 (E) of the Implementing Rules and Regulations (Commission of an Anti-Competitive Behavior, particularly, Physical Withholding)]”, ERC, Pasig City, 09 June 2015]

ERC-IU conducted investigations on the alleged anti-competitive behavior and market abuse committed by some participants of the WESM, including APRI. On 20 May 2015, ERC-IU released its report holding that APRI’s non-compliance with the Must-Offer Rule for four intervals is tantamount to Physical Withholding which, it alleged, is a form of anti-competitive behavior.

On 09 June 2015, complainant Atty. Isabelo Joseph Tomas, III, Investigating Officer of the IU, filed the complaint for Anti-Competitive Behavior against APRI. On 23 June 2015, ERC issued an Order directing APRI to file its answer within 15 days from notice.

On 01 July 2015, APRI received the summons and complaint. Subsequently, on 07 July 2015, APRI filed a Motion praying that: (a) the Complainant serve upon APRI the complete copy of the complaint and its annexes; (b) the Complainant clarify and put on record the answer to the following issues: (i) which of Makban Plants’ generating units is the subject of the complaint; and (ii) the dates and times of the four intervals mentioned in the complaint during which APRI allegedly offered “less than its total registered capacity.” Meanwhile, on 29 July 2015, APRI filed its Answer *ad cautelam*.

In its Manifestation dated 07 October 2016, ERC-IU manifested the resignation of Atty. Isabelo Tomas as IO and the appointment of new IOs. The new IOs filed their Reply to various motions filed by APRI.

Subsequently, APRI filed a Motion to Dismiss dated 29 July 2016, arguing that jurisdiction over the case is vested in the PCC. APRI also filed its Ad Cautelam Pre-Trial Brief and Judicial Affidavits. ERC denied APRI’s Motion to Dismiss, and APRI’s subsequent Motion for Reconsideration.

On 19 September 2017, APRI filed a Petition for Certiorari (with application for TRO and Writ of Preliminary Injunction) with the CA (CA G.R. SP. No. 152613), praying for the CA to: (i) issue a TRO commanding ERC to desist from conducting further proceedings in ERC Case. No. 2015-038MC; (ii) after proceedings, issue a Writ of Preliminary Injunction; and (iii) annul and set aside the 02 February 2017 and 20 June 2017 ERC Orders, and dismiss the complaint and ERC proceedings with prejudice.

On 06 November 2017, the IOs filed a Motion for Consolidation seeking to consolidate CA G.R. SP. No. 152613 with TMO's Petition in CA GR. No. 152588. Thereafter, the CA issued its Notice of Judgment and Decision dated 23 May 2018, which denied APRI's Petition. On 18 June 2018, APRI filed its Motion for Reconsideration of the CA's Decision dated 23 May 2018.

In a Resolution dated 28 January 2019, the CA denied the motions for reconsideration filed by APRI, Meralco, and TMO and the motion for partial reconsideration filed by ERC.

Subsequently, ERC filed a Petition dated 21 February 2019 with the SC via Rule 45 of the Rules of Court. In the Petition, ERC challenged the CA Decision and Resolution insofar as the CA ruled that the PCA repealed the parts of the EPIRA that granted to ERC jurisdiction over anti-competition matters in the energy sector, and that the PCC has original and exclusive jurisdiction over anti-competition matters including those affecting the energy sector after the effectivity of the PCA.

In a Resolution dated 30 July 2019, the SC directed the respondents to file their Comments on ERC's Petition. On 4 November 2019, APRI filed its Comment with the SC. As of 30 September 2020, ERC's Petition is still pending with the Supreme Court.

G.R. No. 246621-30, entitled "*Energy Regulatory Commission vs. San Miguel Energy Corporation, et al*" SC, Third Division; G.R. Nos 247352-61, entitled "*Manila Electric Company vs. San Miguel Energy Corporation, et al.*" SC, Third Division.

[CA-G.R. Nos. 138120, 138223, 138272, entitled "*AP Renewables, Inc. vs. Energy Regulatory Commission*", "*Therma Luzon, Inc. vs. Energy Regulatory Commission*", and "*Therma Mobile, Inc. vs. Energy Regulatory Commission*", Petition for Review on Certiorari, Court of Appeals, Manila;

ERC Case No. 2014-021 MC entitled "*In the Matter of the Prices in the WESM for the Supply Months of November and December 2013 and the Exercise by the Commission of its Regulatory Powers to Intervene and Direct the Imposition of Regulated Prices therein without Prejudice to the On-going Investigation on the Allegation of Anti- Competitive Behavior and Possible Abuse of Market Power Committed by Some WESM Participants*", 28 March 2014]

ERC conducted an investigation on the alleged collusion by the generation companies to raise the WESM prices. Subsequently, ERC issued an Order in ERC Case No. 2014-021 MC dated 03 March 2014 (the "ERC Order"), declaring as void the Luzon WESM prices during the November and December 2013 supply months. ERC also declared the imposition of regulated prices for such billing periods and directed PEMC to calculate the regulated prices and implement the same in the revised November and December 2013 WESM bills of the concerned distribution utilities in Luzon, except for Meralco whose November 2013 WESM bill was maintained in compliance with the TRO issued by the Supreme Court.

ERC also ordered PEMC, through its Enforcement and Compliance Office (“ECO”) to conduct an investigation, within a period of no less than 90 days, on the alleged violation of the Must-Offer-Rule.

Pursuant to the ERC Order, on 18 March 2014, PEMC issued adjusted billing statements for all generators trading in the WESM, including Cebu-based EAUC and CPPC, recalculating the WESM prices.

The Company’s Affiliates and Subsidiaries, APRI, TLI, TMO, AESI, AdventEnergy, SNAP-Magat, SNAP-Benguet, CPPC, and EAUC filed their respective Motions for Reconsideration, questioning the validity of the ERC Order on the ground of lack of due process, among others. In its 27 March 2014 Order, ERC ordered deferral of PEMC’s implementation of the adjusted billing statements for forty 45 days. This was subsequently extended with no clear timeline by ERC in its Order dated 06 June 2014.

ERC, in its Order dated 15 October 2014, denied said Motions for Reconsideration. SNAP-Benguet, SNAP-Magat, APRI, TLI, and TMO filed their Petitions for Review (the “Petitions”) before the CA on 19 and 24 November, 01 and 04 December 2014, respectively. The CA ordered the consolidation of the Petitions on 09 October 2015.

On 07 November 2017, the CA granted the Petitions. ERC’s 03 March 2014 Order, among other orders, were declared null and void, and the Luzon WESM market prices in November and December 2013 were declared valid and therefore reinstated.

Thereafter, ERC and Meralco filed their respective motions for reconsideration. Several entities also filed motions to intervene in the case. APRI, TLI, and TMO filed their oppositions to the motions for reconsideration and motions to intervene. The CA denied the motions to intervene filed by several entities, which thereafter filed their motions for reconsideration. In an Omnibus Resolution dated 29 March 2019, the CA denied the motions for reconsideration by ERC and Meralco, as well as the motions for reconsideration filed by several entities that wanted to intervene in the case.

In June 2019, ERC, Meralco, and several entities filed their Petitions for Review on Certiorari with the Supreme Court, asking the latter to reverse and set aside the CA Decision dated 7 November 2017 and the CA Omnibus Resolution dated 29 March 2019. They also prayed that the SC reinstate the ERC Orders.

In September to October 2019, the Supreme Court issued Resolutions denying the Petitions for Review on Certiorari filed by several entities, including Calco Industries Inc., Paperland, Alyansa ng mga Grupong Haligi at Teknolohiya Para sa Mamamayan (AGHAM), Ateneo de Manila University, Citizenwatch, Riverbanks Dev’t. Corp., Steel Angles Shapes & Sections Manufacturers, for failure to show any reversible error on the part of the CA in promulgating the Decision dated 07 November 2017 and Omnibus Resolution dated 29 March 2019.

In a Resolution dated 11 September 2019, the SC required respondents to file their Comments to ERC’s Petition for Review on Certiorari in G.R. No. 246621-30 (“ERC Case”). On 28 January 2020, TMO and TLI filed their Consolidated Comment (to the Petition for Review on Certiorari dated 13 June 2019); whereas APRI filed its Comment (on the Petition for Review on Certiorari dated 13 June 2019) on 11 February 2020.

In June 2020, APRI, TMO and TLI received an SC Resolution requiring the respondents to file their Comments to Meralco’s Petition in G.R. Nos 247352-61 (“Meralco Case”). On July 9,

2020, TMO and TLI filed their Consolidated Comment. On the same day, APRI filed its Comment to Meralco's Petition and a Motion to Consolidate the cases involving ERC and Meralco Petitions.

In September 2020, APRI, TMO and TLI received an SC Resolution in the ERC Case requiring the respondents to file their respective comments on the Motion for Leave to Intervene and to Admit Attached Petition-in-Intervention filed by San Beda University. On October 2, 2020, APRI filed its Opposition to San Beda University's motion; while TMO and TLI filed their Opposition on October 21, 2020.

ERC Case No. 2013-077 MC entitled "*In Re: Petition for Dispute Resolution: Manila Electric Company (Meralco) vs. South Premier Power Corporation (SPPC), Masinloc Power Partners Company, Ltd. (MPPCL), AP Renewables, Inc. (APRI), Therma Luzon, Inc. (TLI), San Miguel Energy Corporation (SMEC) and SEM-Calaca Power Corporation (SCPC)*", 29 August 2013

On 29 August 2013, Meralco filed a petition before ERC against TLI and APRI, among other Successor Generating Companies (SGCs), docketed as ERC Case No. 2013-077 MC, where Meralco prayed that it be refunded by the respondent-SGCs of the transmission line losses. The petition arose from a claim of refund on account of the alleged over-recoveries of transmission line losses.

The petition was filed by Meralco pursuant to ERC Order dated 04 March 2013 and 01 July 2013 in ERC Case No. 2008- 083 MC where the SGCs were not parties to.

On 20 September 2013, APRI and TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that Meralco's petition should be dismissed for failure to state a cause of action and ERC's lack of jurisdiction over the subject matter of the case. The motion argued that: (i) Meralco cannot base its cause of action against the SGCs on a decision issued by ERC in another case where none of the SGCs were made parties to the case; and (ii) Meralco's claim is in a nature of a claim for sum of money which is properly within the jurisdiction of regular courts. The Joint Motion to Dismiss has since then been submitted for resolution with ERC.

As of 30 September 2020, ERC has yet to render its decision on the Joint Motion to Dismiss.



REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY, METRO MANILA) S.S.

**CERTIFICATION
(RE: GOVERNMENT PERMITS AND LICENSES)**

I, **MAILENE M. DE LA TORRE**, Filipino, of legal age, and with office address at NAC Tower, 32nd Street, Bonifacio Global City, 1634 Taguig City, after having been duly sworn in accordance with law, hereby certify that:

1. I am the Assistant Corporate Secretary of **Aboitiz Power Corporation** (the “**Corporation**”), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, 1634 Taguig City.
2. As Assistant Corporate Secretary, I have in my custody, and/or have access to, the records of the Corporation.
3. As of date, the Corporation has obtained all permits, licenses, and/or certificates of compliance from the relevant and appropriate regulatory agencies in relation to the continued business of the Corporation.
4. The foregoing is true and correct, and in accordance with the records of the Corporation.
5. This certification is issued in relation to the registration statement for the issuance and registration of the Corporation’s fixed-rate retail bonds to be registered under the shelf registration program of the Securities and Exchange Commission.

(Space below intentionally left blank. Signature page follows.)

IN WITNESS WHEREOF, I have hereunto set my hand this 16 December 2020 in Taguig City, Metro Manila.

[Redacted Signature]

MAILENE M. DE LA TORRE
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this 16 December 2020, at Taguig City, Metro Manila affiant exhibited to me her passport with the following details:

[Redacted Details]

Doc. No. 258;
Page No. 53;
Book No. VIII;
Series of 2020.



[Redacted Signature]

Atty. Strella Marie G. Saccalan
Notary Public for Taguig City
Notarial Commission No. 99
Until December 2020
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208020, January 7, 2019 Taguig City
IBP Lifetime OR No. 061321
Roll No. 63289
MCLE Compliance No. VI 0011090



REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY, METRO MANILA) S.S.

**UNDERTAKING
(RE: PAYMENT OF FILING FEES)**

I, **MAILENE M. DE LA TORRE**, Filipino, of legal age, and with office address at NAC Tower, 32nd Street, Bonifacio Global City, 1634 Taguig City, after having been duly sworn in accordance with law, hereby certify that:

1. I am the Assistant Corporate Secretary of **Aboitiz Power Corporation** (the "**Corporation**"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, 1634 Taguig City.
2. The Corporation has paid the amount of Two Million Five Hundred Eighty-Eight One Hundred Twenty-Five Pesos (P2,588,125.00) corresponding to the filing fees for the first tranche in connection with the registration statement (the "**Registration Statement**") for the issuance and registration of fixed-rate retail bonds to be registered under the shelf registration program of the Securities and Exchange Commission ("**SEC**") in the aggregate principal amount of Thirty Billion Pesos (₱30,000,000,000.00) and to be offered in one or several tranches (the "**Shelf Registration**"), with the first tranche of the bonds to be offered up to an aggregate principal amount of up to Four Billion Pesos (₱4,000,000,000.00) with an oversubscription option of up to Four Billion Pesos (₱4,000,000,000.00) (the "**First Tranche Bonds**").
3. The Corporation undertakes to pay the registration fees payable under the Shelf Registration that the SEC may assess for each succeeding tranches prior to the issuance thereof.
4. The Corporation further undertakes to pay the remaining registration fees payable under the Shelf Registration that the SEC may assess, after deduction of the filing fees paid for all of the tranches, no later than thirty (30) business days prior to the expiry of the three (3)-year period reckoned from the date of effectivity of the Registration Statement.
5. This certification is issued in relation to the filing of the Registration Statement with the SEC.

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IN WITNESS WHEREOF, I have hereunto set my hand this 16 December 2020 in Taguig City, Metro Manila.

[Redacted Signature]

MAILENE M. DE LA TORRE
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO before me this 16 December 2020, at Taguig City, Metro Manila affiant exhibited to me her passport with the following details:

[Redacted Details]

Doc. No. 260
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MCLE Compliance No. VI 0011090



REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY, METRO MANILA) S.S.

CERTIFICATION OF AWARENESS

I, **MAILENE M. DE LA TORRE**, Filipino, of legal age, and with office address at NAC Tower, 32nd Street, Bonifacio Global City, 1634 Taguig City, after having been duly sworn in accordance with law, hereby certify that:

1. I am the Assistant Corporate Secretary of **Aboitiz Power Corporation** (the “**Corporation**”), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, 1634 Taguig City.
2. The Corporation is aware of, and has approved, the documents submitted to the Securities and Exchange Commission (“**SEC**”) through the Corporation’s external legal counsel, Romulo Mabanta Buenaventura Sayoc & de los Angeles, in connection with the registration statement (the “**Registration Statement**”) for the issuance and registration of the Corporation’s fixed-rate retail bonds to be registered under the shelf registration program of the SEC in the aggregate principal amount of Thirty Billion Pesos (₱30,000,000,000.00) and to be offered in one or several tranches, with the first tranche of the bonds to be offered up to an aggregate principal amount of up to Four Billion Pesos (₱4,000,000,000.00) with an oversubscription option of up to Four Billion Pesos (₱4,000,000,000.00).
3. I am executing this certification in relation to the filing of the Registration Statement with the SEC.

(Space below intentionally left blank. Signature page follows.)

IN WITNESS WHEREOF, I have hereunto set my hand this 16 December 2020 in Taguig City, Metro Manila.

[Redacted Signature]

MALENE M. DE LA TORRE
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO before me this 16 December 2020, at Taguig City, Metro Manila affiant exhibited to me her passport with the following details:

[Redacted Passport Details]

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Page No. 51;
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[Redacted Signature]

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Roll No. 63289
MCLE Compliance No. VI 0011090

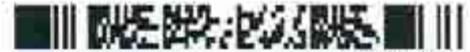
REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 200-652-460-000
Name	: ABOITIZ POWER CORPORATION
RDO	: 123
Form Type	: 1702
Reference No.	: 122000035320104
Amount Payable (Over Remittance)	: -749,404,648.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2019
Date Filed	: 04/05/2020
Tax Type	: IT

[BIR Main | eFPS Login | User Menu | Help]





For BIR Use Only BCS/Item

1702-RT06/13P1

Republika ng Pilipinas Kagawaran ng Pananalapi Kawanihan ng Rentas Internas	Annual Income Tax Return For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate <i>Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.</i>	BIR Form No. 1702-RT June 2013 Page 1
	1 For <input checked="" type="checkbox"/> Calendar <input type="checkbox"/> Fiscal 2 Year Ended (MM/DD/YYYY) 12 / 2019	

3 Amended Return? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	4 Short Period Return? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	5 Alphanumeric Tax Code (ATC) JC055 <input type="checkbox"/> Minimum Corporate Income Tax (MCIT) <input checked="" type="checkbox"/> JC010 <input type="checkbox"/> CORPORATION IN GENERAL - JAN 1, 2005 <input checked="" type="checkbox"/>
--	---	--

Part I - Background Information			
6 Taxpayer Identification Number (TIN)	200 - 652 - 460 - 000	7 RDO Code	123
8 Date of Incorporation/Organization (MM/DD/YYYY)			
9 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS) ABOUTIZ POWER CORPORATION			
10 Registered Address (Indicate complete registered address) 32ND STREET, BONIFACIO GLOBAL CITY, TAGUIG CITY, METRO MANILA			
11 Contact Number	4111800	12 Email Address	ap.accounting@aboutiz.com
13 Main Line of Business FINANCIAL HOLDING COMPANY ACTIVITIES			14 PSIC Code 6694

15 Method of Deductions	<input checked="" type="checkbox"/> Itemized Deductions [Section 34 (A-J), NIRC]	<input type="checkbox"/> Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]
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Part II - Total Tax Payable		<i>(Do NOT enter Caritavos)</i>
16 Total Income Tax Due (Overpayment) (From Part IV Item 44)		21,180,971
17 Less: Total Tax Credits/Payments (From Part IV Item 45)		770,585,619
18 Net Tax Payable (Overpayment) (Item 16 Less Item 17) (From Part IV Item 46)		(749,404,648)
19 Add: Total Penalties (From Part IV Item 50)		0
20 TOTAL AMOUNT PAYABLE (Overpayment) (Sum of Item 18 and 19) (From Part IV Item 51)		(749,404,648)
21 If Overpayment, mark "X" one box only (Once the choice is made, the same is irrevocable)		
<input checked="" type="checkbox"/> To be refunded	<input type="checkbox"/> To be issued a Tax Credit Certificate (TCC)	<input type="checkbox"/> To be carried over as tax credit next year/quarter

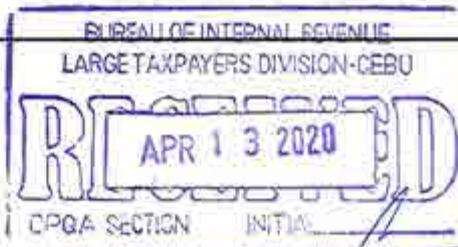
I hereby declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority derived from said Code, as amended, and the regulations issued under authority derived from said Code, as amended.

Signature over printed name of President/Principal Officer/Authorized Representative	 LIZA LUV T. MONTELIBANO
Title of Signatory	Signature over printed name of Treasurer/Assistant Treasurer Number of pages filed 3

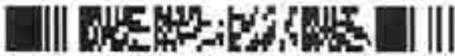
22 Community Tax Certificate (CTC) Number	SEC Reg No.	00039533	23 Date of Issue (MM/DD/YYYY)	01/20/2020
24 Place of Issue	CITY OF TAGUIG	25 Amount, if CTC	10,500	

Part III - Details of Payment				
Details of Payment	Drawee Bank/Agency	Number	Date (MM/DD/YYYY)	Amount
26 Cash/Bank Debit Memo				0
27 Check				0
28 Tax Debit Memo				0
29 Others (Specify Below)				0

Machine Validation/Revenue Official Receipts Details (if not filed with an Authorized Agent Bank)	Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)
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Annual Income Tax Return Page 2				BIR Form No. 1702-RT June 2013		 1702-RT06/13P2	
Taxpayer Identification Number (TIN)				Registered Name			
200	552	460	000	ABOITIZ POWER CORPORATION			
Part IV - Computation of Tax (Do NOT enter Centavos)							
30 Net Sales/Revenues/Receipts/Fees (From Schedule 1 Item 6)				1,964,330.515			
31 Less: Cost of Sales/Services (From Schedule 2 Item 27)				913,324.144			
32 Gross Income from Operation (Item 30 Less Item 31)				1,051,006.371			
33 Add: Other Taxable Income Not Subjected to Final Tax (From Schedule 3 Item 4)				8,042.171			
34 Total Gross Income (Sum of Items 32 & 33)				1,059,048.542			
Less: Deductions Allowable under Existing Law							
35 Ordinary Allowable Itemized Deductions (From Schedule 4 Item 40)				3,386,937.487			
36 Special Allowable Itemized Deductions (From Schedule 5 Item 5)				0			
37 NOLCO (only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Schedule 6A Item 8D)				0			
38 Total Itemized Deductions (Sum of Items 35 to 37)				3,386,937.487			
OR [in case taxable under Sec 27(A) & 28(A)(1)]							
39 Optional Standard Deduction (40% of Item 34)				0			
40 Net Taxable Income (Item 34 Less Item 38 OR 39)				(2,327,886.945)			
41 Income Tax Rate				30.6%			
42 Income Tax Due other than MCIT (Item 40 x Item 41)				0			
43 Minimum Corporate Income Tax (MCIT) (2% of Gross Income in Item 34)				21,180.971			
44 Total Income Tax Due (Normal Income Tax in Item 42 or MCIT in Item 43, whichever is higher) (To part II Item 16)				21,180.971			
45 Less: Total Tax Credits/Payments (From Schedule 7 Item 12) (To Part II Item 17)				770,585.619			
46 Net Tax Payable (Overpayment) (Item 44 Less Item 45) (To Part II Item 18)				(749,404.648)			
Add Penalties							
47 Surcharge				0			
48 Interest				0			
49 Compromise				0			
50 Total Penalties (Sum of Items 47 to 49) (To part II Item 19)				0			
51 Total Amount Payable (Overpayment) (Sum Item 46 & 50) (To Part II Item 20)				(749,404.648)			
Part V - Tax Relief Availment (Do NOT enter Centavos)							
52 Special Allowable Itemized Deductions (30% of Item 36)				0			
53 Add: Special Tax Credits (From Schedule 7 Item 9)				0			
54 Total Tax Relief Availment (Sum of Items 52 & 53)				0			
Part VI - Information - External Auditor/Accredited Tax Agent							
55 Name of External Auditor/Accredited Tax Agent							
SYCIP, GORRES, VELAYO AND COMPANY							
				56 TIN	000	- 502	- 547 - 000
57 Name of Signing Partner (If External Auditor is a Partnership)							
MARIA VERONICA ANDRESA R. PORE							
				58 TIN	164	- 633	- 282 - 000
59 BIR Accreditation No.				60 Issue Date (MM/DD/YYYY)		61 Expiry Date (MM/DD/YYYY)	
06	001998	071	2018	02/26/2018		02/25/2021	

Annual Income Tax Return		BIR Form No.	
Page 3 - Schedules 1 & 2		1702-RT	
Taxpayer Identification Number (TIN)		Registered Name	
200	852	460	000
		ABOITIZ POWER CORPORATION	

1702-RT06/13P3

Schedule 1 - Sales/Revenues/Receipts/Fees (Attach additional sheet/s, if necessary)

1 Sale of Goods/Properties	0
2 Sale of Services	1,964,330,515
3 Lease of Properties	0
4 Total (Sum of Items 1 to 3)	1,964,330,515
5 Less: Sales Returns, Allowances and Discounts	0
6 Net Sales/Revenues/Receipts/Fees (Item 4 Less Item 5) (To Part IV Item 30)	1,964,330,515

Schedule 2 - Cost of Sales (Attach additional sheet/s, if necessary)

Schedule 2A - Cost of Sales (For those Engaged in Trading)

1 Merchandise Inventory - Beginning	0
2 Add: Purchases of Merchandise	0
3 Total Goods Available for Sale (Sum of Items 1 & 2)	0
4 Less: Merchandise Inventory, Ending	0
5 Cost of Sales (Item 3 Less Item 4) (To Schedule 2 Item 27)	0

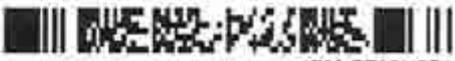
Schedule 2B - Cost of Sales (For those Engaged in Manufacturing)

6 Direct Materials, Beginning	0
7 Add: Purchases of Direct Materials	0
8 Materials Available for Use (Sum of Items 6 & 7)	0
9 Less: Direct Materials, Ending	0
10 Raw Materials Used (Item 8 Less Item 9)	0
11 Direct Labor	0
12 Manufacturing Overhead	0
13 Total Manufacturing Cost (Sum of Items 10, 11 & 12)	0
14 Add: Work in Process, Beginning	0
15 Less: Work in Process, Ending	0
16 Cost of Goods Manufactured (Sum of Items 13 & 14 Less Item 15)	0
17 Finished Goods, Beginning	0
18 Less: Finished Goods, Ending	0
19 Cost of Goods Manufactured and Sold (Sum of Items 16 & 17 Less Item 18) (To Sched. 2 Item 27)	0

Schedule 2C - Cost of Services

(For those Engaged in Services, indicate only those directly incurred or related to the gross revenue from rendition of services)

20 Direct Charges - Salaries, Wages and Benefits	792,851,918
21 Direct Charges - Materials, Supplies and Facilities	5,565,963
22 Direct Charges - Depreciation	22,303,303
23 Direct Charges - Rental	6,404,969
24 Direct Charges - Outside Services	75,861,937
25 Direct Charges - Others	10,336,054
26 Total Cost of Services (Sum of Items 20 to 25) (To Item 27)	913,324,144
27 Total Cost of Sales/Services (Sum of Items 5, 19 & 26, if applicable) (To Part IV Item 31)	913,324,144

Annual Income Tax Return		BIR Form No. 1702-RT		
Page 4 - Schedules 3 & 4		June 2013		
Taxpayer Identification Number (TIN)		Registered Name		
200	652	460	000	ABOITIZ POWER CORPORATION

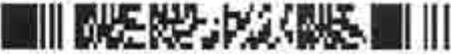
1702-RT06/13P4

Schedule 3 - Other Taxable Income Not Subjected to Final Tax *(Attach additional sheet/s, if necessary)*

1	GAIN ON SALE OF PROPERTY AND EQUIPMENT	1,329,856
2	MISCELLANEOUS INCOME	611,765
3	INTEREST INCOME	6,100,550
4	Total Other Taxable Income Not Subjected to Final Tax <i>(Sum of Items 1 to 3) (To Part IV Item 33)</i>	8,042,171

Schedule 4 - Ordinary Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

1	Advertising and Promotions	11,935,333
<i>Amortizations (Specify on Items 2, 3 & 4)</i>		
2	COMPUTER SOFTWARE LICENSE	164,610
3		0
4		0
5	Bad Debts	0
6	Charitable Contributions	0
7	Commissions	0
8	Communication, Light and Water	1,534,846
9	Depletion	0
10	Depreciation	2,002,329
11	Director's Fees	2,856,108
12	Fringe Benefits	315,422
13	Fuel and Oil	0
14	Insurance	13,850,865
15	Interest	2,490,548,771
16	Janitorial and Messengerial Services	349,499
17	Losses	0
18	Management and Consultancy Fee	0
19	Miscellaneous	8,034,392
20	Office Supplies	540,827
21	Other Services	102,330,338
22	Professional Fees	4,515,147
23	Rental	622,350
24	Repairs and Maintenance - (Labor or Labor & Materials)	671,631
25	Repairs and Maintenance - (Materials/Supplies)	0
26	Representation and Entertainment	15,218,626
27	Research and Development	1,355,934
28	Royalties	0
29	Salaries and Allowances	76,237,542

Annual Income Tax Return Page 5 - Schedules 4, 5 & 6		BIR Form No. 1702-RT June 2013	 1702-RT06/13P5
Taxpayer Identification Number (TIN) 200 -452 -460 -000		Registered Name ABOTTIZ POWER CORPORATION	

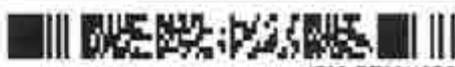
Schedule 4 - Ordinary Allowable Itemized Deductions <i>(Continued from Previous Page)</i>	
30 Security Services	0
31 SSS, GSIS, Philhealth, HDMF and Other Contributions	801,267
32 Taxes and Licenses	76,237,490
33 Tolling Fees	0
34 Training and Seminars	19,972,985
35 Transportation and Travel	55,316,855
<i>Others (Specify below; Add additional sheet(s), if necessary)</i>	
36 REALIZED FOREIGN EXCHANGE LOSS	501,524,290
37	0
38	0
39	0
40 Total Ordinary Allowable Itemized Deductions (Sum of Items 1 to 39) (To Part IV Item 35)	3,386,937,487

Schedule 5 - Special Allowable Itemized Deductions <i>(Attach additional sheet/s, if necessary)</i>		
Description	Legal Basis	Amount
1		0
2		0
3		0
4		0
5 Total Special Allowable Itemized Deductions (Sum of Items 1 to 4) (To Part IV Item 36)		0

Schedule 6 - Computation of Net Operating Loss Carry Over (NOLCO)	
1 Gross Income <i>(From Part IV Item 34)</i>	1,059,048,542
2 Less: Total Deductions Exclusive of NOLCO & Deduction Under Special Law	3,366,937,487
3 Net Operating Loss <i>(To Schedule 6A)</i>	(2,327,888,945)

Schedule 6A - Computation of Available Net Operating Loss Carry Over (NOLCO)			
Net Operating Loss			B) NOLCO Applied Previous Year
Year Incurred	A) Amount		
4 2019	2,327,888,945		0
5 2018	806,218,323		0
6 2017	419,615,728		0
7	0		0

Continuation of Schedule 6A <i>(Item numbers continue from the table above)</i>			
C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied)	
4	0	0	2,327,888,945
5	0	0	806,218,323
6	0	0	419,615,728
7	0	0	0
8 Total NOLCO <i>(Sum of Items 4D to 7D) (To Part IV Item 37)</i>	0		

Annual Income Tax Return Page 6 - Schedules 7, 8 & 9	BIR Form No. 1702-RT June 2013	 1702-RT06/13P6
Taxpayer Identification Number (TIN) 200 -852 -460 -000	Registered Name ABOITIZ POWER CORPORATION	

Schedule 7 - Tax Credits/Payments (attach proof) (Attach additional sheets, if necessary)	
1 Prior Year's Excess Credits Other Than MCIT	625,656,962
2 Income Tax Payment under MCIT from Previous Quarter/s	0
3 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s	0
4 Excess MCIT Applied this Current Taxable Year (From Schedule 8 Item 4F)	0
5 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	0
6 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	144,928,657
7 Foreign Tax Credits, if applicable	0
8 Tax Paid in Return Previously Filed, if this is an Amended Return	0
9 Special Tax Credits (To Part V Item 53)	0
Other Credits/Payments (Specify)	
10	0
11	0
12 Total Tax Credits/Payments (Sum of Items 1 to 11) (To Part IV Item 45)	770,585,619

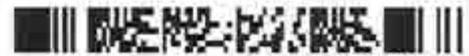
Schedule 8 - Computation of Minimum Corporate Income Tax (MCIT)				
	Year	A) Normal Income Tax as Adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1	2018	0	15,959,089	15,959,089
2	2017	0	10,440,532	10,440,532
3	2016	0	22,262,045	22,262,045

Continuation of Schedule 8 (Line numbers continue from table above)				
	D) Excess MCIT Applied/Used for Previous Years	E) Expired Portion of Excess MCIT	F) Excess MCIT Applied this Current Taxable Year	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s
1	0	0	0	15,959,089
2	0	0	0	10,440,532
3	0	22,262,045	0	0
4 Total Excess MCIT (Sum of Column for Items 1F to 3F) (To Schedule 7 Item 4)			0	

Schedule 9 - Reconciliation of Net Income per Books Against Taxable Income (Attach additional sheets, if necessary)	
1 Net Income/(Loss) per books	12,363,744,687
Add: Non-deductible Expenses/Taxable Other Income	
2 NON-DEDUCTIBLE INTEREST EXPENSE	61,902,486
3 OTHERS	49,955,058
4 Total (Sum of Items 1 to 3)	12,465,602,231
Less: A) Non-taxable Income and Income Subjected to Final Tax	
5 DIVIDEND INCOME	13,985,410,862
6 OTHERS	808,080,896
B) Special Deductions	
7	0
8	0
9 Total (Sum of Items 5 to 8)	14,793,491,758
10 Net Taxable Income (Loss) (Item 4 Less Item 9)	(2,327,889,945)

Annual Income Tax Return
Page 7 - Schedules 10 & 11

BIR Form No.
1702-RT
June 2013



1702-RT06/13P7

Taxpayer Identification Number (TIN)	Registered Name
200 - 852 - 460 - 000	ABOITIZ POWER CORPORATION

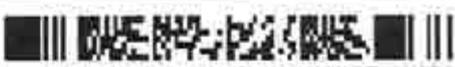
Schedule 10 - BALANCE SHEET

Assets	
1 Current Assets	6,173,413,275
2 Long-Term Investment	120,634,208,641
3 Property, Plant and Equipment - Net	105,024,712
4 Long-Term Receivables	0
5 Intangible Assets	633,929,296
6 Other Assets	85,920,138
7 Total Assets (Sum of Items 1 to 6)	127,632,496,060
Liabilities and Equity	
8 Current Liabilities	641,389,438
9 Long-Term Liabilities	50,117,540,914
10 Deferred Credits	0
11 Other Liabilities	219,744,469
12 Total Liabilities (Sum of Items 8 to 11)	50,978,674,821
13 Capital Stock	7,358,604,307
14 Additional Paid-in Capital	12,588,894,332
15 Retained Earnings	56,706,322,600
16 Total Equity (Sum of Items 13 to 15)	76,653,821,239
17 Total Liabilities and Equity (Sum of Items 12 & 16)	127,632,496,060

Schedule 11- Stockholders Partners Members Information (Top 20 Stockholders, partners or Members)

(On column 3 enter the amount of capital contribution and on the last column enter the percentage this represents on the entire ownership)

REGISTERED NAME	TIN	Capital Contribution	% to Total
ABOITIZ EQUITY VENTURES, INC.	003 - 828 - 269 - 000	5,657,530,774	76.96
PCD NOMINEE CORPORATION FILIPINO	004 - 774 - 849 - 000	958,546,816	13.03
PCD NOMINEE CORPORATION FOREIGN	004 - 774 - 849 - 000	462,214,456	6.28
BAUHINIA MANAGEMENT, INC.	004 - 444 - 859 - 000	18,109,100	0.25
PORTOLA INVESTORS, INC.	289 - 037 - 956 - 000	13,634,656	0.19
HAWK VIEW CAPITAL, INC.	288 - 960 - 311 - 000	13,633,657	0.19
SAN FERNANDO ELECTRIC LIGHT AND P	000 - 877 - 891 - 000	7,931,034	0.11
PARRAZ DEVELOPMENT CORPORATION	200 - 345 - 776 - 000	7,827,522	0.11
DOMINUS CAPITAL PARTNERS, INC.	411 - 618 - 151 - 000	7,241,050	0.1
FMK CAPITAL PARTNERS, INC.	412 - 962 - 144 - 000	6,538,000	0.09
SABIN M. ABOITIZ	131 - 507 - 827 - 000	5,667,406	0.08
IKER M. ABOITIZ	131 - 507 - 835 - 000	5,465,100	0.07
ABOITIZ AND COMPANY, INC.	000 - 311 - 031 - 000	5,360,000	0.07
DANIELLE MANAGEMENT AND DEVELOP	004 - 267 - 639 - 000	5,234,949	0.07
ARRAYNES CORPORATION	290 - 248 - 028 - 000	4,146,243	0.06
DANEL C. ABOITIZ	210 - 536 - 729 - 000	4,081,636	0.06
RAMON ABOITIZ FOUNDATION, INC.	000 - 562 - 088 - 000	3,900,000	0.05
TRIS MANAGEMENT CORPORATION	262 - 065 - 977 - 000	3,130,359	0.04
TINKERBELL MANAGEMENT CORPORATI	260 - 942 - 556 - 000	3,042,454	0.04
CAL MANAGEMENT CORPORATION	262 - 064 - 216 - 000	3,036,798	0.04

Annual Income Tax Return Page 8 - Schedules 12 & 13		BIR Form No. 1702-RT June 2013	
Taxpayer Identification Number (TIN) 200 -652 -460 -000		Registered Name ABOITIZ POWER CORPORATION	

1702-RT06/13P8

Schedule 12 - Supplemental Information (Attach additional sheet/s, if necessary)

i) Gross Income/Receipts Subjected to Final Withholding	A) Exempt	B) Actual Amount/Fair Market Value/Net Capital Gains	C) Final Tax Withheld/Paid
1 Interests	0	157,280,206	26,101,092
2 Royalties	0	0	0
3 Dividends	13,585,410,862	0	0
4 Prizes and Winnings	0	0	0

ii) Sale/Exchange of Real properties	A) Sale/Exchange #1	B) Sale/Exchange #2
5 Description of Property (e.g. land, improvement, etc.)		
6 OCT/TCT/CCT/Tax Declaration No.		
7 Certificate Authorizing Registration (CAR) No.		
8 Actual Amount/Fair Market Value/Net Capital Gains		
9 Final Tax Withheld/Paid		

iii) Sale/Exchange of Shares of Stock	A) Sale/Exchange #1	B) Sale/Exchange #2
10 Kind(PS/CS)/Stock Certificate Series No.		
11 Certificate Authorizing Registration (CAR) No.		
12 Number of Shares		
13 Date of Issue (MM/DD/YYYY)		
14 Actual Amount/Fair Market Value/Net Capital Gains		
15 Final Tax Withheld/Paid		

iv) Other Income (Specify)	A) Other Income #1	B) Other Income #2
16 Other Income Subject to Final Tax Under Sections 57(A)/127/others of the Tax Code, as amended (Specify)		
17 Actual Amount/Fair Market Value/Net Capital Gains		
18 Final Tax Withheld/Paid		

19 Total Final Tax Withheld Paid (Sum of Items 1C to 4C, 9A, 9B, 15A, 15B, 18A & 18B)	26,101,092
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Schedule 13 - Gross Income/Receipts Exempt from Income Tax

1 Return of Premium (Actual Amount/Fair Market Value)	0
---	---

j) Personal/Real Properties Received thru Gifts, Bequests, and Devices	A) Personal/Real Properties #1	B) Personal/Real Properties #2
2 Description of Property (e.g. land, improvement, etc.)		
3 Modes of Transfer (e.g. Donation)		
4 Certificate Authorizing Registration (CAR) No.		
5 Actual Amount/Fair Market Value		

ii) Other Exempt Income/Receipts	A) Other Exempt Income #1	B) Other Exempt Income #2
6 Other Exempt Income/Receipts Under Sec. 32 (B) of the Tax Code, as amended (Specify)		
7 Actual Amount/Fair Market Value/Net Capital Gains		

8 Total Income Receipts Exempt From Income Tax (Sum of Items 1, 5A, 5B, 7A & 7B)	0
--	---



SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Aboitiz Power Corporation is responsible for the preparation and fair presentation of the Parent financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

[Redacted signature]

ERRAMON I. ABOITIZ
Chairman of the Board

[Redacted signature]

EMMANUEL V. RUBIO
President & Chief Executive Officer

[Redacted signature]

LIZA EDV T. MONTELIBANO
SVP & Chief Financial Officer/Corporate Information Officer

Signed this 6th day of March 2020.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Power Corporation
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Aboitiz Power Corporation (the Company), which comprise the parent company balance sheets as at December 31, 2019 and 2018, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 22 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Company. The information has been subjected to the auditing procedures applied in our audit of the parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Maria Veronica Andresa R. Pore

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-4 (Group A),

November 21, 2019, valid until November 20, 2022

Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125281, January 7, 2020, Makati City

March 6, 2020



ABOITIZ POWER CORPORATION
PARENT COMPANY BALANCE SHEETS

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	P4,210,064,412	P11,875,188,311
Trade and other receivables (Note 5)	1,073,494,475	981,463,758
Derivative asset (Note 19)	-	855,000
Other current assets (Note 6)	889,854,388	941,778,180
Total Current Assets	6,173,413,275	13,799,285,249
Noncurrent Assets		
Investments and advances (Note 7)	120,634,208,641	88,931,823,265
Project development costs (Note 10)	623,339,367	388,468,001
Property and equipment (Note 8)	105,024,712	65,585,230
Derivative asset - net of current portion (Note 19)	80,134,271	-
Pension asset (Note 15)	-	38,061,504
Deferred income tax assets (Note 16)	-	101,466,266
Fair value through profit or loss (FVTPL) investment	-	97,535,436
Other noncurrent assets (Note 9)	16,375,794	89,121,203
Total Noncurrent Assets	121,459,082,785	89,712,060,905
TOTAL ASSETS	127,632,496,060	103,511,346,154
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	627,503,138	356,110,573
Current portion of lease liabilities (Note 20)	13,886,300	-
Bank loans	-	4,700,000,000
Total Current Liabilities	641,389,438	5,056,110,573
Noncurrent Liabilities		
Long-term debts - net of deferred financing cost (Note 12)	50,079,825,067	22,997,821,292
Pension liability (Note 15)	219,744,469	-
Lease liabilities - net of current portion (Note 20)	37,715,847	-
Total Noncurrent Liabilities	50,337,285,383	22,997,821,292
Total Liabilities	50,978,674,821	28,053,931,865
Equity		
Capital stock (Note 13a)	7,358,604,307	7,358,604,307
Additional paid-in capital (Note 13a)	12,588,894,332	12,588,894,332
Cash flow hedge reserve (Note 19)	80,134,271	-
Actuarial losses on defined benefit plan (Note 15)	(556,796,826)	(208,521,187)
Retained earnings (Note 13b)		
Appropriated	33,660,000,000	34,060,000,000
Unappropriated	23,522,985,155	21,658,436,837
Total Equity	76,653,821,239	75,457,414,289
TOTAL LIABILITIES AND EQUITY	P127,632,496,060	P103,511,346,154

See accompanying Notes to Parent Company Financial Statements.



ABOITIZ POWER CORPORATION
PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUE			
Dividends	P13,985,410,862	P9,736,042,939	P9,792,258,034
Technical, management and other service fees (Note 17)	1,964,330,515	1,679,158,424	1,403,850,375
Interest income (Notes 4 and 17e)	163,380,755	137,277,764	147,551,430
	16,113,122,132	11,552,479,127	11,343,659,839
GENERAL AND ADMINISTRATIVE EXPENSES			
Interest and other financing charges (Notes 12 and 20)	2,547,531,855	1,042,597,749	674,025,682
Personnel (Note 14)	841,147,414	955,955,320	890,915,629
Service fees (Note 17)	114,024,341	63,850,939	82,072,061
Taxes and licenses	98,277,343	111,156,568	19,038,303
Professional fees (Note 17)	84,589,126	87,132,534	100,474,104
Transportation and travel (Note 17)	55,316,885	49,791,744	50,593,806
Depreciation and amortization (Notes 8 and 9)	35,961,127	23,345,806	22,220,782
Training	19,972,985	35,117,465	17,750,495
Entertainment, amusement and recreation	15,218,626	10,734,116	8,212,799
Advertising and sponsorships	11,935,333	17,017,558	22,272,248
Repairs and maintenance	7,583,781	6,518,422	6,839,603
Rent (Note 17)	7,027,319	27,559,033	28,159,917
Office supplies	6,106,790	3,515,178	5,013,861
Communication	3,756,593	2,647,639	2,982,031
Light and water	1,202,157	1,406,312	1,304,803
Project and bidding expenses (Note 10)	-	51,122,382	76,839,564
Others	9,621,206	7,770,467	8,917,061
	3,859,272,881	2,497,239,232	2,017,632,749
OTHER INCOME (CHARGES) - net			
Foreign exchange gains (loss) (Note 18)	104,238,709	(16,965,185)	69,842,921
Gain on redemption of preferred shares	-	-	19,558,250
Provision for impairment of investment in a subsidiary (Note 7)	-	(45,933,000)	(169,469,408)
Others	5,656,727	4,338,316	2,767,574
	109,895,436	(58,559,869)	(77,300,663)
INCOME BEFORE INCOME TAX	12,363,744,687	8,996,680,026	9,248,726,427
PROVISION FOR INCOME TAX (Note 16)	59,382,106	1,372,898	36,452,711
NET INCOME	12,304,362,581	8,995,307,128	9,212,273,716
EARNINGS PER COMMON SHARE (Note 13c)			
Basic and diluted, for net income for the year	P1.67	P1.22	P1.25

See accompanying Notes to Parent Company Financial Statements.



ABOITIZ POWER CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
NET INCOME	₱12,304,362,581	₱8,995,307,128	₱9,212,273,716
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gains (loss) on defined benefit plans (Note 15)	(258,909,416)	25,906,863	44,705,980
Income tax effect (Note 16)	(89,366,223)	(7,772,059)	(13,411,794)
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods	(348,275,639)	18,134,804	31,294,186
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Unrealized gain on AFS investments	-	-	2,685,599
Changes in fair value of cash flow hedge (Note 19)	80,134,271	-	-
Total other comprehensive income (loss) for the year, net of tax	(268,141,368)	18,134,804	33,979,785
TOTAL COMPREHENSIVE INCOME	₱12,036,221,213	₱9,013,441,932	₱9,246,253,501

See accompanying Notes to Parent Company Financial Statements.



ABOUTIZ POWER CORPORATION
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	Capital Stock (Note 13a)	Additional Paid-In Capital (Note 13a)	Cash Flow Hedge Reserve (Note 19)	Actuarial Losses on Defined Benefit Plan		Retained Earnings (Note 13b)		Total
				Benefit Plan	Unappropriated	Appropriated	Unappropriated	
Balances at January 1, 2019, as previously reported	₱7,358,604,307	₱12,588,894,332	₱-	(₱208,521,187)	₱34,060,000,000	₱21,658,436,837	₱75,457,414,289	
Effect of adoption - PFRS 16 (Note 2)	-	-	-	-	-	(22,665,932)	(22,665,932)	
Balances at January 1, 2019, as restated	7,358,604,307	12,588,894,332	-	(208,521,187)	34,060,000,000	21,635,770,905	75,434,748,357	
Net income for the year	-	-	-	-	-	12,304,362,581	12,304,362,581	
Other comprehensive income	-	-	80,134,271	(348,275,639)	-	-	(268,141,368)	
Total comprehensive income	-	-	80,134,271	(348,275,639)	-	12,304,362,581	12,036,221,213	
Cash dividends (Note 13b)	-	-	-	-	-	(10,817,148,331)	(10,817,148,331)	
Appropriation during the year (Note 13b)	-	-	-	-	11,900,000,000	(11,900,000,000)	-	
Reversal of appropriation (Note 13b)	-	-	-	-	(12,300,000,000)	12,300,000,000	-	
Balances at December 31, 2019	₱7,358,604,307	₱12,588,894,332	₱80,134,271	(₱556,796,826)	₱33,660,000,000	₱23,522,985,155	₱76,653,821,239	

	Capital Stock (Note 13a)	Additional Paid-In Capital (Note 13a)	Unrealized Valuation on AFS Investments	Actuarial Losses on Defined Benefit Plan		Retained Earnings (Note 13b)		Total
				Benefit Plan	Unappropriated	Appropriated	Unappropriated	
Balances at January 1, 2018, as previously reported	₱7,358,604,307	₱12,588,894,332	(₱625,169)	(₱226,655,991)	₱34,060,000,000	₱22,892,214,864	₱76,672,432,343	
Effect of adoption - PFRS 9	-	-	625,169	-	-	(625,169)	-	
Balances at January 1, 2018, as restated	7,358,604,307	12,588,894,332	-	(226,655,991)	34,060,000,000	22,891,589,695	76,672,432,343	
Net income for the year	-	-	-	-	-	8,995,307,128	8,995,307,128	
Other comprehensive income	-	-	-	18,134,804	-	-	18,134,804	
Total comprehensive income	-	-	-	18,134,804	-	8,995,307,128	9,013,441,932	
Cash dividends (Note 13b)	-	-	-	-	-	(10,228,459,986)	(10,228,459,986)	
Balances at December 31, 2018	₱7,358,604,307	₱12,588,894,332	₱-	(₱208,521,187)	₱34,060,000,000	₱21,658,436,837	₱75,457,414,289	

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	Capital Stock (Note 13a)	Additional Paid-in Capital (Note 13a)	Unrealized Valuation on AFS Investments	Actuarial Losses on Defined Benefit Plan	Retained Earnings (Note 13b)		Total
					Appropriated	Unappropriated	
Balances at January 1, 2017	₱7,358,604,307	₱12,588,894,332	(₱3,310,768)	(₱257,950,177)	₱34,060,000,000	₱23,687,643,006	₱77,433,880,700
Net income for the year:	-	-	-	-	-	9,212,273,716	9,212,273,716
Other comprehensive income	-	-	2,685,599	31,294,186	-	-	33,979,785
Total comprehensive income	-	-	2,685,599	31,294,186	-	9,212,273,716	9,246,253,501
Cash dividends (Note 13b)	-	-	-	-	-	(10,007,701,858)	(10,007,701,858)
Balances at December 31, 2017	₱7,358,604,307	₱12,588,894,332	(₱625,169)	(₱226,655,991)	₱34,060,000,000	₱22,892,214,864	₱76,672,432,343

See accompanying Notes to Parent Company Financial Statements.



ABOITIZ POWER CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P12,363,744,687	P8,996,680,026	P9,248,726,427
Adjustments for:			
Interest and other financing charges (Notes 12 and 20)	2,547,531,855	1,042,597,749	674,025,682
Depreciation and amortization (Notes 8 and 9)	35,961,127	23,345,806	22,220,782
Provision for impairment of investment in a subsidiary (Note 7)	-	45,933,000	169,469,408
Project and bidding expenses (Note 10)	-	51,122,382	76,839,564
Gain on redemption of investments	-	-	(19,558,250)
Gain on disposal of financial assets at FVTPL	(1,250,542)	-	-
Losses (gain) on disposal of assets (Note 8)	(1,329,856)	1,253,111	418,659
Unrealized fair valuation loss (gain) on financial assets at FVTPL	(2,464,564)	1,839,395	-
Interest income (Notes 4 and 17e)	(163,380,755)	(137,277,764)	(147,551,430)
Unrealized foreign exchange losses (gain)	(605,762,999)	162,355,812	8,809,781
Operating income before working capital changes	14,173,048,953	10,187,849,517	10,033,400,623
Decrease (increase) in:			
Trade and other receivables	(123,992,097)	(428,309,647)	293,236,492
Other current assets	168,232,322	(2,764,943)	(145,859,575)
Pension asset	38,061,504	(3,730,594)	(16,196,106)
Increase (decrease) in:			
Trade and other payables	103,142,505	16,275,537	(171,627,870)
Pension liability	(39,164,947)	-	24,052,095
Net cash generated from operations	14,319,328,240	9,769,319,870	10,017,005,659
Income taxes paid	(168,612,212)	(173,434,916)	(159,547,151)
Net cash flows from operating activities	14,150,716,028	9,595,884,954	9,857,458,508
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	195,342,135	103,769,811	260,454,071
Decrease (increase) in recoverable deposits	75,420,311	(75,710,456)	340,990
Proceeds from:			
Disposal of financial asset at FVTPL	101,250,542	-	-
Redemption on preferred shares (Note 7)	5,340,000	2,122,216,000	9,784,493,862
Disposal of property and equipment (Note 8)	4,344,811	5,998,846	1,966,529
Additions to:			
Investments and advances	(31,707,725,376)	(11,061,708,241)	(6,897,269,177)
Project development costs - net of transfers (Note 10)	(234,871,366)	(177,031,239)	(65,673,997)
Property and equipment (Note 8)	(29,851,823)	(14,283,786)	(39,018,488)
Computer software license (Note 9)	(4,535,865)	(93,500)	(20,982)
Net cash flows from (used in) investing activities	(31,595,286,631)	(9,096,842,565)	3,045,272,808
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debts (Note 12)	27,881,500,000	10,200,000,000	3,000,000,000
Availment of bank loans	-	4,700,000,000	-
Payments of:			
Cash dividends (Note 13b)	(10,817,148,331)	(10,228,459,986)	(10,007,701,858)
Bank loans	(4,700,000,000)	-	-
Interest and other financing charges	(2,301,301,047)	(878,938,176)	(699,256,650)
Transaction costs from availment of long-term debt	(431,396,357)	(121,924,252)	(32,938,058)
Lease liability (Note 20)	(17,825,560)	-	-
Net cash flows from (used in) financing activities	9,613,828,705	3,670,677,586	(7,739,896,566)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,830,741,898)	4,169,719,975	5,162,834,750
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	165,617,999	(120,700,812)	(51,319,781)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,875,188,311	7,826,169,148	2,714,654,179
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P4,210,064,412	P11,875,188,311	P7,826,169,148

See accompanying Notes to Parent Company Financial Statements



ABOITIZ POWER CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Aboitiz Power Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission on February 13, 1998. The Company is a publicly-listed holding company of the entities engaged in power generation and power distribution in the Aboitiz Group. As of December 31, 2019, Aboitiz Equity Ventures, Inc. (AEV, a publicly-listed Company incorporated in the Philippines) owns 76.98% of the Company. The Company's ultimate parent is Aboitiz & Company, Inc. (ACO).

The Company's registered office address is 32nd Street, Bonifacio Global City, Taguig City, Metro Manila.

The parent company financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 6, 2020.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Financial Statement Preparation

The accompanying parent company financial statements 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 parent company financial statements are presented in Philippine peso which is the Company's functional currency.

Statement of Compliance

The parent company financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures

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

• *PFRS 16, Leases*

PFRS 16 was issued in January 2016 and it replaces Philippine Accounting Standard (PAS) 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17.



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

The Company adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application without restating comparative information. The Company has elected to apply PFRS 16 transition relief to contracts that were previously identified as leases applying PAS 17 and IFRIC 4. The Company will therefore not apply PFRS 16 to contracts that were not previously identified as containing a lease applying PAS 17 and IFRIC 4.

The Company has elected to use the exemption proposed by the standard on the lease contracts for which the lease terms end within 12 months from the date of initial application. Lease payments on short term leases are recognized as expense on a straight-line basis over the lease term.

The effects of adoption on the financial statements are as follows:

	As at January 1, 2019
Increase (decrease) in balance sheets:	
Other current assets	(₱5,021,619)
Property and, plant and equipment	46,702,778
Total Assets	₱41,681,159
Lease liabilities	₱64,347,091
Retained earnings	(22,665,932)
Total Liabilities and Equity	₱41,681,159

Based on the above, as at January 1, 2019:

- Property and equipment were recognized amounting to ₱46.7 million representing the amount of right-of-use assets set up on transition date.
- Additional lease liabilities of ₱64.4 million were recognized.
- Prepayments of ₱5.0 million related to previous operating leases were derecognized.
- The net effect of these adjustments had been adjusted to retained earnings amounting to ₱22.7 million.

Prior to adoption of PFRS 16, the Company classified each of its leases (as lessee) at the inception dates as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the lease asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the lease property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payment



were recognized as rent expense in the statements of comprehensive income on a straight-line basis over the lease term. Any prepaid rent was recognized under "Other current assets."

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

Leases previously accounted for as operating leases

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

The Company also applied the following practical expedients provided by the standard:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics, and
- Apply the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application (short-term leases).

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

Operating lease commitments as at December 31, 2018	₱77,469,182
Incremental borrowing rate as at January 1, 2019	8.52%
<u>Lease liabilities as at January 1, 2019</u>	<u>₱64,347,091</u>

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

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

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



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

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

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

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

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

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

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

Since the Company does not have such long-term interests in associates and joint ventures, the amendments do not have an impact on its financial statements.

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

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



The interpretation specifically addresses the following:

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

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

Upon adoption of the Interpretation, the Company has assessed whether it has any uncertain tax position. The Company applies significant judgement in identifying uncertainties over its income tax treatments. The Company determined, based on its assessment, that it is probable that its uncertain tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the financial statements.

- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - *Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*

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

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

These amendments are currently not applicable to the Company but may apply to future transactions.



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

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

These amendments are not relevant to the Company because dividends declared by the Company do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

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

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

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

New Standards and Interpretation Issued and Effective after December 31, 2019

The Company will adopt the standards enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRSs, PAS and Philippine Interpretations to have significant impact on its financial statements.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Company.



- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.



On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

Current versus Noncurrent Classification

The Company presents assets and liabilities in the parent company balance sheet based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.



A fair value measurement of a non-financial asset takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Foreign Currency Translation

The Company's financial statements are presented in Philippine Peso, which is the Company's functional currency. Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at balance sheet date. Exchange gains and losses arising from foreign currency transactions and translations of foreign currency denominated monetary assets and liabilities are credited to or charged against current operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions

Cash and Cash Equivalents

Cash and cash equivalents in the parent company balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the parent company statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.



Financial Instruments - Classification and Measurement in Accordance with PFRS 9 (applicable in 2019 and 2018)

Classification of financial assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Company's business model for managing the financial assets. The Company classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at fair value through profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Financial assets at amortized cost

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest method. The amortization is included in 'Interest income' in the statement of income and is calculated by applying the effective interest method to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the effective interest method is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Provision for credit and impairment losses' in the parent company statement of income.

The Company's financial assets at amortized cost as of December 31, 2019 and 2018 consist of cash in banks, cash equivalents and trade and other receivables (see Note 18). The Company assessed that the contractual cash flows of these financial assets are SPPI and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Company concluded these financial assets are to be measured at amortized cost.

Financial assets at Fair Value through Other Comprehensive Income (FVOCI)

A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial



asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

The Company may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Company's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Company; and
- the amount of the dividend can be measured reliably.

The Company does not have any financial asset at FVOCI as of December 31, 2019 and 2018.

Financial assets at Fair Value through Profit or Loss (FVTPL)

Financial assets at FVTPL are measured as at unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent SPPI. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the parent company statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the parent company statement of income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Company may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Company, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Company's investments in unquoted equity shares are measured at FVTPL as of December 31, 2018 (see Note 18).

Classification of financial liabilities

Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Company retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.



A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a Company of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Company's financial liabilities measured at amortized cost which comprise of trade and other payables, bank loans, long-term debts and lease liability (see Note 18).

Reclassifications of financial instruments

The Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

The Company does not reclassify its financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at fair value through profit or loss.

Financial Instruments - Initial Recognition and Subsequent Measurement in Accordance with PAS 39 (applicable in 2017)

Date of recognition

The Company recognizes a financial asset or a financial liability in the parent company balance sheet on the date when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date, which is the date that the Company commits to purchase the asset. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS investments. For financial liabilities, the Company also classifies them into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were



acquired and whether they are quoted in an active market. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every balance sheet date.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the parent company statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the parent company statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

(a) Financial assets or financial liabilities at FVPL

Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated and considered as hedging instruments in an effective hedge.

Financial assets and liabilities may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities, or recognizing gains or losses on them on a different basis; (ii) the assets and liabilities are part of a group of financial assets, liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk managing strategy; or (iii) the financial instruments contains an embedded derivative that would need to be recorded separately, unless the embedded derivative does not significantly modify the cash flow or it is clear, with little or no analysis, that it would not be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial asset or financial liability at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets and liabilities at FVPL are recorded at the parent company balance sheet at fair value. Subsequent changes in fair value are recognized in the parent company statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payments has been established.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS investments or financial assets at FVPL. Loans and receivables are carried at amortized cost less allowance for



impairment. Amortization is determined using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Gains and losses are recognized in the parent company statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

(c) HTM investments

HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Parent has the positive intention and ability to hold to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Where the Parent sells other than an insignificant amount of HTM investments, the entire category would be tainted and would have to be reclassified as AFS investments. Gains and losses are recognized in the parent company statement of income when the investments are derecognized or impaired, as well as through the amortization process.

(d) AFS investments

AFS investments are non-derivative financial assets that are either designated as AFS or not classified in any of the other categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Quoted AFS investments are measured at fair value with gains or losses being recognized as other comprehensive income, until the investments are derecognized or until the investments are determined to be impaired at which time, the accumulated gains or losses previously reported in other comprehensive income are included in the parent company statement of income. Unquoted AFS investments are carried at cost, net of impairment. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognized in the parent company statement of income when the right of payment has been established.

(e) Other financial liabilities

This category pertains to issued financial liabilities or their components that are neither held for trading nor designated as at FVPL upon the inception of the liability and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Other financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable financing costs. Deferred financing costs are amortized, using the effective interest rate method, over the term of the related long-term liability. After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortized cost using the effective interest rate method.



Gains and losses are recognized in the parent company statement of income when liabilities are derecognized, as well as through amortization process.

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at FVTPL, unless designated as effective hedge. Changes in fair value of derivative instruments not accounted as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. An embedded derivative is separated from the host financial or non-financial contract and accounted for as a separate derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. The Company uses derivative financial instruments, such as short-term forward contracts and interest rate swaps (IRS) to hedge its foreign currency risks and interest rate risk, respectively.

For the purpose of hedge accounting, the Company's hedge are classified as cash flow hedges. Hedges are classified as cash flow hedge when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Under PAS 39, the documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the Company will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period for which they were designated.



Under PFRS 9, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

The Company's hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognized in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the parent company statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company uses IRS contracts to manage its floating interest rate exposure on its loans. The ineffective portion relating to these contracts are recognized in other operating income or expenses as realized gain or loss on derivative instruments.

The Company designated its IRS as hedging instrument. The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive must be accounted for depending on the nature of the underlying transaction as described above.

As of December 31, 2019 and 2018, the Company has derivative assets classified as financial asset at FVTPL (see Note 19).



Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognized when, and only when:

- the rights to receive cash flows from the asset expires;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Company treats the transaction as a transfer of a financial asset if the Company:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it retains control over the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. The extent of the Company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Company's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Company's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Company could be required to repay ('the guarantee amount'). When the Company's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Company's continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Company's continuing involvement is measured in the same way as that which results from non-cash settled options.

Modification of contractual cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest method



(or credit-adjusted effective interest method for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the parent company statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial liabilities

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the parent company statement of income.

Impairment of Financial Assets in Accordance with PFRS 9 (applicable in 2019 and 2018)

PFRS 9 introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

The Company recognizes expected credit losses (ECL) for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL

For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the balance sheet date are recognized.



Stage 2: Lifetime ECL - not credit-impaired

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Determining the stage for impairment

At each balance sheet date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the balance sheet date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to 'Trade receivables'. The Company has established a provision matrix for customer segments that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of Financial Assets in Accordance with PAS 39 (applicable in 2017)

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or



collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the parent company statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the financial asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the parent company statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments

For AFS investments, the Company assesses at each balance sheet date whether there is objective evidence that an investment or group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income) is removed from other comprehensive income and recognized in the parent company statement of income. Impairment losses on equity investments are not reversed through the parent company statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on rate of interest used to discount future cash flows for measuring impairment loss. Such accrual is recorded as part of "Interest income" in the parent company statement of income. If, in subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event



occurring after the impairment loss was recognized in the parent company statement of income, the impairment loss is reversed through the parent company statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements whereby the related assets and liabilities are presented gross in the parent company balance sheet.

Classification of financial instruments between liability and equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as income or expense. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Investments in Subsidiaries and Associates

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decision of the investee, but is not control or joint control over those policies.

Investments in subsidiaries and associates are carried at cost, less impairment in value, in the parent company financial statements.



The Company recognizes income from the investments only to the extent that the Company receives distributions or establishes a right to receive distributions from accumulated profits of the subsidiaries and associates arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value, if any. The initial cost of property and equipment comprises its purchase price, including import duties, if any, nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing parts of such property and equipment when that cost is incurred if the recognition criteria are met. Repairs and maintenance costs are recognized in the parent company statement of income as incurred.

Depreciation is computed using the straight-line method over the useful lives of the assets as follows:

<u>Category</u>	<u>Number of years</u>
Transportation equipment	5
Office equipment	3
Communication equipment	3
Leasehold improvements	10

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the parent company statement of income in the year the asset is derecognized.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each financial year-end to ensure that the periods, residual values and method of depreciation are consistent with the expected pattern of economic benefit from the items of property and equipment.

When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses, if any, are removed from the accounts, and any resulting gain or loss is credited or charged to current operations.



Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the parent company statement of income in the year in which the expenditure is incurred.

Computer software license

Computer software license is initially recognized at cost. Following initial recognition, the computer software license cost is carried at cost less accumulated amortization and any accumulated impairment in value, if any.

The computer software license is amortized on a straight-line basis over its estimated useful economic life of three to five years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the computer software license is available for use. The amortization period and the amortization method for the license are reviewed at each financial year end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the parent company statement of income in the expense category consistent with the function of the computer software license.

Project Development Costs

Project development costs include power plant projects in the development phase which meet the “identifiability” requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to “Property and equipment” when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

Research and Development Expenditure

The Company’s policy is to record research expenses in the parent company statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the parent company balance sheet if the Company can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Impairment of Nonfinancial Assets

Other current assets, project development costs, property and equipment and other noncurrent assets

The Company assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset’s recoverable amount. An asset’s



recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the parent company statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investments and advances

The Company performs impairment review on its investments and advances whenever an impairment indicator exists. This requires an estimation of the value in use of the investees. Estimating the value in use requires the Company to make an estimate of the future cash flows of the investees and to use a suitable discount rate to calculate the present value of those future cash flows. Impairment losses, if any, are recognized in the statement of income.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against an equity reserve account.



Retained Earnings

The amount included in retained earnings includes accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial balance sheet date are dealt with as an event after the financial balance sheet date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Revenue Recognition

Revenue from contracts with customers under PFRS 15 is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Under PAS 18, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Under PAS 18, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.

The following specific recognition criteria must also be met before revenue is recognized:

Dividend income

Dividend income is recognized when the Company's right to receive payment is established.

Technical, management and service fees

Technical, management and other fees are recognized when the related services are rendered.

Interest income

Interest is recognized as it accrues taking into account the effective interest method.

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Leases (prior to adoption of PFRS 16)

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- (d) there is a substantial change to the asset.



Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Operating lease

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term.

Leases (upon adoption of PFRS 16)

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

Effective January 1, 2019, it is the Company's policy to classify right-of-use assets as part of property and equipment. Prior to that date, all of the Company's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the balance sheet. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets only pertain to office spaces and are depreciated on a straight-line basis over the shorter of the lease term of 5 to 10 years and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.



In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases of conference rooms (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Pension benefits

The Company has defined benefit pension plans which require contributions to be made to separately administered funds. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the parent company statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to parent company statement of income in subsequent periods.



Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in the parent company statement of comprehensive income and not in the parent company statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.



Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused net operating loss carryover (NOLCO) and excess minimum corporate income tax (MCIT), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused NOLCO and excess MCIT can be utilized in the future, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the account profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the balance sheet date. Income tax relating to items recognized directly in other comprehensive income is also recognized in other comprehensive income and not in the parent company statement of income.

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company balance sheet. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the parent company balance sheet to the extent of the recoverable amount.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the parent company statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the



risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies

Contingent liabilities are not recognized in the parent company financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the parent company financial statements when an inflow of economic benefits is probable.

Events After the Reporting Period

Post year-end events that provide additional information about the Company's position at balance sheet date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Common Share

Basic earnings per common share are computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Company does not have dilutive common stock equivalents.

3. Significant Accounting Judgment, Estimates and Assumptions

The preparation of the Company's parent company financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. The judgment, estimates and assumptions used in the parent company financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's parent company financial statements. Actual results could differ from such estimates. Judgments, estimates and assumptions 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 following items are those matters which the Company assess to have significant risk arising from judgement and estimation uncertainty:

Judgments

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

Classification of financial instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial



asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the parent company balance sheet.

Contractual cash flows characteristics under PFRS 9 in 2019 and 2018

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Company assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

Evaluation of business model in managing financial instruments under PFRS 9 in 2019 and 2018

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

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

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

Identifying performance obligations under PFRS 15 in 2019 and 2018

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



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

Revenue recognition under PFRS 15 in 2019 and 2018

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

The Company will continue to recognize revenue from rendering of services over time, since customers simultaneously receives and consumes the benefits as the Company provides the services.

Identifying methods for measuring progress of revenue recognized over time under PFRS 15 in 2019 and 2018

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

Estimates and assumptions

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

Measurement of expected credit losses under PFRS 9 in 2019 and 2018

ECLs are derived from unbiased and probability-weighted estimates of expected loss. Financial assets that are not credit-impaired at the balance sheet date are measured as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive.

The Company leverages existing risk management indicators (e.g., internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Company to identify whether the credit risk of financial assets has significantly increased.

No allowance for expected credit losses was recognized in 2019 and 2018. Trade and other receivables amounted to ₱1.1 billion and ₱1.0 billion as of December 31, 2019 and 2018, respectively (see Note 5).



Inputs, assumptions and estimation techniques under PFRS 9 in 2019 and 2018

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *PD*
The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures. The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.
- *LGD*
Loss Given Default represents the Company's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD.
- *EAD*
EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the balance sheet date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by counterparty.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies.



The assumptions underlying the ECL calculation such as how the maturity profile of the PDs change are monitored and reviewed on a quarterly basis.

Simplified approach for trade receivables under PFRS 9 in 2019 and 2018

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial segment, the historical default rates are adjusted. At every balance sheet date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of forward-looking information under PFRS 9 in 2019 and 2018

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Company has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

Estimating allowance for impairment of losses on investment in and advances to subsidiaries and associates

Investments in and advances to subsidiaries and associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No impairment loss recognized in 2019 and 2018. The aggregate carrying amount of the investments in and advances to subsidiaries and associates amounted to ₱120.6 billion and ₱88.9 billion as of December 31, 2019 and 2018, respectively (see Note 7).



Estimating impairment of project development costs

Impairment is determined for development costs by assessing the recoverable amount of each projects. Where the recoverable amount of the project is less than the carrying amount, an impairment loss is recognized. When calculating recoverable amount, the future cash flow is discounted by a discount factor that takes into consideration risk free interest and the risk associated with the specific project.

The Company did not recognize impairment loss on project development costs in 2019 and 2018. The carrying amount of the Company's project development costs amounted to ₱623.3 million and ₱388.5 million as of December 31, 2019 and 2018, respectively (see Note 10).

Estimating useful lives of property and equipment

The Company estimates the useful lives of property and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of December 31, 2019 and 2018, the net book values of property and equipment amounted to ₱105.0 million and ₱65.6 million, respectively (see Note 8).

Estimating residual value of property and equipment

The residual value of the Company's property and equipment is estimated based on the amount that would be obtained from disposal of the asset, after deducting estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life. Such estimation is based on the prevailing price of property and equipment of similar age and condition. The estimated residual value of each asset is reviewed periodically and updated if expectations differ from previous estimates due to changes in the prevailing price of a property and equipment of similar age and condition. As of December 31, 2019 and 2018, the aggregate net book values of property and equipment amounted to ₱105.0 million and ₱65.6 million, respectively (see Note 8).

Assessing impairment of nonfinancial assets

The Company assesses whether there are any indicators of impairment for nonfinancial assets at each balance sheet date. These nonfinancial assets (property and equipment and other current and noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of the assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect its financial statements. Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.



As of December 31, 2019, the carrying values of property and equipment and other current and noncurrent assets amounted to ₱105.0 million, ₱889.9 million, and ₱16.4 million, respectively. As of December 31, 2018, the carrying values of property and equipment and other current and noncurrent assets amounted to ₱65.6 million, ₱941.8 million, and ₱89.1 million, respectively (see Notes 6, 8, and 9).

Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure its lease liability. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. The Company's lease liability amounted to ₱51.6 million as of December 31, 2019 (see Note 20).

Pension benefits

The cost of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 15.

Net benefit expense amounted to ₱29.8 million in 2019, ₱41.9 million in 2018 and ₱50.0 million in 2017. Net pension liability amounted to ₱219.7 million as of December 31, 2019. Net pension asset amounted to ₱38.1 million as of December 31, 2018 (see Note 15).

Recognition of deferred income tax assets

The Company reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. Deferred income tax asset amounted to ₱130.3 million and ₱202.3 million as of December 31, 2019 and 2018, respectively (see Note 16).

No deferred income tax assets were recognized for deductible temporary difference and carryforward benefit from unused NOLCO and excess MCIT as disclosed in Note 16.



Legal contingencies

The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Company's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Company's parent company financial statements for the years ended December 31, 2019 and 2018.

4. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	₱25,680,412	₱33,107,511
Short-term deposits	4,184,384,000	11,842,080,800
	₱4,210,064,412	₱11,875,188,311

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

Interest income earned from cash in banks and short-term deposits amounted to ₱163.4 million, ₱137.3 million and ₱147.6 million in 2019, 2018 and 2017, respectively.

5. Trade and Other Receivables

	2019	2018
Trade (see Note 17)	₱1,027,767,981	₱617,445,732
Nontrade	18,428,595	18,406,566
Interest (see Note 17)	11,816,301	43,777,681
Dividends	-	288,579,777
Others	15,481,598	13,254,002
	₱1,073,494,475	₱981,463,758

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

For terms and conditions relating to related party receivables, refer to Note 17.

6. Other Current Assets

	2019	2018
Prepaid tax	₱878,228,543	₱926,898,393
Others	11,625,845	14,879,787
	₱889,854,388	₱941,778,180



7. Investments and Advances

The details of the Company's investments and advances follow:

	2019	2018
<i>Investments in Subsidiaries</i>		
Therma Power, Inc. (TPI)	₱30,116,058,873	₱30,116,058,873
Aboitiz Renewables, Inc. (ARI)	25,172,988,814	25,172,988,814
Therma Visayas, Inc. (TVI)	7,118,681,570	7,118,681,570
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	2,997,000,000	2,794,460,000
Hedcor Sabangan, Inc. (Hedcor Sabangan)	1,732,643,142	1,732,643,142
Lima Enerzone Corporation (LEZ)	1,329,696,667	1,329,696,667
Hedcor, Inc. (HI)	974,875,000	605,125,000
Therma South, Inc. (Therma South)	877,892,679	877,892,679
Therma Mobile, Inc. (Therma Mobile)	742,400,000	742,400,000
Davao Light & Power Co., Inc. (DLPC)	738,472,506	738,472,506
Visayan Electric Co., Inc. (VECO)	665,438,202	665,438,202
Hedcor Tudaya, Inc. (HTI)	656,250,000	656,250,000
Mactan Enerzone Corporation (MEZC)	609,532,287	609,532,287
Balamban Enerzone Corporation (BEZC)	444,869,161	444,869,161
Subic Enerzone Corporation (SEZC)	227,000,000	227,000,000
Cotabato Light & Power Co. (CLPC)	214,047,443	214,047,443
Retensol, Inc. (RI)	135,000,000	135,000,000
AboitizPower International Pte. Ltd. (AP Int)	120,733,027	120,733,027
East Asia Utilities Corporation (EAUC)	100,914,275	100,914,275
Malvar Enerzone Corporation (Malvez)	70,400,000	17,900,000
AP Renewable Energy Corporation (APREC)	25,000,000	25,000,000
Aboitiz Energy Solutions, Inc. (AESI)	21,000,000	21,000,000
Cebu Private Power Corporation (CPPC)	17,806,608	17,806,608
Prism Energy, Inc. (PEI)	12,648,600	12,648,600
AdventEnergy, Inc. (AI)	812,500	812,500
	75,122,161,354	74,497,371,354
<i>Investments in Associates</i>		
AA Thermal, Inc.	31,082,935,376	-
STEAG State Power, Inc. (STEAG)	4,400,611,465	4,400,611,465
Hijos de F. Escaño, Inc. (Hijos)	858,069,586	858,069,586
Pampanga Energy Ventures, Inc. (PEVI)	209,465,106	209,465,106
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	180,863,801	180,863,801
AEV Aviation, Inc. (AAI)	163,935,000	169,275,000
Western Mindanao Power Corporation (WMPC)	79,099,377	79,099,377
Southern Philippines Power Corporation (SPPC)	45,776,067	45,776,067
	37,020,755,778	5,943,160,402
Less allowance for impairment loss	1,071,358,480	1,071,358,480
	111,071,558,652	79,369,173,276
<i>Advances</i>	9,562,649,989	9,562,649,989
	₱120,634,208,641	₱88,931,823,265



Investment in Malvez

The Company subscribed additional 47.61 million and 17.8 million Redeemable Preferred Shares (RPS) for ₱47.6 million and ₱17.8 million, in 2019 and 2018 respectively.

Investment in HI

The Company subscribed additional 369.75 million RPS for ₱369.75 million and 360.1 million RPS for ₱360.1 million in 2019 and 2018, respectively.

Investment in Hedcor Bukidnon

In 2019, the Company subscribed additional 202.5 million RPS for ₱202.5 million.

Investment in AA Thermal, Inc.

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

This follows the execution of a share purchase agreement for the transaction in 2018, and the completion of all conditions precedent. The Philippine Competition Commission approved the transaction last February 28, 2019. The transaction is valued at ₱30.2 billion, after adjustments.

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

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

In 2019, the Company subscribed additional RPS amounting to USD 18.1 million (₱929.3 million)

Investment in AAI

AAI redeemed shares attributable to the Company at 5,340 RPS for ₱5.34 million and 80,216 RPS for ₱80.2 million in 2019 and 2018, respectively at ₱1,000 per share

Investment in RI

In 2018, the Company subscribed 135.0 million RPS for ₱135.0 million.

Investment in BEZC

In 2018, BEZC redeemed shares attributable to the Company at 42.0 million RPS for ₱42.0 million at ₱1 per share.

In 2018, it was determined that the carrying value of the investment in BEZC exceeded its recoverable amount. The recoverable amount of the investment has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

The discount rates applied to cash flow projections are from 10.63% to 14.80% in 2018 and cash flows beyond the five-year period are extrapolated using a zero percent growth rate. As a result, an impairment loss amounting to ₱45.9 million was recognized.



Investment in APREC

In 2018, the Company subscribed 25.0 million RPS for ₱25.0 million.

Investment in PEI

In 2018, PEI advances were reclassified to investment amounting to ₱11.9 million.

Investment in VECO

In 2018, the Company subscribed 0.0005 million RPS for ₱0.05 million.

Investment in TVI

The Company subscribed additional 8.8 million RPS for ₱5.38 billion in 2018.

Investment in ARI

In 2018, ARI redeemed shares attributable to the Company at 200.0 million RPS for ₱2.00 billion at ₱10 per share.

Advances

These advances include advances to subsidiaries that will be applied against future subscriptions of the Company to the shares of stock of the subsidiaries.

In 2018, the Company has additional advances to TPI amounting to ₱5.14 billion.

The Company's subsidiaries, all incorporated in the Philippines except for AP Int which was incorporated in Singapore, and the corresponding percentage equity ownership are as follows:

Name of Company	Nature of Business	2019		2018	
		Direct	Indirect	Direct	Indirect
TPI	Holding company	100.00%	–	100.00%	–
ARI	Holding company	100.00%	–	100.00%	–
TVI*	Power generation	–	80.00%	–	80.00%
Hedcor Bukidnon	Power generation	–	100.00%	–	100.00%
Hedcor Sabangan	Power generation	–	100.00%	–	100.00%
LEZ	Power distribution	100.00%	–	100.00%	–
HI	Power generation	–	100.00%	–	100.00%
Therma South	Power generation	–	100.00%	–	100.00%
Therma Mobile	Power generation	–	100.00%	–	100.00%
DLPC	Power distribution	99.93%	–	99.93%	–
VECO	Power distribution	55.26%	–	55.26%	–
HTI	Power generation	–	100.00%	–	100.00%
MEZC	Power distribution	100.00%	–	100.00%	–
BEZC	Power distribution	100.00%	–	100.00%	–
SEZC	Power distribution	65.00%	34.98%	65.00%	34.98%
CLPC	Power distribution	99.94%	–	99.94%	–
RI**	Power generation	–	100.00%	–	100.00%
EAUC	Power generation	50.00%	50.00%	50.00%	50.00%
Malvez**	Power distribution	100.00%	–	100.00%	–
AP Int	Holding company	100.00%	–	100.00%	–
APREC**	Power generation	–	100.00%	–	100.00%
AESI	Retail electricity supplier	100.00%	–	100.00%	–
CPPC	Power generation	60.00%	–	60.00%	–
PEI	Retail electricity supplier	60.00%	–	60.00%	–
AI	Retail electricity supplier	100.00%	–	100.00%	–

*No commercial operations as of December 31, 2018.

** No commercial operations as of December 31, 2019



The percentage of the Company's ownership in associates is as follows:

Name of Company	Nature of Business	Percentage of Ownership	
		2019	2018
AAI	Service	49.25%	49.25%
AA Thermal, Inc.	Holding company	49.00%	—
Hijos	Holding company	46.73%	46.73%
PEVI*	Holding company	42.84%	42.84%
STEAG	Power generation	34.00%	34.00%
SFELAPCO*	Power distribution	20.29%	20.29%
SPPC	Power generation	20.00%	20.00%
WMPC	Power generation	20.00%	20.00%

*PEVI has direct ownership in SFELAPCO of 54.83% while the Company's direct ownership in SFELAPCO is 20.29% resulting to the Company's effective ownership in SFELAPCO of 43.78%.

8. Property and Equipment

December 31, 2019

	Transportation Equipment	Office Equipment	Communication Equipment	Leasehold Improvements	Right-of-use asset - Office Space	Total
Cost:						
Balances at beginning of year, as previously stated	₱70,562,199	₱38,119,555	₱752,009	₱39,504,153	₱—	₱148,937,916
Effect of adoption - PFRS 16 (see Note 2)	—	—	—	—	46,702,778	46,702,778
Balances at beginning of year, as restated	70,562,199	38,119,555	752,009	39,504,153	46,702,778	195,640,694
Additions	20,357,166	8,354,518	—	1,140,139	—	29,851,823
Disposals	(8,333,130)	(42,857)	—	—	—	(8,375,987)
Balances at end of year	82,586,235	46,431,216	752,009	40,644,292	46,702,778	217,116,530
Accumulated Depreciation:						
Balances at beginning of year	33,327,228	32,611,441	752,009	16,662,008	—	83,352,686
Depreciation	13,451,801	5,207,053	—	3,950,625	11,490,685	34,100,164
Disposals	(5,361,032)	—	—	—	—	(5,361,032)
Balances at end of year	41,417,997	37,818,494	752,009	20,612,633	11,490,685	112,091,818
Net Book Values	₱41,168,238	₱8,612,722	₱—	₱20,031,659	₱35,212,093	₱105,024,712

December 31, 2018

	Transportation Equipment	Office Equipment	Communication Equipment	Leasehold Improvements	Total
Cost:					
Balances at beginning of year	₱81,552,753	₱34,833,791	₱752,009	₱38,766,658	₱155,905,211
Additions	9,979,554	3,566,737	—	737,495	14,283,786
Disposals	(20,970,108)	(280,973)	—	—	(21,251,081)
Balances at end of year	70,562,199	38,119,555	752,009	39,504,153	148,937,916
Accumulated Depreciation:					
Balances at beginning of year	33,706,486	28,268,718	752,009	12,881,274	75,608,487
Depreciation	13,407,483	4,555,106	—	3,780,734	21,743,323
Disposals	(13,786,741)	(212,383)	—	—	(13,999,124)
Balances at end of year	33,327,228	32,611,441	752,009	16,662,008	83,352,686
Net Book Values	₱37,234,971	₱5,508,114	₱—	₱22,842,145	₱65,585,230



The Company recognized gain of ₱1.3 million on disposal of property and equipment in 2019 and loss of ₱1.3 million in 2018. There are no restrictions on the title and no property and equipment are pledged as security for liabilities.

Fully depreciated property and equipment with cost amounting to ₱42.9 million and ₱50.1 million as of December 31, 2019 and 2018, respectively, are still carried in the books of the Company and still in use.

9. **Other Noncurrent Assets**

	2019	2018
Computer software licenses	₱10,589,929	₱7,915,027
Recoverable deposits	5,785,865	81,206,176
	₱16,375,794	₱89,121,203

The rollforward analysis of computer software licenses is presented below:

	2019	2018
Cost:		
Balances at beginning of year	₱16,691,665	₱16,598,165
Additions	4,535,865	93,500
Balances at end of year	21,227,530	16,691,665
Accumulated amortization:		
Balances at beginning of year	8,776,638	7,174,155
Amortization for the year	1,860,963	1,602,483
Balances at end of year	10,637,601	8,776,638
Net book values	₱10,589,929	₱7,915,027

10. **Project Development Costs**

	2019	2018
Balances at beginning of year	₱388,468,001	₱262,559,144
Additions	234,871,366	177,031,239
Write-offs	-	(51,122,382)
Balances at end of year	₱623,339,367	₱388,468,001

Project development costs consist of rights, titles and interests for various power plant development projects.



11. Trade and other payables

	2019	2018
Trade payables (see Note 17)	₱45,852,175	₱55,903,519
Accrued interest (see Note 12)	380,430,960	212,180,900
Accrued taxes and fees	93,395,503	43,272,258
Output VAT	57,142,953	38,456,614
Nontrade payables	49,736,029	5,609,030
Others	945,518	688,252
	₱627,503,138	₱356,110,573

Trade payables are noninterest-bearing and generally on 30-day term. Accrued taxes and fees represent taxes withheld on compensation, benefits, interests and other fees.

12. Bank Loans and Long-term Debts

Bank Loans

The Company obtained unsecured bank loans from financial institutions with a total principal amount of ₱4.70 billion at an annual interest rate ranging from 3.25% to 5.20% for working capital purposes in 2018. 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. These have been fully paid in 2019.

Interest expense on bank loans amounted to ₱380.3 million and ₱140.9 million in 2019 and 2018, respectively.

Long-Term Debts

	Interest Rate	2019	2018
Financial and non-financial institutions - unsecured			
2014 7-year retail bonds	5.21%	₱6,600,000,000	₱6,600,000,000
2014 12-year retail bonds	6.10%	3,400,000,000	3,400,000,000
2017 10-year retail bonds	5.34%	3,000,000,000	3,000,000,000
2018 5.25-year retail bonds	7.51%	7,700,000,000	7,700,000,000
2018 10-year retail bonds	8.51%	2,500,000,000	2,500,000,000
2019 5-year long-term loan	LIBOR + 1.20%	15,190,500,000	-
2019 7-year retail bonds	5.28%	7,250,000,000	-
2019 7-year long-term loan	5.28%	5,000,000,000	-
		50,640,500,000	23,200,000,000
Less deferred financing costs		560,674,933	202,178,708
		₱50,079,825,067	₱22,997,821,292

Long-term Loan - ₱5.0 billion

In November 2019, the Company obtain a ₱5.0 billion 7-year long term loan from the BDO Unibank, Inc. at a fixed rate of 5.28% p.a.



Under the facility agreement, the Company shall not incur any obligation with a maturity of more than 1 year, if on the date of such borrowing, the net debt to consolidated equity ratio will exceed 3:1. The Company is in compliance with the debt covenants as of December 31, 2019.

Dollar Loan - \$300 million

On April 2019, the Company executed and availed a US\$300,000,000 syndicated bridge loan facility loan agreement with DBS Bank Ltd., Mizuho Bank, Ltd., MUFG Bank, Ltd., and Standard Chartered Bank as lead arrangers and bookrunners to finance the AA Thermal, Inc. acquisition. The loan bears a floating interest based on credit spread over applicable LIBOR plus 1.2% margin. The loan will mature on the 5th anniversary of the first utilization date.

Under the facility agreement, the Company shall ensure that the net consolidated debt to net consolidated equity ratio is not more than 3:1 at all times and the leverage ratio is not more than 5:50:1 at all times. The Company is in compliance with the debt covenants as of December 31, 2019.

Retail Bonds - ₱7.25 billion

In October 2019, the Company issued ₱7.25 billion 7-year bond due 2026 at a fixed rate of 5.28% p.a. The bonds have been rated PRS Aaa by PhilRatings.

Retail Bonds - ₱10.2 billion

In October 2018, the Company issued a total of ₱10.2 billion bonds, broken down into a ₱7.7 billion 5.25-year bond due 2024 at a fixed rate equivalent to 7.51% p.a. and a ₱2.5 billion 10-year bond due 2028 at a fixed rate equivalent to 8.51% p.a. The bonds have been rated PRS Aaa by PhilRatings.

Retail Bonds - ₱3.0 billion

In July 2017, the Company issued ₱3.0 billion 10-year bond due 2027 at an annual fixed rate of 5.34% p.a. The bonds have been rated PRS Aaa by PhilRatings.

Retail Bonds - ₱10.0 billion

In September 2014, the Company issued a total of ₱10.0 billion bonds, broken down into a ₱6.6 billion 7-year bond due 2021 at a fixed rate equivalent to 5.21% p.a. and a ₱3.4 billion 12-year bond due 2026 at a fixed rate equivalent to 6.10% p.a. The bonds have been rated PRS Aaa by PhilRatings.

The principal amount of these bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

Under the bond trust agreements, the Company shall not permit its debt-to-equity ratio to exceed 3:1 calculated based on the year-end debt and consolidated equity. The Company is in compliance with the debt covenants as of December 31, 2019.

Unamortized deferred financing cost reduced the carrying amount of long-term debt by ₱560.7 million and ₱202.2 million as of December 31, 2019 and 2018, respectively.

Total interest expense recognized amounted to ₱2.1 billion, ₱858.2 million and ₱630.5 million in 2019, 2018 and 2017, respectively.



13. Equity and Earnings per Common Share

a. Paid-in Capital

	2019	2018
Capital Stock:		
Authorized - ₱1 par value:		
Common shares - 16,000,000,000 shares		
Preferred shares - 1,000,000,000 shares		
Issued:		
Common shares - 7,358,604,307 shares	₱7,358,604,307	₱7,358,604,307
Additional Paid-in Capital	12,588,894,332	12,588,894,332
	₱19,947,498,639	₱19,947,498,639

On May 25, 2007, the Company listed with the Philippine Stocks Exchange its 7,187,664,000 common shares with a par value of ₱1.00 to cover the initial public offering (IPO) of 1,787,664,000 common shares at an issue price of ₱5.80 per share. On March 17, 2008, the Company listed an additional 170,940,307 common shares, which it issued pursuant to a share swap agreement at the IPO price of ₱5.80 per share. The total proceeds from the issuance of new shares amounted to ₱10.37 billion. The Company incurred transaction costs incidental to the initial public offering amounting to ₱412.4 million, which is charged against "Additional paid-in capital" in the parent company balance sheet.

As of December 31, 2019, 2018 and 2017, the Company has 631, 629 and 629 shareholders, respectively.

Preferred shares are non-voting, non-participating, non-convertible, redeemable, cumulative, and may be issued from time to time by the BOD in one or more series. The BOD is authorized to issue from time to time before issuance thereof, the number of shares in each series, and all the designations, relative rights, preferences, privileges and limitations of the shares of each series. Preferred shares redeemed by the Company may be reissued. Holders thereof are entitled to receive dividends payable out of the unrestricted retained earnings of the Company at a rate based on the offer price that is either fixed or floating from the date of the issuance to final redemption. In either case, the rate of dividend, whether fixed or floating, shall be referenced, or be a discount or premium, to market-determined benchmark as the BOD may determine at the time of issuance with due notice to the SEC.

In the event of any liquidation or dissolution or winding up of the Company, the holders of the preferred stock shall be entitled to be paid in full the offer price of their shares before any payment in liquidation is made upon the common stock.

There are no preferred shares issued and outstanding as of December 31, 2019 and 2018.



b. Retained Earnings

As of December 31, 2019 and 2018, the Company has an appropriated retained earnings amounting to ₱33.66 billion and ₱34.06 billion, respectively, with regards to the development and construction of power plants. The BOD has approved the appropriation of ₱13.16 billion and ₱20.90 billion on November 24, 2016 and November 27, 2014, respectively.

On March 7, 2017, the BOD approved the declaration of regular cash dividends of ₱1.36 per share (₱10.01 billion) to all stockholders of record as of March 21, 2017. These dividends were paid on April 10, 2017.

On March 8, 2018, the BOD approved the declaration of regular cash dividends of ₱1.39 per share (₱10.23 billion) to all stockholders of record as of March 22, 2018. These dividends were paid on April 12, 2018.

On March 7, 2019, the BOD approved the declaration of regular cash dividends of ₱1.47 per share (₱10.82 billion) to all stockholders of record as of March 21, 2019. These dividends were paid on April 5, 2019.

On March 7, 2019, the BOD also approved the following:

- Appropriation of ₱11.90 billion retained earnings for the equity infusion into GNPD to fund the construction of GNPD units 1 & 2, which is expected to have full commercial operations by end of 2020.
- Reversal of ₱12.30 billion retained earnings appropriation that was set up in 2014 for the equity requirements of the 300 MW Davao Coal and 14 MW Sabangan Hydro projects.

To comply with the requirements of Section 43 of the Corporation Code, on March 6, 2020, the BOD approved the declaration of regular cash dividends of ₱1.18 a share (₱8.68 billion) to all stockholders of record as of March 20, 2020. The cash dividends are payable on April 3, 2020.

c. Earnings per Common Share

Earnings per common share amounts were computed as follows:

	2019	2018	2017
a. Net income	₱12,304,362,581	₱8,995,307,128	₱9,212,273,716
b. Weighted average number of common shares issued and outstanding	7,358,604,307	7,358,604,307	7,358,604,307
c. Earnings per common share (a/b)	₱1.67	₱1.22	₱1.25



14. Personnel Costs

	2019	2018	2017
Salaries and wages	₱572,060,660	₱562,610,627	₱533,005,712
Employee benefits	239,240,032	351,449,279	307,935,888
Retirement benefit costs (see Note 15)	29,846,722	41,895,414	49,974,029
	₱841,147,414	₱955,955,320	₱890,915,629

15. Retirement Costs

The Company has a funded, non-contributory, defined benefit pension plan (the “Plan”) covering all regular and full-time employees and requiring contributions to be made to separately administered fund. This retirement benefit fund (the “Fund”) is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also officers of AEV, is responsible for the investment of the Fund assets. Taking into account the Plan’s objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the parent company statements of income and the funded status and amounts recognized in the parent company balance sheets for the plan.

Net benefit expense (recognized as part of personnel costs):

	2019	2018	2017
Retirement expense to be recognized in the parent company statements of income:			
Current service cost	₱32,960,153	₱42,726,275	₱48,922,746
Net interest cost (income)	(3,113,431)	(830,861)	1,051,283
	₱29,846,722	₱41,895,414	₱49,974,029

Remeasurement effect to be recognized in other comprehensive income:

	2019	2018	2017
Actuarial gains (loss) due to:			
Experience adjustments	(₱197,172,700)	(₱4,861,370)	(₱43,972,045)
Changes in financial assumptions	(61,716,402)	44,542,333	1,172,525
Actual return excluding amount included in net interest cost	(20,314)	(13,774,100)	9,300,494
Changes in demographic assumptions	–	–	78,205,006
	(₱258,909,416)	₱25,906,863	₱44,705,980



Pension liability (asset)

	2019	2018
Present value of obligation	₱533,382,355	₱402,201,925
Fair value of plan assets	(313,637,886)	(440,263,429)
	₱219,744,469	(₱38,061,504)

Changes in the present value of the defined benefit obligation are as follows:

	2019	2018
At January 1	₱402,201,925	₱633,459,869
Net benefit expense:		
Current service cost	32,960,153	42,726,275
Interest cost	32,900,117	32,496,491
	65,860,270	75,222,766
Benefits paid	(207,506,511)	(252,616,884)
Employee transfers	13,937,569	(14,182,863)
Remeasurements in other comprehensive income:		
Actuarial gain (loss) due to:		
Experience adjustments	197,172,700	4,861,370
Changes in financial assumptions	61,716,402	(44,542,333)
	258,889,102	(39,680,963)
At December 31	₱533,382,355	₱402,201,925

Changes in the fair value of plan assets are as follows:

	2019	2018
At January 1	₱440,263,429	₱649,655,975
Actual contributions	30,950,165	37,853,949
Interest income included in net interest cost	36,013,548	33,327,352
Benefits paid	(207,506,511)	(252,616,884)
Transfers	13,937,569	(14,182,863)
Actual return excluding amount included in net interest cost	(20,314)	(13,774,100)
At December 31	₱313,637,886	₱440,263,429

Changes in pension liability (asset) recognized in the parent company balance sheets are as follows:

	2019	2018
At January 1	(₱38,061,504)	(₱16,196,106)
Actual contributions	(30,950,165)	(37,853,949)
Actuarial loss (gain) recognized for the year	258,909,416	(25,906,863)
Retirement expense for the year	29,846,722	41,895,414
At December 31	₱219,744,469	(₱38,061,504)



The fair value of plan assets by each class at the end of the reporting period are as follows:

	2019	2018
Assets:		
Financial assets at FVOCI	₱278,197,078	₱278,119,312
Equity instruments - financial institution:		
Financial assets at amortized cost	65,141,440	79,558,475
Holding	5,305	56,066,878
Power	56,654,455	49,415,685
Financial institution	11,190,644	12,686,517
Others	191,025,973	195,487,284
	602,214,895	671,334,151
Liability:		
Financial liability	(288,577,009)	(231,070,722)
Fair value of plan assets	₱313,637,886	₱440,263,429

All equity instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used as of December 31, 2019, 2018 and 2017 in determining net pension liability for the Company's Plan is shown below:

	2019	2018	2017
Discount rate	4.92%	8.18%	5.13%
Salary increase rate	6.00%	7.00%	6.00%

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2019 and 2018, respectively, assuming all other assumptions were held constant:

	Increase (decrease) in basis points	Effect on defined benefit obligation	
		2019	2018
Discount rates	100	(₱30,900,955)	(₱18,442,461)
	(100)	35,877,896	21,068,425
Future salary increases	100	37,627,187	23,118,029
	(100)	(33,087,992)	(20,609,365)

The Company's defined benefit pension plan is funded by the Company.

The Company expects to contribute ₱37.3 million to the defined benefit plans in 2020. The average duration of the defined benefit obligation as of December 31, 2019 and 2018 is 14.86 and 12.94 years respectively.



The BOT reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Company also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

16. Income Tax

Details of provision for income tax are as follows:

	2019	2018	2017
Current:			
Corporate income tax	₱21,180,971	₱23,267,247	₱18,946,168
Final	26,101,092	15,959,091	10,440,532
	47,282,063	39,226,338	29,386,700
Deferred	12,100,043	(37,853,440)	7,066,011
	₱59,382,106	₱1,372,898	₱36,452,711

The provision for corporate income tax represents MCIT in 2019, 2018 and 2017.

Reconciliation between the statutory income tax rate and the Company's effective income tax rates follows:

	2019	2018	2017
At statutory rate of 30%	₱3,709,123,406	₱2,699,004,008	₱2,774,617,928
<i>Additions to (reductions in)</i>			
<i>income tax resulting from:</i>			
Movement on unrecognized			
deferred income tax			
asset on:			
NOLCO	568,058,043	181,865,467	125,884,718
Unamortized past			
service cost	49,398,725	-	-
MCIT	21,180,971	15,959,091	10,440,532
Pension liability	(101,115,717)	-	-
Provision for impairment			
loss on investment			
in a subsidiary	-	13,779,900	50,840,822
Final tax on interest income	26,101,092	23,267,247	18,946,168

(Forward)



	2019	2018	2017
Nondeductible expenses:			
Interest expense	₱15,570,740	₱13,590,499	₱14,607,592
Project and bidding expenses	-	15,336,715	23,051,869
Others	14,986,699	14,363	5,921
Dividend income	(4,195,623,259)	(2,920,812,882)	(2,937,677,410)
Interest income already subjected to final tax at a lower rate	(47,184,062)	(41,183,329)	(44,265,429)
Others	(1,114,532)	551,819	-
	₱59,382,106	₱1,372,898	₱36,452,711

The components of the Company's net deferred income tax assets (liability) are as follows:

	2019	2018
Deferred income taxes recognized in the parent company statement of income:		
Deferred income tax assets:		
NOLCO	₱130,308,641	₱-
Unamortized past service cost	-	61,464,468
Unrealized foreign exchange loss	-	51,420,259
	130,308,641	112,884,727
Deferred income tax liabilities:		
Unrealized foreign exchange gain	(130,308,641)	-
Pension liability	-	(100,784,684)
	(130,308,641)	(100,784,684)
Deferred income tax asset related to remeasurement effects in the parent company statements of other comprehensive income	-	89,366,223
	₱-	₱101,466,266

As of December 31, 2019, the Company has MCIT that can be claimed as deduction from regular income tax liability as follows:

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2016	2017-2019	₱22,262,045	₱-	₱22,262,045	₱-
2017	2018-2020	10,440,532	-	-	10,440,532
2018	2019-2021	15,959,089	-	-	15,959,089
2019	2020-2022	21,180,971	-	-	21,180,971
		₱69,842,637	₱-	₱22,262,045	₱47,580,592



As of December 31, 2019, the Company has NOLCO which can be claimed as deduction against the regular taxable income as follows:

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2017	2018-2020	₱419,615,728	₱-	₱-	₱419,615,728
2018	2019-2021	606,218,323	-	-	606,218,323
2019	2020-2022	2,327,888,945	-	-	2,327,888,945
		₱3,353,722,996	₱-	₱-	₱3,353,722,996

No deferred income tax assets have been recognized in 2019 and 2018 on the following temporary differences as it is probable that no sufficient taxable income will be available to allow the benefit of the net deferred income tax assets to be utilized:

	2019	2018
NOLCO	₱2,919,360,861	₱1,025,834,051
Pension liability	219,744,469	-
Unamortized past service cost	164,662,418	-
MCIT	47,580,592	48,661,666

No deferred income tax has been recognized on the impairment of investment in subsidiaries amounting to ₱1.1 billion as of December 31, 2019 and 2018 as management's intention of recovering this amount through future dividend which exempt from income tax.

The Company has unrecognized deductible and taxable temporary differences that arises from the initial recognition of the lease liability and the right-of-use asset upon adoption of PFRS 16 which affects neither the accounting profit nor taxable profit or loss as at January 1, 2019 amounting to ₱64.4 million and ₱46.7 million, respectively.

17. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

The Company, in its normal course of business, has transactions with its related parties, which principally consist of the following:

- a. The Company has management agreements with each of the following subsidiaries: CLPC, Cotabato Ice Plant, Inc. (CIPI), DLPC, and CPPC for which it is entitled to management fees.
- b. The Company renders various services to related parties such as technical and legal assistance for various projects, trainings and other services, for which it bills technical and service fees.



- c. The Company obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain subsidiaries, associates and joint ventures in connection with certain loans and credit accommodations. As of December 31, 2019, the Company provided SBLCs for AP Renewables, Inc. (APRI), Cebu Energy Development Corporation (CEDC), Luzon Hydro Corporation (LHC), SN Aboitiz Power-Benguet, Inc. (SNAP B), Therma South, Pagbilao Energy Corporation (PEC), Hedcor Bukidnon, STEAG, and TVI in the amount of ₱6.43 billion. As of December 31, 2018, the Company provided SBLCs for APRI, CEDC, LHC, SNAP B, Therma South, STEAG, and TVI in the amount of ₱4.51 billion.
- d. AEV provides human resources, internal audit, legal, treasury and corporate finance services, among others, to the Company and shares with the member companies the business expertise of its highly qualified professionals. Transactions are priced based on agreed rates, and billed costs are always benchmarked to third party rates to ensure competitive pricing. Service Level Agreements are in place to ensure quality of service. This arrangement enables the Company to maximize efficiencies and realize cost synergies.
- e. Cash deposits and money market placements with Union Bank of the Philippines (UBP), an associated of AEV. At prevailing rates, these fixed-rate investments earned interest income amounting to ₱106.7 million and ₱64.34 million in 2019 and 2018, respectively. Outstanding balances amounted ₱22.8 million and ₱6.11 billion as of December 31, 2019, and 2018, respectively.
- f. Rentals paid at current market rates to Cebu Praedia Development Corporation (CPDC) for the use of CPDC's properties by the Company's officers and employees.
- g. Aviation service fees paid at arm's length basis to AAI for the use of aircraft during travel of the Company's officers and employees.



The Company's balance sheets and statements of income include the following accounts resulting from the above transactions with related parties:

Technical, Management and other Service Fees

	Revenue			Receivable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Subsidiaries:</i>							
TVI	₱625,236,619	₱1,364,303	₱2,059,983	₱631,295,206	₱254,670	30-day, non-interest bearing	Unsecured, no impairment
VECO	391,849,526	279,315,539	268,615,438	118,807,969	58,537,920	30-day, non-interest bearing	Unsecured, no impairment
DLPC	367,741,901	454,474,211	413,733,737	31,359,884	105,496,183	30-day, non-interest bearing	Unsecured, no impairment
AESI	57,630,764	57,622,636	96,872,719	5,282,820	5,378,113	30-day, non-interest bearing	Unsecured, no impairment
CLPC	46,897,878	45,559,907	39,639,944	2,168,636	10,240,732	30-day, non-interest bearing	Unsecured, no impairment
GNPower Mariveles Coal Plant Ltd. Co.	43,374,465	43,111,345	50,813,063	3,289,015	4,030,213	30-day, non-interest bearing	Unsecured, no impairment
Therma Luzon, Inc.	41,166,971	42,601,204	30,354,526	11,389,529	3,976,112	30-day, non-interest bearing	Unsecured, no impairment
AI	26,315,382	26,306,785	39,233,874	7,236,730	2,455,300	30-day, non-interest bearing	Unsecured, no impairment
CPPC	20,900,607	58,728,956	20,812,863	82,713,295	62,872,942	30-day, non-interest bearing	Unsecured, no impairment
Therma South	12,674,586	11,064,511	11,209,783	2,393,319	2,065,375	30-day, non-interest bearing	Unsecured, no impairment
SEZC	10,905,487	7,147,207	8,071,653	–	931,499	30-day, non-interest bearing	Unsecured, no impairment
APRI	10,253,796	10,991,418	9,103,675	3,810,994	2,051,731	30-day, non-interest bearing	Unsecured, no impairment
Therma Marine, Inc.	5,979,579	3,560,921	6,330,215	1,644,384	2,228,408	30-day, non-interest bearing	Unsecured, no impairment
MEZC	5,429,535	4,671,093	3,986,055	–	1,051,731	30-day, non-interest bearing	Unsecured, no impairment
HI	5,169,208	5,169,208	7,630,879	1,921,222	482,459	30-day, non-interest bearing	Unsecured, no impairment
BEZC	4,848,405	4,599,602	4,512,723	–	1,134,132	30-day, non-interest bearing	Unsecured, no impairment
LEZ	4,390,866	4,463,298	6,242,089	–	1,095,361	30-day, non-interest bearing	Unsecured, no impairment
EAUC	3,191,420	1,878,478	2,320,980	783,525	318,510	30-day, non-interest bearing	Unsecured, no impairment
PEI	2,627,543	2,657,033	209,822	55,938	805,171	30-day, non-interest bearing	Unsecured, no impairment
CIPI	597,083	746,357	896,063	49,706	277,306	30-day, non-interest bearing	Unsecured, no impairment
San Carlos Sun Power, Inc.	118,706	–	–	11,079	–	30-day, non-interest bearing	Unsecured, no impairment
Malvez	41,235	–	–	–	–	30-day, non-interest bearing	Unsecured, no impairment
Therma Mobile	40,682	467,973	2,142,810	7,458	87,355	30-day, non-interest bearing	Unsecured, no impairment
Aboitiz Power Distributed Energy, Inc.	15,856	–	–	–	–	30-day, non-interest bearing	Unsecured, no impairment
Aboitiz Power Distributed Renewables, Inc.	15,856	–	–	4,469	–	30-day, non-interest bearing	Unsecured, no impairment
ARI	–	–	7,300,000	–	–	30-day, non-interest bearing	Unsecured, no impairment
<i>Associates:</i>							
SFELAPCO	106,760,000	132,622,875	72,157,562	57,439,525	36,765,356	30-day, non-interest bearing	Unsecured, no impairment
CEDC	74,074,000	71,880,000	101,367,000	24,614,950	–	30-day, non-interest bearing	Unsecured, no impairment
GNPower Dinginin Ltd. Co.	41,768,304	42,360,271	40,556,253	3,440,683	3,960,000	30-day, non-interest bearing	Unsecured, no impairment

(Forward)



	Revenue			Receivable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Joint Venture:</i>							
SN Aboitiz Power - Magat, Inc.	₱-	₱30,000	₱-	₱-	₱-	30-day, non-interest bearing	Unsecured, no impairment
<i>Affiliates:</i>							
Apo Agua Infraestructura, Inc.	7,482,550	-	-	8,380,456	-	30-day, non-interest bearing	Unsecured, no impairment
Aboitiz Infracapital, Inc.	907,589	-	-	880,362	-	30-day, non-interest bearing	Unsecured, no impairment
Aboitizland, Inc.	-	321,429	-	-	-	30-day, non-interest bearing	Unsecured, no impairment
Pilmico Foods Corporation	-	133,929	-	-	-	30-day, non-interest bearing	Unsecured, no impairment
Pagbilao Energy Corporation (PEC)	-	292,947,450	-	-	300,000,000	30-day, non-interest bearing	Unsecured, no impairment
	₱1,918,406,399	₱1,613,850,489	₱1,246,173,709	₱998,981,154	₱606,496,579		

Transportation and Travel

	Expense			Payable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Parent</i>							
AEV	₱704	₱-	₱4,097	₱-	₱-	30-day, non-interest bearing	Unsecured
<i>Affiliate</i>							
AAI	17,138,321	18,142,687	22,170,057	2,375,783	-	30-day, non-interest bearing	Unsecured
	₱17,139,025	₱18,142,687	₱22,174,154	₱2,375,783	₱-		

Rent

	Expense			Payable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Parent</i>							
AEV	₱2,212,900	₱3,206,807	₱1,326,732	₱-	₱3,206,807	30-day, non-interest bearing	Unsecured
<i>Affiliate</i>							
CPDC	1,095,894	600,434	842,044	-	68,500	30-day, non-interest bearing	Unsecured
	₱3,308,794	₱3,807,241	₱2,168,776	₱-	₱3,275,307		



Professional, Legal and Service Fees

	Expense			Payable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Parents</i>							
AEV	₱80,916,869	₱65,141,015	₱37,966,014	₱4,079,713	₱3,375,449	30-day, non-interest bearing	Unsecured
ACO	836,847	955,452	7,634,588	4,826,847	955,452	30-day, non-interest bearing	Unsecured
	₱81,753,716	₱66,096,467	₱45,600,602	₱8,906,560	₱4,330,901		



The above transactions are expected to be settled in cash.

The Company's Fund is in the form of a trust being maintained and managed by AEV under the supervision of the BOT of the plan. In 2019 and 2018, other than contributions to the Fund, no transactions occurred between the Company or any of its subsidiaries and the Fund.

Total compensation and benefits of key management personnel of the Company are as follows:

	2019	2018	2017
Short-term benefits (see Note 15)	₱182,349,079	₱286,022,170	₱308,010,884
Post-employment benefits (see Note 15)	10,403,791	13,737,830	16,499,116
	₱192,752,870	₱299,760,000	₱324,510,000

18. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash and cash equivalents and long-term debts. The main purpose of these financial instruments is to raise financing for the Company's operations. The Company has various other financial instruments such as trade and other receivables, AFS investment and trade and other payables which arise directly from its operations.

The Company also enters into derivative transactions, particularly foreign currency forwards, to economically hedge its foreign currency risk from foreign currency denominated liabilities and purchases (see Note 19).

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 Company.

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 Company'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 Company's risks in line with the policies and limits.

The main risks arising from the Company's financial instruments are credit risk involving possible exposure to counter party default on its cash and cash equivalents, and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements.



Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flow of financial instrument will fluctuate because of the changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to its long-term debt with a floating interest rate and to its derivative asset.

The Company's policy is to manage its interest cost using effective hedging derivatives subject to BOD approval.

The following tables demonstrate the sensitivity to a reasonably possible change in rates, with all other variables held constant, of the Company's income before tax (through the impact on floating rate borrowings). The effect on equity pertains to the impact of the Company's derivative designated under cash flow hedge accounting:

2019	Increase (decrease) in basis points	Effect on income before tax	Effect on equity before tax
	+200	₱312,630,000	₱156,315,000
	-100	(156,315,000)	(78,157,500)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company's credit risk on cash in banks and cash equivalents and trade and other receivables pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these assets. With respect to cash in banks and cash equivalents, the risk is mitigated by the short-term and/or liquid nature of its short-term deposits mainly in bank deposits and placements, which are placed with financial institutions of high credit standing. With respect to trade and other receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Company's policy that all debtors who wish to trade on credit terms are subject to credit procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company has no significant concentration risk to a counterparty or group of counterparties. The credit quality per class of financial assets as of December 31 is as follows (amounts in thousands):

2019

	Neither past due nor impaired			Past due but not impaired	Total
	High Grade	Standard	Sub-standard		
Cash and cash equivalents*	₱4,208,752	₱-	₱-	₱-	₱4,208,752
Trade and other receivables	570,285	-	-	503,209	1,073,494
Derivative asset	80,134	-	-	-	80,134
Total	₱4,859,171	₱-	₱-	₱503,209	₱5,362,380

*Excluding cash on hand



2018

	Neither past due nor impaired			Past due but not impaired	Total
	High Grade	Standard	Sub-standard		
Cash and cash equivalents*	₱11,874,257	₱-	₱-	₱-	₱11,874,257
Trade and other receivables	660,535	-	-	320,929	981,464
Derivative asset	855	-	-	-	855
Financial assets at FVPTL	97,535	-	-	-	97,535
Total	₱12,633,182	₱-	₱-	₱320,929	₱12,954,111

*Excluding cash on hand

High grade pertains to receivables from customers with good favorable credit standing and have no history of default.

Standard grade pertains to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade pertains to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.

The aging analyses of financial assets as of December 31 are as follows (amounts in thousands):

2019

	Total	Neither past due nor impaired	Past due but not impaired		
			30 days	30 - 60 days	More than 60 days
Cash and cash equivalents*	₱4,208,752	₱4,208,752	₱-	₱-	₱-
Trade and other receivables	1,073,494	570,285	253,123	111,105	138,981
Derivative asset	80,134	80,134	-	-	-
Total	₱5,362,380	₱4,859,171	₱253,123	₱111,105	₱138,981

*Excluding cash on hand

2018

	Total	Neither past due nor impaired	Past due but not impaired		
			30 days	30 - 60 days	More than 60 days
Cash and cash equivalents*	₱11,874,257	₱11,874,257	₱-	₱-	₱-
Trade and other receivables	981,464	660,535	183,003	99,809	38,117
Derivative asset	855	855	-	-	-
Financial assets at FVPTL	97,535	97,535	-	-	-
Total	₱12,954,111	₱12,633,182	₱183,003	₱99,809	₱38,117

*Excluding cash on hand

Liquidity risk

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



In managing its short-term fund requirements, the Company's policy is to ensure that there are sufficient working capital inflows to match repayments of short-term borrowings. With regard to its long-term financing requirements, the Company's policy is that not more than 25% of long-term borrowings should mature in any 12-month period.

The following tables summarize the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as of December 31 (amounts in thousands):

2019

	Total Carrying Value	Contractual undiscounted payments				
		Total	On Demand	Less than 1 year	1 to 5 years	More than 5 years
<i>Financial liabilities:</i>						
Trade and other payables*	₱476,018	₱476,018	₱-	₱476,018	₱-	₱-
Long-term debts	50,079,825	65,046,411	-	2,649,800	39,724,703	22,671,908
Lease liabilities	51,602	59,644	-	17,858	41,786	-
Total	₱50,607,445	₱65,582,073	₱-	₱3,143,676	₱39,776,489	₱22,671,908

*Excluding output VAT, withholding tax and other statutory liabilities

2018

	Total Carrying Value	Contractual undiscounted payments				
		Total	On Demand	Less than 1 year	1 to 5 years	More than 5 years
<i>Financial liabilities:</i>						
Trade and other payables*	₱298,774	₱298,774	₱-	₱298,774	₱-	₱-
Bank loans	4,700,000	4,700,000	-	4,700,000	-	-
Long-term debts	22,997,821	31,438,550	-	1,292,049	19,829,593	10,316,908
Total	₱27,996,595	₱36,437,324	₱-	₱6,290,823	₱19,829,593	₱10,316,908

*Excluding output VAT, withholding tax and other statutory liabilities

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 Company'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.

Foreign exchange risk

The foreign exchange risk of the Company pertains to its foreign currency-denominated cash and cash equivalents.

	2019		2018	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Financial assets:				
Cash and cash equivalents	\$38,479,047	₱1,948,386,531	\$214,821,624	₱11,295,320,990
Financial liability:				
Long-term debt	(300,000,000)	(15,190,500,000)	-	-
Net foreign currency denominated asset (liability)	(\$261,520,953)	(₱13,242,113,469)	\$214,821,624	₱11,295,320,990



The exchange rate for December 31, 2019 and 2018 is ₱50.635:US\$1 and ₱52.58:US\$1, respectively. As a result of the translation of these foreign currency denominated assets, the Company reported net unrealized foreign exchange gain of ₱605.8 million in 2019 and net unrealized foreign exchange loss of ₱162.4 million in 2018.

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Company's income before income tax as of December 31, 2019 and 2018 (amounts in thousands).

	Increase (decrease) in US dollar	Effect on income before tax
2019		
US dollar-denominated accounts	5%	(₱662,106)
US dollar-denominated accounts	-5%	662,106
2018		
US dollar-denominated accounts	5%	564,766
US dollar-denominated accounts	-5%	(₱564,766)

There is no other impact on the Company's equity other than those already affecting the parent company statements of income.

Capital management

The primary objective of the Company'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 Company considers equity as its capital.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. Its policy is to keep the gearing ratio at 70% or below. The Company determines net debt as the sum of interest-bearing short-term and long-term loans less cash and short-term deposits.

	2019	2018
Bank loans	₱—	₱4,700,000,000
Long-term debts	50,079,825,067	22,997,821,292
Cash and cash equivalents	(4,210,064,412)	(11,875,188,311)
Net debt (a)	45,869,760,655	15,822,632,981
Equity	76,653,821,239	75,457,414,289
Equity and net debt (b)	₱122,523,581,894	₱91,280,047,270
Gearing ratio (a/b)	37.44%	17.33%

Part of the Company's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Company is in compliance with the financial covenants attached to its long-term debts as of December 31, 2019 and 2018 (see Note 12).



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

19. 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 (amounts in thousands).

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

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities:				
Long-term debts	₱50,079,825	₱49,456,980	₱22,997,821	₱20,671,106
Lease liabilities	51,602	54,628	—	—
	₱50,131,427	₱49,511,608	₱22,997,821	₱20,671,106

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

Cash and cash equivalents, trade and other receivables and trade and other payables

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

Financial assets at FVTPL

These equity securities are carried at fair value.

Long-term debts

The fair value of long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 5.14% to 5.89% in 2019 and 8.45% to 8.56% in 2018.



Lease liabilities

The fair values are computed using Level 3 of the fair value hierarchy and are based on the discounted value of expected future cash flows using the applicable credit-adjusted risk-free rates of 4.70% to 5.36% in 2019.

Derivative Financial Instruments

The Company entered into short-term forward contracts with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases.

The aggregate notional amount of the par forward contract is nil and \$50.0 million (₱2.63 billion) as of December 31, 2019 and 2018, respectively.

The Company recognized losses from the net fair value changes relating to the forward contracts amounting to ₱126.0 million and ₱11.5 million in 2019 and 2018, respectively, under the “Foreign exchange gains (loss)” account in the parent company statements of income.

IRS

On September 6, 2019, the Company entered into an IRS agreement effective September 30, 2019 to hedge \$150 million of its floating rate exposure on its loan (see Note 12). Under the IRS agreement, the Company, on a quarterly basis, pays a fixed rate of 1.449300% per annum and received variable interest at 3-month LIBOR, subject to a floor of 0%. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the IRS has amortizing notional amounts which cover a period of up to April 30, 2024. The Company designated the swap as a cash flow hedge.

Hedge Effectiveness Results

Since the critical terms of the hedged loan and the IRS match, the hedge was assessed to be highly effective. The effective portion of the changes in the fair value of the swap amounting to ₱80,134,271 in 2019 was deferred in equity under the “Cash flow hedge reserve” account.

The following is the maturity analysis of the notional amount and the corresponding average fixed interest rate as of December 31, 2019 (amounts in thousands):

	Maturity					Total
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	
IRS - Derivative asset						
Notional amount	₱-	₱-	₱-	₱-	₱7,595,250	₱7,595,250
Average fixed interest rate (%)	1.4493%	1.4493%	1.4493%	1.4493%	1.4493%	

The impact of the hedged item and hedging instrument in the parent company balance sheet as of December 31, 2019, and in the parent company statement of income and parent company statement of comprehensive income for the year ended December 31, 2019, is as follows:

	Carrying amount	Change in fair value used for measuring ineffectiveness	Total hedging gain recognized in other comprehensive income	Ineffectiveness recognized in other income (charges)
IRS - Derivative asset	₱80,134,271	₱80,134,271	₱80,134,271	₱-



Fair Value Hierarchy

The Company 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

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

For the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements were made.

20. Lease Agreements

a. Operating Lease Agreement with Manta Equities, Inc. (MEI)

The Company entered into an operating lease agreement with MEI for its use of administrative office space and parking space for a period of ten (10) years from April 1, 2013 to May 31, 2023 and nine (9) years and three (3) months from and March 1, 2014 to May 31, 2023, respectively. Both lease contracts have an escalation rate of 5.0%.

Total prepaid rent pertaining to this agreement amounted to ₱5,021,619 as at December 31, 2018 which was recognized under "Other current assets" account in the balance sheets (see Note 6).

b. Operating Lease Agreement with Limketkai Sons, Inc. (LSI)

The Company entered into an operating lease agreement with LSI for its use of administrative and sales office space for a period of three (3) years from November 1, 2016 to October 31, 2019.

Lease Disclosure in Accordance with PAS 17 (applicable prior January 1, 2019)

Rent expense pertaining to the foregoing leased properties charged to operations amounted to ₱17.5 million and ₱16.5 million for the year ended December 31, 2018 and 2017, respectively.

Future minimum lease payments under the non-cancellable operating leases as of December 31, 2018 are as follows:

Not later than 1 year	₱17,825,546
Later than 1 year but not later than 5 years	59,643,634
	<u>₱77,469,180</u>



Lease Disclosure in Accordance with PFRS 16 (applicable beginning January 1, 2019)

Set out below, are the carrying amounts of the Company's lease liability and the movements during the year ended December 31, 2019:

Effect of Adoption - PFRS 16 (see Note 2)	₱64,347,091
Interest expense	5,080,616
Payment	(17,825,560)
	<hr/>
	₱51,602,147
	<hr/>

The Company also has certain leases of conference rooms with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemptions of these leases.

Set out below, are the amounts recognized in the statements of income for the period ended December 31, 2019:

Amortization expense of right-of-use assets	₱11,490,685
Interest expense on lease liabilities	5,080,616
Rent expense - short-term leases	7,027,319
	<hr/>
	₱23,598,620
	<hr/>



21. Note to Statements of Cash Flows

The following are the cash flow movements of the Company's financing liabilities:

	January 1, 2019	Net cash flows	Non-cash Changes						December 31, 2019
			Adoption of PFRS 16 (see Note 2)	Dividend declaration	Amortized deferred financing costs	Foreign exchange movement	Interest expense	Others	
Lease liability	₱-	(₱17,825,560)	₱64,347,091	₱-	₱-	₱-	₱5,080,616	₱-	₱51,602,147
Current interest-bearing loans and borrowings, excluding obligations under finance leases	4,700,000,000	(4,700,000,000)	-	-	-	-	-	-	-
Non-current interest- bearing loans and borrowings	22,997,821,292	27,450,103,643	-	-	72,900,132	(441,000,000)	-	-	50,079,825,067
Interest on loans and borrowings	212,180,900	(2,301,301,047)	-	-	-	-	2,445,928,121	23,622,986	380,430,960
Dividend payable	-	(10,817,148,331)	-	10,817,148,331	-	-	-	-	-
Total liabilities from financing activities	₱27,910,002,192	₱9,613,828,705	₱64,347,091	₱10,817,148,331	₱72,900,132	(₱441,000,000)	₱2,451,008,737	₱23,622,986	₱50,511,858,174

	January 1, 2018	Net cash flows	Non-cash Changes				December 31, 2018
			Dividend declaration	Amortized deferred financing costs	Interest expense	Others	
Current interest-bearing loans and borrowings, excluding obligations under finance leases	₱-	₱4,700,000,000	₱-	₱-	₱-	₱-	₱4,700,000,000
Non-current interest-bearing loans and borrowings	12,901,981,643	10,078,075,748	-	17,763,901	-	-	22,997,821,292
Interest on loans and borrowings	66,285,228	(878,938,176)	-	-	999,180,246	25,653,602	212,180,900
Dividend payable	-	(10,228,459,986)	10,228,459,986	-	-	-	-
Total liabilities from financing activities	₱12,968,266,871	₱3,670,677,586	₱10,228,459,986	₱17,763,901	₱999,180,246	₱25,653,602	₱27,910,002,192



22. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

The Company also reported and/or paid the following types of taxes for the year:

VAT

The Company's sales are subject to output value added tax (VAT) while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12.0%.

a. Net Receipts and Output VAT declared in the Company's VAT returns in 2019

	Net Sales/ Receipts	Output VAT
Taxable Sales:		
Sales of services	₱1,591,484,256	₱186,845,114

The Company's sales that are subject to VAT are reported under the following accounts:

- Service Income - Management fees
- Service Income - Professional fees
- Service Income - Technical fees
- Miscellaneous Income - Operating
- Miscellaneous Income - Non-operating

The Company's sales of services are based on actual collections received, hence, may not be the same as amounts accrued in the parent company statement of income.

b. Input VAT for 2019

Balance at January 1	₱10,585,384
Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	2,489,344
Capital goods subject to amortization	2,381,763
Capital goods not subject to amortization	135,352
Services lodged under the other accounts	32,915,519
	48,507,362
Claims for tax credit/refund and other adjustments	(29,245,183)
Balance at December 31	₱19,262,179

Other taxes and licenses

Taxes and licenses, local and national, include real estate taxes, licenses and permit fees for 2019:

License and permit fees	₱13,597,152
Documentary stamp taxes (DST)	59,894,045
Deficiency and amnesty taxes	22,037,395
Fringe benefit taxes	2,746,293
Others	2,458
	₱98,277,343



Withholding taxes

Final withholding taxes	₱511,358,438
Withholding taxes on compensation and benefits	200,160,545
Expanded withholding taxes	31,249,895
Withholding VAT	724,139
	<hr/>
	₱743,493,017
	<hr/> <hr/>

Tax Assessment and Cases

The Company has no pending tax cases outside of the administration of the BIR as of December 31, 2019.



Fwd: Aboitiz Power Corporation_2019 Parent Company Audited Financial Statements_13 April 2020

Kat Arsua <frances.arsua@aboitiz.com>
To: Teddy Gantalao <teddy.gantalao@aboitiz.com>

Wed, Apr 15, 2020 at 4:20 PM

Fyi

----- Forwarded message -----

From: **MSRD COVID19** <msrd_covid19@sec.gov.ph>

Date: Tue, Apr 14, 2020 at 1:58 PM

Subject: Re: Aboitiz Power Corporation_2019 Parent Company Audited Financial Statements_13 April 2020

To: Kat Arsua <frances.arsua@aboitiz.com>

Cc: Corporate Secretariat <corporate.secretariat@aboitiz.com>, NESSA B. LEGUARDA-RAYOS <nbleguarda@sec.gov.ph>, Dary Aran <dary.aran@aboitiz.com>, Charisse Bacurio <charisse.bacurio@aboitiz.com>, Geris Marie Gilbuena <geris.marie.gilbuena@aboitiz.com>, CATHERINE E. GALIZA <cegaliza@sec.gov.ph>

Good day!

We acknowledge receipt of your email. The same has been forwarded to our Handling Specialist. Thank you.

Regards,

MARKETS AND SECURITIES REGULATION DEPARTMENT
PHILIPPINE SECURITIES AND EXCHANGE COMMISSION

On Mon, Apr 13, 2020 at 4:20 PM Kat Arsua <frances.arsua@aboitiz.com> wrote:

Dear SEC,

In compliance with the SEC-CGFD's Advisory dated March 18, 2020, please see attached report for Aboitiz Power Corporation:

1. Report - AboitizPower 2019 Parent Company Audited Financial Statement; and
2. Certification from the Authorized Officer on the preparation of the Report.

Please be advised that hard copies of the 2019 Audited Financial Statements were likewise filed with the SEC Satellite Office in Cebu today.

Kindly acknowledge receipt.

Thank you.

Regards,
Kat



100 YEARS OF ADVANCING BUSINESS AND COMMUNITIES



Frances Katrina C. Arsua
Paralegal for Governance and Compliance
Aboitiz Equity Ventures, Inc.
t 63 28 886 2800 loc 12724



The information contained in this email message is intended for use only by the individual or entity to which it is addressed, and such information may be privileged, confidential and/or proprietary, and protected under applicable laws.

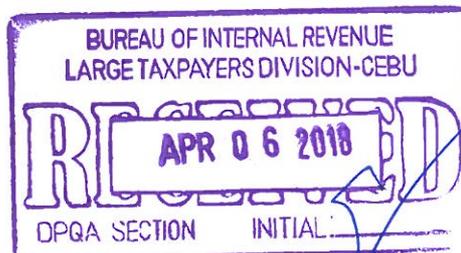
Read about the full Aboitiz Disclaimer (<http://www.aboitiz.com/disclaimer>)

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 200-652-460-000
Name	: ABOITIZ POWER CORPORATION
RDO	: 123
Form Type	: 1702
Reference No.	: 121800024536462
Amount Payable (Over Remittance)	: -641,616,051.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2017
Date Filed	: 04/05/2018
Tax Type	: IT

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Reference No : 121800024536462
 Date Filed : April 05, 2018 03:08 PM
 Batch Number : 0

For BIR Use Only BCS/Item



1702-RT06/13P1

 Republika ng Pilipinas Kagawaran ng Pananalapi Kawanihan ng Rentas Internas	Annual Income Tax Return For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate <i>Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.</i>	BIR Form No. 1702-RT June 2013 Page 1

1 For <input type="radio"/> Calendar <input type="radio"/> Fiscal	3 Amended Return? Yes <input type="radio"/> No <input type="radio"/>	4 Short Period Return? Yes <input type="radio"/> No <input type="radio"/>	5 Alphanumeric Tax Code (ATC) IC055 Minimum Corporate Income Tax (MCIT)
2 Year Ended (MM/20YY) 12 2017			

Part I - Background Information			
6 Taxpayer Identification Number (TIN)	200 - 652 - 460 - 000	7 RDO Code	123
8 Date of Incorporation/Organization (MM/DD/YYYY)	02/13/1998		
9 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS) ABOITIZ POWER CORPORATION			
10 Registered Address (Indicate complete registered address) 32ND STREET, BONIFACIO GLOBAL CITY, TAGUIG CITY, METRO MANILA			
11 Contact Number 4111800	12 Email Address ap.accounting@aboitiz.com		
13 Main Line of Business FINANCIAL HOLDING COMPANY ACTIVITIES	14 PSIC Code 6694		
15 Method of Deductions <input checked="" type="radio"/> Itemized Deductions [Section 34 (A-J), NIRC] <input type="radio"/> Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]			

Part II - Total Tax Payable (Do NOT enter Centavos)	
16 Total Income Tax Due (Overpayment) (From Part IV Item 44)	10,440,532
17 Less: Total Tax Credits/Payments (From Part IV Item 45)	652,056,583
18 Net Tax Payable (Overpayment) (Item 16 Less Item 17) (From Part IV Item 46)	(641,616,051)
19 Add: Total Penalties (From Part IV Item 50)	0
20 TOTAL AMOUNT PAYABLE (Overpayment) (Sum of Item 18 and 19) (From Part IV Item 51)	(641,616,051)
21 If Overpayment, mark "X" one box only (Once the choice is made, the same is irrevocable)	
To be refunded <input type="checkbox"/>	To be issued a Tax Credit Certificate (TCC) <input checked="" type="checkbox"/>
To be carried over as tax credit next year/quarter <input type="checkbox"/>	

We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. (If Authorized Representative, attach authorization letter and indicate TIN)

18 ANTONIO R. MORAZA Signature over printed name of President/Principal Officer/Authorized Representative	Signature over printed name of Treasurer/Assistant Treasurer
Title of Signatory	Number of pages filed 8

22 Community Tax Certificate (CTC) Number	SEC Reg No.	00135057	23 Date of Issue (MM/DD/YYYY)	01/26/2018
24 Place of Issue	TAGUIG CITY		25 Amount, if CTC	10,500

Part III - Details of Payment				
Details of Payment	Drawee Bank/Agency	Number	Date (MM/DD/YYYY)	Amount
26 Cash/Bank Debit Memo				0
27 Check				0
28 Tax Debit Memo				0
29 Others (Specify Below)				0

Machine Validation/Revenue Official Receipts Details (if not filed with an Authorized Agent Bank)	Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)
---	--

Annual Income Tax Return

Page 2

BIR Form No.
1702-RT
June 2013



1702-RT06/13P2

Taxpayer Identification Number (TIN)	Registered Name
200 - 652 - 460 - 000	ABOITIZ POWER CORPORATION

Part IV - Computation of Tax (Do NOT enter Centavos)

30 Net Sales/Revenues/Receipts/Fees (From Schedule 1 Item 6)	1,403,850,375
31 Less: Cost of Sales/Services (From Schedule 2 Item 27)	983,220,942
32 Gross Income from Operation (Item 30 Less Item 31)	420,629,433
33 Add: Other Taxable Income Not Subjected to Final Tax (From Schedule 3 Item 4)	101,397,186
34 Total Gross Income (Sum of Items 32 & 33)	522,026,619

Less: Deductions Allowable under Existing Law

35 Ordinary Allowable Itemized Deductions (From Schedule 4 Item 40)	941,642,347
36 Special Allowable Itemized Deductions (From Schedule 5 Item 5)	0
37 NOLCO (only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Schedule 6A Item 8D)	0
38 Total Itemized Deductions (Sum of Items 35 to 37)	941,642,347

OR [in case taxable under Sec 27(A) & 28(A)(1)]

39 Optional Standard Deduction (40% of Item 34)	0
--	---

40 Net Taxable Income (Item 34 Less Item 38 OR 39)	(419,615,728)
---	---------------

41 Income Tax Rate	30.0%
---------------------------	--------------

42 Income Tax Due other than MCIT (Item 40 x Item 41)	0
--	---

43 Minimum Corporate Income Tax (MCIT) (2% of Gross Income in Item 34)	10,440,532
---	------------

44 Total Income Tax Due (Normal Income Tax in Item 42 or MCIT in Item 43, whichever is higher) (To part II Item 16)	10,440,532
--	------------

45 Less: Total Tax Credits/Payments (From Schedule 7 Item 12) (To Part II Item 17)	652,056,583
---	-------------

46 Net Tax Payable (Overpayment) (Item 44 Less Item 45) (To Part II Item 18)	(641,616,051)
---	---------------

Add Penalties

47 Surcharge	0
48 Interest	0
49 Compromise	0
50 Total Penalties (Sum of Items 47 to 49) (To part II Item 19)	0

51 Total Amount Payable (Overpayment) (Sum Item 46 & 50) (To Part II Item 20)	(641,616,051)
--	---------------

Part V - Tax Relief Availment (Do NOT enter Centavos)

52 Special Allowable Itemized Deductions (30% of Item 36)	0
53 Add: Special Tax Credits (From Schedule 7 Item 9)	0
54 Total Tax Relief Availment (Sum of Items 52 & 53)	0

Part VI - Information - External Auditor/Accredited Tax Agent

55 Name of External Auditor/Accredited Tax Agent	SYCIP GORRES AND VELAYO COMPANY		
---	---------------------------------	--	--

56 TIN	000 - 502 - 547 - 000
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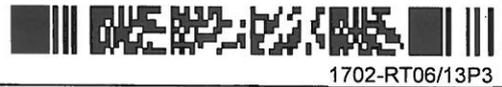
57 Name of Signing Partner (If External Auditor is a Partnership)	MARIA VERONICA ANDRESA R. PORE		
--	--------------------------------	--	--

58 TIN	164 - 533 - 282 - 000
---------------	-----------------------

59 BIR Accreditation No.	60 Issue Date (MM/DD/YYYY)	61 Expiry Date (MM/DD/YYYY)
08 - 001998 - 071 - 2018	02/26/2018	02/25/2021

Annual Income Tax Return
Page 3 - Schedules 1 & 2

BIR Form No.
1702-RT
June 2013



Taxpayer Identification Number (TIN)	Registered Name
200 - 652 - 460 - 000	ABOITIZ POWER CORPORATION

Schedule 1 - Sales/Revenues/Receipts/Fees (Attach additional sheet/s, if necessary)

1 Sale of Goods/Properties	0
2 Sale of Services	1,403,850,375
3 Lease of Properties	0
4 Total (Sum of Items 1 to 3)	1,403,850,375
5 Less: Sales Returns, Allowances and Discounts	0
6 Net Sales/Revenues/Receipts/Fees (Item 4 Less Item 5) (To Part IV Item 30)	1,403,850,375

Schedule 2 - Cost of Sales (Attach additional sheet/s, if necessary)

Schedule 2A - Cost of Sales (For those Engaged in Trading)

1 Merchandise Inventory - Beginning	0
2 Add: Purchases of Merchandise	0
3 Total Goods Available for Sale (Sum of Items 1 & 2)	0
4 Less: Merchandise Inventory, Ending	0
5 Cost of Sales (Item 3 Less Item 4) (To Schedule 2 Item 27)	0

Schedule 2B - Cost of Sales (For those Engaged in Manufacturing)

6 Direct Materials, Beginning	0
7 Add: Purchases of Direct Materials	0
8 Materials Available for Use (Sum of Items 6 & 7)	0
9 Less: Direct Materials, Ending	0
10 Raw Materials Used (Item 8 Less Item 9)	0
11 Direct Labor	0
12 Manufacturing Overhead	0
13 Total Manufacturing Cost (Sum of Items 10, 11 & 12)	0
14 Add: Work in Process, Beginning	0
15 Less: Work in Process, Ending	0
16 Cost of Goods Manufactured (Sum of Items 13 & 14 Less Item 15)	0
17 Finished Goods, Beginning	0
18 Less: Finished Goods, Ending	0
19 Cost of Goods Manufactured and Sold (Sum of Items 16 & 17 Less Item 18) (To Sched. 2 Item 27)	0

Schedule 2C - Cost of Services

(For those Engaged in Services, indicate only those directly incurred or related to the gross revenue from rendition of services)

20 Direct Charges - Salaries, Wages and Benefits	832,793,222
21 Direct Charges - Materials, Supplies and Facilities	4,552,009
22 Direct Charges - Depreciation	20,173,912
23 Direct Charges - Rental	25,565,963
24 Direct Charges - Outside Services	91,218,923
25 Direct Charges - Others	8,916,913
26 Total Cost of Services (Sum of Items 20 to 25) (To Item 27)	983,220,942
27 Total Cost of Sales/Services (Sum of Items 5, 19 & 26, if applicable) (To Part IV Item 31)	983,220,942

Annual Income Tax Return
Page 4 - Schedules 3 & 4

BIR Form No.
1702-RT
 June 2013



1702-RT06/13P4

Taxpayer Identification Number (TIN)	Registered Name
200 - 652 - 460 - 000	ABOITIZ POWER CORPORATION

Schedule 3 - Other Taxable Income Not Subjected to Final Tax *(Attach additional sheet/s, if necessary)*

1 REALIZED FOREIGN EXCHANGE GAIN	78,652,702
2 GAIN ON REDEMPTION	19,558,250
3 MISCELLANEOUS INCOME	3,186,234
4 Total Other Taxable Income Not Subjected to Final Tax <i>(Sum of Items 1 to 3) (To Part IV Item 33)</i>	101,397,186

Schedule 4 - Ordinary Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

1 Advertising and Promotions	22,272,248
Amortizations <i>(Specify on Items 2, 3 & 4)</i>	
2 INTANGIBLES	147,097
3	0
4	0
5 Bad Debts	0
6 Charitable Contributions	0
7 Commissions	0
8 Communication, Light and Water	1,579,493
9 Depletion	0
10 Depreciation	1,899,773
11 Director's Fees	3,791,457
12 Fringe Benefits	592,554
13 Fuel and Oil	0
14 Insurance	7,420,444
15 Interest	625,333,710
16 Janitorial and Messengerial Services	154,145
17 Losses	0
18 Management and Consultancy Fee	0
19 Miscellaneous	3,536,152
20 Office Supplies	461,852
21 Other Services	81,917,916
22 Professional Fees	5,463,724
23 Rental	2,593,954
24 Repairs and Maintenance - (Labor or Labor & Materials)	630,031
25 Repairs and Maintenance - (Materials/Supplies)	0
26 Representation and Entertainment	8,212,799
27 Research and Development	3,355,265
28 Royalties	0
29 Salaries and Allowances	83,879,896

Annual Income Tax Return
Page 5 - Schedules 4, 5 & 6

BIR Form No.
1702-RT
June 2013



1702-RT06/13P5

Taxpayer Identification Number (TIN)				Registered Name	
200	-652	-460	-000	ABOITIZ POWER CORPORATION	

Schedule 4 - Ordinary Allowable Itemized Deductions (Continued from Previous Page)

30 Security Services	0
31 SSS, GSIS, Philhealth, HDMF and Other Contributions	616,311
32 Taxes and Licenses	19,020,566
33 Tolling Fees	0
34 Training and Seminars	17,750,495
35 Transportation and Travel	50,593,806
Others [Specify below; Add additional sheet(s), if necessary]	
36 LOSS ON SALE OF ASSETS	418,659
37	0
38	0
39	0
40 Total Ordinary Allowable Itemized Deductions (Sum of Items 1 to 39) (To Part IV Item 35)	941,642,347

Schedule 5 - Special Allowable Itemized Deductions (Attach additional sheet/s, if necessary)

Description	Legal Basis	Amount
1		0
2		0
3		0
4		0
5 Total Special Allowable Itemized Deductions (Sum of Items 1 to 4) (To Part IV Item 36)		0

Schedule 6 - Computation of Net Operating Loss Carry Over (NOLCO)

1 Gross Income (From Part IV Item 34)	522,026,619
2 Less: Total Deductions Exclusive of NOLCO & Deduction Under Special Law	941,642,347
3 Net Operating Loss (To Schedule 6A)	(419,615,728)

Schedule 6A - Computation of Available Net Operating Loss Carry Over (NOLCO)

Net Operating Loss			B) NOLCO Applied Previous Year
Year Incurred	A) Amount		
4 2017	419,615,728		0
5 2015	290,022,557		61,947,637
6	0		0
7	0		0

Continuation of Schedule 6A (Item numbers continue from the table above)

C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied)
4 0	0	419,615,728
5 0	0	228,074,920
6 0	0	0
7 0	0	0
8 Total NOLCO (Sum of Items 4D to 7D) (To Part IV Item 37)	0	

Annual Income Tax Return
Page 6 - Schedules 7, 8 & 9

BIR Form No.
1702-RT
June 2013



1702-RT06/13P6

Taxpayer Identification Number (TIN)				Registered Name	
200	-652	-460	-000	ABOITIZ POWER CORPORATION	

Schedule 7 - Tax Credits/Payments (attach proof) (Attach additional sheet/s, if necessary)

1	Prior Year's Excess Credits Other Than MCIT	511,455,599
2	Income Tax Payment under MCIT from Previous Quarter/s	0
3	Income Tax Payment under Regular/Normal Rate from Previous Quarter/s	0
4	Excess MCIT Applied this Current Taxable Year (From Schedule 8 Item 4F)	0
5	Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	0
6	Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	140,600,984
7	Foreign Tax Credits, if applicable	0
8	Tax Paid in Return Previously Filed, if this is an Amended Return	0
9	Special Tax Credits (To Part V Item 53)	0
Other Credits/Payments (Specify)		
10		0
11		0
12	Total Tax Credits/Payments (Sum of Items 1 to 11) (To Part IV Item 45)	652,056,583

Schedule 8 - Computation of Minimum Corporate Income Tax (MCIT)

	Year	A) Normal Income Tax as Adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1	2016	0	22,262,045	22,262,045
2	2015	0	11,707,926	11,707,926
3	2014	0	9,830,618	9,830,618

Continuation of Schedule 8 (Line numbers continue from table above)

	D) Excess MCIT Applied/Used for Previous Years	E) Expired Portion of Excess MCIT	F) Excess MCIT Applied this Current Taxable Year	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s
1	0	0	0	22,262,045
2	0	0	0	11,707,926
3	0	9,830,618	0	0
4	Total Excess MCIT (Sum of Column for Items 1F to 3F) (To Schedule 7 Item 4)			0

Schedule 9 - Reconciliation of Net Income per Books Against Taxable Income (Attach additional sheet/s, if necessary)

1	Net Income/(Loss) per books	9,248,726,427
Add: Non-deductible Expenses/Taxable Other Income		
2	NON DEDUCTIBLE INTEREST EXPENSE	48,691,972
3	OTHERS	255,138,490
4	Total (Sum of Items 1 to 3)	9,552,556,889
Less: A) Non-taxable Income and Income Subjected to Final Tax		
5	DIVIDEND INCOME	9,792,258,034
6	OTHERS	179,914,583
B) Special Deductions		
7		0
8		0
9	Total (Sum of Items 5 to 8)	9,972,172,617
10	Net Taxable Income (Loss) (Item 4 Less Item 9)	(419,615,728)

Annual Income Tax Return
Page 7 - Schedules 10 & 11

BIR Form No.
1702-RT
June 2013



1702-RT06/13P7

Taxpayer Identification Number (TIN)				Registered Name			
200	-652	-460	-000	ABOITIZ POWER CORPORATION			

Schedule 10 - BALANCE SHEET

Assets	
1 Current Assets	9,185,357,906
2 Long-Term Investment	80,038,264,024
3 Property, Plant and Equipment - Net	80,296,724
4 Long-Term Receivables	0
5 Intangible Assets	271,983,154
6 Other Assets	192,451,542
7 Total Assets (Sum of Items 1 to 6)	89,768,353,350

Liabilities and Equity	
8 Current Liabilities	193,939,364
9 Long-Term Liabilities	12,901,981,643
10 Deferred Credits	0
11 Other Liabilities	0
12 Total Liabilities (Sum of Items 8 to 11)	13,095,921,007
13 Capital Stock	7,358,604,307
14 Additional Paid-in Capital	12,361,613,172
15 Retained Earnings	56,952,214,864
16 Total Equity (Sum of Items 13 to 15)	76,672,432,343
17 Total Liabilities and Equity (Sum of Items 12 & 16)	89,768,353,350

Schedule 11- **Stockholders** **Partners** **Members Information** (Top 20 Stockholders, partners or Members)
(On column 3 enter the amount of capital contribution and on the last column enter the percentage this represents on the entire ownership)

REGISTERED NAME	TIN	Capital Contribution	% to Total
ABOITIZ EQUITY VENTURES, INC.	003 - 828 - 269 - 000	5,657,530,774	76.88
PCD NOMINEE CORPORATION FILIPINO	004 - 774 - 849 - 000	897,494,675	12.2
PCD NOMINEE CORPORATION FOREIGN	004 - 774 - 849 - 000	539,522,074	7.33
BAUHINIA MANAGEMENT, INC.	004 - 444 - 659 - 000	18,109,100	0.25
PORTOLA INVESTORS, INC.	289 - 037 - 956 - 000	13,634,856	0.19
HAWK VIEW CAPITAL, INC.	288 - 960 - 311 - 000	13,633,657	0.19
SAN FERNANDO ELECTRIC LIGHT AND P	000 - 877 - 891 - 000	7,931,034	0.11
PARRAZ DEVELOPMENT CORPORATION	200 - 345 - 776 - 000	7,827,522	0.11
DOMINUS CAPITAL, INC.	411 - 618 - 151 - 000	7,241,050	0.1
FMK CAPITAL PARTNERS, INC.	412 - 992 - 144 - 000	6,538,000	0.09
SABIN M. ABOITIZ	131 - 507 - 827 - 000	6,050,985	0.08
IKER M. ABOITIZ	131 - 507 - 835 - 000	5,465,100	0.07
ABOITIZ AND COMPANY	000 - 311 - 031 - 000	5,360,000	0.07
DANIELLE MANAGEMENT AND DEVELOP	004 - 267 - 639 - 000	5,234,949	0.07
ARRAYANES CORPORATION	290 - 248 - 029 - 000	4,146,243	0.06
RAMON ABOITIZ FOUNDATION, INC.	000 - 562 - 088 - 000	3,900,000	0.05
CAL MANAGEMENT CORPORATION	262 - 064 - 216 - 000	2,972,829	0.04
TRIS MANAGEMENT CORPORATION	262 - 065 - 977 - 000	2,939,466	0.04
ANNABELLE O ABOITIZ	200 - 625 - 711 - 000	2,920,035	0.04
TINKERBELL MANAGEMENT CORPORATI	260 - 942 - 556 - 000	2,869,506	0.04

Annual Income Tax Return
Page 8 - Schedules 12 & 13

BIR Form No.
1702-RT
June 2013



1702-RT06/13P8

Taxpayer Identification Number (TIN)	Registered Name
200 - 652 - 460 - 000	ABOITIZ POWER CORPORATION

Schedule 12 - Supplemental Information (Attach additional sheet/s, if necessary)

I) Gross Income/Receipts Subjected to Final Withholding	A) Exempt	B) Actual Amount/Fair Market Value/Net Capital Gains	C) Final Tax Withheld/Paid
1 Interests	0	147,551,430	18,946,168
2 Royalties	0	0	0
3 Dividends	9,792,258,034	0	0
4 Prizes and Winnings	0	0	0

II) Sale/Exchange of Real properties	A) Sale/Exchange #1	B) Sale/Exchange #2
5 Description of Property (e.g. land, improvement, etc.)		
6 OCT/TCT/CCT/Tax Declaration No.		
7 Certificate Authorizing Registration (CAR) No		
8 Actual Amount/Fair Market Value/Net Capital Gains		
9 Final Tax Withheld/Paid		

III) Sale/Exchange of Shares of Stock	A) Sale/Exchange #1	B) Sale/Exchange #2
10 Kind (PS/CS)/Stock Certificate Series No.		
11 Certificate Authorizing Registration (CAR) No.		
12 Number of Shares		
13 Date of Issue (MM/DD/YYYY)		
14 Actual Amount/Fair Market Value/Net Capital Gains		
15 Final Tax Withheld/Paid		

IV) Other Income (Specify)	A) Other Income #1	B) Other Income #2
16 Other Income Subject to Final Tax Under Sections 57(A)/127 /others of the Tax Code, as amended (Specify)		
17 Actual Amount/Fair Market Value/Net Capital Gains		
18 Final Tax Withheld/Paid		

19 Total Final Tax Withheld Paid (Sum of Items 1C to 4C, 9A, 9B, 15A, 15B, 18A & 18B)	18,946,168
--	------------

Schedule 13 - Gross Income/Receipts Exempt from Income Tax

1 Return of Premium (Actual Amount/Fair Market Value)	0
---	---

I) Personal/Real Properties Received thru Gifts, Bequests, and Devices	A) Personal/Real Properties #1	B) Personal/Real Properties #2
2 Description of Property (e.g. land, improvement, etc.)		
3 Modes of Transfer (e.g. Donation)		
4 Certificate Authorizing Registration (CAR) No.		
5 Actual Amount/Fair Market Value		

II) Other Exempt Income/Receipts	A) Other Exempt Income #1	B) Other Exempt Income #2
6 Other Exempt Income/Receipts Under Sec. 32 (B) of the Tax Code, as amended (Specify)		
7 Actual Amount/Fair Market Value/Net Capital Gains		

8 Total Income Receipts Exempt From Income Tax (Sum of Items 1, 5A, 5B, 7A & 7B)	0
---	---

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 200-652-460-000
Name	: ABOITIZ POWER CORPORATION
RDO	: 123
Form Type	: 1702
Reference No.	: 121900029838209
Amount Payable (Over Remittance)	: -756,748,927.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2018
Date Filed	: 04/06/2019
Tax Type	: IT

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Reference No : 121900029838209
Date Filed : April 06, 2019 03:02 PM
Batch Number : 0

For BIR Use Only BCS/Item



1702-RT06/13P1

 Republika ng Pilipinas Kagawaran ng Pananalapi Kawanihan ng Rentas Internas		Annual Income Tax Return For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate <i>Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.</i>			BIR Form No. 1702-RT June 2013 Page 1		
1 For <input checked="" type="radio"/> Calendar <input type="radio"/> Fiscal		3 Amended Return? <input type="radio"/> Yes <input checked="" type="radio"/> No		4 Short Period Return? <input type="radio"/> Yes <input checked="" type="radio"/> No		5 Alphanumeric Tax Code (ATC) IC055 <input type="checkbox"/> Minimum Corporate Income Tax (MCIT) <input checked="" type="checkbox"/> IC010 <input type="checkbox"/> CORPORATION IN GENERAL - JAN 1, 2009 <input checked="" type="checkbox"/>	
2 Year Ended (MM/20YY) 12 2018							
Part I - Background Information							
6 Taxpayer Identification Number (TIN) 200 - 652 - 460 - 000			7 RDO Code 123				
8 Date of Incorporation/Organization (MM/DD/YYYY)							
9 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS) ABOITIZ POWER CORPORATION							
10 Registered Address (Indicate complete registered address) 32ND STREET, BONIFACIO GLOBAL CITY, TAGUIG CITY, METRO MANILA							
11 Contact Number 4111800			12 Email Address ap.accounting@aboitiz.com				
13 Main Line of Business FINANCIAL HOLDING COMPANY ACTIVITIES					14 PSIC Code 6694		
15 Method of Deductions <input checked="" type="radio"/> Itemized Deductions [Section 34 (A-J), NIRC] <input type="radio"/> Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]							
Part II - Total Tax Payable (Do NOT enter Centavos)							
16 Total Income Tax Due (Overpayment) (From Part IV Item 44)				15,959,089			
17 Less: Total Tax Credits/Payments (From Part IV Item 45)				772,708,016			
18 Net Tax Payable (Overpayment) (Item 16 Less Item 17) (From Part IV Item 46)				(756,748,927)			
19 Add: Total Penalties (From Part IV Item 50)				0			
20 TOTAL AMOUNT PAYABLE (Overpayment) (Sum of Item 18 and 19) (From Part IV Item 51)				(756,748,927)			
21 If Overpayment, mark "X" one box only (Once the choice is made, the same is irrevocable) <input checked="" type="radio"/> To be refunded <input type="radio"/> To be issued a Tax Credit Certificate (TCC) <input type="radio"/> To be carried over as tax credit next year/quarter							
We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. (If Authorized Representative, attach authorization letter and indicate TIN)							
Signature over printed name of President/Principal Officer/Authorized Representative			Signature over printed name of Treasurer/Assistant Treasurer				
Title of Signatory			Number of pages filed		8		
22 <input checked="" type="radio"/> Community Tax Certificate (CTC) Number <input type="radio"/> SEC Reg No.		00088529		23 Date of Issue (MM/DD/YYYY)		01/23/2019	
24 Place of Issue TAGUIG CITY			25 Amount, if CTC		10,500		
Part III - Details of Payment							
Details of Payment		Drawee Bank/Agency	Number	Date (MM/DD/YYYY)	Amount		
26 Cash/Bank Debit Memo					0		
27 Check					0		
28 Tax Debit Memo					0		
29 Others (Specify Below)					0		
Machine Validation/Revenue Official Receipts Details (if not filed with an Authorized Agent Bank)				Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)			

Annual Income Tax Return Page 2				BIR Form No. 1702-RT June 2013			
Taxpayer Identification Number (TIN)				Registered Name			
200	-652	-460	-000	ABOITIZ POWER CORPORATION			
Part IV - Computation of Tax <i>(Do NOT enter Centavos)</i>							
30 Net Sales/Revenues/Receipts/Fees <i>(From Schedule 1 Item 6)</i>				1,679,158,424			
31 Less: Cost of Sales/Services <i>(From Schedule 2 Item 27)</i>				1,045,487,484			
32 Gross Income from Operation <i>(Item 30 Less Item 31)</i>				633,670,940			
33 Add: Other Taxable Income Not Subjected to Final Tax <i>(From Schedule 3 Item 4)</i>				164,283,524			
34 Total Gross Income <i>(Sum of Items 32 & 33)</i>				797,954,464			
Less: Deductions Allowable under Existing Law							
35 Ordinary Allowable Itemized Deductions <i>(From Schedule 4 Item 40)</i>				1,404,172,787			
36 Special Allowable Itemized Deductions <i>(From Schedule 5 Item 5)</i>				0			
37 NOLCO <i>(only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Schedule 6A Item 8D)</i>				0			
38 Total Itemized Deductions <i>(Sum of Items 35 to 37)</i>				1,404,172,787			
OR [in case taxable under Sec 27(A) & 28(A)(1)]							
39 Optional Standard Deduction <i>(40% of Item 34)</i>				0			
40 Net Taxable Income <i>(Item 34 Less Item 38 OR 39)</i>				(606,218,323)			
41 Income Tax Rate				30.0%			
42 Income Tax Due other than MCIT <i>(Item 40 x Item 41)</i>				0			
43 Minimum Corporate Income Tax (MCIT) <i>(2% of Gross Income in Item 34)</i>				15,959,089			
44 Total Income Tax Due <i>(Normal Income Tax in Item 42 or MCIT in Item 43, whichever is higher) (To part II Item 16)</i>				15,959,089			
45 Less: Total Tax Credits/Payments <i>(From Schedule 7 Item 12) (To Part II Item 17)</i>				772,708,016			
46 Net Tax Payable (Overpayment) <i>(Item 44 Less Item 45) (To Part II Item 18)</i>				(756,748,927)			
Add Penalties							
47 Surcharge				0			
48 Interest				0			
49 Compromise				0			
50 Total Penalties <i>(Sum of Items 47 to 49) (To part II Item 19)</i>				0			
51 Total Amount Payable (Overpayment) <i>(Sum Item 46 & 50) (To Part II Item 20)</i>				(756,748,927)			
Part V - Tax Relief Availment <i>(Do NOT enter Centavos)</i>							
52 Special Allowable Itemized Deductions <i>(30% of Item 36)</i>				0			
53 Add: Special Tax Credits <i>(From Schedule 7 Item 9)</i>				0			
54 Total Tax Relief Availment <i>(Sum of Items 52 & 53)</i>				0			
Part VI - Information - External Auditor/Accredited Tax Agent							
55 Name of External Auditor/Accredited Tax Agent							
SYCIP, GORRES, VELAYO AND COMPANY							
				56 TIN	000	- 502	- 547 - 000
57 Name of Signing Partner <i>(If External Auditor is a Partnership)</i>							
MARIA VERONICA ANDRESA R. PORE							
				58 TIN	164	- 533	- 282 - 000
59 BIR Accreditation No.				60 Issue Date <i>(MM/DD/YYYY)</i>		61 Expiry Date <i>(MM/DD/YYYY)</i>	
08	-001998	-071	-2018	02/26/2018		02/25/2021	

Annual Income Tax Return				BIR Form No.			
Page 3 - Schedules 1 & 2				1702-RT			
				June 2013		1702-RT06/13P3	
Taxpayer Identification Number (TIN)				Registered Name			
200	-652	-460	-000	ABOITIZ POWER CORPORATION			

Schedule 1 - Sales/Revenues/Receipts/Fees (Attach additional sheet/s, if necessary)

1 Sale of Goods/Properties	0
2 Sale of Services	1,679,158,424
3 Lease of Properties	0
4 Total (Sum of Items 1 to 3)	1,679,158,424
5 Less: Sales Returns, Allowances and Discounts	0
6 Net Sales/Revenues/Receipts/Fees (Item 4 Less Item 5) (To Part IV Item 30)	1,679,158,424

Schedule 2 - Cost of Sales (Attach additional sheet/s, if necessary)

Schedule 2A - Cost of Sales (For those Engaged in Trading)

1 Merchandise Inventory - Beginning	0
2 Add: Purchases of Merchandise	0
3 Total Goods Available for Sale (Sum of Items 1 & 2)	0
4 Less: Merchandise Inventory, Ending	0
5 Cost of Sales (Item 3 Less Item 4) (To Schedule 2 Item 27)	0

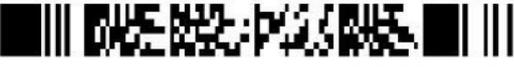
Schedule 2B - Cost of Sales (For those Engaged in Manufacturing)

6 Direct Materials, Beginning	0
7 Add: Purchases of Direct Materials	0
8 Materials Available for Use (Sum of Items 6 & 7)	0
9 Less: Direct Materials, Ending	0
10 Raw Materials Used (Item 8 Less Item 9)	0
11 Direct Labor	0
12 Manufacturing Overhead	0
13 Total Manufacturing Cost (Sum of Items 10, 11 & 12)	0
14 Add: Work in Process, Beginning	0
15 Less: Work in Process, Ending	0
16 Cost of Goods Manufactured (Sum of Items 13 & 14 Less Item 15)	0
17 Finished Goods, Beginning	0
18 Less: Finished Goods, Ending	0
19 Cost of Goods Manufactured and Sold (Sum of Items 16 & 17 Less Item 18) (To Sched. 2 Item 27)	0

Schedule 2C - Cost of Services

(For those Engaged in Services, indicate only those directly incurred or related to the gross revenue from rendition of services)

20 Direct Charges - Salaries, Wages and Benefits	905,221,341
21 Direct Charges - Materials, Supplies and Facilities	3,271,397
22 Direct Charges - Depreciation	21,726,753
23 Direct Charges - Rental	25,647,790
24 Direct Charges - Outside Services	81,089,816
25 Direct Charges - Others	8,530,387
26 Total Cost of Services (Sum of Items 20 to 25) (To Item 27)	1,045,487,484
27 Total Cost of Sales/Services (Sum of Items 5, 19 & 26, if applicable) (To Part IV Item 31)	1,045,487,484

Annual Income Tax Return			BIR Form No. 1702-RT		
Page 4 - Schedules 3 & 4			June 2013		1702-RT06/13P4
Taxpayer Identification Number (TIN)			Registered Name		
200	-652	-460	-000	ABOITIZ POWER CORPORATION	

Schedule 3 - Other Taxable Income Not Subjected to Final Tax <i>(Attach additional sheet/s, if necessary)</i>	
1	REALIZED FOREIGN EXCHANGE GAIN 156,852,701
2	MISCELLANEOUS INCOME 7,430,823
3	0
4 Total Other Taxable Income Not Subjected to Final Tax (Sum of Items 1 to 3) (To Part IV Item 33) 164,283,524	

Schedule 4 - Ordinary Allowable Itemized Deductions <i>(Attach additional sheet/s, if necessary)</i>	
1	Advertising and Promotions 17,017,558
Amortizations <i>(Specify on Items 2, 3 & 4)</i>	
2	INTANGIBLES 111,134
3	0
4	0
5	Bad Debts 0
6	Charitable Contributions 0
7	Commissions 0
8	Communication, Light and Water 1,589,928
9	Depletion 0
10	Depreciation 1,507,919
11	Director's Fees 2,622,157
12	Fringe Benefits 607,678
13	Fuel and Oil 0
14	Insurance 20,869,563
15	Interest 997,296,087
16	Janitorial and Messengerial Services 140,579
17	Losses 0
18	Management and Consultancy Fee 0
19	Miscellaneous 3,982,908
20	Office Supplies 243,781
21	Other Services 63,710,360
22	Professional Fees 3,420,561
23	Rental 1,911,243
24	Repairs and Maintenance - (Labor or Labor & Materials) 452,058
25	Repairs and Maintenance - (Materials/Supplies) 0
26	Representation and Entertainment 10,734,116
27	Research and Development 1,765,938
28	Royalties 0
29	Salaries and Allowances 66,948,992

Annual Income Tax Return Page 5 - Schedules 4, 5 & 6			BIR Form No. 1702-RT June 2013	1702-RT06/13P5
Taxpayer Identification Number (TIN)			Registered Name	
200	-652	-460	-000	ABOITIZ POWER CORPORATION

Schedule 4 - Ordinary Allowable Itemized Deductions <i>(Continued from Previous Page)</i>	
30 Security Services	0
31 SSS, GSIS, Philhealth, HDMF and Other Contributions	507,045
32 Taxes and Licenses	111,108,787
33 Tolling Fees	0
34 Training and Seminars	35,117,465
35 Transportation and Travel	49,791,744
Others <i>[Specify below; Add additional sheet(s), if necessary]</i>	
36 LOSS ON SALE OF ASSETS	1,253,112
37 LOSS ON FORWARDS	11,462,074
38	0
39	0
40 Total Ordinary Allowable Itemized Deductions (Sum of Items 1 to 39) (To Part IV Item 35)	1,404,172,787

Schedule 5 - Special Allowable Itemized Deductions <i>(Attach additional sheet/s, if necessary)</i>		
Description	Legal Basis	Amount
1		0
2		0
3		0
4		0
5 Total Special Allowable Itemized Deductions (Sum of Items 1 to 4) (To Part IV Item 36)		0

Schedule 6 - Computation of Net Operating Loss Carry Over (NOLCO)	
1 Gross Income <i>(From Part IV Item 34)</i>	797,954,464
2 Less: Total Deductions Exclusive of NOLCO & Deduction Under Special Law	1,404,172,787
3 Net Operating Loss <i>(To Schedule 6A)</i>	(606,218,323)

Schedule 6A - Computation of Available Net Operating Loss Carry Over (NOLCO)		
Net Operating Loss		B) NOLCO Applied Previous Year
Year Incurred	A) Amount	
4 2018	606,218,323	0
5 2017	419,615,728	0
6 2015	290,022,557	61,947,637
7	0	0

Continuation of Schedule 6A (Item numbers continue from the table above)

C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied)
4	0	606,218,323
5	0	419,615,728
6	228,074,920	0
7	0	0
8 Total NOLCO (Sum of Items 4D to 7D) (To Part IV Item 37)	0	

Annual Income Tax Return Page 6 - Schedules 7, 8 & 9	BIR Form No. 1702-RT June 2013	 1702-RT06/13P6
Taxpayer Identification Number (TIN) 200 -652 -460 -000	Registered Name ABOITIZ POWER CORPORATION	

Schedule 7 - Tax Credits/Payments (attach proof) *(Attach additional sheet/s, if necessary)*

1 Prior Year's Excess Credits Other Than MCIT	641,616,051
2 Income Tax Payment under MCIT from Previous Quarter/s	0
3 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s	0
4 Excess MCIT Applied this Current Taxable Year <i>(From Schedule 8 Item 4F)</i>	0
5 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	0
6 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	131,091,965
7 Foreign Tax Credits, if applicable	0
8 Tax Paid in Return Previously Filed, if this is an Amended Return	0
9 Special Tax Credits <i>(To Part V Item 53)</i>	0
Other Credits/Payments <i>(Specify)</i>	
10	0
11	0
12 Total Tax Credits/Payments <i>(Sum of Items 1 to 11) (To Part IV Item 45)</i>	772,708,016

Schedule 8 - Computation of Minimum Corporate Income Tax (MCIT)

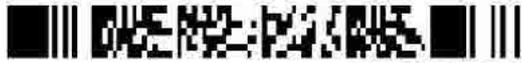
Year	A) Normal Income Tax as Adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1	0	0	0
2	0	0	0
3	0	0	0

Continuation of Schedule 8 *(Line numbers continue from table above)*

Year	D) Excess MCIT Applied/Used for Previous Years	E) Expired Portion of Excess MCIT	F) Excess MCIT Applied this Current Taxable Year	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s
1	0	0	0	0
2	0	0	0	0
3	0	0	0	0
4 Total Excess MCIT <i>(Sum of Column for Items 1F to 3F) (To Schedule 7 Item 4)</i>			0	

Schedule 9 - Reconciliation of Net Income per Books Against Taxable Income *(Attach additional sheet/s, if necessary)*

1 Net Income/(Loss) per books	8,996,680,025
Add: Non-deductible Expenses/Taxable Other Income	
2 NON DEDUCTIBLE INTEREST EXPENSE	45,301,662
3 OTHERS	259,458,975
4 Total <i>(Sum of Items 1 to 3)</i>	9,301,440,662
Less: A) Non-taxable Income and Income Subjected to Final Tax	
5 DIVIDEND INCOME	9,736,042,939
6 OTHERS	171,616,046
B) Special Deductions	
7	0
8	0
9 Total <i>(Sum of Items 5 to 8)</i>	9,907,658,985
10 Net Taxable Income (Loss) <i>(Item 4 Less Item 9)</i>	(606,218,323)

Annual Income Tax Return Page 7 - Schedules 10 & 11	BIR Form No. 1702-RT June 2013	 1702-RT06/13P7
Taxpayer Identification Number (TIN)	Registered Name	
200 - 652 - 460 - 000	ABOITIZ POWER CORPORATION	

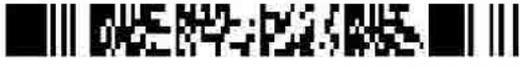
Schedule 10 - BALANCE SHEET

Assets	
1 Current Assets	13,799,285,249
2 Long-Term Investment	88,931,823,265
3 Property, Plant and Equipment - Net	65,585,230
4 Long-Term Receivables	0
5 Intangible Assets	7,915,027
6 Other Assets	706,737,383
7 Total Assets (Sum of Items 1 to 6)	103,511,346,154

Liabilities and Equity	
8 Current Liabilities	5,056,110,573
9 Long-Term Liabilities	22,997,821,292
10 Deferred Credits	0
11 Other Liabilities	0
12 Total Liabilities (Sum of Items 8 to 11)	28,053,931,865
13 Capital Stock	7,358,604,307
14 Additional Paid-in Capital	12,380,373,145
15 Retained Earnings	55,718,436,837
16 Total Equity (Sum of Items 13 to 15)	75,457,414,289
17 Total Liabilities and Equity (Sum of Items 12 & 16)	103,511,346,154

Schedule 11- Stockholders Partners Members Information (Top 20 Stockholders, partners or Members)
 (On column 3 enter the amount of capital contribution and on the last column enter the percentage this represents on the entire ownership)

REGISTERED NAME	TIN	Capital Contribution	% to Total
ABOTIZ EQUITY VENTURES, INC.	003 - 828 - 269 - 000	5,664,530,783	76.98
PCD NOMINEE CORPORATION FILIPINO	004 - 774 - 849 - 000	949,410,718	12.9
PCD NOMINEE CORPORATION FOREIGN	004 - 774 - 849 - 000	471,517,080	6.41
BAUHINIA MANAGEMENT, INC.	004 - 444 - 659 - 000	18,109,100	0.25
PORTOLA INVESTORS, INC.	289 - 037 - 956 - 000	13,634,856	0.19
HAWK VIEW CAPITAL, INC.	288 - 960 - 311 - 000	13,633,657	0.19
SAN FERNANDO ELECTRIC LIGHT AND P	000 - 877 - 891 - 000	7,931,034	0.11
PARRAZ DEVELOPMENT CORPORATION	200 - 345 - 776 - 000	7,827,522	0.11
DOMINUS CAPITAL, INC.	411 - 618 - 151 - 000	7,241,050	0.1
FMK CAPITAL PARTNERS, INC.	412 - 992 - 144 - 000	6,538,000	0.09
SABIN M. ABOITIZ	131 - 507 - 827 - 000	6,050,985	0.08
IKER M. ABOITIZ	131 - 507 - 835 - 000	5,465,100	0.07
ABOITIZ AND COMPANY	000 - 311 - 031 - 000	5,360,000	0.07
DANIELLE MANAGEMENT AND DEVELOP	004 - 267 - 639 - 000	5,234,949	0.07
ARRAYANES CORPORATION	290 - 248 - 029 - 000	4,146,243	0.06
DANEL C. ABOITIZ	120 - 536 - 729 - 000	4,081,636	0.06
RAMON ABOITIZ FOUNDATION, INC.	000 - 562 - 088 - 000	3,900,000	0.05
TRIS MANAGEMENT CORPORATION	262 - 065 - 977 - 000	3,130,359	0.04
TINKERBELL MANAGEMENT CORPORATI	260 - 942 - 556 - 000	3,042,454	0.04
CAL MANAGEMENT CORPORATION	262 - 064 - 216 - 000	3,036,798	0.04

Annual Income Tax Return Page 8 - Schedules 12 & 13	BIR Form No. 1702-RT June 2013	 1702-RT06/13P8
Taxpayer Identification Number (TIN) 200 - 652 - 460 - 000	Registered Name ABOITIZ POWER CORPORATION	

Schedule 12 - Supplemental Information (Attach additional sheet/s, if necessary)

I) Gross Income/Receipts Subjected to Final Withholding	A) Exempt	B) Actual Amount/Fair Market Value/Net Capital Gains	C) Final Tax Withheld/Paid
1 Interests	0	137,277,764	23,267,247
2 Royalties	0	0	0
3 Dividends	9,736,042,939	0	0
4 Prizes and Winnings	0	0	0

II) Sale/Exchange of Real properties	A) Sale/Exchange #1	B) Sale/Exchange #2
5 Description of Property (e.g. land, improvement, etc.)		
6 OCT/TCT/CCT/Tax Declaration No.		
7 Certificate Authorizing Registration (CAR) No.		
8 Actual Amount/Fair Market Value/Net Capital Gains		
9 Final Tax Withheld/Paid		

III) Sale/Exchange of Shares of Stock	A) Sale/Exchange #1	B) Sale/Exchange #2
10 Kind(PS/CS)/Stock Certificate Series No.		
11 Certificate Authorizing Registration (CAR) No.		
12 Number of Shares		
13 Date of Issue (MM/DD/YYYY)		
14 Actual Amount/Fair Market Value/Net Capital Gains		
15 Final Tax Withheld/Paid		

IV) Other Income (Specify)	A) Other Income #1	B) Other Income #2
16 Other Income Subject to Final Tax Under Sections 57(A)/127/others of the Tax Code, as amended (Specify)		
17 Actual Amount/Fair Market Value/Net Capital Gains		
18 Final Tax Withheld/Paid		

19 Total Final Tax Withheld Paid (Sum of Items 1C to 4C, 9A, 9B, 15A, 15B, 18A & 18B)	23,267,247
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Schedule 13 - Gross Income/Receipts Exempt from Income Tax

1 Return of Premium (Actual Amount/Fair Market Value)	0
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I) Personal/Real Properties Received thru Gifts, Bequests, and Devices	A) Personal/Real Properties #1	B) Personal/Real Properties #2
2 Description of Property (e.g. land, improvement, etc.)		
3 Modes of Transfer (e.g. Donation)		
4 Certificate Authorizing Registration (CAR) No.		
5 Actual Amount/Fair Market Value		

II) Other Exempt Income/Receipts	A) Other Exempt Income #1	B) Other Exempt Income #2
6 Other Exempt Income/Receipts Under Sec. 32 (B) of the Tax Code, as amended (Specify)		
7 Actual Amount/Fair Market Value/Net Capital Gains		

8 Total Income Receipts Exempt From Income Tax (Sum of Items 1, 5A, 5B, 7A & 7B)	0
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COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	1	9	9	8	0	0	1	3	4
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COMPANY NAME

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

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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																

Form Type

A	P	F	S
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Department requiring the report

C	F	D
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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

ap_investor@aboitiz.com

Company's Telephone Number

(02) 886-2800

Mobile Number

Not Available

No. of Stockholders

629

Annual Meeting (Month / Day)

May 21

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation.

Name of Contact Person

Liza Luv T. Montelibano

Email Address

liza.montelibano@aboitiz.com

Telephone Number/s

(02) 886-2800

Mobile Number

Not Available

CONTACT PERSON'S ADDRESS

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

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Aboitiz Power Corporation is responsible for the preparation and fair presentation of the Parent financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor, appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


ENRIQUE M. ABOITIZ, JR.
Chairman of the Board


ERRAMON I. ABOITIZ
Chief Executive Officer


LIZA LUV T. MONTELIBANO
SVP & Chief Financial Officer/Corporate Information Officer

Signed this 8th day of March 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Power Corporation
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Aboitiz Power Corporation (the Company), which comprise the parent company balance sheets as at December 31, 2017 and 2016, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 22 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Aboitiz Power Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Maria Veronica Andresa R. Pore.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-3 (Group A),
March 2, 2017, valid until March 1, 2020

Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021

PTR No. 6621311, January 9, 2018, Makati City

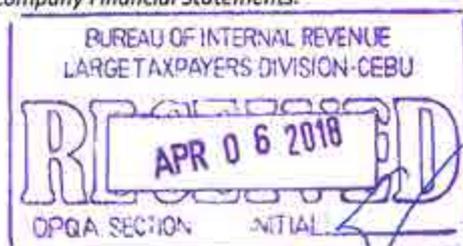
March 8, 2018



ABOITIZ POWER CORPORATION
PARENT COMPANY BALANCE SHEETS

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	P7,826,169,148	P2,714,654,179
Trade and other receivables (Note 5)	519,646,158	925,785,292
Other current assets (Note 6)	797,032,600	521,012,573
Derivative asset	42,510,000	-
Total Current Assets	9,185,357,906	4,161,452,044
Noncurrent Assets		
Investments and advances (Note 7)	80,038,264,024	83,075,399,866
Project development costs (Note 10)	262,559,144	273,724,711
Available-for-sale (AFS) investment	99,374,831	96,689,232
Deferred income tax assets (Note 16)	71,384,885	91,862,690
Property and equipment (Note 8)	80,296,724	64,287,327
Pension asset (Note 15)	16,196,106	-
Other noncurrent assets (Note 9)	14,919,730	16,836,617
Total Noncurrent Assets	80,582,995,444	83,618,800,443
TOTAL ASSETS	P89,768,353,350	P87,780,252,487
LIABILITIES AND EQUITY		
Current Liability		
Trade and other payables (Note 11)	P193,939,364	P403,564,537
Noncurrent Liabilities		
Long-term debts - net of deferred financing cost (Note 12)	12,901,981,643	9,922,153,365
Pension liability (Note 15)	-	20,653,885
Total Noncurrent Liabilities	12,901,981,643	9,942,807,250
Total Liabilities	13,095,921,007	10,346,371,787
Equity		
Capital stock (Note 13a)	7,358,604,307	7,358,604,307
Additional paid-in capital (Note 13a)	12,588,894,332	12,588,894,332
Actuarial losses on defined benefit plan (Note 15)	(226,655,991)	(257,950,177)
Unrealized valuation loss on AFS investment	(625,169)	(3,310,768)
Retained earnings (Note 13b)		
Appropriated	34,060,000,000	34,060,000,000
Unappropriated	22,892,214,864	23,687,643,006
Total Equity	76,672,432,343	77,433,880,700
TOTAL LIABILITIES AND EQUITY	P89,768,353,350	P87,780,252,487

See accompanying Notes to Parent Company Financial Statements.



ABOITIZ POWER CORPORATION
PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31		
	2017	2016	2015
REVENUE			
Dividends	P9,792,258,034	P26,807,702,580	P6,545,200,372
Technical, management and other service fees (Note 17)	1,403,850,375	1,287,351,539	974,356,863
Interest income (Notes 4 and 17e)	147,551,430	329,471,455	331,196,244
	11,343,659,839	28,424,525,574	7,850,753,479
GENERAL AND ADMINISTRATIVE EXPENSES			
Personnel (Note 14)	890,915,629	785,891,676	614,507,699
Interest and other financing charges (Note 12)	674,025,682	620,131,545	595,341,627
Professional fees (Note 17)	100,474,104	96,502,870	77,527,508
Service fees (Note 17)	82,072,061	104,581,971	114,339,626
Project and bidding expenses (Note 10)	76,839,564	323,240,970	317,162
Transportation and travel (Note 17)	50,593,806	59,564,834	51,092,150
Rent (Note 17)	28,159,917	25,054,795	21,737,582
Advertising and sponsorships	22,272,248	9,835,050	5,066,746
Depreciation and amortization (Notes 8 and 9)	22,220,782	21,256,849	19,249,923
Taxes and licenses	19,038,303	16,976,074	12,034,773
Training	17,750,495	28,301,772	12,914,939
Entertainment, amusement and recreation	8,212,799	8,612,605	8,184,351
Repairs and maintenance	6,839,603	6,625,413	5,690,407
Office supplies	5,013,861	4,133,728	4,317,790
Communication	2,982,031	2,787,762	3,262,869
Light and water	1,304,803	1,268,933	1,598,529
Others	8,917,061	9,355,041	7,059,749
	2,017,632,749	2,124,121,888	1,554,243,430
OTHER INCOME (CHARGES) - Net			
Foreign exchange gains (Note 18)	69,842,921	545,056,530	134,645,823
Gain on redemption of preferred shares (Note 7)	19,558,250	16,050,518	-
Provision for impairment of investment in a subsidiary (Note 7)	(169,469,408)	(120,733,027)	-
Others (Note 8)	2,767,574	8,547,746	12,451,211
	(77,300,663)	448,921,767	147,097,034
INCOME BEFORE INCOME TAX	9,248,726,427	26,749,325,453	6,443,607,083
PROVISION FOR INCOME TAX (Note 16)	36,452,711	72,627,378	62,984,123
NET INCOME	P9,212,273,716	P26,676,698,075	P6,380,622,960

See accompanying Notes to Parent Company Financial Statements.



ABOITIZ POWER CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2017	2016	2015
NET INCOME	₱9,212,273,716	₱26,676,698,075	₱6,380,622,960
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gains (loss) on defined benefit plans (Note 15)	44,705,980	20,313,413	(265,058,671)
Income tax effect (Note 16)	(13,411,794)	(6,094,024)	79,517,601
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods	31,294,186	14,219,389	(185,541,070)
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>			
Unrealized gain (loss) on AFS investments	2,685,599	(3,310,768)	-
Total other comprehensive income (loss) for the year, net of tax	33,979,785	10,908,621	(185,541,070)
TOTAL COMPREHENSIVE INCOME	₱9,246,253,501	₱26,687,606,696	₱6,195,081,890

See accompanying Notes to Parent Company Financial Statements.



ABOITIZ POWER CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	Capital Stock (Note 13a)	Additional Paid-In Capital	Unrealized Valuation on AFS Investments	Losses on Defined Benefit Plan	Actuarial		Total
					Losses on Defined Benefit Plan	Retained Earnings	
					Appropriated	Unappropriated	
Balances at January 1, 2017	₱7,358,604,307	₱12,588,894,332	(₱3,310,768)	(₱257,950,177)	₱34,060,000,000	₱23,687,643,006	₱77,433,880,700
Net income for the year	-	-	-	-	-	9,212,273,716	9,212,273,716
Other comprehensive income	-	-	-	31,294,186	-	-	31,294,186
Unrealized valuation on AFS investments	-	-	2,685,599	-	-	-	2,685,599
Total comprehensive income	-	-	2,685,599	31,294,186	-	9,212,273,716	9,246,253,501
Cash dividends (Note 13b)	-	-	-	-	-	(10,007,701,858)	(10,007,701,858)
Balances at December 31, 2017	₱7,358,604,307	₱12,588,894,332	(₱625,169)	(₱226,655,991)	₱34,060,000,000	₱22,892,214,864	₱76,672,432,343

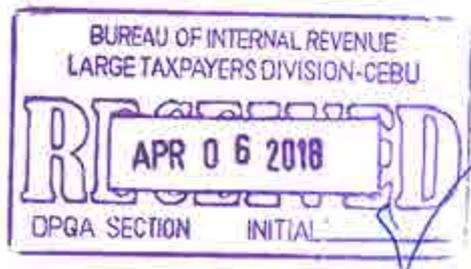
	Capital Stock (Note 13a)	Additional Paid-In Capital	Unrealized Valuation on AFS Investments	Actuarial Losses on Defined Benefit Plan	Retained Earnings		Total
					Appropriated	Unappropriated	
					Appropriated	Unappropriated	
Balances at January 1, 2016	₱7,358,604,307	₱12,588,894,332	₱-	(₱272,169,566)	₱20,900,000,000	₱22,386,228,081	₱62,961,557,154
Net income for the year	-	-	-	-	-	26,676,698,075	26,676,698,075
Other comprehensive income	-	-	-	14,219,389	-	-	14,219,389
Unrealized valuation on AFS investments	-	-	(3,310,768)	-	-	-	(3,310,768)
Total comprehensive income	-	-	(3,310,768)	14,219,389	-	26,676,698,075	26,687,606,696
Cash dividends (Note 13b)	-	-	-	-	-	(12,215,283,150)	(12,215,283,150)
Appropriation during the year (Note 13b)	-	-	-	-	13,160,000,000	(13,160,000,000)	-
Balances at December 31, 2016	₱7,358,604,307	₱12,588,894,332	(₱3,310,768)	(₱257,950,177)	₱34,060,000,000	₱23,687,643,006	₱77,433,880,700

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION - CEBU
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	Capital Stock (Note 13a)	Additional Paid-in Capital	Unrealized Valuation on AFS Investments	Actuarial Losses on Defined			Total
				Benefit Plan	Appropriated	Unappropriated	
Balances at January 1, 2015	₱7,358,604,307	₱12,588,894,332	₱-	(₱86,628,496)	₱20,900,000,000	₱28,220,888,271	₱68,981,758,414
Net income for the year	-	-	-	-	-	6,380,622,960	6,380,622,960
Other comprehensive income	-	-	-	(185,541,070)	-	-	(185,541,070)
Total comprehensive income	-	-	-	(185,541,070)	-	6,380,622,960	6,195,081,890
Cash dividends (Note 13b)	-	-	-	-	-	(12,215,283,150)	(12,215,283,150)
Balances at December 31, 2015	₱7,358,604,307	₱12,588,894,332	₱-	(₱272,169,566)	₱20,900,000,000	₱22,386,228,081	₱62,961,557,154

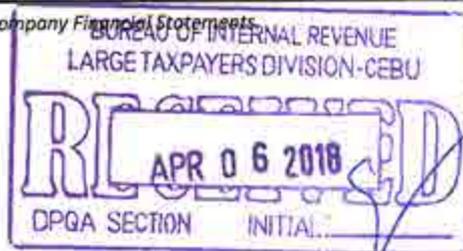
See accompanying Notes to Parent Company Financial Statements.



ABOITIZ POWER CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P9,248,726,427	P26,749,325,453	P6,443,607,083
Adjustments for:			
Interest and other financing charges (Note 12)	674,025,682	620,131,545	595,341,627
Provision for impairment of investment in a subsidiary (Note 7)	169,469,408	120,733,027	-
Project and bidding expenses (Note 10)	76,839,564	80,379,837	-
Depreciation and amortization (Notes 8 and 9)	22,220,782	21,256,849	19,249,923
Unrealized foreign exchange losses (gain)	8,809,781	54,174,161	(183,690)
Losses (gain) on disposal of assets	418,659	103,750	(99,425)
Gain on redemption of preferred shares (Notes 7)	(19,558,250)	(16,050,518)	-
Interest income (Notes 4 and 17e)	(147,551,430)	(329,471,455)	(331,196,244)
Operating income before working capital changes	10,033,400,623	27,300,582,649	6,726,719,274
Decrease (increase) in:			
Trade and other receivables	293,236,492	(477,330,607)	(2,338,966)
Other current assets	(145,859,575)	1,813,749	(920,496)
Pension asset	(16,196,106)	-	64,671,775
Increase (decrease) in:			
Pension liability	24,052,095	(198,138,608)	(25,952,765)
Trade and other payables	(171,627,870)	241,198,537	(20,155,804)
Net cash generated from operations	10,017,005,659	26,868,125,720	6,742,023,018
Income taxes paid	(159,547,151)	(165,584,323)	(180,567,998)
Net cash flows from operating activities	9,857,458,508	26,702,541,397	6,561,455,020
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	260,454,071	372,600,692	294,943,279
Proceeds from:			
Redemption on preferred shares (Note 7)	9,784,493,862	57,076,000	28,000,000
Disposal of investment property	-	-	25,000,000
Disposal of property and equipment (Note 8)	1,966,529	3,592,738	4,651,958
Collection of refundable deposit	340,990	-	-
Additions to:			
Computer software license (Note 9)	(20,982)	(4,062,937)	(2,982,065)
Property and equipment (Note 8)	(39,018,488)	(28,644,578)	(20,037,454)
Project development costs - net of transfers (Note 10)	(65,673,997)	(86,515,646)	(20,994,241)
AFS investments	-	(100,000,000)	-
Investments and advances	(6,897,269,177)	(12,864,053,304)	(389,595,383)
Net cash flows from (used in) investing activities	3,045,272,808	(12,650,007,035)	(81,013,906)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debts (Note 12)	3,000,000,000	-	-
Payments of:			
Transaction costs from avilment of long-term debt	(32,938,058)	-	(1,016,706)
Interest and other financing charges	(699,256,650)	(609,202,229)	(585,034,687)
Cash dividends (Note 13b)	(10,007,701,858)	(12,215,283,150)	(12,215,283,150)
Amounts owed to related parties	-	(12,300,000,000)	-
Net cash flows used in financing activities	(7,739,896,566)	(25,124,485,379)	(12,801,334,543)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,162,834,750	(11,071,951,017)	(6,320,893,429)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(51,319,781)	(54,174,161)	183,690
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,714,654,179	13,840,779,357	20,161,489,096
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P7,826,169,148	P2,714,654,179	P13,840,779,357

See accompanying Notes to Parent Company Financial Statements.



ABOITIZ POWER CORPORATION
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

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

The Company's registered office address is 32nd Street, Bonifacio Global City, Taguig City, Metro Manila.

The parent company financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 8, 2018.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying parent company financial statements have been prepared on a historical cost basis, except for derivative financial instruments and AFS investments which are measured at fair value. The parent company financial statements are presented in Philippine peso which is the Company's functional currency and all values are rounded to the nearest peso except for exchange rate and as otherwise indicated.

The Company also prepares and issues consolidated financial statements for the same period as the separate financial statements that are presented in compliance with Philippine Financial Reporting Standards (PFRSs). These may be obtained at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

Statement of Compliance

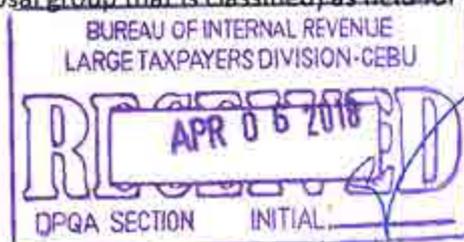
The parent company financial statements are prepared in compliance with PFRSs.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and revised standards and Philippine Interpretations which were applied starting January 1, 2017. These new and revised standards and interpretations did not have any significant impact on the parent company financial statements:

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

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



Adoption of these amendments did not have any impact on the Company's financial statements.

- Amendments to Philippine Accounting Standards (PAS) 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

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

The Company applied the amendments retrospectively. However, their application has no effect on the Company's financial position and performance as the Company has no deductible temporary differences or assets that are in the scope of the amendments.

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

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Company has provided the required information in Note 21 to the parent company financial statements. As allowed under the transition provisions of the standard, the Company did not present comparative information for the year ended December 31, 2016.

New Standards and Interpretations Issued and Effective after December 31, 2017

The Company will adopt the standards enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRSs, PAS and Philippine Interpretations to have significant impact on its financial statements.

Effective January 1, 2018

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

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

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

These amendments will not be applicable to the Company since it has no share-based payment arrangements.



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

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

The amendments are not applicable to the Company since it is not engaged in the insurance business.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the modified retrospective method. In 2016, the Company performed a preliminary assessment of PFRS 15, which was continued with a more detailed analysis in 2017

Based on its initial assessment, the requirement of PFRS 15 on identification of performance obligations may have an impact on the Company's financial position, performance and disclosures. For contract with customers in which the rendering of services is generally expected to qualify as a series of distinct services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation, adoption of PFRS 15 is not expected to have significant impact on the Company's revenue and profit or loss. The Company expects the revenue recognition to occur over time wherein the customer simultaneously receives and consumes the benefits as the seller render the services.

In addition, as the presentation and disclosure requirements in PFRS 15 are more detailed than under current PFRSs, the Company is currently assessing what necessary changes it needs to make on its current systems, internal controls policies and procedures to enable the Company to collect and disclose the required information.

The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Company



- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the mandatory effective date and will not restate comparative information.

The Company has performed an assessment of the population of financial instruments impacted by the classification and measurement requirements of PFRS 9 and is in the process of developing impairment methodologies to support the calculation of expected credit losses (ECL) for qualified credit exposures.

(a) Classification and measurement

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

The Company assessed that the contractual cash flows of its debt financial assets are solely payments of principal and interest (SPPI) and are expected to be held to collect all contractual cash flows until their maturity. As a result, these debt financial assets are still expected to be measured at amortized cost.

Investments in unquoted equity shares currently carried at cost under PAS 39 are expected to be measured at FVTPL. The Company is in the process of determining how to measure the fair value of these unquoted investments.

(b) Impairment

PFRS 9 requires the Company record ECL for all loans and other debt financial assets not classified as at FVTPL, together with contract assets, loan commitments and financial guarantee contracts. The Company plans to apply the simplified approach and record lifetime ECL on all trade receivables and contract assets. For other debt financial assets measured at amortized cost, the general approach will be applied, measuring either a 12-month or lifetime expected losses, depending on the extent of the deterioration of their credit quality from origination. The Company is currently quantifying the impact of the change in measuring ECL.



(c) *Hedge accounting*

PFRS 9 introduces a new hedge accounting model which aims to reflect in the financial statements the effect of an entity's risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit or loss. The new hedge accounting model reduces restrictions on the classification and designation of hedged items and hedging instruments and provides a more principle-based criteria for measuring hedge effectiveness. The Company assessed that the adoption of the new hedge accounting requirements under PFRS 9 will have no impact in the 2018 financial statements since the Company does not designate hedging relationships on which PFRS 9 will apply.

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

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

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

These amendments are not applicable to the Company since it not a venture capital organization and has no interest in investment entity subsidiaries, associates or joint ventures.

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

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

These amendments are not applicable to the Company since it does not own any investment property.



- Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC)-22, *Foreign Currency Transactions and Advance Consideration*

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

Since the Company's current practice is in line with the clarifications issued, the Company does not expect any effect on its financial statements upon adoption of this interpretation.

Effective January 1, 2019

- PFRS 16, *Leases*

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

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

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

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.



The Company is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date.

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

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

The Company expects that adoption of these amendments will not have any impact on the Company's financial statements and plans to adopt these on the required effective date.

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

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

The interpretation specifically addresses the following:

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

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

The Company is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.



On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

Current versus Noncurrent Classification

The Company presents assets and liabilities in the balance sheet based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.



A fair value measurement of a non-financial asset takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents

Cash and cash equivalents in the parent company balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Financial Instruments

Date of recognition

The Company recognizes a financial asset or a financial liability in the parent company balance sheet on the date when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date, which is the date that the Company commits to purchase the asset. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) investments. For financial liabilities, the Company also classifies them into financial liabilities



at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every balance sheet date.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the parent company statement of income unless it qualifies for recognition as some other type of asset. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in the parent company statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

a. Financial asset or financial liability at FVPL

Financial assets and liabilities at FVPL include financial assets and liabilities classified as held for trading and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term or upon initial recognition if it is designated by management as at FVPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated and considered as hedging instruments in an effective hedge.

Financial assets may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded, unless the embedded derivative does not significantly modify the cash flow or it is clear, with little or no analysis, that it would not be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial asset or financial liability at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets and liabilities at FVPL are recorded in the parent company balance sheet at fair value. Subsequent changes in fair value are recognized in the parent company statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

Included under this category is the Company's derivative asset (see Note 19).



b. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not reclassified or designated as AFS investments or financial assets at FVPL. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the parent company statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Included under this category are the Company's cash and cash equivalents (excluding cash on hand) and trade other receivables.

c. HTM investments

HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Company has the positive intention and ability to hold to maturity. After the initial measurement, HTM investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Where the Company sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments. Gains and losses are recognized in the parent company statement of income when the investments are derecognized or impaired, as well as through the amortization process.

The Company does not have any HTM investments at December 31, 2017 and 2016.

d. AFS investments

AFS investments are non-derivative financial assets that are either designated as AFS or not classified in any of the other categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Quoted AFS investments are measured at fair value with gains or losses being recognized as other comprehensive income, until the investments are derecognized or until the investments are determined to be impaired at which time, the accumulated gains or losses previously reported in other comprehensive income are included in the parent company statement of income. Unquoted AFS investments are carried at cost, net of impairment. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognized in the parent company statement of income when the right of payment has been established.

Included under this category are the Company's investment in unquoted shares of stocks (see Note 18).



e. Other financial liabilities

This category pertains to issued financial liabilities or their components that are neither held for trading nor designated as at FVPL upon the inception of the liability and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as fair value of the liability component on the date of issue. These include liabilities arising from operations or borrowings.

Other financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable financing costs. Deferred financing costs are amortized, using the effective interest rate method, over the term of the related long-term liability. After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in the parent company statement of income when liabilities are derecognized, as well as through amortization process.

Included under this category are the Company's trade and other payables and long-term debts.

Derivative financial instruments

Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at FVPL, unless designated as effective hedge. Changes in fair value of derivative instruments not accounted as hedges are recognized immediately in the parent company statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. An embedded derivative is separated from the host financial or non-financial contract and accounted for as a separate derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

As of December 31, 2017 the Company has derivative assets classified as financial assets at FVPL (see Note 19).



Classification of financial instruments between liability and equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as income or expense. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new



liability, and the difference in the respective carrying amounts is recognized in the parent company statement of income.

Impairment of Financial Assets

The parent company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the parent company statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the financial asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the parent company statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.



AFS investments

For AFS investments, the Company assesses at each balance sheet date whether there is objective evidence that an investment or group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the parent company statement of income) is removed from the other comprehensive income and recognized in the parent company statement of income. Impairment losses on equity investments are not reversed through the parent company statement of income. Increases in fair value after impairment are recognized directly in the other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on rate of interest used to discount future cash flows for measuring impairment loss. Such accrual is recorded as part of "Interest income" in the parent company statement of income. If, in subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the parent company statement of income, the impairment loss is reversed through the parent company statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements whereby the related assets and liabilities are presented gross in the parent company balance sheet. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Investments in Subsidiaries and Associates

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decision of the investee, but is not control or joint control over those policies.

Investments in subsidiaries and associates are carried at cost, less impairment in value, in the parent company financial statements.

The Company recognizes income from the investments only to the extent that the Company receives distributions or establishes a right to receive distributions from accumulated profits of the subsidiaries and associates arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.



Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment in value, if any. The initial cost of property and equipment comprises its purchase price, including import duties, if any, nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing parts of such property and equipment when that cost is incurred if the recognition criteria are met.

Depreciation is calculated on a straight-line basis over the useful lives of the assets as follows:

<u>Category</u>	<u>Number of Years</u>
Transportation equipment	5
Office equipment	3
Communication equipment	3
Leasehold improvements	10

Leasehold improvements are amortized over the period of the lease agreement or the estimated useful lives of the improvements, whichever is shorter.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the parent company statement of income in the year the asset is derecognized.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

The asset's useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of the acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the parent company statement of income in the year in which the expenditure is incurred.



Computer software license

Computer software license is initially recognized at cost. Following initial recognition, the computer software license cost is carried at cost less accumulated amortization and any accumulated impairment in value.

The computer software license is amortized on a straight-line basis over its estimated useful economic life of three to five years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the computer software license is available for use. The amortization period and the amortization method for the license are reviewed at each financial year end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense is recognized in the parent company statement of income in the expense category consistent with the function of the computer software license.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the parent company statement of income when the asset is derecognized.

Project Development Costs

Project development costs include power plant projects in the development phase which meet the "identifiability" requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to "Property and equipment" when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

Impairment of Nonfinancial Assets

The Company assesses at each balance sheet date whether there is an indication that assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the parent company statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimates of the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation



increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Foreign Currency Transactions

The Company's financial statements are presented in Philippine Peso, which is the Company's functional currency. Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at balance sheet date. Exchange gains and losses arising from foreign currency transactions and translations of foreign currency denominated monetary assets and liabilities are credited to or charged against current operations.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against an equity reserve account.

Retained Earnings

The amount included in retained earnings includes accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

Dividend income

Dividend income is recognized when the Company's right to receive payment is established.



Technical, management and service fees

Technical, management and services fees are recognized when the related services are rendered.

Interest income

Interest income is recognized as it accrues taking into account the effective interest method.

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Pension Benefits

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the parent company statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the parent company statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to parent company statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined



benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused net operating loss carryover (NOLCO) and excess minimum corporate income tax (MCIT), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused NOLCO and excess MCIT can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.



The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the balance sheet date.

Deferred income tax assets and deferred income tax liabilities are offset, if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT)

Expenses and assets are recognized net of the amount of VAT, except:

- when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of asset or as part of the expense item, as applicable
- when receivables and payables are stated with the amount of VAT included

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Input VAT

Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations.

Input VAT is recognized as an asset and will be used to offset the Company's current output VAT liabilities and or applied for claim for tax credit certificates. Input VAT is stated at its estimated net realizable value.

Output VAT

Output VAT represents VAT due on the sale, lease or exchange of taxable goods or properties or service by any person registered or required to register under Philippine taxation laws and regulations.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the parent company statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate,



the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingencies

Contingent liabilities are not recognized in the parent company financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the parent company financial statements when an inflow of economic benefits is probable.

Events After the Reporting Period

Post year-end events that provide additional information about the Company's position at balance sheet date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed when material.

3. Significant Accounting Judgment, Estimates and Assumptions

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

Judgment

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

Capitalization of Project Development Costs

The application of the Company's accounting policy for capitalization of project development costs requires management's judgement about the confirmation of technological and economic feasibility of a project, usually when a project development has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating Impairment of Project Development Costs

Impairment is determined for development costs by assessing the recoverable amount of each projects. Where the recoverable amount of the project is less than the carrying amount, an impairment loss is recognized. When calculating recoverable amount, the future cash flow is discounted by a discount factor that takes into consideration risk free interest and the risk associated with the specific project.



The Company did not recognize impairment loss on project development costs in 2017 and 2016. The carrying amount of the Company's project development costs amounted to ₱262.6 million and ₱273.7 million as of December 31, 2017 and 2016, respectively (see Note 10).

Estimating allowance for impairment of trade and other receivables

The Company maintains allowance for impairment of receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of the factors that affect the collectability of the accounts. These factors include, but are not limited to, the Company's relationship with its debtors, debtor's current credit status and other known market factors. The Company reviews the age and status of receivables and identifies accounts that are to be provided with allowance either individually or collectively.

The amount and timing of recorded expenses for any period would differ if the Company made different judgment or utilized different estimates. An increase in the Company's allowance for impairment of receivables will increase the Company's recorded expenses and decrease current assets. No allowance for impairment of receivables was recognized as of December 31, 2017 and 2016. As of December 31, 2017 and 2016, the Company's receivables amounted to ₱519.6 million and ₱925.8 million, respectively (see Note 5).

Estimating allowance for impairment of losses on investment in and advances to subsidiaries and associates

Investments in and advances to subsidiaries and associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In 2017, it was determined that the carrying value of the investment in Mactan Enerzone Corporation exceeded its recoverable amount. As a result, an impairment loss amounting to ₱169.5 million was recognized. In 2016, it was determined that the carrying value of the investment in AboitizPower International Pte. Ltd. exceeded its recoverable amount. As a result, an impairment loss amounting to ₱120.7 million was recognized. The aggregate carrying amount of the investments in and advances to subsidiaries and associates amounted to ₱80.0 billion and ₱83.1 billion as of December 31, 2017 and 2016, respectively (see Note 7).

Assessing impairment of nonfinancial assets

The Company assesses whether there are any indicators of impairment for nonfinancial assets at each balance sheet date. These nonfinancial assets (property and equipment and other current and noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Determining the recoverable amount of the assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect its financial statements. Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

As of December 31, 2017, the carrying values of property and equipment and other current and noncurrent assets amounted to ₱80.3 million, ₱797.0 million, and ₱14.9 million, respectively. As of December 31, 2016, the carrying values of property and equipment, other current assets, and other noncurrent assets amounted to ₱64.3 million, ₱521.0 million, and ₱16.8 million, respectively (see Notes 6, 8, and 9).



Estimating useful lives of property and equipment

The Company estimates the useful lives of property and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of December 31, 2017 and 2016, the net book values of property and equipment amounted to ₱80.3 million and ₱64.3 million, respectively (see Note 8).

Pension costs

The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 15.

Net benefit expense amounted to ₱50.0 million in 2017, ₱58.3 million in 2016 and ₱38.7 million in 2015. Pension asset amounted to ₱16.2 million in 2017. Pension liability amounted to ₱20.7 million in 2016 (see Note 15).

Deferred income tax assets

The Company reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. As of December 31, 2017 and 2016, deferred income tax assets amounted to ₱173.4 million and ₱196.2 million, respectively. No deferred income tax assets were recognized for MCIT amounting to ₱44.4 million and ₱43.8 million and NOLCO amounting to ₱647.7 million and ₱228.1 million as of December 31, 2017 and 2016, respectively (see Note 16).

Legal contingencies

The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized as of December 31, 2017 and 2016.



4. Cash and Cash Equivalents

	2017	2016
Cash on hand and in banks	₱278,899,148	₱55,830,179
Short-term deposits	7,547,270,000	2,658,824,000
	₱7,826,169,148	₱2,714,654,179

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

Interest earned on cash and cash equivalents amounted to ₱147.6 million in 2017, ₱329.5 million in 2016 and ₱331.2 million in 2015.

5. Trade and Other Receivables

	2017	2016
Trade (see Note 17)	₱383,208,109	₱621,159,134
Dividends	94,300,000	149,358,000
Interest (see Note 17)	10,269,728	123,172,369
Nontrade	18,094,904	17,001,905
Others	13,773,417	15,093,884
	₱519,646,158	₱925,785,292

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

For terms and conditions relating to related party receivables, refer to Note 17.

6. Other Current Assets

	2017	2016
Prepaid tax	₱784,917,756	₱511,455,599
Input VAT	7,093,225	4,535,355
Prepaid rent	5,021,619	5,021,619
	₱797,032,600	₱521,012,573



7. Investments and Advances

The details of the Company's investments and advances follow:

	2017	2016
<i>Investments in Subsidiaries</i>		
Therma Power, Inc. (TPI)	P30,116,058,873	P30,116,058,873
Aboitiz Renewables, Inc. (ARI)	27,172,988,814	36,654,338,814
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	2,794,460,000	1,923,460,000
Therma Visayas, Inc. (TVI)	P1,736,791,329	P173,114,630
Hedcor Sabangan, Inc. (Hedcor Sabangan)	1,732,643,142	1,732,643,142
Lima Enerzone Corporation (LEZ)	1,329,696,667	1,329,696,667
Therma South, Inc. (Therma South)	877,892,679	877,892,679
Therma Mobile, Inc. (Therma Mobile)	742,400,000	742,400,000
Davao Light & Power Co., Inc. (DLPC)	738,472,506	738,472,506
Visayan Electric Co., Inc. (VECO)	665,388,202	665,388,202
Hedcor Tudaya, Inc. (HTI)	656,250,000	656,250,000
Mactan Enerzone Corporation (MEZC)	609,532,287	609,532,287
Balamban Enerzone Corporation (BEZC)	486,869,161	486,869,161
Hedcor, Inc. (HI)	245,000,000	-
Subic Enerzone Corporation (SEZC)	227,000,000	227,000,000
Cotabato Light & Power Co. (CLPC)	214,047,443	214,047,443
AboitizPower International Pte. Ltd. (AP Int)	120,733,027	120,733,027
East Asia Utilities Corporation (EAUC)	100,914,275	144,690,887
Aboitiz Energy Solutions, Inc. (AESI)	21,000,000	21,000,000
Cebu Private Power Corporation (CPPC)	17,806,608	17,806,608
AdventEnergy, Inc. (AI)	812,500	812,500
Prism Energy, Inc. (PEI)	750,000	750,000
Malvar Enerzone Corporation (Malvez)	100,000	-
Hedcor Sibulan, Inc. (Hedcor Sibulan)	-	231,000,000
	70,607,607,513	77,683,957,426
<i>Investments in Associates</i>		
STEAG State Power, Inc. (STEAG)	4,400,611,465	4,400,611,465
Hijos de F. Escaño, Inc. (Hijos)	858,069,586	858,069,586
AEV Aviation, Inc. (AAI)	249,491,000	258,300,000
Pampanga Energy Ventures, Inc. (PEVI)	209,465,106	209,465,106
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	180,863,801	180,863,801
Western Mindanao Power Corporation (WMPC)	79,099,377	79,099,377
Southern Philippines Power Corporation (SPPC)	45,776,067	45,776,067
	6,023,376,402	6,032,185,402
Less allowance for impairment loss	1,025,425,480	855,956,072
	75,605,558,435	82,860,186,756
<i>Advances</i>	4,432,705,589	215,213,110
	P80,038,264,024	P83,075,399,866



Investment in EAUC

In April 2017, EAUC redeemed 21,690 Redeemable Preference Shares (RPS) at a redemption price of ₱63.3 million or ₱2,920 per share attributable to the Company. The book value of the redeemed shares amounted to ₱43.8 million. As a result, the Company recognized a "Gain on redemption of preferred shares" amounting to ₱19.6 million.

In April 2016, EAUC redeemed 36,600 Series A RPS attributable to the Company at ₱2,920 per share. The book value of the redeemed shares amounted to ₱35.9 million and was redeemed at a total redemption price amounting to ₱52.0 million. As a result, the Company recognized "Gain on redemption of preferred shares" amounting to ₱16.1 million.

In June 2016, TPI acquired for ₱509.4 million the remaining 50% ownership interest in EAUC. As a result, EAUC became a wholly-owned subsidiary of the Company. The transaction was accounted for as a business combination achieved in stages, and the investment in EAUC was presented as an investment in a subsidiary in 2016.

Investment in Hedcor Sabangan

In 2016, the Company subscribed additional 70.0 million RPS for ₱70.0 million.

Investment in Hedcor Bukidnon

The Company subscribed additional 871.0 million and 1.69 billion RPS for ₱871.0 million and ₱1.69 billion in 2017 and 2016, respectively.

Investment in TVI

In 2017, the Company subscribed additional 2.56 million RPS for ₱1.56 billion.

Investment in HI

In 2017, the Company subscribed 245.0 million RPS for ₱245.0 million.

Investment in Malvez

In 2017, the Company subscribed 0.1 million common shares for ₱0.1 million.

Investment in Therma South

In 2016, the Company subscribed additional 106.3 million RPS for ₱106.3 million.

Investment in TPI

In 2016, the Company subscribed additional 1.10 billion common shares for ₱1.10 billion and 9.90 billion RPS for ₱9.90 billion.

Investment in AP Int

In 2016, the Company subscribed 2.4 million common shares for ₱120.7 million.

It was determined on the same year that the carrying value of the investment in AP Int exceeded its recoverable amount. As a result, an impairment loss amounting to ₱120.7 million was recognized.

Investment in MEZC

In 2017, it was determined that the carrying value of the investment in MEZC exceeded its recoverable amount. As a result, an impairment loss amounting to ₱169.5 million was recognized.



Investment in ARI

In 2017, ARI redeemed shares attributable to the Company at 948.1 million RPS for ₱9.5 billion at ₱10 per share.

Investment in AAI

AAI redeemed shares attributable to the Company at 8,809 RPS for ₱8.8 million and 5,100 RPS for ₱5.1 million in 2017 and 2016, respectively, at ₱1,000 per share.

Investment in Hedcor Sibulan

Hedcor Sibulan redeemed shares attributable to the Company at 231.0 million RPS for ₱231.0 million in 2017 at ₱1 per share.

Advances

These advances include advances to subsidiaries that will be applied against future subscriptions of the Company to the shares of stock of the subsidiaries.

In 2017, the Company has advances to TPI amounting to ₱4.2 billion, AP Int amounting to ₱50.7 and PEI amounting to ₱9.6 million.

The Company's subsidiaries, all incorporated in the Philippines except for AP Int which was incorporated in Singapore, and the corresponding percentage equity ownership are as follows:

Name of Company	Nature of Business	2017		2016	
		Direct	Indirect	Direct	Indirect
ARI	Holding company	100.00%	-	100.00%	-
TPI	Holding company	100.00%	-	100.00%	-
AP Int	Holding company	100.00%	-	100.00%	-
LEZ	Power distribution	100.00%	-	100.00%	-
Hedcor Sabangan	Power generation	-	100.00%	-	100.00%
HI	Power generation	-	100.00%	-	100.00%
Therma Mobile	Power generation	-	100.00%	-	100.00%
DLPC	Power distribution	99.93%	-	99.93%	-
VECO	Power distribution	55.26%	-	55.26%	-
HTI	Power generation	-	100.00%	-	100.00%
MEZC	Power distribution	100.00%	-	100.00%	-
BEZC	Power distribution	100.00%	-	100.00%	-
Hedcor Bukidnon*	Power generation	-	100.00%	-	100.00%
Hedcor Sibulan	Power generation	-	100.00%	-	100.00%
SEZC	Power distribution	65.00%	34.98%	65.00%	34.98%
CLPC	Power distribution	99.94%	-	99.94%	-
TVI*	Power generation	-	80.00%	-	100.00%
Therma South	Power generation	-	100.00%	-	100.00%
AESI	Retail electricity supplier	100.00%	-	100.00%	-
CPPC	Power generation	60.00%	-	60.00%	-
EAUC	Power generation	50.00%	50.00%	50.00%	50.00%
Malvez*	Power distribution	100.00%	-	100.00%	-
AI	Retail electricity supplier	100.00%	-	100.00%	-
PEI	Retail electricity supplier	60.00%	-	60.00%	-

*No commercial operations as of December 31, 2017



The percentage of the Company's ownership in associates is as follows:

Name of Company	Nature of Business	Percentage of Ownership	
		2017	2016
AAI	Service	49.25%	49.25%
Hijos	Holding company	46.73%	46.73%
PEVI*	Holding company	42.84%	42.84%
STEAG	Power generation	34.00%	34.00%
SFELAPCO*	Power distribution	20.29%	20.29%
SPPC	Power generation	20.00%	20.00%
WMPC	Power generation	20.00%	20.00%

*PEVI has direct ownership in SFELAPCO of 54.83% while the Company's direct ownership in SFELAPCO is 20.29% resulting to the Company's effective ownership in SFELAPCO of 43.78%.

8. Property and Equipment

December 31, 2017

	Transportation Equipment	Office Equipment	Communication Equipment	Leasehold Improvements	Total
Cost:					
Balances at beginning of year	₱54,382,169	₱30,697,894	₱752,009	₱38,667,172	₱124,499,244
Additions	33,757,861	5,161,141	-	99,486	39,018,488
Disposals	(6,587,277)	(1,025,244)	-	-	(7,612,521)
Balances at end of year	81,552,753	34,833,791	752,009	38,766,658	155,905,211
Accumulated Depreciation:					
Balances at beginning of year	25,905,676	24,465,565	726,089	9,114,587	60,211,917
Depreciation and amortization	12,053,571	4,777,725	25,920	3,766,687	20,623,903
Disposals	(4,252,761)	(974,572)	-	-	(5,227,333)
Balances at end of year	33,706,486	28,268,718	752,009	12,881,274	75,608,487
Net Book Values	₱47,846,267	₱6,565,073	₱-	₱25,885,384	₱80,296,724

December 31, 2016

	Transportation Equipment	Office Equipment	Communication Equipment	Leasehold Improvements	Total
Cost:					
Balances at beginning of year	₱51,151,971	₱25,150,867	₱752,009	₱26,891,876	₱103,946,723
Additions	11,076,329	5,792,953	-	11,775,296	28,644,578
Disposals	(7,846,131)	(245,926)	-	-	(8,092,057)
Balances at end of year	54,382,169	30,697,894	752,009	38,667,172	124,499,244
Accumulated Depreciation:					
Balances at beginning of year	20,310,679	17,696,096	691,530	6,019,408	44,717,713
Depreciation and amortization	9,753,531	7,006,504	34,559	3,095,179	19,889,773
Disposals	(4,158,534)	(237,035)	-	-	(4,395,569)
Balances at end of year	25,905,676	24,465,565	726,089	9,114,587	60,211,917
Net Book Values	₱28,476,493	₱6,232,329	₱25,920	₱29,552,585	₱64,287,327

The Company recognized a gain of ₱0.4 million and a loss of ₱0.1 million on disposal of property and equipment in 2017 and 2016, respectively.

There are no restrictions on the title and no property and equipment are pledged as security for liabilities.



Fully depreciated property and equipment with cost amounting to ₱44.5 million and ₱37.0 million as of December 31, 2017 and 2016, respectively, are still carried in the books of the Company and still in use.

9. Other Noncurrent Assets

	2017	2016
Computer software licenses	₱9,424,010	₱10,999,907
Recoverable deposits	5,495,720	5,836,710
	₱14,919,730	₱16,836,617

The rollforward analysis of computer software licenses is presented below:

	2017	2016
Cost:		
Balances at beginning of year	₱16,577,183	₱12,514,246
Additions	20,982	4,062,937
Balances at end of year	16,598,165	16,577,183
Accumulated amortization:		
Balances at beginning of year	5,577,276	4,210,200
Amortization for the year	1,596,879	1,367,076
Balances at end of year	7,174,155	5,577,276
Net book values	₱9,424,010	₱10,999,907

10. Project Development Costs

	2017	2016
Balances at beginning of year	₱273,724,711	₱267,588,902
Additions	65,673,997	95,992,721
Transfers	-	(9,477,075)
Write-offs	(76,839,564)	(80,379,837)
Balances at end of year	₱262,559,144	₱273,724,711

Project development costs consist of rights, titles and interests for various power plant development projects.

In February 2016, ₱9.5 million project costs were transferred to AP Renewables, Inc.



11. Trade and Other Payables

	2017	2016
Accrued interest (see Note 12)	P66,285,228	P28,287,924
Output VAT	55,122,268	58,157,741
Trade payables (see Note 18)	39,132,317	226,466,838
Accrued taxes and fees	25,611,103	70,748,142
Nontrade payables	7,264,277	19,429,594
Others	524,170	474,298
	P193,939,363	P403,564,537

Trade payables are noninterest-bearing and generally on 30-day term.

Accrued taxes and fees represent taxes withheld on compensation, benefits and other fees.

12. Long-term Debts

	Interest Rate	2017	2016
Financial and non-financial institutions - unsecured			
2014 7-year retail bonds	5.21%	P6,600,000,000	P6,600,000,000
2014 12-year retail bonds	6.10%	3,400,000,000	3,400,000,000
2017 10-year retail bonds	5.34%	3,000,000,000	-
		13,000,000,000	10,000,000,000
Less deferred financing costs		98,018,357	77,846,635
		P12,901,981,643	P9,922,153,365

Retail Bonds - P3.0 billion

In July 2017, the Company issued P3.0 billion 10-year bond due 2027 at an annual fixed rate of 5.34% p.a. The bonds have been rated PRS Aaa by PhilRatings.

Retail Bonds - P10.0 billion

In September 2014, the Company issued a total of P10.0 billion bonds, broken down into a P6.6 billion 7-year bond due 2021 at a fixed rate equivalent to 5.21% p.a. and a P3.4 billion 12-year bond due 2026 at a fixed rate equivalent to 6.10% p.a. The bonds have been rated PRS Aaa by PhilRatings.

The principal amount of these bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

Under the bond trust agreements, the Company shall not permit its debt-to-equity ratio to exceed 3:1 calculated based on the year-end debt and consolidated equity. The Company is in compliance with the debt covenants as of December 31, 2017.



Unamortized deferred financing cost reduced the carrying amount of long-term debt by ₱98.0 million and ₱77.8 million as of December 31, 2017 and 2016, respectively.

Total interest expense recognized amounted to ₱630.5 million, ₱550.9 million and ₱550.9 million in 2017, 2016 and 2015, respectively.

13. Equity

a. Capital Stock

Authorized - ₱1 par value

Preferred shares - 1,000,000,000 shares

Common shares - 16,000,000,000 shares

Issued

Common shares - 7,358,604,307 shares

₱7,358,604,307

On May 25, 2007, the Company listed with the PSE its 7,187,664,000 common shares with a par value of ₱1.00 to cover the initial public offering (IPO) of 1,787,664,000 common shares at an issue price of ₱5.80 per share. On March 17, 2008, the Company listed an additional 170,940,307 common shares, which it issued pursuant to a share swap agreement at the IPO price of ₱5.80 per share. The total proceeds from the issuance of new shares amounted to ₱10.37 billion. The Company incurred transaction costs incidental to the initial public offering amounting to ₱412.4 million, which is charged against "Additional paid-in capital" in the parent company balance sheet.

As of December 31, 2017, 2016 and 2015, the Company has 629, 628 and 608 shareholders, respectively.

Preferred shares are non-voting, non-participating, non-convertible, redeemable, cumulative, and may be issued from time to time by the BOD in one or more series. The BOD is authorized to issue from time to time before issuance thereof, the number of shares in each series, and all the designations, relative rights, preferences, privileges and limitations of the shares of each series. Preferred shares redeemed by the Company may be reissued. Holders thereof are entitled to receive dividends payable out of the unrestricted retained earnings of the Company at a rate based on the offer price that is either fixed or floating from the date of the issuance to final redemption. In either case, the rate of dividend, whether fixed or floating, shall be referenced, or be a discount or premium, to market-determined benchmark as the BOD may determine at the time of issuance with due notice to the SEC.

In the event of any liquidation or dissolution or winding up of the Company, the holders of the preferred stock shall be entitled to be paid in full the offer price of their shares before any payment in liquidation is made upon the common stock.

There are no preferred shares issued and outstanding as of December 31, 2017 and 2016.



b. Retained Earnings

On November 24, 2016, the BOD approved additional appropriation of ₱13.2 billion retained earnings for the following projects:

Projects	Full Commercial Operations by	Appropriation
300 MW Cebu Coal	1 st half of 2018	₱8,160,000,000
2x300 MW Coal-fired	End of 4 th quarter 2021	5,000,000,000
Total		₱13,160,000,000

On November 27, 2014, the BOD approved the appropriation of ₱20.9 billion retained earnings for the following projects:

Projects	Full Commercial Operations by	Appropriation
68 MW Manolo Fortich Hydro	End of 4 th quarter 2016	₱2,600,000,000
300 MW Davao Coal*	End of 1 st half 2015	9,500,000,000
14 MW Sabangan Hydro	End of 1 st half 2015	2,800,000,000
400 MW Coal Fired Pagbilao Unit3	End of 4 th quarter 2017	6,000,000,000
Total		₱20,900,000,000

* Full commercial operations by 1st quarter of 2016

On March 10, 2015, the BOD approved the declaration of regular cash dividends of ₱1.14 a share (₱8.39 billion) and special cash dividends of ₱0.52 a share (₱3.83 billion) to all stockholders of record as of March 24, 2015. The cash dividends were paid on April 20, 2015.

On March 8, 2016, the BOD approved the declaration of regular cash dividends of ₱1.20 a share (₱8.83 billion) and special cash dividends of ₱0.46 a share (₱3.38 billion) to all stockholders of record as of March 22, 2016. The cash dividends were paid on April 19, 2016.

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

To comply with the requirements of Section 43 of the Corporation Code, on March 8, 2018, the BOD approved the declaration of regular cash dividends of ₱1.39 a share (₱10.23 billion) to all stockholders of record as of March 22, 2018. The cash dividends are payable on April 12, 2018.

14. Personnel Costs

	2017	2016	2015
Salaries and wages	₱533,005,712	₱454,007,818	₱353,592,235
Employee benefits	307,935,888	273,559,833	222,196,454
Retirement benefit costs (see Note 15)	49,974,029	58,324,025	38,719,010
	₱890,915,629	₱785,891,676	₱614,507,699



15. Retirement Costs

The Company has a funded, noncontributory, defined benefit pension plan ("Plan") covering all regular and full-time employees and requiring contributions to be made to separately administered fund. This retirement benefit fund ("Fund") is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also officers of AEV, is responsible for the investment of the Fund assets. Taking into account the Plan's objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the parent company statements of income and the funded status and amounts recognized in the parent company balance sheets for the plan.

Net benefit expense (recognized as part of personnel costs):

	2017	2016	2015
Retirement expense to be recognized in the parent company statement of income:			
Current service cost	P48,922,746	P46,153,534	P45,607,500
Net interest cost (income)	1,051,283	12,170,491	(6,888,490)
	P49,974,029	P58,324,025	P38,719,010

Remeasurement effect to be recognized in other comprehensive income:

	2017	2016	2015
Actuarial gains (loss) due to:			
Experience adjustments	(P43,972,045)	P-	(P295,832,497)
Changes in demographic assumptions	78,205,006	-	8,813,885
Changes in financial assumptions	1,172,525	-	36,532,907
Actual return excluding amount included in net interest cost	9,300,494	20,313,413	(14,572,966)
	P44,705,980	P20,313,413	(P265,058,671)

Pension liability (asset)

	2017	2016
Present value of obligation	(P633,459,869)	(P570,175,589)
Fair value of plan assets	649,655,975	549,521,704
	P16,196,106	(P20,653,885)



Changes in the present value of the defined benefit obligation are as follows:

	2017	2016
At January 1	P570,175,589	P504,401,129
Net benefit expense:		
Current service cost	48,922,746	46,153,534
Interest cost	29,021,938	25,674,017
	77,944,684	71,827,551
Employee transfers	22,366,125	(459,134)
Benefits paid	(1,621,043)	(5,593,957)
Remeasurements in other comprehensive income:		
Actuarial loss (gain) due to:		
Experience adjustments	43,972,045	-
Changes in demographic assumptions	(78,205,006)	-
Changes in financial assumptions	(1,172,525)	-
	(35,405,486)	-
At December 31	P633,459,869	P570,175,589

Changes in the fair value of plan assets are as follows:

	2017	2016
At January 1	P549,521,704	P265,295,223
Actual contributions	42,118,040	256,462,633
Actual return excluding amount included in net interest cost	9,300,494	20,313,413
Interest income included in net interest cost	27,970,655	13,503,526
Transfers	22,366,125	(459,134)
Benefits paid	(1,621,043)	(5,593,957)
At December 31	P649,655,975	P549,521,704

Changes in pension liability recognized in the parent company balance sheets are as follows:

	2017	2016
At January 1	(P20,653,885)	(P239,105,906)
Retirement expense for the year	(49,974,029)	(58,324,025)
Actuarial gain (loss) recognized for the year	44,705,980	20,313,413
Actual contributions	42,118,040	256,462,633
At December 31	P16,196,106	(P20,653,885)

The fair value of plan assets by each class at the end of the reporting period are as follows:

	2017	2016
Cash and fixed income investments	P235,140,145	P423,294,166
Equity instruments - financial institution	419,347,451	129,859,129
Fair value of plan assets	P654,487,596	P553,153,295



All equity instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used as of December 31, 2017, 2016 and 2015 in determining net pension liability for the Company's Plan is shown below:

	2017	2016	2015
Discount rate	5.13%	5.09%	5.09%
Salary increase rate	6.00%	6.00%	6.00%

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2017, assuming all other assumptions were held constant:

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100	(P24,866,826)
	(100)	28,579,547
Future salary increases	100	31,793,587
	(100)	(28,398,059)

The Company's defined benefit pension plan is funded by the Company.

The Company expects to contribute P37.9 million to the defined benefit plans in 2018. The average duration of the defined benefit obligation as of December 31, 2017 is 12.94 years.

The BOT reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group (to which the Company belongs) also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

16. Income Tax

Details of provision for income tax are as follows:

	2017	2016	2015
Current:			
Corporate income tax	P10,440,532	P22,262,045	P11,707,926
Final	18,946,168	59,664,111	61,308,261
	29,386,700	81,926,156	73,016,187
Deferred	7,066,011	(9,298,778)	(10,032,064)
	P36,452,711	P72,627,378	P62,984,123

The provision for corporate income tax represents MCIT in 2017, 2016 and 2015.



The reconciliation of income tax computed at the statutory tax rate to the provision for income tax reported in the parent company statements of income is as follows:

	2017	2016	2015
At statutory rate of 30%	₱2,774,617,928	₱8,024,797,636	₱1,933,082,125
<i>Additions to (reductions in) income tax resulting from:</i>			
Final tax on interest income	18,946,168	59,664,111	61,308,261
Nondeductible interest expense	14,607,592	32,617,674	32,788,428
Nondeductible expenses:			
Project and bidding expenses	23,051,869	96,972,291	-
Others	5,921	3,885,332	9,600
Unrecognized deferred income tax asset on:			
Provision for impairment loss on investment in a subsidiary	50,840,822	36,219,908	-
MCIT	10,440,532	22,262,045	11,707,926
NOLCO	125,884,718	-	87,006,767
Applied NOLCO	-	(62,639,409)	-
Interest income already subjected to final tax at a lower rate	(44,265,429)	(98,841,436)	(99,358,872)
Dividend income	(2,937,677,410)	(8,042,310,774)	(1,963,560,112)
	₱36,452,711	₱72,627,378	₱62,984,123

The components of the Company's net deferred income tax assets (liability) are as follows:

	2017	2016
Deferred income taxes recognized in statement of income:		
<i>Deferred income tax assets:</i>		
Unamortized past service cost	₱73,530,211	₱85,595,953
Unrealized foreign exchange losses	2,713,515	70,581
	76,243,726	85,666,534
Deferred income tax liability on pension liability	(101,997,123)	(104,353,920)
Deferred income tax asset related to remeasurement effects in other comprehensive income	97,138,282	110,550,076
	₱71,384,885	₱91,862,690



As of December 31, 2017, the Company has MCIT that can be claimed as deduction from regular income tax liability as follows:

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2014	2015-2017	P9,830,618	P-	P9,830,618	P-
2015	2016-2018	11,707,926	-	-	11,707,926
2016	2017-2019	22,262,045	-	-	22,262,045
2017	2018-2020	10,440,532	-	-	10,440,532
		P54,241,121	P-	P9,830,618	P44,410,503

As of December 31, 2017, the Company has NOLCO which can be claimed as deduction against the regular taxable income as follows:

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2015	2016-2018	P290,022,557	P61,947,637	P-	P228,074,920
2017	2018-2020	419,615,728	-	-	419,615,728
		P709,638,285	P61,947,637	P-	P647,690,648

The Company did not recognize deferred income tax assets on MCIT amounting to P44.4 million and P43.8 million as of December 31, 2017 and 2016, respectively, and NOLCO amounting to P647.7 million and P228.1 million as of December 31, 2017 and 2016, respectively, since management expects that it will not generate sufficient taxable income in the future that will be available to allow all of the deferred income tax assets to be utilized.

Republic Act No. 10963, Tax Reform for Acceleration and Inclusion Act (TRAIN)

TRAIN was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the balance sheet date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balance as of the balance sheet date.

17. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

The Company, in its normal course of business, has transactions with its related parties, which principally consist of the following:

- a. The Company has management agreements with each of the following subsidiaries: CLPC, Cotabato Ice Plant, Inc. (CIPI), DLPC, and CPPC for which it is entitled to management fees.
- b. The Company renders various services to related parties such as technical and legal assistance for various projects, trainings and other services, for which it bills technical and service fees.



- c. The Company obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain subsidiaries, associates and joint ventures in connection with certain loans and credit accommodations. As at December 31, 2017, the Company provided SBLCs for AP Renewables, Inc. (APRI), Cebu Energy Development Corporation (CEDC), Luzon Hydro Corporation (LHC), SN Aboitiz Power-Benguet, Inc. (SNAP B), Therma South, STEAG, and TVI in the amount of ₱8.87 billion. As at December 31, 2016, the Company provided SBLCs for APRI, CEDC, LHC, SNAP B, Therma South, STEAG, and TVI in the amount of ₱10.72 billion.
- d. AEV provides human resources, internal audit, legal, treasury and corporate finance services, among others, to the Company and shares with the member companies the business expertise of its highly qualified professionals. Transactions are priced based on agreed rates, and billed costs are always benchmarked to third party rates to ensure competitive pricing. Service Level Agreements are in place to ensure quality of service. This arrangement enables the Company to maximize efficiencies and realize cost synergies.
- e. Cash deposits and money market placements with UBP. At prevailing rates, these fixed-rate investments earned interest income amounting to ₱52.09 million and ₱1.27 million in 2017 and 2016, respectively. Outstanding balances amounted ₱1.40 billion and ₱759.0 million as of December 31, 2017, and 2016, respectively.
- f. Rentals paid at current market rates to Cebu Praedia Development Corporation (CPDC) for the use of CPDC's properties by the Company's officers and employees.
- g. Aviation service fees paid at arm's length basis to AAI for the use of aircraft during travel of the Company's officers and employees.

The above transactions are expected to be settled in cash.



The Company's balance sheets and statements of income include the following accounts resulting from the above transactions with related parties:
 Technical, Management and other Service Fees

	Revenue			Receivable		Terms	Conditions
	2017	2016	2015	2017	2016		
<i>Subsidiaries</i>							
DLPC	\$413,733,737	\$358,114,403	\$509,022,629	\$75,075,707	\$41,380,792	30-day, non-interest bearing	Unsecured, no impairment
VECO	268,615,438	208,372,134	231,376,925	67,124,127	58,546,044	30-day, non-interest bearing	Unsecured, no impairment
AESI	96,872,719	33,615,751	39,937,786	-	3,081,444	30-day, non-interest bearing	Unsecured, no impairment
GNPower Marwelles Coal Plant Ltd. Co.	50,813,063	-	-	40,510,605	-	30-day, non-interest bearing	Unsecured, no impairment
CLPC	39,639,944	26,539,922	24,588,044	7,585,989	3,831,682	30-day, non-interest bearing	Unsecured, no impairment
AI	39,233,874	12,769,617	20,163,419	-	3,575,483	30-day, non-interest bearing	Unsecured, no impairment
Therma Luzan, Inc. (TLU)	30,354,526	34,050,850	39,157,064	2,529,544	-	30-day, non-interest bearing	Unsecured, no impairment
CPPC	20,812,863	18,499,199	31,096,285	18,322,609	18,019,103	30-day, non-interest bearing	Unsecured, no impairment
Therma South	11,209,783	125,932,286	16,178,121	934,149	3,321,686	30-day, non-interest bearing	Unsecured, no impairment
APRI	9,103,675	21,087,671	23,574,517	758,640	-	30-day, non-interest bearing	Unsecured, no impairment
SEZC	8,071,653	6,001,481	6,447,310	1,366,644	1,700,558	30-day, non-interest bearing	Unsecured, no impairment
HI	7,630,879	1,469,009	2,581,149	1,907,720	134,659	30-day, non-interest bearing	Unsecured, no impairment
ARI	7,300,000	-	-	7,300,000	-	30-day, non-interest bearing	Unsecured, no impairment
Therma Marine, Inc. (Therma Marine)	6,330,215	24,930,741	24,967,128	5,758,338	27,922,430	30-day, non-interest bearing	Unsecured, no impairment
LEZ	6,242,089	2,326,220	2,020,705	91,809	734,261	30-day, non-interest bearing	Unsecured, no impairment
BEZC	4,512,723	2,487,401	2,374,554	208,781	806,305	30-day, non-interest bearing	Unsecured, no impairment
MEZC	3,986,055	2,469,917	2,384,220	208,781	780,626	30-day, non-interest bearing	Unsecured, no impairment
EAUC	2,320,980	882,500	4,790,000	195,128	-	30-day, non-interest bearing	Unsecured, no impairment
Therma Mobile	2,142,810	2,883,717	4,567,104	216,014	3,229,763	30-day, non-interest bearing	Unsecured, no impairment
TVI	2,059,983	6,487,934	11,749,584	-	594,727	30-day, non-interest bearing	Unsecured, no impairment
CIPJ	896,063	875,618	949,457	159,487	155,526	30-day, non-interest bearing	Unsecured, no impairment
PEI	209,822	-	-	209,822	-	30-day, non-interest bearing	Unsecured, no impairment
<i>Associates</i>							
CEDC	101,367,000	103,944,750	110,156,662	7,977,900	13,972,350	30-day, non-interest bearing	Unsecured, no impairment
SFELAPCO	72,157,562	58,119,233	66,274,200	41,265,932	21,826,823	30-day, non-interest bearing	Unsecured, no impairment
GNPower Dinginin Ltd. Co.	40,556,253	-	-	40,556,253	-	30-day, non-interest bearing	Unsecured, no impairment
Redonito Peninsula Energy, Inc. (RPEI)	-	5,882,353	-	-	-	30-day, non-interest bearing	Unsecured, no impairment
	\$1,246,173,709	\$1,057,742,707	\$974,356,863	\$320,263,979	\$203,614,272		



Transportation and Travel

	Expense		Payable		Terms	Conditions
	2017	2016	2017	2016		
<i>Parent</i>						
AEV	₱4,097	₱143,493	₱-	₱32,500	30-day, non-interest bearing	Unsecured
<i>Associate</i>						
AAI	22,170,057	22,948,461	-	697,306	30-day, non-interest bearing	Unsecured
	₱22,174,154	₱23,091,954	₱-	₱729,806		

Rent

	Expense		Payable		Terms	Conditions
	2017	2016	2017	2016		
<i>Parent</i>						
AEV	₱1,326,732	₱4,242,384	₱-	₱2,465,004	30-day, non-interest bearing	Unsecured
<i>Other Related Parties</i>						
CPDC	842,044	724,593	-	84,010	30-day, non-interest bearing	Unsecured
	₱2,168,776	₱4,966,977	₱-	₱2,549,014		

Professional, Legal and Service Fees

	Expense		Payable		Terms	Conditions
	2017	2016	2017	2016		
<i>Parents</i>						
ACO	₱7,634,588	₱8,679,181	₱2,674,588	₱973,099	30-day, non-interest bearing	Unsecured
AEV	37,966,014	93,927,125	-	17,932,554	30-day, non-interest bearing	Unsecured
	₱45,600,602	₱102,606,306	₱2,674,588	₱18,905,653		



The Company obtained interest free temporary advances from TLI amounting to ₱12.3 billion in 2013. This shall be payable either one time or on a staggered basis, or such other receivables as may be due or demandable from TLI. In 2016, the advances were paid in full.

The Company's Fund is in the form of a trust being maintained and managed by AEV under the supervision of the BOT of the plan. In 2017 and 2016, other than contributions to the Fund, no transactions occurred between the Company or any of its subsidiaries and the Fund.

Total compensation and benefits of key management personnel of the Company are as follows:

	2017	2016	2015
Short-term benefits (see Note 15)	₱308,010,884	₱254,993,884	₱214,755,795
Post employment benefits (see Note 15)	16,499,116	12,036,116	18,224,205
	₱324,510,000	₱267,030,000	₱232,980,000

18. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash and cash equivalents and long-term debts. The main purpose of these financial instruments is to raise financing for the Company's operations. The Company has various other financial instruments such as trade and other receivables, AFS investment and trade and other payables which arise directly from its operations.

The Company also enters into derivative transactions, particularly foreign currency forwards, to economically hedge its foreign currency risk from foreign currency denominated liabilities and purchases (see Note 19).

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 Company.

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 Company'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 Company's risks in line with the policies and limits.

The main risks arising from the Company's financial instruments are credit risk involving possible exposure to counter party default on its cash and cash equivalents, and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements.



Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company's credit risk on cash in banks and cash equivalents and trade and other receivables pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these assets. With respect to cash in banks and cash equivalents, the risk is mitigated by the short-term and/or liquid nature of its short-term deposits mainly in bank deposits and placements, which are placed with financial institutions of high credit standing. With respect to trade and other receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Company's policy that all debtors who wish to trade on credit terms are subject to credit procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company has no significant concentration risk to a counterparty or group of counterparties. The credit quality per class of financial assets as of December 31 is as follows (amounts in thousands):

2017

	Neither past due nor impaired			Past due but not impaired	Total
	High Grade	Standard	Sub-standard		
Cash and cash equivalents	₱7,825,333	₱-	₱-	₱-	₱7,825,333
Trade and other receivables	111,978	-	-	407,668	519,646
Derivative asset	42,510	-	-	-	42,510
AFS investment	99,375	-	-	-	99,375
Total	₱8,079,196	₱-	₱-	₱407,668	₱8,486,864

2016

	Neither past due nor impaired			Past due but not impaired	Total
	High Grade	Standard	Sub-standard		
Cash and cash equivalents	₱2,713,868	₱-	₱-	₱-	₱2,713,868
Trade and other receivables	446,380	-	-	479,405	925,785
AFS investment	96,689	-	-	-	96,689
Total	₱3,256,937	₱-	₱-	₱479,405	₱3,736,342

High grade pertain to receivables from customers with good favorable credit standing and have no history of default.

Standard grade pertain to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade pertain to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.



The aging analyses of financial assets as of December 31 are as follows (amounts in thousands):

2017

	Total	Neither past due nor impaired	Past due but not impaired		
			30 days	30 - 60 days	More than 60 days
Cash and cash equivalents	₱7,825,333	₱7,825,333	₱-	₱-	₱-
Trade and other receivables	519,646	111,978	229,479	152,262	25,927
Derivative asset	42,510	42,510	-	-	-
AFS investment	99,375	99,375	-	-	-
Total	₱8,486,864	₱8,079,196	₱229,479	₱152,262	₱25,927

2016

	Total	Neither past due nor impaired	Past due but not impaired		
			30 days	30 - 60 days	More than 60 days
Cash and cash equivalents	₱2,713,868	₱2,713,868	₱-	₱-	₱-
Trade and other receivables	925,785	446,380	388,083	21,975	69,347
AFS investment	96,689	96,689	-	-	-
Total	₱3,736,342	₱3,256,937	₱388,083	₱21,975	₱69,347

Liquidity risk

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

In managing its short-term fund requirements, the Company's policy is to ensure that there are sufficient working capital inflows to match repayments of short-term borrowings. With regard to its long-term financing requirements, the Company's policy is that not more than 25% of long-term borrowings should mature in any 12-month period.

The following tables summarize the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as of December 31 (amounts in thousands):

2017

	Total Carrying Value	Contractual undiscounted payments				
		Total	On Demand	Less than 1 year	1 to 5 years	More than 5 years
<i>Other financial liabilities</i>						
Long-term debts	₱12,901,982	₱17,706,453	₱-	₱711,031	₱9,384,396	₱7,611,026
Trade and other payables*	167,804	167,804	-	167,804	-	-
Total	₱13,069,786	₱17,874,257	₱-	₱878,835	₱9,384,396	₱7,611,026

*excluding statutory liabilities

2016

	Total Carrying Value	Contractual undiscounted payments				
		Total	On Demand	Less than 1 year	1 to 5 years	More than 5 years
<i>Other financial liabilities</i>						
Long-term debts	₱9,922,153	₱13,675,018	₱-	₱558,582	₱8,939,262	₱4,177,174
Trade and other payables*	332,342	332,342	-	332,342	-	-
Total	₱10,254,495	₱14,007,360	₱-	₱890,924	₱8,939,262	₱4,177,174

*excluding statutory liabilities



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 Company'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.

Foreign exchange risk

The foreign exchange risk of the Company pertains to its foreign currency-denominated cash and cash equivalents.

	2017		2016	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Financial assets				
Cash and cash equivalents	\$40,158,320	₱2,005,104,918	\$4,211,282	₱209,381,461

The exchange rate for December 31, 2017 and 2016 is ₱49.93:US\$1 and ₱49.72:US\$1, respectively. As a result of the translation of these foreign currency denominated assets, the Company reported net unrealized foreign exchange loss of ₱8.8 million and ₱54.2 million in 2017 and 2016, respectively.

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Company's income before income tax as of December 31, 2017 and 2016 (amounts in thousands).

	Increase (decrease) in US dollar	Effect on income before tax
2017		
US dollar-denominated accounts	5%	₱100,255
US dollar-denominated accounts	(5%)	(100,255)
2016		
US dollar-denominated accounts	5%	₱10,476
US dollar-denominated accounts	(5%)	(10,476)

There is no other impact on the Company's equity other than those already affecting the parent company statements of income.

Capital management

The primary objective of the Company'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 Company considers equity as its capital.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. Its policy is to keep the gearing ratio at 70% or below. The Company determines net debt as the sum of interest-bearing short-term and long-term loans less cash and short-term deposits.



	2017	2016
Long-term debts	P12,901,981,643	P9,922,153,365
Cash and cash equivalents	(7,826,169,148)	(2,714,654,179)
Net debt (a)	5,075,812,495	7,207,499,186
Equity	76,672,432,344	77,433,880,700
Equity and net debt (b)	P81,748,244,839	P84,641,379,886
Gearing ratio (a/b)	6.21%	8.52%

Part of the Company's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Company is in compliance with the financial covenants attached to its long-term debts as of December 31, 2017 and 2016 (see Note 12).

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

19. 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 (amounts in thousands).

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

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
Long-term debts	P12,901,982	P12,389,478	P9,922,153	P9,808,741



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

Cash and cash equivalents, trade and other receivables and trade and other payables

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

AFS investments

The fair value of AFS investments are based on quoted market prices.

Long-term debts

The fair value of long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 6.23% to 7.13% in 2017 and 5.98% to 6.15% in 2016.

Derivative Financial Instruments

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

As of December 31, 2017 the aggregate notional amount of the par forward contract is US\$39.0 million. In 2016, the Company has no outstanding foreign currency forward exchange contracts.

The Company recognized a gain from the net fair value changes relating to the forward contracts amounting to ₱31.0 million in 2017 under the "Foreign exchange gain" in the parent company statements of income.

Fair Value Hierarchy

The Company 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

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

For the years ended December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements were made.



20. Electric Power Industry Reform Act (EPIRA) of 2001

RA No. 9136 was signed into law on June 8, 2001 and took effect on June 26, 2001. The law provides for the privatization of National Power Corporation (NPC) and the restructuring of the electric power industry. The Implementing Rules and Regulations (IRR) were approved by the Joint Congressional Power Commission on February 27, 2002.

R.A. No. 9136 and the IRR impact the industry as a whole. The law also empowers the ERC to enforce rules to encourage competition and penalize anti-competitive behavior.

R.A. Act No. 9136, the EPIRA, and the covering IRR provides for significant changes in the power sector, which include among others:

- i. The unbundling of the generation, transmission, distribution and supply and other disposable assets of a company, including its contracts with independent power producers and electricity rates;
- ii. Creation of a Wholesale Electricity Spot Market; and
- iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity date of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

21. Note to Statements of Cash Flows

The following are the cash flow movements of the Company's financing liabilities in 2017:

	January 1, 2017	Net cash flows	Non-cash Changes			December 31, 2017
			Amortized deferred financing costs	Interest expense	Others	
Non-current interest-bearing loans and borrowings	₱9,922,153,365	₱2,967,061,942	₱12,766,336	₱-	₱-	₱12,901,981,643
Interest on loans and borrowings	28,287,924	(699,256,650)	-	630,535,775	106,718,179	66,285,228
Total liabilities from financing activities	₱9,950,441,289	₱2,267,805,292	₱12,766,336	₱630,535,775	₱106,718,179	₱12,968,266,871



22. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

The Company also reported and/or paid the following types of taxes for the year:

VAT

The Company's sales are subject to output value added tax (VAT) while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12.0%.

a. Net Receipts and Output VAT declared in the Company's VAT returns in 2017

	Net Sales/ Receipts	Output VAT
Taxable Sales:		
Sales of services	P1,444,799,575	P173,375,949

The Company's sales that are subject to VAT are reported under the following accounts:

- Service Income - Management fees
- Service Income - Professional fees
- Service Income - Technical fees
- Miscellaneous Income - Operating
- Miscellaneous Income - Non-operating

The Company's sales of services are based on actual collections received, hence, may not be the same as amounts accrued in the parent company statement of income.

b. Input VAT for 2017

Balance at January 1	P10,796,403
Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	1,729,680
Capital goods subject to amortization	4,511,577
Capital goods not subject to amortization	98,944
Services lodged under the other accounts	29,240,263
	46,376,867
Claims for tax credit/refund and other adjustments	(34,072,141)
Balance at December 31	P12,304,726

Other taxes and licenses

Taxes and licenses, local and national, include real estate taxes, licenses and permit fees for 2017:

License and permit fees	P10,495,753
Documentary stamp taxes (DST)	4,540,984
Fringe benefit taxes	3,983,829
Others	17,737
	P19,038,303



Withholding taxes

Final withholding taxes	₱21,916,584
Withholding taxes on compensation and benefits	13,501,733
Expanded withholding taxes	2,591,070
	<hr/>
	₱38,009,387

Tax Assessment and Cases

The Company has no pending tax cases outside of the administration of the BIR as of December 31, 2017.



COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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	
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a	,		P	h	i	l	i	p	p	i	n	e	s																

Form Type
A P F S

Department requiring the report
C F D

Secondary License Type, if Applicable
N / A

COMPANY INFORMATION

Company's Email Address ap_investor@aboitiz.com	Company's Telephone Number (02) 886-2800	Mobile Number Not Available
No. of Stockholders 629	Annual Meeting (Month / Day) April 22	Fiscal Year (Month / Day) December 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person Liza Luv T. Montelibano	Email Address liza.montelibano@aboitiz.com	Telephone Number/s (02) 886-2800	Mobile Number Not Available
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CONTACT PERSON'S ADDRESS

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

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.





SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Aboitiz Power Corporation is responsible for the preparation and fair presentation of the Parent financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor, appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

A black rectangular redaction box covering the signature of Mike A. Aboitiz.

MIKE A. ABOITIZ
Chairman of the Board

A black rectangular redaction box covering the signature of Erramon I. Aboitiz.

ERRAMON I. ABOITIZ
President & Chief Executive Officer

A black rectangular redaction box covering the signature of Liza Luv T. Montelibano.

LIZA LUV T. MONTELIBANO
SVP & Chief Financial Officer/Corporate Information Officer

Signed this 7th day of March 2019

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Power Corporation
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Aboitiz Power Corporation (the Company), which comprise the parent company balance sheets as at December 31, 2018 and 2017, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

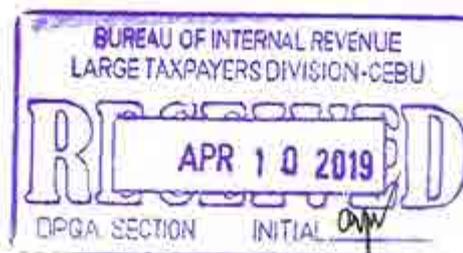
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

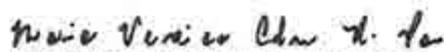
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 22 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Company. The information has been subjected to the auditing procedures applied in our audit of the parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is
Maria Veronica Andresa R. Pore

SYCIP GORRES VELAYO & CO.



Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-3 (Group A),
March 2, 2017, valid until March 1, 2020

Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021

PTR No. 7332597, January 3, 2019, Makati City

March 7, 2019



ABOITIZ POWER CORPORATION
PARENT COMPANY BALANCE SHEETS

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	P11,875,188,311	P7,826,169,148
Trade and other receivables (Note 5)	981,463,758	519,646,158
Derivative asset (Note 18)	855,000	42,510,000
Other current assets (Note 6)	941,778,180	797,032,600
Total Current Assets	13,799,285,249	9,185,357,906
Noncurrent Assets		
Investments and advances (Note 7)	88,931,823,265	80,038,264,024
Project development costs (Note 10)	388,468,001	262,559,144
Deferred income tax assets (Note 16)	101,466,266	71,384,885
Financial assets at fair value through profit or loss (FVTPL)	97,535,436	-
Available-for-sale (AFS) investments	-	99,374,831
Property and equipment (Note 8)	65,585,230	80,296,724
Pension asset (Note 15)	38,061,504	16,196,106
Other noncurrent assets (Note 9)	89,121,203	14,919,730
Total Noncurrent Assets	89,712,060,905	80,582,995,444
TOTAL ASSETS	P103,511,346,154	P89,768,353,350
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	P356,110,573	P193,939,364
Bank loans (Note 12)	4,700,000,000	-
Total Current Liabilities	5,056,110,573	P193,939,364
Noncurrent Liability		
Long-term debts - net of deferred financing cost (Note 12)	22,997,821,292	12,901,981,643
Total Liabilities	28,053,931,865	13,095,921,007
Equity		
Capital stock (Note 13a)	7,358,604,307	7,358,604,307
Additional paid-in capital (Note 13a)	12,588,894,332	12,588,894,332
Actuarial losses on defined benefit plan (Note 15)	(208,521,187)	(226,655,991)
Unrealized valuation loss on AFS investment	-	(625,169)
Retained earnings (Note 13b)		
Appropriated	34,060,000,000	34,060,000,000
Unappropriated	21,658,436,837	22,892,214,864
Total Equity	75,457,414,289	76,672,432,343
TOTAL LIABILITIES AND EQUITY	P103,511,346,154	P89,768,353,350

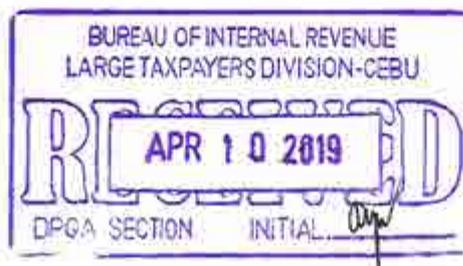
See accompanying Notes to Parent Company Financial Statements.



ABOITIZ POWER CORPORATION
PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31		
	2018	2017	2016
REVENUE			
Dividends	P9,736,042,939	P9,792,258,034	P26,807,702,580
Technical, management and other service fees (Note 17)	1,679,158,424	1,403,850,375	1,287,351,539
Interest income (Notes 4 and 17e)	137,277,764	147,551,430	329,471,455
	11,552,479,127	11,343,659,839	28,424,525,574
GENERAL AND ADMINISTRATIVE EXPENSES			
Interest and other financing charges (Note 12)	1,042,597,749	674,025,682	620,131,545
Personnel (Note 14)	955,955,320	890,915,629	785,891,676
Taxes and licenses	111,156,568	19,038,303	16,976,074
Professional fees (Note 17)	87,132,534	100,474,104	96,502,870
Service fees (Note 17)	63,850,939	82,072,061	104,581,971
Project and bidding expenses (Note 10)	51,122,382	76,839,564	323,240,970
Transportation and travel (Note 17)	49,791,744	50,593,806	59,564,834
Training	35,117,465	17,750,495	28,301,772
Rent (Note 17)	27,559,033	28,159,917	25,054,795
Depreciation and amortization (Notes 8 and 9)	23,345,806	22,220,782	21,256,849
Advertising and sponsorships	17,017,558	22,272,248	9,835,050
Entertainment, amusement and recreation	10,734,116	8,212,799	8,612,605
Repairs and maintenance	6,518,422	6,839,603	6,625,413
Office supplies	3,515,178	5,013,861	4,133,728
Communication	2,647,639	2,982,031	2,787,762
Light and water	1,406,312	1,304,803	1,268,933
Others	7,770,467	8,917,061	9,355,041
	2,497,239,232	2,017,632,749	2,124,121,888
OTHER INCOME (CHARGES) - net			
Provision for impairment of investment in a subsidiary (Note 7)	(45,933,000)	(169,469,408)	(120,733,027)
Foreign exchange gains (loss) - net (Note 18)	(16,965,185)	69,842,921	545,056,530
Gain on redemption of preferred shares (Note 7)	-	19,558,250	16,050,518
Others	4,338,316	2,767,574	8,547,746
	(58,559,869)	(77,300,663)	448,921,767
INCOME BEFORE INCOME TAX	8,996,680,026	9,248,726,427	26,749,325,453
PROVISION FOR INCOME TAX (Note 16)	1,372,898	36,452,711	72,627,378
NET INCOME	P8,995,307,128	P9,212,273,716	P26,676,698,075

See accompanying Notes to Parent Company Financial Statements.



ABOITIZ POWER CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
NET INCOME	₱8,995,307,128	₱9,212,273,716	₱26,676,698,075
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gains on defined benefit plans (Note 15)	25,906,863	44,705,980	20,313,413
Income tax effect (Note 16)	(7,772,059)	(13,411,794)	(6,094,024)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	18,134,804	31,294,186	14,219,389
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>			
Unrealized gain (loss) on AFS investments	-	2,685,599	(3,310,768)
Total other comprehensive income for the year, net of tax	18,134,804	33,979,785	10,908,621
TOTAL COMPREHENSIVE INCOME	₱9,013,441,932	₱9,246,253,501	₱26,687,606,696

See accompanying Notes to Parent Company Financial Statements.



ABOITIZ POWER CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	Capital Stock (Note 13a)	Additional Paid-In Capital	Unrealized Valuation on AFS Investments	Actuarial Losses on Defined Benefit Plan	Retained Earnings (Note 13b)		Total
					Appropriated	Unappropriated	
Balances at January 1, 2018	₱7,358,604,307	₱12,588,894,332	(₱625,169)	(₱226,655,991)	₱34,060,000,000	₱22,892,214,864	₱76,672,432,343
Effect of adoption - PFRS 9 (Note 3)	-	-	625,169	-	-	(625,169)	-
Balances at January 1, 2018 as restated	7,358,604,307	12,588,894,332	-	(226,655,991)	34,060,000,000	22,891,589,695	76,672,432,343
Net income for the year	-	-	-	-	-	8,995,307,128	8,995,307,128
Other comprehensive income	-	-	-	18,134,804	-	-	18,134,804
Total comprehensive income	-	-	-	18,134,804	-	8,995,307,128	9,013,441,932
Cash dividends (Note 13b)	-	-	-	-	-	(10,228,459,986)	(10,228,459,986)
Balances at December 31, 2018	₱7,358,604,307	₱12,588,894,332	₱-	(₱208,521,187)	₱34,060,000,000	₱21,658,436,837	₱75,457,414,289

	Capital Stock (Note 13a)	Additional Paid-In Capital	Unrealized Valuation on AFS Investments	Actuarial Losses on Defined Benefit Plan	Retained Earnings (Note 13b)		Total
					Appropriated	Unappropriated	
Balances at January 1, 2017	₱7,358,604,307	₱12,588,894,332	(₱3,310,768)	(₱257,950,177)	₱34,060,000,000	₱23,687,643,006	₱77,433,880,700
Net income for the year	-	-	-	-	-	9,212,273,716	9,212,273,716
Other comprehensive income	-	-	2,685,599	31,294,186	-	-	33,979,785
Total comprehensive income	-	-	2,685,599	31,294,186	-	9,212,273,716	9,246,253,501
Cash dividends (Note 13b)	-	-	-	-	-	(10,007,701,858)	(10,007,701,858)
Balances at December 31, 2017	₱7,358,604,307	₱12,588,894,332	(₱625,169)	(₱226,655,991)	₱34,060,000,000	₱22,892,214,864	₱76,672,432,343



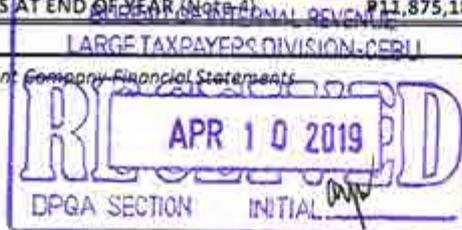
	Capital Stock (Note 13a)	Additional Paid-in Capital	Unrealized Valuation on AFS Investments	Actuarial Losses on Defined Benefit Plan		Retained Earnings (Note 13b)		Total
				on AFS Investments	Benefit Plan	Appropriated	Unappropriated	
Balances at January 1, 2016	₱7,358,604,307	₱12,588,894,332	₱-	(₱272,169,566)	₱20,900,000,000	₱22,386,228,081	₱62,961,557,154	
Net income for the year	-	-	-	-	-	26,676,698,075	26,676,698,075	
Other comprehensive income (loss)	-	-	(3,310,768)	14,219,389	-	-	10,908,621	
Total comprehensive income (loss)	-	-	(3,310,768)	14,219,389	-	26,676,698,075	26,687,606,696	
Cash dividends (Note 13b)	-	-	-	-	-	(12,215,283,150)	(12,215,283,150)	
Appropriation during the year (Note 13b)	-	-	-	-	13,160,000,000	(13,160,000,000)	-	
Balances at December 31, 2016	₱7,358,604,307	₱12,588,894,332	(₱3,310,768)	(₱257,950,177)	₱34,060,000,000	₱23,687,643,006	₱77,433,880,700	



ABOITIZ POWER CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P8,996,680,026	P9,248,726,427	P26,749,325,453
Adjustments for:			
Interest and other financing charges (Note 12)	1,042,597,749	674,025,682	620,131,545
Unrealized foreign exchange losses	162,355,812	8,809,781	54,174,161
Project and bidding expenses (Note 10)	51,122,382	76,839,564	80,379,837
Provision for impairment of investment in a subsidiary (Note 7)	45,933,000	169,469,408	120,733,027
Depreciation and amortization (Notes 8 and 9)	23,345,806	22,220,782	21,256,849
Unrealized fair valuation loss on financial assets at FVTPL	1,839,395	-	-
Losses on disposal of assets (Note 8)	1,253,111	418,659	103,750
Gain on redemption of preferred shares (Notes 7)	-	(19,558,250)	(16,050,518)
Interest income (Notes 4 and 17e)	(137,277,764)	(147,551,430)	(329,471,455)
Operating income before working capital changes	10,187,849,517	10,033,400,623	27,300,582,649
Decrease (increase) in:			
Trade and other receivables	(428,309,647)	293,236,492	(477,330,607)
Pension asset	(3,730,594)	(16,196,106)	-
Other current assets	(2,764,943)	(145,859,575)	1,813,749
Increase (decrease) in:			
Trade and other payables	16,275,537	(171,627,870)	241,198,537
Pension liability	-	24,052,095	(198,138,608)
Net cash generated from operations	9,769,319,870	10,017,005,659	26,868,125,720
Income taxes paid	(173,434,916)	(159,547,151)	(165,584,323)
Net cash flows from operating activities	9,595,884,954	9,857,458,508	26,702,541,397
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	103,769,811	260,454,071	372,600,692
Decrease (increase) in recoverable deposits	(75,710,456)	340,990	-
Proceeds from:			
Redemption on preferred shares (Note 7)	2,122,216,000	9,784,493,862	57,076,000
Disposal of property and equipment (Note 8)	5,998,846	1,966,529	3,592,738
Additions to:			
Investments and advances (Note 7)	(11,061,708,241)	(6,897,269,177)	(12,864,053,304)
Project development costs - net of transfers (Note 10)	(177,031,239)	(65,673,997)	(86,515,646)
Property and equipment (Note 8)	(14,283,786)	(39,018,488)	(28,644,578)
Computer software license (Note 9)	(93,500)	(20,982)	(4,062,937)
AFS investments	-	-	(100,000,000)
Net cash flows from (used in) investing activities	(9,096,842,565)	3,045,272,808	(12,650,007,035)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of bank loans	4,700,000,000	-	-
Long-term debts (Note 12)	10,200,000,000	3,000,000,000	-
Payments of:			
Cash dividends (Note 13b)	(10,228,459,986)	(10,007,701,858)	(12,215,283,150)
Interest and other financing charges	(878,938,176)	(699,256,650)	(609,202,229)
Transaction costs from availment of long-term debt	(121,924,252)	(32,938,058)	-
Amounts owed to related parties	-	-	(12,300,000,000)
Net cash flows from (used in) financing activities	3,670,677,586	(7,739,896,566)	(25,124,485,379)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,169,719,975	5,162,834,750	(11,071,951,017)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(120,700,812)	(51,319,781)	(54,174,161)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,826,169,148	2,714,654,179	13,840,779,357
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P11,875,188,311	P7,826,169,148	P2,714,654,179

See accompanying Notes to Parent Company Financial Statements



ABOITIZ POWER CORPORATION
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

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, retail electricity supply and power distribution in the Aboitiz Group. As of December 31, 2018, Aboitiz Equity Ventures, Inc. (AEV, also incorporated in the Philippines) owns 76.98% of the Company. The ultimate parent of the Company is Aboitiz & Company, Inc. (ACO, also incorporated in the Philippines).

The Company's registered office address is 32nd Street, Bonifacio Global City, Taguig City, Metro Manila.

The parent company financial statements of the Company were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 7, 2019.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Financial Statement Preparation

The accompanying parent company financial statements 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 parent company financial statements are presented in Philippine peso which is the Company's functional currency.

Statement of Compliance

The parent company financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

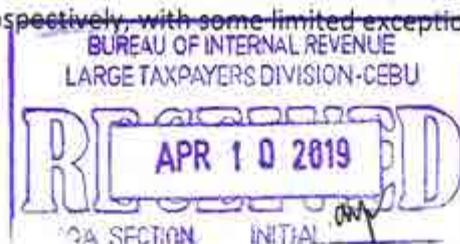
Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the new and revised standards and Philippine Interpretations which were applied starting January 1, 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

These new and revised standards and interpretations did not have any significant impact on the Company's parent company financial statements:

- PFRS 9, *Financial Instruments*

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



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

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

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

Financial Assets	Classification under PAS 39	Amounts under PAS 39	Classification under PFRS 9	Amount under PFRS 9
Cash on hand and in banks	Loans and receivables	₱278,899,148	Financial assets at amortized cost	₱278,899,148
Cash equivalents	Loans and receivables	7,547,270,000	Financial assets at amortized cost	7,547,270,000
Investment in equity securities not held for trading	AFS investments	99,374,831	Financial assets at FVTPL	99,374,831
Trade and other receivables:				
Trade receivables	Loans and receivables	383,208,109	Financial assets at amortized cost	383,208,109
Interest receivable	Loans and receivables	10,269,728	Financial assets at amortized cost	10,269,728
Other receivables	Loans and receivables	126,168,321	Financial assets at amortized cost	126,168,321
Derivative assets	Financial assets at fair value through profit of loss (FVPL)	42,510,000	Financial assets at FVTPL	42,510,000

As of December 31, 2018 and 2017, the Company does not hold financial liabilities designated at fair value through profit or loss.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with PAS 39 to their new measurement categories upon transition to PFRS 9 on January 1, 2018:

Financial assets	Ref	PAS 39 measurement		Reclass ²	PFRS 9	
		Category	Amount		Amount	Category
Cash and cash equivalents		L&R ¹	₱7,826,169,148	₱7,826,169,148	₱7,826,169,148	AC ²
Trade and other receivables		L&R	519,646,158	519,646,158	519,646,158	AC
		L&R	<u>₱8,345,815,306</u>	<u>₱8,345,815,306</u>	<u>₱8,345,815,306</u>	AC
AFS investments			₱99,374,831	(99,374,831)	₱-	
To: Financial assets at FVTPL	A		-	(99,374,831)	-	
		AFS	<u>₱99,374,831</u>	<u>(₱99,374,831)</u>	<u>₱-</u>	
Derivative assets		FVPL	₱42,510,000	₱42,510,000	₱42,510,000	FVTPL
Financial assets at FVTPL		FVPL	99,374,831	99,374,831	99,374,831	FVTPL
From: AFS investments	A		-	99,374,831	-	
		FVPL	<u>₱141,884,831</u>	<u>₱141,884,831</u>	<u>₱141,884,831</u>	FVTPL

¹L&R: Loans and receivables

²AC: Amortized cost

³Reclassification

The Company does not have financial assets and financial liabilities which had previously been designated at FVPL to reduce an accounting mismatch in accordance with PAS 39 which had been reclassified to amortized cost or FVOCI upon transition to PFRS 9.



The effects of adoption on parent company financial statements are as follows:

	As at January 1, 2018
<hr/>	
Increase (decrease) in the parent company balance sheet:	
AFS investments	(P99,374,831)
Financial assets at FVTPL	99,374,831
Total Assets	<hr/> P-
Unrealized valuation loss on AFS investments	P625,169
Retained earnings	(625,169)
Total Liabilities and Equity	<hr/> P-

The new hedge accounting model under PFRS 9 aims to simplify hedge accounting, align the accounting for hedge relationships more closely with an entity's risk management activities and permit hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks eligible for hedge accounting.

We determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under PFRS 9. As PFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of PFRS 9 did not have a significant impact on the parent company financial statements.

- PFRS 15, *Revenue from Contracts with Customers*

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

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

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

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



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

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

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

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

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

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

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

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

The amendments are not applicable to the Company since it has no activities that are predominantly connected with insurance or issue insurance contracts.

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

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at FVTPL. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made



separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

These amendments to PAS 28 are not applicable to the Company since it is not a venture capital organization or an investment entity, nor does the Company apply the equity method in accounting for its investments in associates.

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

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

These amendments are not applicable to the Company since it has no investment properties.

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

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

Since the Company's current practice is in line with the clarifications issued, this interpretation does not have any effect on its parent company financial statements.

New Standards and Interpretation Issued and Effective after December 31, 2018

The Company will adopt the standards enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRSs, PAS and Philippine Interpretations to have significant impact on its parent company financial statements.



Effective January 1, 2019

- PFRS 16, *Leases*

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

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

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

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

The Company plans to adopt PFRS 16 on the required effective date using the modified retrospective method. The Company will elect to apply the standard to contracts that were previously identified as leases applying PAS 17. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17.

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

In 2018, the Company performed a preliminary impact assessment of PFRS 16. Based on the initial assessment, the standard may have an impact on the Company's parent company balance sheets, statements of income, statements of comprehensive income and statements of cash flows.

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

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



The Company expects that adoption of these amendments will not have any impact on its parent company financial statements.

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

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

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

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

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its parent company financial statements upon adoption.

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

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

Since the Company does not have such long-term interests in its associates, the amendments will not have an impact on its parent company financial statements.



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

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

The interpretation specifically addresses the following:

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

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

This interpretation is not relevant to the Company because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.

- *Annual Improvements to PFRSs 2015-2017 Cycle*

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

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

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

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



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

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

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

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

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

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

These amendments are not applicable to the Company since it has no borrowing costs eligible for capitalization.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Company.



- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.



On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

Current versus Noncurrent Classification

The Company presents assets and liabilities in the parent company balance sheet based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.



A fair value measurement of a non-financial asset takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Foreign Currency Translation

The Company's financial statements are presented in Philippine Peso, which is the Company's functional currency. Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at balance sheet date. Exchange gains and losses arising from foreign currency transactions and translations of foreign currency denominated monetary assets and liabilities are credited to or charged against current operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions

Cash and Cash Equivalents

Cash and cash equivalents in the parent company balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the parent company statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.



Financial Instruments - Initial Recognition and Subsequent Measurement (prior to adoption of PFRS 9)

Date of recognition

The Company recognizes a financial asset or a financial liability in the parent company balance sheet on the date when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date, which is the date that the Company commits to purchase the asset. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS investments. For financial liabilities, the Company also classifies them into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every balance sheet date.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the parent company statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the parent company statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

(a) Financial assets of financial liabilities at FVPL

Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated and considered as hedging instruments in an effective hedge.

Financial assets and liabilities may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities, or recognizing gains or losses on them on a different basis; (ii) the assets and liabilities are part of a group of financial assets, liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk managing strategy; or (iii) the financial



instruments contains an embedded derivative that would need to be recorded separately, unless the embedded derivative does not significantly modify the cash flow or it is clear, with little or no analysis, that it would not be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial asset or financial liability at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets and liabilities at FVPL are recorded at the parent company balance sheet at fair value. Subsequent changes in fair value are recognized in the parent company statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payments has been established.

The Company's derivative assets are classified as financial assets at FVPL as of December 31, 2017 (see Note 19). The Company does not have any financial liabilities at FVPL as of December 31, 2017.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS investments or financial assets at FVPL. Loans and receivables are carried at amortized cost less allowance for impairment. Amortization is determined using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Gains and losses are recognized in the parent company statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Included under this category as of December 31, 2017 are the Company's cash and cash equivalents and trade and other receivables (see Note 18).

(c) HTM investments

HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Company has the positive intention and ability to hold to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Where the Company sells other than an insignificant amount of HTM investments, the entire category would be tainted and would have to be reclassified as AFS investments. Gains and losses are recognized in the parent company statement of income when the investments are derecognized or impaired, as well as through the amortization process.

The Company does not have any HTM investment as of December 31, 2017.



(d) AFS investments

AFS investments are non-derivative financial assets that are either designated as AFS or not classified in any of the other categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Quoted AFS investments are measured at fair value with gains or losses being recognized as other comprehensive income, until the investments are derecognized or until the investments are determined to be impaired at which time, the accumulated gains or losses previously reported in other comprehensive income are included in the parent company statement of income. Unquoted AFS investments are carried at cost, net of impairment. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognized in the parent company statement of income when the right of payment has been established.

The Company's AFS investments as of December 31, 2017 include investments in unquoted shares of stock (see Note 18).

(e) Other financial liabilities

This category pertains to issued financial liabilities or their components that are neither held for trading nor designated as at FVPL upon the inception of the liability and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Other financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable financing costs. Deferred financing costs are amortized, using the effective interest rate method, over the term of the related long-term liability. After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in the parent company statement of income when liabilities are derecognized, as well as through amortization process.

Included under this category as of December 31, 2017 are the Company's trade and other payables and long-term debts (see Note 18).

Financial Instruments - Classification and Measurement (upon adoption of PFRS 9)

Classification of financial assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Company's business model for managing the financial assets. The Company classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at fair value through profit or loss



- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Financial assets at amortized cost

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest method. The amortization is included in 'Interest income' in the statement of income and is calculated by applying the effective interest method to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the effective interest method is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Provision for credit and impairment losses' in the parent company statement of income.

The Company's financial assets at amortized cost as of December 31, 2018 consist of cash in banks, cash equivalents and trade and other receivables (see Note 18). The Company assessed that the contractual cash flows of these financial assets are SPPI and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Company concluded these financial assets are to be measured at amortized cost.

Financial assets at FVOCI

A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

The Company may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.



Dividends are recognized in profit or loss only when:

- the Company's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Company; and
- the amount of the dividend can be measured reliably.

The Company does not have any financial asset at FVOCI as of December 31, 2018.

Financial assets at FVTPL

Financial assets at FVTPL are measured as at unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent SPPI. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the parent company statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the parent company statement of income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Company may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Company, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Company's investments in unquoted equity shares previously carried at cost under PAS 39 and classified as AFS investments are measured at FVTPL under PFRS 9 as of December 31, 2018 (see Note 18).

Classification of financial liabilities

Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Company retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a Company of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.



Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Company's financial liabilities measured at amortized cost as of December 31, 2018 include trade and other payables, bank loans and long-term debts (see Note 18).

Reclassifications of financial instruments (upon adoption of PFRS 9)

The Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

The Company does not reclassify its financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at fair value through profit or loss.

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at FVTPL, unless designated as effective hedge. Changes in fair value of derivative instruments not accounted as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. An embedded derivative is separated from the host financial or non-financial contract and accounted for as a separate derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. The Company uses derivative financial instruments, such as short-term forward contracts to hedge its foreign currency risks.



As of December 31, 2018, the Company has derivative assets classified as financial asset at FVTPL (see Note 19)

Derecognition of Financial Assets and Liabilities (prior to and upon adoption of PFRS 9)

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognized when, and only when:

- the rights to receive cash flows from the asset expires;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Company treats the transaction as a transfer of a financial asset if the Company:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it retains control over the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. The extent of the Company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Company's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Company's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Company could be required to repay ('the guarantee amount'). When the Company's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Company's continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Company's continuing involvement is measured in the same way as that which results from non-cash settled options.



Modification of contractual cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest method (or credit-adjusted effective interest method for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the parent company statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial liabilities

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the parent company statement of income.

Impairment of Financial Assets (prior to adoption of PFRS 9)

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.



The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the parent company statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the financial asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the parent company statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments

For AFS investments, the Company assesses at each balance sheet date whether there is objective evidence that an investment or group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the parent company statement of income) is removed from the other comprehensive income and recognized in the parent company statement of income. Impairment losses on equity investments are not reversed through the parent company statement of income. Increases in fair value after impairment are recognized directly in the other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on rate of interest used to discount future cash flows for measuring impairment loss. Such accrual is recorded as part of "Interest income" in the parent company statement of income. If, in subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the parent company statement of income, the impairment loss is reversed through the parent company statement of income.

Impairment of Financial Assets (upon adoption of PFRS 9)

PFRS 9 introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.



The Company recognizes expected credit losses (ECL) for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL

For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the balance sheet date are recognized.

Stage 2: Lifetime ECL - not credit-impaired

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

A financial asset is considered to have low credit risk if

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.



Determining the stage for impairment

At each balance sheet date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the balance sheet date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to 'Trade receivables'. The Company has established a provision matrix for customer segments that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements whereby the related assets and liabilities are presented gross in the parent company balance sheet.

Classification of financial instruments between liability and equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as income or expense. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Redeemable Preferred Shares (RPS)

The component of the RPS that exhibits characteristics of a liability is recognized as a liability in the parent company balance sheet, net of transaction costs. The corresponding dividends on those shares are charged as interest expense in the parent company statement of income. On issuance of



the RPS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortized cost basis until extinguished on redemption.

Investments in Subsidiaries and Associates

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decision of the investee, but is not control or joint control over those policies.

Investments in subsidiaries and associates are carried at cost, less impairment in value, in the parent company financial statements.

The Company recognizes income from the investments only to the extent that the Company receives distributions or establishes a right to receive distributions from accumulated profits of the subsidiaries and associates arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value, if any. The initial cost of property and equipment comprises its purchase price, including import duties, if any, nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing parts of such property and equipment when that cost is incurred if the recognition criteria are met. Repairs and maintenance costs are recognized in the parent company statement of income as incurred.

Depreciation is computed using the straight-line method over the useful lives of the assets as follows:

<u>Category</u>	<u>Number of Years</u>
Transportation equipment	5
Office equipment	3
Communication equipment	3
Leasehold improvements	10

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.



Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses, if any, are removed from the accounts, and any resulting gain or loss is credited or charged to current operations. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the parent company statement of income in the year the asset is derecognized.

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each financial year-end.

When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the parent company statement of income in the year in which the expenditure is incurred.

Computer software license

Computer software license is initially recognized at cost. Following initial recognition, the computer software license cost is carried at cost less accumulated amortization and any accumulated impairment in value, if any.

The computer software license is amortized on a straight-line basis over its estimated useful economic life of three to five years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the computer software license is available for use. The amortization period and the amortization method for the license are reviewed at each financial year end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the parent company statement of income in the expense category consistent with the function of the computer software license.

Project Development Costs

Project development costs include power plant projects in the development phase which meet the "identifiability" requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to "Property and equipment" when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

Research and Development Expenditure

The Company's policy is to record research expenses in the parent company statement of income in the period when they are incurred.



Development costs are recognized as an intangible asset on the parent company balance sheet if the Company can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Impairment of Nonfinancial Assets

Other current assets, investments and advances, project development costs, property and equipment and other noncurrent assets

The Company assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the parent company statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.



Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against an equity reserve account.

Retained Earnings

The amount included in retained earnings includes accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial balance sheet date are dealt with as an event after the financial balance sheet date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Revenue Recognition

Revenue from contracts with customers under PFRS 15 is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Under PAS 18, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.

The following specific recognition criteria must also be met before revenue is recognized:

Dividend income

Dividend income is recognized when the Company's right to receive payment is established.

Technical, management and service fees

Technical, management and other fees are recognized when the related services are rendered.

Interest income

Interest is recognized as it accrues taking into account the effective interest method.

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Pension benefits

The Company has defined benefit pension plans which require contributions to be made to separately administered funds. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.



Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the parent company statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to parent company statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.



Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in the parent company statement of comprehensive income and not in the parent company statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused net operating loss carryover (NOLCO) and excess minimum corporate income tax (MCIT), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused NOLCO and excess MCIT can be utilized in the future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the balance sheet date.

Income tax relating to items recognized directly in other comprehensive income is also recognized in other comprehensive income and not in the parent company statement of income.

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company balance sheet. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the parent company balance sheet to the extent of the recoverable amount.



Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the parent company statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies

Contingent liabilities are not recognized in the parent company financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the parent company financial statements when an inflow of economic benefits is probable.

Events After the Reporting Period

Post year-end events that provide additional information about the Company's position at balance sheet date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company 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 Company based its assumptions and estimates on parameters available when the parent company 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 Company. 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 financial statements, except for those that relate to the adoption of PFRS 9 and PFRS 15.



Judgments

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

Classification of financial instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the parent company balance sheet.

Contractual cash flows characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Company assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

Evaluation of business model in managing financial instruments (upon adoption of PFRS 9)

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

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

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



Identifying performance obligations

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

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

Revenue recognition

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

The Company will continue to recognize revenue from rendering of services over time, since customers simultaneously receives and consumes the benefits as the Company provides the services.

Identifying methods for measuring progress of revenue recognized over time

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

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating useful lives of property and equipment

The Company estimates the useful lives of property and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of December 31, 2018 and 2017, the net book values of property and equipment amounted to ₱65.6 million and ₱80.3 million, respectively (see Note 8).



Estimating residual value of property and equipment

The residual value of the Company's property and equipment is estimated based on the amount that would be obtained from disposal of the asset, after deducting estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life. Such estimation is based on the prevailing price of property and equipment of similar age and condition. The estimated residual value of each asset is reviewed periodically and updated if expectations differ from previous estimates due to changes in the prevailing price of a property and equipment of similar age and condition. As of December 31, 2018 and 2017, the aggregate net book values of property and equipment amounted to ₱65.6 million and ₱80.3 million, respectively (see Note 8).

Estimating impairment of project development costs

Impairment is determined for development costs by assessing the recoverable amount of each projects. Where the recoverable amount of the project is less than the carrying amount, an impairment loss is recognized. When calculating recoverable amount, the future cash flow is discounted by a discount factor that takes into consideration risk free interest and the risk associated with the specific project.

The Company did not recognize impairment loss on project development costs in 2018 and 2017. The carrying amount of the Company's project development costs amounted to ₱388.5 million and ₱262.6 million as of December 31, 2018 and 2017, respectively (see Note 10).

Estimating allowance for impairment of losses on investment in and advances to subsidiaries and associates

Investments in and advances to subsidiaries and associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In 2017, it was determined that the carrying value of the investment in Mactan Enerzone Corporation exceeded its recoverable amount. As a result, an impairment loss amounting to ₱169.5 million was recognized. The aggregate carrying amount of the investments in and advances to subsidiaries and associates amounted to ₱88.93 billion and ₱80.04 billion as of December 31, 2018 and 2017, respectively (see Note 7).

Assessing impairment of nonfinancial assets

The Company assesses whether there are any indicators of impairment for nonfinancial assets at each balance sheet date. These nonfinancial assets (property and equipment and other current and noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of the assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect its financial statements. Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

As of December 31, 2018, the carrying values of property and equipment and other current and noncurrent assets amounted to ₱65.6 million, ₱941.8 million, and ₱89.1 million, respectively. As of December 31, 2017, the carrying values of property and equipment and other current and noncurrent assets amounted to ₱80.3 million, ₱797.0 million, and ₱14.9 million, respectively (see Notes 6, 8, and 9).



Estimating allowance for impairment of trade and other receivables (prior to adoption of PFRS 9)

The Company maintains allowance for impairment of receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of the factors that affect the collectability of the accounts. These factors include, but are not limited to, the Company's relationship with its debtors, debtor's current credit status and other known market factors. The Company reviews the age and status of receivables and identifies accounts that are to be provided with allowance either individually or collectively. The amount and timing of recorded expenses for any period would differ if the Company made different judgment or utilized different estimates. An increase in the Company's allowance for impairment of receivables will increase the Company's recorded expenses and decrease current assets. No allowance for impairment of receivables was recognized as of December 31, 2017. As of December 31, 2017, the Company's receivables amounted to ₱519.6 million (see Note 5).

Measurement of expected credit losses (upon adoption of PFRS 9)

ECLs are derived from unbiased and probability-weighted estimates of expected loss. Financial assets that are not credit-impaired at the balance sheet date are measured as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive.

The Company leverages existing risk management indicators (e.g., internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Company to identify whether the credit risk of financial assets has significantly increased.

No allowance for expected credit losses was recognized in 2018. Trade and other receivables amounted to ₱981.5 million as of December 31, 2018 (see Note 5).

Inputs, assumptions and estimation techniques (upon adoption of PFRS 9)

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *PD*
The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures. The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.



- **LGD**
Loss Given Default represents the Company's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD.
- **EAD**
EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the balance sheet date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by counterparty.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies.

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs change are monitored and reviewed on a quarterly basis.

Simplified approach for trade receivables (upon adoption of PFRS 9)

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial segment, the historical default rates are adjusted. At every balance sheet date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.



There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of forward-looking information (upon adoption of PFRS 9)

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Company has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

Pension benefits

The cost of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 15.

Net benefit expense amounted to ₱41.9 million in 2018, ₱50.0 million in 2017 and ₱58.3 million in 2016. The net pension asset amounted to ₱38.1 million and ₱16.2 million as of December 31, 2018 and 2017, respectively.

Recognition of deferred income tax assets

The Company reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. As of December 31, 2018 and 2017, deferred income tax assets amounted to ₱202.3 million



and ₱173.4 million, respectively. No deferred income tax assets were recognized for deductible temporary difference amounting to ₱1.07 billion and ₱1.03 billion, MCIT amounting to ₱48.7 million and ₱44.4 million and NOLCO amounting to ₱1.03 billion and ₱647.7 million as of December 31, 2018 and 2017, respectively (see Note 16).

Legal contingencies

The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Company's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Company's parent company financial statements for the years ended December 31, 2018 and 2017.

4. **Cash and Cash Equivalents**

	2018	2017
Cash on hand and in banks	₱33,107,511	₱278,899,148
Short-term deposits	11,842,080,800	7,547,270,000
	<u>₱11,875,188,311</u>	<u>₱7,826,169,148</u>

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

Interest income earned from cash in banks and short-term deposits amounted to ₱137.3 million, ₱147.6 million and ₱329.5 million in 2018, 2017 and 2016, respectively.

5. **Trade and Other Receivables**

	2018	2017
Trade (see Note 17)	₱617,445,732	₱383,208,109
Dividends	288,579,777	94,300,000
Interest	43,777,681	10,269,728
Nontrade	18,406,566	18,094,904
Others	13,254,002	13,773,417
	<u>₱981,463,758</u>	<u>₱519,646,158</u>

Trade receivables are non-interest bearing and generally have a term of 30 days.

For terms and conditions relating to related party receivables, refer to Note 17.



6. Other Current Assets

	2018	2017
Prepaid tax	P926,898,393	P784,917,756
Others	14,879,787	12,114,844
	P941,778,180	P797,032,600

7. Investments and Advances

The details of the Company's investments and advances are as follows:

	2018	2017
<i>Investments in Subsidiaries:</i>		
Therma Power, Inc. (TPI)	P30,116,058,873	P30,116,058,873
Aboitiz Renewables, Inc. (ARI)	25,172,988,814	27,172,988,814
Therma Visayas, Inc. (TVI)	7,118,681,570	1,736,791,329
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	2,794,460,000	2,794,460,000
Hedcor Sabangan, Inc. (Hedcor Sabangan)	1,732,643,142	1,732,643,142
Lima Enerzone Corporation (LEZC)	1,329,696,667	1,329,696,667
Therma South, Inc. (Therma South)	877,892,679	877,892,679
Therma Mobile, Inc. (Therma Mobile)	742,400,000	742,400,000
Davao Light & Power Co., Inc. (DLPC)	738,472,506	738,472,506
Visayan Electric Co., Inc. (VECO)	665,438,202	665,388,202
Hedcor Tudaya, Inc. (HTI)	656,250,000	656,250,000
Mactan Enerzone Corporation (MEZC)	609,532,287	609,532,287
Hedcor, Inc. (HI)	605,125,000	245,000,000
Balamban Enerzone Corporation (BEZC)	444,869,161	486,869,161
Subic Enerzone Corporation (SEZC)	227,000,000	227,000,000
Cotabato Light & Power Co. (CLPC)	214,047,443	214,047,443
Retensol, Inc. (RI)	135,000,000	-
AboitizPower International Pte. Ltd. (AP Int)	120,733,027	120,733,027
East Asia Utilities Corporation (EAUC)	100,914,275	100,914,275
AP Renewable Energy Corporation (APREC)	25,000,000	-
Aboitiz Energy Solutions, Inc. (AESI)	21,000,000	21,000,000
Malvar Enerzone Corporation (Malvez)	17,900,000	100,000
Cebu Private Power Corporation (CPPC)	17,806,608	17,806,608
Prism Energy, Inc. (PEI)	12,648,600	750,000
AdventEnergy, Inc. (AI)	812,500	812,500
	74,497,371,354	70,607,607,513

(Forward)



	2018	2017
<i>Investments in Associates:</i>		
STEAG State Power, Inc. (STEAG)	₱4,400,611,465	₱4,400,611,465
Hijos de F. Escaño, Inc. (Hijos)	858,069,586	858,069,586
Pampanga Energy Ventures, Inc. (PEVI)	209,465,106	209,465,106
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	180,863,801	180,863,801
AEV Aviation, Inc. (AAI)	169,275,000	249,491,000
Western Mindanao Power Corporation (WMPC)	79,099,377	79,099,377
Southern Philippines Power Corporation (SPPC)	45,776,067	45,776,067
	5,943,160,402	6,023,376,402
Less allowance for impairment loss	1,071,358,480	1,025,425,480
	79,369,173,276	75,605,558,435
<i>Advances</i>	9,562,649,989	4,432,705,589
	₱88,931,823,265	₱80,038,264,024

Investment in RI

In 2018, the Company subscribed 135.0 million RPS for ₱135.0 million.

Investment in BEZC

In 2018, BEZC redeemed shares attributable to the Company at 42.0 million RPS for ₱42.0 million at ₱1 per share.

In 2018, it was determined that the carrying value of the investment in BEZC exceeded its recoverable amount. The recoverable amount of the investment has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

The discount rates applied to cash flow projections are from 10.63% to 14.80% in 2018 and cash flows beyond the five-year period are extrapolated using a zero percent growth rate. As a result, an impairment loss amounting to ₱45.9 million was recognized.

Investment in APREC

In 2018, the Company subscribed 25.0 million RPS for ₱25.0 million.

Investment in PEI

In 2018, PEI advances were reclassified to investment amounting to ₱11.9 million.

Investment in VECO

In 2018, the Company subscribed 0.0005 million RPS for ₱0.05 million.

Investment in HI

The Company subscribed additional 360.1 million RPS for ₱360.1 million and 245.0 million RPS for ₱245.0 million in 2018 and 2017, respectively.

Investment in AAI

AAI redeemed shares attributable to the Company at 80,216 RPS for ₱80.2 million and 8,809 RPS for ₱8.8 million in 2018 and 2017, respectively, at ₱1,000 per share.



Investment in Malvez

The Company subscribed additional 17.8 million RPS for ₱17.8 million and 0.1 million common shares for ₱0.1 million in 2018 and 2017, respectively.

Investment in TVI

The Company subscribed additional 8.8 million RPS for ₱5.38 billion and 2.56 million RPS for ₱1.56 billion in 2018 and 2017, respectively.

Investment in EAUC

In April 2017, EAUC redeemed 21,690 RPS at a redemption price of ₱63.3 million or ₱2,920 per share attributable to the Company. The book value of the redeemed shares amounted to ₱43.8 million. As a result, the Company recognized a "Gain on redemption of preferred shares" amounting to ₱19.6 million.

Investment in ARI

In 2018 and 2017, ARI redeemed shares attributable to the Company at 200.0 million and 948.1 million RPS for ₱2.00 billion and ₱9.48 billion, respectively, at ₱10 per share.

Investment in Hedcor Bukidnon

The Company subscribed additional 871.0 million RPS for ₱871.0 million in 2017.

Investment in Hedcor Sibulan

Hedcor Sibulan redeemed shares attributable to the Company at 231.0 million RPS for ₱231.0 million in 2017 at ₱1 per share.

Investment in MEZC

In 2017, it was determined that the carrying value of the investment in MEZC exceeded its recoverable amount. The recoverable amount of the investment has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

The discount rates applied to cash flow projections are from 11.18% to 14.93% in 2017 and cash flows beyond the five-year period are extrapolated using a zero percent growth rate. As a result, an impairment loss amounting to ₱169.5 million was recognized.

Investment in AP Int

In 2017, it was determined that the carrying value of the investment in AP Int exceeded its recoverable amount. As a result, an impairment loss amounting to ₱120.7 million was recognized.

Advances

These advances include advances to subsidiaries that will be applied against future subscriptions of the Company to the shares of stock of the subsidiaries.

In 2018, the Company has additional advances to TPI amounting to ₱5.14 billion.

In 2017, the Company has advances to TPI amounting to ₱4.2 billion, AP Int amounting to ₱50.7 million and PEI amounting to ₱9.6 million.



The Company's subsidiaries, all incorporated in the Philippines except for AP Int which was incorporated in Singapore, and the corresponding percentage equity ownership are as follows:

Name of Company	Nature of Business	2018		2017	
		Direct	Indirect	Direct	Indirect
ARI	Holding company	100.00%	-	100.00%	-
TPI	Holding company	100.00%	-	100.00%	-
AP Int	Holding company	100.00%	-	100.00%	-
LEZ	Power distribution	100.00%	-	100.00%	-
Hedcor Sabangan	Power generation	-	100.00%	-	100.00%
HI	Power generation	-	100.00%	-	100.00%
Therma Mobile	Power generation	-	100.00%	-	100.00%
RI*	Power generation	-	100.00%	-	100.00%
APREC*	Power generation	-	100.00%	-	100.00%
DLPC	Power distribution	99.93%	-	99.93%	-
VECO	Power distribution	55.26%	-	55.26%	-
HTI	Power generation	-	100.00%	-	-
MEZC	Power distribution	100.00%	-	100.00%	-
BEZC	Power distribution	100.00%	-	100.00%	-
Hedcor Bukidnon	Power generation	-	100.00%	-	100.00%
SEZC	Power distribution	65.00%	34.98%	65.00%	65.00%
CLPC	Power distribution	99.94%	-	99.94%	-
TVI*	Power generation	-	80.00%	-	80.00%
Therma South	Power generation	-	100.00%	-	100.00%
AESI	Retail electricity supplier	100.00%	-	100.00%	-
CPPC	Power generation	60.00%	-	60.00%	-
EAUC	Power generation	50.00%	50.00%	50.00%	50.00%
Maivez*	Power distribution	100.00%	-	100.00%	-
AI	Retail electricity supplier	100.00%	-	100.00%	-
PEI	Retail electricity supplier	60.00%	-	60.00%	-

*No commercial operations as of December 31, 2018.

The percentage of the Company's ownership in associates is as follows:

Name of Company	Nature of Business	Percentage of Ownership	
		2018	2017
AAI	Service	49.25%	49.25%
Hijos	Holding company	46.73%	46.73%
PEVI*	Holding company	42.84%	42.84%
STEAG	Power generation	34.00%	34.00%
SFELAPCO*	Power distribution	20.29%	20.29%
SPPC	Power generation	20.00%	20.00%
WMPC	Power generation	20.00%	20.00%

*PEVI has direct ownership in SFELAPCO of 54.83% while the Company's direct ownership in SFELAPCO is 20.29% resulting to the Company's effective ownership in SFELAPCO of 43.78%.



8. Property and Equipment

December 31, 2018

	Transportation Equipment	Office Equipment	Communication Equipment	Leasehold Improvements	Total
Cost:					
Balances at beginning of year	₱81,552,753	₱34,833,791	₱752,009	₱38,766,658	₱155,905,211
Additions	9,979,554	3,566,737	-	737,495	14,283,786
Disposals	(20,970,108)	(280,973)	-	-	(21,251,081)
Balances at end of year	70,562,199	38,119,555	752,009	39,504,153	148,937,916
Accumulated Depreciation:					
Balances at beginning of year	33,706,486	28,268,718	752,009	12,881,274	75,608,487
Depreciation and amortization	13,407,483	4,555,106	-	3,780,734	21,743,323
Disposals	(13,786,741)	(212,383)	-	-	(13,999,124)
Balances at end of year	33,327,228	32,611,441	752,009	16,662,008	83,352,686
Net book values	₱37,234,971	₱5,508,114	₱-	₱22,842,145	₱65,585,230

December 31, 2017

	Transportation Equipment	Office Equipment	Communication Equipment	Leasehold Improvements	Total
Cost:					
Balances at beginning of year	₱54,382,169	₱30,697,894	₱752,009	₱38,667,172	₱124,499,244
Additions	33,757,861	5,161,141	-	99,486	39,018,488
Disposals	(6,587,277)	(1,025,244)	-	-	(7,612,521)
Balances at end of year	81,552,753	34,833,791	752,009	38,766,658	155,905,211
Accumulated Depreciation:					
Balances at beginning of year	25,905,676	24,465,565	726,089	9,114,587	60,211,917
Depreciation and amortization	12,053,571	4,777,725	25,920	3,766,687	20,623,903
Disposals	(4,252,761)	(974,572)	-	-	(5,227,333)
Balances at end of year	33,706,486	28,268,718	752,009	12,881,274	75,608,487
Net book values	₱47,846,267	₱6,565,073	₱-	₱25,885,384	₱80,296,724

The Company recognized losses of ₱1.3 million and ₱0.4 million on disposal of property and equipment in 2018 and 2017, respectively.

There are no restrictions on the title and no property and equipment are pledged as security for liabilities.

Fully depreciated property and equipment with cost amounting to ₱50.1 million and ₱44.5 million as of December 31, 2018 and 2017, respectively, are still carried in the books of the Company and still in use.

9. Other Noncurrent Assets

	2018	2017
Recoverable deposits	₱81,206,176	₱5,495,720
Computer software licenses	7,915,027	9,424,010
	₱89,121,203	₱14,919,730



The rollforward analysis of computer software licenses is presented below:

	2018	2017
Cost:		
Balances at beginning of year	P16,598,165	P16,577,183
Additions	93,500	20,982
Balances at end of year	16,691,665	16,598,165
Accumulated amortization:		
Balances at beginning of year	7,174,155	5,577,276
Amortization	1,602,483	1,596,879
Balances at end of year	8,776,638	7,174,155
Net book values	P7,915,027	P9,424,010

10. Project Development Costs

	2018	2017
Balances at beginning of year	P262,559,144	P273,724,711
Additions	177,031,239	65,673,997
Write-offs	(51,122,382)	(76,839,564)
Balances at end of year	P388,468,001	P262,559,144

Project development costs consist of rights, titles and interests for various power plant development projects.

11. Trade and Other Payables

	2018	2017
Trade payables (see Note 18)	P55,903,519	P39,132,317
Accrued interest (see Note 12)	212,180,900	66,285,228
Accrued taxes and fees	43,272,258	25,611,103
Output VAT	38,456,614	55,122,268
Nontrade payables	5,609,030	7,264,277
Others	688,252	524,171
	P356,110,573	P193,939,364

Trade payables are noninterest-bearing and generally have a term of 30 days.

Accrued taxes and fees represent taxes withheld on compensation, benefits and other fees.



12. Bank Loans and Long-term Debts

Bank Loans

The Company obtained unsecured bank loans from financial institutions with a total principal amount of ₱4.70 billion at an annual interest rate ranging from 3.25% to 5.20% for working capital purposes in 2018. 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.

Interest expense on bank loans amounted to ₱140.9 million in 2018.

Long-Term Debts

	Interest Rate	2018	2017
Financial and non-financial institutions -			
unsecured			
2014 7-year retail bonds	5.21%	₱6,600,000,000	₱6,600,000,000
2014 12-year retail bonds	6.10%	3,400,000,000	3,400,000,000
2017 10-year retail bonds	5.34%	3,000,000,000	3,000,000,000
2018 5.25-year retail bonds	7.51%	7,700,000,000	-
2018 10-year retail bonds	8.51%	2,500,000,000	-
		23,200,000,000	13,000,000,000
Less deferred financing costs		202,178,708	98,018,357
		₱22,997,821,292	₱12,901,981,643

Retail Bonds - ₱10.2 billion

In October 2018, the Company issued a total of ₱10.2 billion bonds, broken down into a ₱7.7 billion 5.25-year bond due 2024 at a fixed rate equivalent to 7.51% p.a. and a ₱2.5 billion 10-year bond due 2028 at a fixed rate equivalent to 8.51% p.a. The bonds have been rated PRS Aaa by PhilRatings.

Retail Bonds - ₱3.0 billion

In July 2017, the Company issued ₱3.0 billion 10-year bond due 2027 at an annual fixed rate of 5.34% p.a. The bonds have been rated PRS Aaa by PhilRatings.

Retail Bonds - ₱10.0 billion

In September 2014, the Company issued a total of ₱10.0 billion bonds, broken down into a ₱6.6 billion 7-year bond due 2021 at a fixed rate equivalent to 5.21% p.a. and a ₱3.4 billion 12-year bond due 2026 at a fixed rate equivalent to 6.10% p.a. The bonds have been rated PRS Aaa by PhilRatings.

The principal amount of these bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

Under the bond trust agreements, the Company shall not permit its debt-to-equity ratio to exceed 3:1 calculated based on the year-end debt and consolidated equity. The Company is in compliance with the debt covenants as of December 31, 2018.

Unamortized deferred financing cost reduced the carrying amount of long-term debt by ₱202.2 million and ₱98.0 million as of December 31, 2018 and 2017, respectively.



Total interest expense recognized amounted to ₱858.2 million, ₱630.5 million and ₱550.9 million in 2018, 2017 and 2016, respectively.

13. Equity

a. Paid-in Capital

	2018	2017
Capital Stock		
Authorized - ₱1 par value		
Common shares - 16,000,000,000 shares		
Preferred shares - 1,000,000,000 shares		
Issued		
Common shares - 7,358,604,307 shares	₱7,358,604,307	₱7,358,604,307
Additional Paid-in Capital	12,588,894,332	12,588,894,332
	₱19,947,498,639	₱19,947,498,639

On May 25, 2007, the Company listed with the Philippine Stocks Exchange its 7,187,664,000 common shares with a par value of ₱1.00 to cover the initial public offering (IPO) of 1,787,664,000 common shares at an issue price of ₱5.80 per share. On March 17, 2008, the Company listed an additional 170,940,307 common shares, which it issued pursuant to a share swap agreement at the IPO price of ₱5.80 per share. The total proceeds from the issuance of new shares amounted to ₱10.37 billion. The Company incurred transaction costs incidental to the initial public offering amounting to ₱412.4 million, which is charged against "Additional paid-in capital" in the parent company balance sheet.

As of December 31, 2018, 2017 and 2016, the Company has 629, 629 and 628 shareholders, respectively.

Preferred shares are non-voting, non-participating, non-convertible, redeemable, cumulative, and may be issued from time to time by the BOD in one or more series. The BOD is authorized to issue from time to time before issuance thereof, the number of shares in each series, and all the designations, relative rights, preferences, privileges and limitations of the shares of each series. Preferred shares redeemed by the Company may be reissued. Holders thereof are entitled to receive dividends payable out of the unrestricted retained earnings of the Company at a rate based on the offer price that is either fixed or floating from the date of the issuance to final redemption. In either case, the rate of dividend, whether fixed or floating, shall be referenced, or be a discount or premium, to market-determined benchmark as the BOD may determine at the time of issuance with due notice to the SEC.

In the event of any liquidation or dissolution or winding up of the Company, the holders of the preferred stock shall be entitled to be paid in full the offer price of their shares before any payment in liquidation is made upon the common stock.

There are no preferred shares issued and outstanding as of December 31, 2018 and 2017.



b. Retained Earnings

On November 24, 2016, the BOD approved additional appropriation of ₱13.16 billion retained earnings for the following projects:

Projects	Full Commercial Operations by	Appropriation
300 MW Cebu Coal	1 st half of 2018	₱8,160,000,000
2x300 MW Coal-fired	End of 4 th quarter 2021	5,000,000,000
Total		₱13,160,000,000

On November 27, 2014, the BOD approved the appropriation of ₱20.90 billion retained earnings for the following projects:

Projects	Full Commercial Operations by	Appropriation
68 MW Manolo Fortich Hydro	End of 4 th quarter 2016	₱2,600,000,000
300 MW Davao Coal	End of 1 st half 2015	9,500,000,000
14 MW Sabangan Hydro	End of 1 st half 2015	2,800,000,000
400 MW Coal Fired Pagbilao Unit3	End of 4 th quarter 2017	6,000,000,000
Total		₱20,900,000,000

On March 8, 2016, the BOD approved the declaration of regular cash dividends of ₱1.20 a share (₱8.83 billion) and special cash dividends of ₱0.46 a share (₱3.38 billion) to all stockholders of record as of March 22, 2016. These dividends were paid on April 19, 2016.

On March 7, 2017, the BOD approved the declaration of regular cash dividends of ₱1.36 per share (₱10.01 billion) to all stockholders of record as of March 21, 2017. These dividends were paid on April 10, 2017.

On March 8, 2018, the BOD approved the declaration of regular cash dividends of ₱1.39 per share (₱10.23 billion) to all stockholders of record as of March 22, 2018. These dividends were paid on April 12, 2018.

To comply with the requirements of Section 43 of the Corporation Code, on March 7, 2019, the BOD approved the declaration of regular cash dividends of ₱1.47 a share (₱10.85 billion) to all stockholders of record as of March 21, 2019. The cash dividends are payable on April 5, 2019.

On March 7, 2019, the BOD also approved the following:

- Appropriation of ₱11.90 billion retained earnings for the equity infusions into GNPower Dinginin Ltd. Co. (GNPD) to fund the construction of GNPD units 1 & 2, which is expected to have full commercial operations by end of 2020.
- Reversal of ₱12.30 billion retained earnings appropriation that was set up in 2014 for the equity requirements of the 300 MW Davao Coal and 14 MW Sabangan Hydro projects.



14. Personnel Costs

	2018	2017	2016
Salaries and wages	P562,610,627	P533,005,712	P454,007,818
Employee benefits	351,449,279	307,935,888	273,559,833
Retirement benefit costs (see Note 15)	41,895,414	49,974,029	58,324,025
	P955,955,320	P890,915,629	P785,891,676

15. Retirement Costs

The Company has a funded, noncontributory, defined benefit pension plan (the "Plan") covering all regular and full-time employees and requiring contributions to be made to separately administered fund. This retirement benefit fund (the "Fund") is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also officers of AEV, is responsible for the investment of the Fund assets. Taking into account the Plan's objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the parent company statements of income and the funded status and amounts recognized in the parent company balance sheets for the plan.

Net benefit expense (recognized as part of personnel costs):

	2018	2017	2016
Retirement expense to be recognized in the parent company statements of income:			
Current service cost	P42,726,275	P48,922,746	P46,153,534
Net interest cost (income)	(830,861)	1,051,283	12,170,491
	P41,895,414	P49,974,029	P58,324,025

Remeasurement effect to be recognized in other comprehensive income:

	2018	2017	2016
Actuarial gains due to:			
Changes in financial assumptions	P44,542,333	P1,172,525	P-
Actual return excluding amount included in net interest cost	(13,774,100)	9,300,494	20,313,413
Experience adjustments	(4,861,370)	(43,972,045)	-
Changes in demographic assumptions	-	78,205,006	-
	P25,906,863	P44,705,980	P20,313,413



Pension asset

	2018	2017
Fair value of plan assets	P440,263,429	P649,655,975
Present value of obligation	(402,201,925)	(633,459,869)
	P38,061,504	P16,196,106

Changes in the present value of the defined benefit obligation are as follows:

	2018	2017
At January 1	P633,459,869	P570,175,589
Net benefit expense:		
Current service cost	42,726,275	48,922,746
Interest cost	32,496,491	29,021,938
	75,222,766	77,944,684
Benefits paid	(252,616,884)	(1,621,043)
Employee transfers	(14,182,863)	22,366,125
Remeasurements in other comprehensive income:		
Actuarial gain (loss) due to:		
Experience adjustments	4,861,370	43,972,045
Changes in financial assumptions	(44,542,333)	(1,172,525)
Changes in demographic assumptions	-	(78,205,006)
	(39,680,963)	(35,405,486)
At December 31	P402,201,925	P633,459,869

Changes in the fair value of plan assets are as follows:

	2018	2017
At January 1	P649,655,975	P549,521,704
Actual contributions	37,853,949	42,118,040
Interest income included in net interest cost	33,327,352	27,970,655
Benefits paid	(252,616,884)	(1,621,043)
Transfers	(14,182,863)	22,366,125
Actual return excluding amount included in net interest cost	(13,774,100)	9,300,494
At December 31	P440,263,429	P649,655,975

Changes in pension liability recognized in the parent company balance sheets are as follows:

	2018	2017
At January 1	P16,196,106	(P20,653,885)
Actual contributions	37,853,949	42,118,040
Actuarial gain recognized for the year	25,906,863	44,705,980
Retirement expense for the year	(41,895,414)	(49,974,029)
At December 31	P38,061,504	P16,196,106



The fair value of plan assets by each class at the end of the reporting period are as follows:

	2018	2017
Assets:		
Cash and fixed income investments	P-	P235,140,145
Financial assets at FVOCI	278,119,312	-
Equity instruments - financial institution:		
Financial assets at amortized cost	79,558,475	-
Holding	56,066,878	-
Power	49,415,685	-
Financial institution	12,686,517	-
Others	195,487,284	419,347,451
	671,334,151	654,487,596
Liability:		
Financial liability	(231,070,722)	(4,831,620)
Fair value of plan assets	P440,263,429	P649,655,976

All equity instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used as of December 31, 2018, 2017 and 2016 in determining net pension liability for the Company's Plan is shown below:

	2018	2017	2016
Discount rate	8.18%	5.13%	5.09%
Salary increase rate	7.00%	6.00%	6.00%

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2018 and 2017, respectively, assuming all other assumptions were held constant:

	Increase (decrease) in basis points	Effect on defined benefit obligation	
		2018	2017
Discount rates	100	(18,442,461)	(24,886,826)
	(100)	21,068,425	28,579,547
Future salary increases	100	23,118,029	31,793,587
	(100)	(20,609,365)	(28,398,059)

The Company's defined benefit pension plan is funded by the Company.

The Company expects to contribute P31.0 million to the defined benefit plans in 2019. The average duration of the defined benefit obligation as of December 31, 2018 and 2017 is 12.94 years.



The BOT reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Company also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

16. Income Tax

The provision for income tax account consists of:

	2018	2017	2016
Current:			
Final	₱23,267,247	₱18,946,168	₱59,664,111
Corporate income tax	15,959,091	10,440,532	22,262,045
	39,226,338	29,386,700	81,926,156
Deferred	(37,853,440)	7,066,011	(9,298,778)
	₱1,372,898	₱36,452,711	₱72,627,378

The provision for corporate income tax represents MCIT in 2018, 2017 and 2016.

Reconciliation between the statutory income tax rate and the Company's effective income tax rates follows:

	2018	2017	2016
At statutory rate of 30%	₱2,699,004,008	₱2,774,617,928	₱8,024,797,636
Additions to (reductions in)			
income tax resulting from:			
Unrecognized deferred			
income tax asset on:			
NOLCO	181,865,467	125,884,718	-
MCIT	15,959,091	10,440,532	22,262,045
Provision for impairment			
loss of investment in			
subsidiaries	13,779,900	50,840,822	36,219,908
Final tax on interest income	23,267,247	18,946,168	59,664,111
Nondeductible expenses:			
Project and bidding			
expenses	15,336,715	23,051,869	96,972,291
Others	14,363	5,921	3,885,333

(Forward)



	2018	2017	2016
Nondeductible interest expense	₱13,590,499	₱14,607,592	₱32,617,674
Unrealized valuation loss on financial assets at FVTPL	551,819	-	-
Dividend income	(2,920,812,882)	(2,937,677,410)	(8,042,310,774)
Interest income already subjected to final tax at a lower rate	(41,183,329)	(44,265,429)	(98,841,437)
Applied NOLCO	-	-	(62,639,409)
	₱1,372,898	₱36,452,711	₱72,627,378

The components of the Company's net deferred income tax assets (liability) are as follows:

	2018	2017
Deferred income taxes recognized in the parent company statements of income:		
Deferred income tax assets:		
Unamortized past service cost	₱61,464,468	₱73,530,211
Unrealized foreign exchange losses	51,420,259	2,713,515
	112,884,727	76,243,726
Deferred income tax liability on pension liability	(100,784,684)	(101,997,123)
Deferred income tax asset related to remeasurement effects in the parent company statements of comprehensive income	89,366,223	97,138,282
	₱101,466,266	₱71,384,885

As of December 31, 2018, the Company has MCIT that can be claimed as deduction from regular income tax liability as follows:

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2015	2016-2018	₱11,707,926	₱-	₱11,707,926	₱-
2016	2017-2019	22,262,045	-	-	22,262,045
2017	2018-2020	10,440,532	-	-	10,440,532
2018	2019-2021	15,959,089	-	-	15,959,089
		₱60,369,592	₱-	₱11,707,926	₱48,661,666

As of December 31, 2018, the Company has NOLCO which can be claimed as deduction against the regular taxable income as follows:

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2015	2016-2018	₱290,022,557	₱61,947,637	₱228,074,920	₱-
2017	2018-2020	419,615,728	-	-	419,615,728
2018	2019-2021	606,218,323	-	-	606,218,323
		₱1,315,856,608	₱61,947,637	₱228,074,920	₱1,025,834,051



No deferred income tax assets have been recognized in 2018 and 2017 on the following temporary differences as it is probable that no sufficient taxable income will be available to allow the benefit of the deferred income tax assets to be utilized:

	2018	2017
Provision for impairment loss on investment in subsidiaries	₱1,071,358,480	₱1,025,425,480
NOLCO	1,025,834,051	647,690,648
MCIT	48,661,666	44,410,503

17. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

The Company, in its normal course of business, has transactions with its related parties, which principally consist of the following:

- a. The Company has management agreements with each of the following subsidiaries: CLPC, Cotabato Ice Plant, Inc. (CIPI), DLPC, and CPPC for which it is entitled to management fees.
- b. The Company renders various services to related parties such as technical and legal assistance for various projects, trainings and other services, for which it bills technical and service fees.
- c. The Company obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain subsidiaries, associates and joint ventures in connection with certain loans and credit accommodations. As at December 31, 2018, the Company provided SBLCs for AP Renewables, Inc. (APRI), Cebu Energy Development Corporation (CEDC), Luzon Hydro Corporation (LHC), SN Aboitiz Power-Benguet, Inc. (SNAP B), Therma South, STEAG, and TVI in the amount of ₱4.51 billion. As at December 31, 2017, the Company provided SBLCs for APRI, CEDC, LHC, SNAP B, Therma South, STEAG, and TVI in the amount of ₱8.87 billion.
- d. AEV provides human resources, internal audit, legal, treasury and corporate finance services, among others, to the Company and shares with the member companies the business expertise of its highly qualified professionals. Transactions are priced based on agreed rates, and billed costs are always benchmarked to third party rates to ensure competitive pricing. Service Level Agreements are in place to ensure quality of service. This arrangement enables the Company to maximize efficiencies and realize cost synergies.
- e. Cash deposits and money market placements with UBP. At prevailing rates, these fixed-rate investments earned interest income amounting to ₱64.34 million and ₱52.09 million in 2018 and 2017, respectively. Outstanding balances amounted ₱6.11 billion and ₱1.40 billion as of December 31, 2018, and 2017, respectively.



- f. Rentals paid at current market rates to Cebu Praedia Development Corporation (CPDC) for the use of CPDC's properties by the Company's officers and employees.
- g. Aviation service fees paid at arm's length basis to AAI for the use of aircraft during travel of the Company's officers and employees.

The above transactions are expected to be settled in cash.



The parent company balance sheets and parent company statements of income include the following accounts resulting from the above transactions with related parties:

Technical, Management and other Service Fees

	Revenue		Receivable		Terms	Conditions
	2018	2017	2018	2017		
<i>Subsidiaries:</i>						
DUPC	₱454,474,211	₱413,733,737	₱105,496,183	₱75,075,707	30-day, non-interest bearing	Unsecured, no impairment
VECO	279,315,539	268,615,438	58,537,920	67,114,127	30-day, non-interest bearing	Unsecured, no impairment
CPPC	58,728,956	20,812,863	62,872,942	18,322,609	30-day, non-interest bearing	Unsecured, no impairment
AESI	57,622,636	96,872,719	5,378,113	-	30-day, non-interest bearing	Unsecured, no impairment
CLPC	45,559,907	39,639,944	10,240,732	7,585,989	30-day, non-interest bearing	Unsecured, no impairment
GNPower Mariveles Coal Plant Ltd. Co.	43,111,345	50,813,063	4,030,213	40,510,605	30-day, non-interest bearing	Unsecured, no impairment
Therma Luron, Inc. (TU)	42,601,204	30,354,526	3,976,112	2,529,544	30-day, non-interest bearing	Unsecured, no impairment
AI	26,306,785	39,233,874	2,455,300	-	30-day, non-interest bearing	Unsecured, no impairment
Therma South	11,064,511	11,209,783	2,065,375	934,149	30-day, non-interest bearing	Unsecured, no impairment
APRI	10,991,418	9,103,675	2,051,731	758,640	30-day, non-interest bearing	Unsecured, no impairment
SEZC	7,147,207	8,071,653	931,499	1,366,644	30-day, non-interest bearing	Unsecured, no impairment
HI	5,169,208	7,630,879	482,459	1,907,720	30-day, non-interest bearing	Unsecured, no impairment
MEZC	4,671,093	3,986,055	1,051,731	208,781	30-day, non-interest bearing	Unsecured, no impairment
BEZC	4,599,602	4,512,723	1,134,132	208,781	30-day, non-interest bearing	Unsecured, no impairment
LEZC	4,463,298	6,242,089	1,095,361	91,809	30-day, non-interest bearing	Unsecured, no impairment
Therma Marine, Inc.	3,560,921	6,330,215	2,228,408	5,758,338	30-day, non-interest bearing	Unsecured, no impairment
PEI	2,657,033	209,822	805,171	209,822	30-day, non-interest bearing	Unsecured, no impairment
EAUC	1,878,478	2,320,980	318,510	195,128	30-day, non-interest bearing	Unsecured, no impairment
TVI	1,364,303	2,059,983	254,670	-	30-day, non-interest bearing	Unsecured, no impairment
CIPI	746,357	896,063	277,306	159,487	30-day, non-interest bearing	Unsecured, no impairment
Therma Mobile	467,973	2,142,810	87,355	216,014	30-day, non-interest bearing	Unsecured, no impairment
ARI	-	7,300,000	-	7,300,000	30-day, non-interest bearing	Unsecured, no impairment
<i>Associates:</i>						
SFELAPCO	132,622,875	72,157,562	36,765,356	41,265,932	30-day, non-interest bearing	Unsecured, no impairment
GEDC	71,880,000	101,367,000	-	7,977,900	30-day, non-interest bearing	Unsecured, no impairment
GNPD	42,360,271	40,556,253	3,960,000	40,556,253	30-day, non-interest bearing	Unsecured, no impairment
Redondo Peninsula Energy, Inc.	-	-	-	-	30-day, non-interest bearing	Unsecured, no impairment
<i>Other Related Parties:</i>						
Pagbilao Energy Corporation	300,000,000	-	300,000,000	-	30-day, non-interest bearing	Unsecured, no impairment
AboitizLand, Inc.	321,429	-	-	-	30-day, non-interest bearing	Unsecured, no impairment
Pilmico Foods Corporation	133,929	-	-	-	30-day, non-interest bearing	Unsecured, no impairment
SN Aboitiz Power-Magat, Inc.	30,000	-	-	-	30-day, non-interest bearing	Unsecured, no impairment
	₱1,613,850,489	₱1,246,173,709	₱606,496,579	₱320,263,979		



Transportation and Travel

	Expense		Payable		Terms	Conditions
	2018	2017	2018	2017		
<i>Parent:</i>						
AEV	P-	P4,097	P143,493	P-	30-day, non-interest bearing	Unsecured
<i>Associate:</i>						
AAI		22,170,057	22,948,461	-	30-day, non-interest bearing	Unsecured
		P18,142,687	P22,174,154	P-		
			P23,091,954	P-		

Rent

	Expense		Payable		Terms	Conditions
	2018	2017	2018	2017		
<i>Parent:</i>						
AEV		P1,326,732	P4,242,384	P3,206,807	30-day, non-interest bearing	Unsecured
<i>Other Related Party:</i>						
CPDC		842,044	724,593	68,500	30-day, non-interest bearing	Unsecured
		P3,807,241	P4,966,977	P3,275,307		

Professional, Legal and Service Fees

	Expense		Payable		Terms	Conditions
	2018	2017	2018	2017		
<i>Parents:</i>						
ACO		P7,634,588	P8,679,181	P955,452	30-day, non-interest bearing	Unsecured
AEV		37,966,014	93,927,125	3,375,449	30-day, non-interest bearing	Unsecured
		P66,096,467	P45,600,602	P4,330,901		
			P102,606,306	P2,674,588		



The Company obtained interest free temporary advances from TLI amounting to ₱12.3 billion in 2013. This shall be payable either one time or on a staggered basis, or such other receivables as may be due or demandable from TLI. In 2016, the advances were paid in full.

The Company's Fund is in the form of a trust being maintained and managed by AEV under the supervision of the BOT of the plan. In 2018 and 2017, other than contributions to the Fund, no transactions occurred between the Company or any of its subsidiaries and the Fund.

Total compensation and benefits of key management personnel of the Company are as follows:

	2018	2017	2016
Short-term benefits (see Note 15)	₱286,022,170	₱308,010,884	₱254,993,884
Post-employment benefits (see Note 15)	13,737,830	16,499,116	12,036,116
	₱299,760,000	₱324,510,000	₱267,030,000

18. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash and cash equivalents and long-term debts. The main purpose of these financial instruments is to raise financing for the Company's operations. The Company has various other financial instruments such as trade and other receivables, AFS investment and trade and other payables which arise directly from its operations.

The Company also enters into derivative transactions, particularly foreign currency forwards, to economically hedge its foreign currency risk from foreign currency denominated liabilities and purchases (see Note 19).

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 Company.

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 Company'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 Company's risks in line with the policies and limits.

The main risks arising from the Company's financial instruments are credit risk involving possible exposure to counter party default on its cash and cash equivalents, and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements.



Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company's credit risk on cash in banks and cash equivalents and trade and other receivables pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these assets. With respect to cash in banks and cash equivalents, the risk is mitigated by the short-term and/or liquid nature of its short-term deposits mainly in bank deposits and placements, which are placed with financial institutions of high credit standing. With respect to trade and other receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Company's policy that all debtors who wish to trade on credit terms are subject to credit procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company has no significant concentration risk to a counterparty or group of counterparties. The credit quality per class of financial assets as of December 31 is as follows (amounts in thousands):

2018

	Neither past due nor impaired			Past due but not impaired	Total
	High Grade	Standard	Sub-standard		
Cash and cash equivalents*	₱11,874,257	₱-	₱-	₱-	₱11,874,257
Trade and other receivables	660,535	-	-	320,929	981,464
Derivative asset	855	-	-	-	855
Financial assets at FVTPL	97,535	-	-	-	97,535
Total	₱12,633,182	₱-	₱-	₱320,929	₱12,954,111

*Excluding cash on hand

2017

	Neither past due nor impaired			Past due but not impaired	Total
	High Grade	Standard	Sub-standard		
Cash and cash equivalents*	₱7,825,333	₱-	₱-	₱-	₱7,825,333
Trade and other receivables	111,978	-	-	407,668	519,646
Derivative asset	42,510	-	-	-	42,510
AFS investment	99,375	-	-	-	99,375
Total	₱8,079,196	₱-	₱-	₱407,668	₱8,486,864

*Excluding cash on hand

High grade pertain to receivables from customers with good favorable credit standing and have no history of default.

Standard grade pertain to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade pertain to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.



The aging analyses of financial assets as of December 31 are as follows (amounts in thousands):

2018

	Total	Neither past due nor impaired	Past due but not impaired		
			30 days	30 - 60 days	More than 60 days
Cash and cash equivalents*	₱11,874,257	₱11,874,257	₱-	₱-	₱-
Trade and other receivables	981,464	660,535	183,003	99,809	38,117
Derivative asset	855	855	-	-	-
Financial assets at FVTPL	97,535	97,535	-	-	-
Total	₱12,954,111	₱12,633,182	₱183,003	₱99,809	₱38,117

*Excluding cash on hand

2017

	Total	Neither past due nor impaired	Past due but not impaired		
			30 days	30 - 60 days	More than 60 days
Cash and cash equivalents*	₱7,825,333	₱7,825,333	₱-	₱-	₱-
Trade and other receivables	519,646	111,978	229,479	152,262	25,927
Derivative asset	42,510	42,510	-	-	-
AFS investment	99,375	99,375	-	-	-
Total	₱8,486,864	₱8,079,196	₱229,479	₱152,262	₱25,927

*Excluding cash on hand

Liquidity risk

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

In managing its short-term fund requirements, the Company's policy is to ensure that there are sufficient working capital inflows to match repayments of short-term borrowings. With regard to its long-term financing requirements, the Company's policy is that not more than 25% of long-term borrowings should mature in any 12-month period.

The following tables summarize the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as of December 31 (amounts in thousands):

2018

	Total Carrying Value	Contractual undiscounted payments				
		Total	On Demand	Less than 1 year	1 to 5 years	More than 5 years
Financial liabilities:						
Trade and other payables*	₱298,774	₱298,774	₱-	₱298,774	₱-	₱-
Bank loans	4,700,000	4,700,000	-	4,700,000	-	-
Long-term debts	22,997,821	31,438,550	-	1,292,049	19,829,593	10,316,908
Total	₱27,996,595	₱36,437,324	₱-	₱6,290,823	₱19,829,593	₱10,316,908

*Excluding output VAT, withholding tax and other statutory liabilities



2017

	Total Carrying Value	Contractual undiscounted payments				
		Total	On Demand	Less than 1 year	1 to 5 years	More than 5 years
<i>Financial liabilities:</i>						
Trade and other payables*	₱167,804	₱167,804	₱-	₱167,804	₱-	₱-
Long-term debts	12,901,982	17,706,453	-	711,031	9,384,396	7,611,026
Total	₱13,069,786	₱17,874,257	₱-	₱878,835	₱9,384,396	₱7,611,026

*Excluding output VAT, withholding tax and other statutory liabilities

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 Company'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.

Foreign exchange risk

The foreign exchange risk of the Company pertains to its foreign currency-denominated cash and cash equivalents.

	2018		2017	
	US Dollar	Philippine Peso equivalent	US Dollar	Philippine Peso equivalent
<i>Financial asset:</i>				
Cash and cash equivalents	\$214,821,624	₱11,295,320,990	\$40,158,320	₱2,005,104,918

The exchange rate for December 31, 2018 and 2017 is ₱52.58:US\$1 and ₱49.93:US\$1, respectively. As a result of the translation of these foreign currency denominated assets, the Company reported net unrealized foreign exchange loss of ₱162.4 million and ₱8.8 million in 2018 and 2017, respectively.

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Company's income before income tax as of December 31, 2018 and 2017 (amounts in thousands).

	Increase (decrease) in US dollar	Effect on income before tax
2018		
US dollar-denominated accounts	5%	₱564,766
US dollar-denominated accounts	(5%)	(564,766)
2017		
US dollar-denominated accounts	5%	₱100,255
US dollar-denominated accounts	(5%)	(100,255)

There is no other impact on the Company's equity other than those already affecting the parent company statements of income.



Capital management

The primary objective of the Company'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 Company considers equity as its capital.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. Its policy is to keep the gearing ratio at 70% or below. The Company determines net debt as the sum of interest-bearing short-term and long-term loans less cash and short-term deposits.

	2018	2017
Bank loans	P4,700,000,000	P-
Long-term debts	22,997,821,292	12,901,981,643
Cash and cash equivalents	(11,875,188,311)	(7,826,169,148)
Net debt (a)	15,822,632,981	5,075,812,495
Equity	75,457,414,289	76,672,432,343
Equity and net debt (b)	P91,280,047,270	P81,748,244,838
Gearing ratio (a/b)	17.33%	6.21%

Part of the Company's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Company is in compliance with the financial covenants attached to its long-term debts as of December 31, 2018 and 2017 (see Note 12).

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

19. 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 (amounts in thousands).



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

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liability:				
Long-term debts	₱22,997,821	₱20,671,106	₱12,901,982	₱12,389,478

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

Cash and cash equivalents, trade and other receivables, trade and other payables and bank loans

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

AFS investments in 2017

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

Financial assets at FVTPL in 2018

These equity securities are carried at fair value.

Long-term debts

The fair value of long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 8.45% to 8.56% in 2018 and 6.23% to 7.13% in 2017.

Derivative Financial Instruments

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

The aggregate notional amount of the par forward contract is US\$50.0 million (₱2.63 billion) and US\$39.0 million (₱1.95 billion) as of December 31, 2018 and 2017, respectively.

The Company recognized a loss from the net fair value changes relating to the forward contracts amounting to ₱11.5 million in 2018 and a gain of ₱31.0 million in 2017 under the "Foreign exchange gain" in the parent company statements of income.

Fair Value Hierarchy

The Company 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.



For the years ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements were made.

20. Electric Power Industry Reform Act (EPIRA) of 2001

RA No. 9136 was signed into law on June 8, 2001 and took effect on June 26, 2001. The law provides for the privatization of National Power Corporation (NPC) and the restructuring of the electric power industry. The Implementing Rules and Regulations (IRR) were approved by the Joint Congressional Power Commission on February 27, 2002.

R.A. No. 9136 and the IRR impact the industry as a whole. The law also empowers the ERC to enforce rules to encourage competition and penalize anti-competitive behavior.

R.A. Act No. 9136, the EPIRA, and the covering IRR provides for significant changes in the power sector, which include among others:

- i. The unbundling of the generation, transmission, distribution and supply and other disposable assets of a company, including its contracts with independent power producers and electricity rates;
- ii. Creation of a Wholesale Electricity Spot Market; and
- iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity date of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

21. Note to Statements of Cash Flows

The following are the cash flow movements of the Company's financing liabilities in 2018 and 2017:

	January 1, 2018	Net cash flows	Non-cash Changes			December 31, 2018
			Amortized deferred financing costs	Interest expense	Others	
Current interest-bearing loans and borrowings, excluding obligations under finance leases	P=	P4,700,000,000	P=	P=	P=	P4,700,000,000
Non-current interest-bearing loans and borrowings	12,901,981,643	10,078,075,748	17,763,901	-	-	22,997,821,292
Interest on loans and borrowings	66,285,228	(878,938,176)	-	999,180,246	25,653,602	212,180,900
Total liabilities from financing activities	P12,968,266,871	P13,899,137,572	P17,763,901	P999,180,246	P25,653,602	P27,910,002,192



	January 1, 2017	Net cash flows	Non-cash Changes			December 31, 2017
			Amortized deferred financing costs	Interest expense	Others	
Non-current interest-bearing loans and borrowings	₱9,922,153,365	₱2,967,061,942	₱12,766,336	₱-	₱-	₱12,901,981,643
Interest on loans and borrowings	28,287,924	(699,256,650)	-	630,535,775	106,718,179	66,285,228
Total liabilities from financing activities	₱9,950,441,289	₱2,267,805,292	₱12,766,336	₱630,535,775	₱106,718,179	₱12,968,266,871

22. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

The Company also reported and/or paid the following types of taxes for the year:

VAT

The Company's sales are subject to output value added tax (VAT) while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12.0%.

a. Net Receipts and Output VAT declared in the Company's VAT returns in 2018

	Net Sales/ Receipts	Output VAT
Taxable Sale:		
Sales of services	₱14,412,016,156	₱172,944,739

The Company's sales that are subject to VAT are reported under the following accounts:

- Service Income - Management fees
- Service Income - Professional fees
- Service Income - Technical fees
- Miscellaneous Income - Operating
- Miscellaneous Income - Non-operating

The Company's sales of services are based on actual collections received, hence, may not be the same as amounts accrued in the parent company statement of income.

b. Input VAT for 2018

Balance at January 1	₱12,304,726
Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	2,183,023
Capital goods subject to amortization	1,192,831
Capital goods not subject to amortization	139,137
Services lodged under the other accounts	38,514,236
	54,333,953
Claims for tax credit/refund and other adjustments	(43,748,569)
Balance at December 31	₱10,585,384



Other Taxes and Licenses

Taxes and licenses, local and national, include real estate taxes, licenses and permit fees for 2018:

Documentary stamp tax	₱94,988,242
License and permit fees	13,051,531
Fringe benefit taxes	3,069,015
Others	47,780
	<hr/>
	₱111,156,568

Withholding taxes

Final withholding taxes	₱39,484,674
Withholding taxes on compensation and benefits	14,354,874
Expanded withholding taxes	2,584,329
	<hr/>
	₱56,423,877

Tax Assessment and Cases

The Company has no pending tax cases outside of the administration of the Bureau of Internal Revenue as of December 31, 2018.





SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Aboitiz Power Corporation is responsible for the preparation and fair presentation of the Parent financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

[Redacted signature]

ERRAMON I. ABOITIZ
Chairman of the Board

[Redacted signature]

EMMANUEL V. RUBIO
President & Chief Executive Officer

[Redacted signature]

LIZA LUV T. MONTELIBANO
SVP & Chief Financial Officer/Corporate Information Officer

Signed this 6th day of March 2020.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Power Corporation
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Aboitiz Power Corporation (the Company), which comprise the parent company balance sheets as at December 31, 2019 and 2018, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 22 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Company. The information has been subjected to the auditing procedures applied in our audit of the parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Maria Veronica Andresa R. Pore

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-4 (Group A),

November 21, 2019, valid until November 20, 2022

Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125281, January 7, 2020, Makati City

March 6, 2020



ABOITIZ POWER CORPORATION
PARENT COMPANY BALANCE SHEETS

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	P4,210,064,412	P11,875,188,311
Trade and other receivables (Note 5)	1,073,494,475	981,463,758
Derivative asset (Note 19)	-	855,000
Other current assets (Note 6)	889,854,388	941,778,180
Total Current Assets	6,173,413,275	13,799,285,249
Noncurrent Assets		
Investments and advances (Note 7)	120,634,208,641	88,931,823,265
Project development costs (Note 10)	623,339,367	388,468,001
Property and equipment (Note 8)	105,024,712	65,585,230
Derivative asset - net of current portion (Note 19)	80,134,271	-
Pension asset (Note 15)	-	38,061,504
Deferred income tax assets (Note 16)	-	101,466,266
Fair value through profit or loss (FVTPL) investment	-	97,535,436
Other noncurrent assets (Note 9)	16,375,794	89,121,203
Total Noncurrent Assets	121,459,082,785	89,712,060,905
TOTAL ASSETS	127,632,496,060	103,511,346,154
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	627,503,138	356,110,573
Current portion of lease liabilities (Note 20)	13,886,300	-
Bank loans	-	4,700,000,000
Total Current Liabilities	641,389,438	5,056,110,573
Noncurrent Liabilities		
Long-term debts - net of deferred financing cost (Note 12)	50,079,825,067	22,997,821,292
Pension liability (Note 15)	219,744,469	-
Lease liabilities - net of current portion (Note 20)	37,715,847	-
Total Noncurrent Liabilities	50,337,285,383	22,997,821,292
Total Liabilities	50,978,674,821	28,053,931,865
Equity		
Capital stock (Note 13a)	7,358,604,307	7,358,604,307
Additional paid-in capital (Note 13a)	12,588,894,332	12,588,894,332
Cash flow hedge reserve (Note 19)	80,134,271	-
Actuarial losses on defined benefit plan (Note 15)	(556,796,826)	(208,521,187)
Retained earnings (Note 13b)		
Appropriated	33,660,000,000	34,060,000,000
Unappropriated	23,522,985,155	21,658,436,837
Total Equity	76,653,821,239	75,457,414,289
TOTAL LIABILITIES AND EQUITY	P127,632,496,060	P103,511,346,154

See accompanying Notes to Parent Company Financial Statements.



ABOITIZ POWER CORPORATION
PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUE			
Dividends	P13,985,410,862	P9,736,042,939	P9,792,258,034
Technical, management and other service fees (Note 17)	1,964,330,515	1,679,158,424	1,403,850,375
Interest income (Notes 4 and 17e)	163,380,755	137,277,764	147,551,430
	16,113,122,132	11,552,479,127	11,343,659,839
GENERAL AND ADMINISTRATIVE EXPENSES			
Interest and other financing charges (Notes 12 and 20)	2,547,531,855	1,042,597,749	674,025,682
Personnel (Note 14)	841,147,414	955,955,320	890,915,629
Service fees (Note 17)	114,024,341	63,850,939	82,072,061
Taxes and licenses	98,277,343	111,156,568	19,038,303
Professional fees (Note 17)	84,589,126	87,132,534	100,474,104
Transportation and travel (Note 17)	55,316,885	49,791,744	50,593,806
Depreciation and amortization (Notes 8 and 9)	35,961,127	23,345,806	22,220,782
Training	19,972,985	35,117,465	17,750,495
Entertainment, amusement and recreation	15,218,626	10,734,116	8,212,799
Advertising and sponsorships	11,935,333	17,017,558	22,272,248
Repairs and maintenance	7,583,781	6,518,422	6,839,603
Rent (Note 17)	7,027,319	27,559,033	28,159,917
Office supplies	6,106,790	3,515,178	5,013,861
Communication	3,756,593	2,647,639	2,982,031
Light and water	1,202,157	1,406,312	1,304,803
Project and bidding expenses (Note 10)	-	51,122,382	76,839,564
Others	9,621,206	7,770,467	8,917,061
	3,859,272,881	2,497,239,232	2,017,632,749
OTHER INCOME (CHARGES) - net			
Foreign exchange gains (loss) (Note 18)	104,238,709	(16,965,185)	69,842,921
Gain on redemption of preferred shares	-	-	19,558,250
Provision for impairment of investment in a subsidiary (Note 7)	-	(45,933,000)	(169,469,408)
Others	5,656,727	4,338,316	2,767,574
	109,895,436	(58,559,869)	(77,300,663)
INCOME BEFORE INCOME TAX	12,363,744,687	8,996,680,026	9,248,726,427
PROVISION FOR INCOME TAX (Note 16)	59,382,106	1,372,898	36,452,711
NET INCOME	12,304,362,581	8,995,307,128	9,212,273,716
EARNINGS PER COMMON SHARE (Note 13c)			
Basic and diluted, for net income for the year	P1.67	P1.22	P1.25

See accompanying Notes to Parent Company Financial Statements.



ABOITIZ POWER CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
NET INCOME	₱12,304,362,581	₱8,995,307,128	₱9,212,273,716
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gains (loss) on defined benefit plans (Note 15)	(258,909,416)	25,906,863	44,705,980
Income tax effect (Note 16)	(89,366,223)	(7,772,059)	(13,411,794)
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods	(348,275,639)	18,134,804	31,294,186
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Unrealized gain on AFS investments	-	-	2,685,599
Changes in fair value of cash flow hedge (Note 19)	80,134,271	-	-
Total other comprehensive income (loss) for the year, net of tax	(268,141,368)	18,134,804	33,979,785
TOTAL COMPREHENSIVE INCOME	₱12,036,221,213	₱9,013,441,932	₱9,246,253,501

See accompanying Notes to Parent Company Financial Statements.



ABOUTIZ POWER CORPORATION
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	Capital Stock (Note 13a)	Additional Paid-In Capital (Note 13a)	Cash Flow Hedge Reserve (Note 19)	Actuarial Losses on Defined Benefit Plan		Retained Earnings (Note 13b)		Total
				Benefit Plan	Unappropriated	Appropriated	Unappropriated	
Balances at January 1, 2019, as previously reported	₱7,358,604,307	₱12,588,894,332	₱-	(₱208,521,187)	₱34,060,000,000	₱21,658,436,837	₱75,457,414,289	
Effect of adoption - PFRS 16 (Note 2)	-	-	-	-	-	(22,665,932)	(22,665,932)	
Balances at January 1, 2019, as restated	7,358,604,307	12,588,894,332	-	(208,521,187)	34,060,000,000	21,635,770,905	75,434,748,357	
Net income for the year	-	-	-	-	-	12,304,362,581	12,304,362,581	
Other comprehensive income	-	-	80,134,271	(348,275,639)	-	-	(268,141,368)	
Total comprehensive income	-	-	80,134,271	(348,275,639)	-	12,304,362,581	12,036,221,213	
Cash dividends (Note 13b)	-	-	-	-	-	(10,817,148,331)	(10,817,148,331)	
Appropriation during the year (Note 13b)	-	-	-	-	11,900,000,000	(11,900,000,000)	-	
Reversal of appropriation (Note 13b)	-	-	-	-	(12,300,000,000)	12,300,000,000	-	
Balances at December 31, 2019	₱7,358,604,307	₱12,588,894,332	₱80,134,271	(₱556,796,826)	₱33,660,000,000	₱23,522,985,155	₱76,653,821,239	

	Capital Stock (Note 13a)	Additional Paid-In Capital (Note 13a)	Unrealized Valuation on AFS Investments	Actuarial Losses on Defined Benefit Plan		Retained Earnings (Note 13b)		Total
				Benefit Plan	Unappropriated	Appropriated	Unappropriated	
Balances at January 1, 2018, as previously reported	₱7,358,604,307	₱12,588,894,332	(₱625,169)	(₱226,655,991)	₱34,060,000,000	₱22,892,214,864	₱76,672,432,343	
Effect of adoption - PFRS 9	-	-	625,169	-	-	(625,169)	-	
Balances at January 1, 2018, as restated	7,358,604,307	12,588,894,332	-	(226,655,991)	34,060,000,000	22,891,589,695	76,672,432,343	
Net income for the year	-	-	-	-	-	8,995,307,128	8,995,307,128	
Other comprehensive income	-	-	-	18,134,804	-	-	18,134,804	
Total comprehensive income	-	-	-	18,134,804	-	8,995,307,128	9,013,441,932	
Cash dividends (Note 13b)	-	-	-	-	-	(10,228,459,986)	(10,228,459,986)	
Balances at December 31, 2018	₱7,358,604,307	₱12,588,894,332	₱-	(₱208,521,187)	₱34,060,000,000	₱21,658,436,837	₱75,457,414,289	

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 LARGE TAXPAYERS DIVISION-CEBU



	Capital Stock (Note 13a)	Additional Paid-in Capital (Note 13a)	Unrealized Valuation on AFS Investments	Actuarial Losses on Defined Benefit Plan	Retained Earnings (Note 13b)		Total
					Appropriated	Unappropriated	
Balances at January 1, 2017	₱7,358,604,307	₱12,588,894,332	(₱3,310,768)	(₱257,950,177)	₱34,060,000,000	₱23,687,643,006	₱77,433,880,700
Net income for the year:	-	-	-	-	-	9,212,273,716	9,212,273,716
Other comprehensive income	-	-	2,685,599	31,294,186	-	-	33,979,785
Total comprehensive income	-	-	2,685,599	31,294,186	-	9,212,273,716	9,246,253,501
Cash dividends (Note 13b)	-	-	-	-	-	(10,007,701,858)	(10,007,701,858)
Balances at December 31, 2017	₱7,358,604,307	₱12,588,894,332	(₱625,169)	(₱226,655,991)	₱34,060,000,000	₱22,892,214,864	₱76,672,432,343

See accompanying Notes to Parent Company Financial Statements.



ABOITIZ POWER CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P12,363,744,687	P8,996,680,026	P9,248,726,427
Adjustments for:			
Interest and other financing charges (Notes 12 and 20)	2,547,531,855	1,042,597,749	674,025,682
Depreciation and amortization (Notes 8 and 9)	35,961,127	23,345,806	22,220,782
Provision for impairment of investment in a subsidiary (Note 7)	-	45,933,000	169,469,408
Project and bidding expenses (Note 10)	-	51,122,382	76,839,564
Gain on redemption of investments	-	-	(19,558,250)
Gain on disposal of financial assets at FVTPL	(1,250,542)	-	-
Losses (gain) on disposal of assets (Note 8)	(1,329,856)	1,253,111	418,659
Unrealized fair valuation loss (gain) on financial assets at FVTPL	(2,464,564)	1,839,395	-
Interest income (Notes 4 and 17e)	(163,380,755)	(137,277,764)	(147,551,430)
Unrealized foreign exchange losses (gain)	(605,762,999)	162,355,812	8,809,781
Operating income before working capital changes	14,173,048,953	10,187,849,517	10,033,400,623
Decrease (increase) in:			
Trade and other receivables	(123,992,097)	(428,309,647)	293,236,492
Other current assets	168,232,322	(2,764,943)	(145,859,575)
Pension asset	38,061,504	(3,730,594)	(16,196,106)
Increase (decrease) in:			
Trade and other payables	103,142,505	16,275,537	(171,627,870)
Pension liability	(39,164,947)	-	24,052,095
Net cash generated from operations	14,319,328,240	9,769,319,870	10,017,005,659
Income taxes paid	(168,612,212)	(173,434,916)	(159,547,151)
Net cash flows from operating activities	14,150,716,028	9,595,884,954	9,857,458,508
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	195,342,135	103,769,811	260,454,071
Decrease (increase) in recoverable deposits	75,420,311	(75,710,456)	340,990
Proceeds from:			
Disposal of financial asset at FVTPL	101,250,542	-	-
Redemption on preferred shares (Note 7)	5,340,000	2,122,216,000	9,784,493,862
Disposal of property and equipment (Note 8)	4,344,811	5,998,846	1,966,529
Additions to:			
Investments and advances	(31,707,725,376)	(11,061,708,241)	(6,897,269,177)
Project development costs - net of transfers (Note 10)	(234,871,366)	(177,031,239)	(65,673,997)
Property and equipment (Note 8)	(29,851,823)	(14,283,786)	(39,018,488)
Computer software license (Note 9)	(4,535,865)	(93,500)	(20,982)
Net cash flows from (used in) investing activities	(31,595,286,631)	(9,096,842,565)	3,045,272,808
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debts (Note 12)	27,881,500,000	10,200,000,000	3,000,000,000
Availment of bank loans	-	4,700,000,000	-
Payments of:			
Cash dividends (Note 13b)	(10,817,148,331)	(10,228,459,986)	(10,007,701,858)
Bank loans	(4,700,000,000)	-	-
Interest and other financing charges	(2,301,301,047)	(878,938,176)	(699,256,650)
Transaction costs from availment of long-term debt	(431,396,357)	(121,924,252)	(32,938,058)
Lease liability (Note 20)	(17,825,560)	-	-
Net cash flows from (used in) financing activities	9,613,828,705	3,670,677,586	(7,739,896,566)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,830,741,898)	4,169,719,975	5,162,834,750
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	165,617,999	(120,700,812)	(51,319,781)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,875,188,311	7,826,169,148	2,714,654,179
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P4,210,064,412	P11,875,188,311	P7,826,169,148

See accompanying Notes to Parent Company Financial Statements



ABOITIZ POWER CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Aboitiz Power Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission on February 13, 1998. The Company is a publicly-listed holding company of the entities engaged in power generation and power distribution in the Aboitiz Group. As of December 31, 2019, Aboitiz Equity Ventures, Inc. (AEV, a publicly-listed Company incorporated in the Philippines) owns 76.98% of the Company. The Company's ultimate parent is Aboitiz & Company, Inc. (ACO).

The Company's registered office address is 32nd Street, Bonifacio Global City, Taguig City, Metro Manila.

The parent company financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 6, 2020.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Financial Statement Preparation

The accompanying parent company financial statements 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 parent company financial statements are presented in Philippine peso which is the Company's functional currency.

Statement of Compliance

The parent company financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures

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

• *PFRS 16, Leases*

PFRS 16 was issued in January 2016 and it replaces Philippine Accounting Standard (PAS) 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17.



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

The Company adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application without restating comparative information. The Company has elected to apply PFRS 16 transition relief to contracts that were previously identified as leases applying PAS 17 and IFRIC 4. The Company will therefore not apply PFRS 16 to contracts that were not previously identified as containing a lease applying PAS 17 and IFRIC 4.

The Company has elected to use the exemption proposed by the standard on the lease contracts for which the lease terms end within 12 months from the date of initial application. Lease payments on short term leases are recognized as expense on a straight-line basis over the lease term.

The effects of adoption on the financial statements are as follows:

	As at January 1, 2019
Increase (decrease) in balance sheets:	
Other current assets	(₱5,021,619)
Property and, plant and equipment	46,702,778
Total Assets	₱41,681,159
Lease liabilities	₱64,347,091
Retained earnings	(22,665,932)
Total Liabilities and Equity	₱41,681,159

Based on the above, as at January 1, 2019:

- Property and equipment were recognized amounting to ₱46.7 million representing the amount of right-of-use assets set up on transition date.
- Additional lease liabilities of ₱64.4 million were recognized.
- Prepayments of ₱5.0 million related to previous operating leases were derecognized.
- The net effect of these adjustments had been adjusted to retained earnings amounting to ₱22.7 million.

Prior to adoption of PFRS 16, the Company classified each of its leases (as lessee) at the inception dates as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the lease asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the lease property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payment



were recognized as rent expense in the statements of comprehensive income on a straight-line basis over the lease term. Any prepaid rent was recognized under "Other current assets."

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

Leases previously accounted for as operating leases

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

The Company also applied the following practical expedients provided by the standard:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics, and
- Apply the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application (short-term leases).

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

Operating lease commitments as at December 31, 2018	₱77,469,182
Incremental borrowing rate as at January 1, 2019	8.52%
<u>Lease liabilities as at January 1, 2019</u>	<u>₱64,347,091</u>

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

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

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



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

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

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

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

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

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

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

Since the Company does not have such long-term interests in associates and joint ventures, the amendments do not have an impact on its financial statements.

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

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



The interpretation specifically addresses the following:

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

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

Upon adoption of the Interpretation, the Company has assessed whether it has any uncertain tax position. The Company applies significant judgement in identifying uncertainties over its income tax treatments. The Company determined, based on its assessment, that it is probable that its uncertain tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the financial statements.

- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - *Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*

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

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

These amendments are currently not applicable to the Company but may apply to future transactions.



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

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

These amendments are not relevant to the Company because dividends declared by the Company do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

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

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

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

New Standards and Interpretation Issued and Effective after December 31, 2019

The Company will adopt the standards enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRSs, PAS and Philippine Interpretations to have significant impact on its financial statements.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Company.



- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.



On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

Current versus Noncurrent Classification

The Company presents assets and liabilities in the parent company balance sheet based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.



A fair value measurement of a non-financial asset takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Foreign Currency Translation

The Company's financial statements are presented in Philippine Peso, which is the Company's functional currency. Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at balance sheet date. Exchange gains and losses arising from foreign currency transactions and translations of foreign currency denominated monetary assets and liabilities are credited to or charged against current operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions

Cash and Cash Equivalents

Cash and cash equivalents in the parent company balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the parent company statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.



Financial Instruments - Classification and Measurement in Accordance with PFRS 9 (applicable in 2019 and 2018)

Classification of financial assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Company's business model for managing the financial assets. The Company classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at fair value through profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Financial assets at amortized cost

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest method. The amortization is included in 'Interest income' in the statement of income and is calculated by applying the effective interest method to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the effective interest method is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Provision for credit and impairment losses' in the parent company statement of income.

The Company's financial assets at amortized cost as of December 31, 2019 and 2018 consist of cash in banks, cash equivalents and trade and other receivables (see Note 18). The Company assessed that the contractual cash flows of these financial assets are SPPI and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Company concluded these financial assets are to be measured at amortized cost.

Financial assets at Fair Value through Other Comprehensive Income (FVOCI)

A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial



asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

The Company may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Company's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Company; and
- the amount of the dividend can be measured reliably.

The Company does not have any financial asset at FVOCI as of December 31, 2019 and 2018.

Financial assets at Fair Value through Profit or Loss (FVTPL)

Financial assets at FVTPL are measured as at unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent SPPI. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the parent company statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the parent company statement of income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Company may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Company, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Company's investments in unquoted equity shares are measured at FVTPL as of December 31, 2018 (see Note 18).

Classification of financial liabilities

Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Company retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.



A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a Company of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Company's financial liabilities measured at amortized cost which comprise of trade and other payables, bank loans, long-term debts and lease liability (see Note 18).

Reclassifications of financial instruments

The Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

The Company does not reclassify its financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at fair value through profit or loss.

Financial Instruments - Initial Recognition and Subsequent Measurement in Accordance with PAS 39 (applicable in 2017)

Date of recognition

The Company recognizes a financial asset or a financial liability in the parent company balance sheet on the date when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date, which is the date that the Company commits to purchase the asset. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS investments. For financial liabilities, the Company also classifies them into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were



acquired and whether they are quoted in an active market. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every balance sheet date.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the parent company statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the parent company statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

(a) Financial assets or financial liabilities at FVPL

Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated and considered as hedging instruments in an effective hedge.

Financial assets and liabilities may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities, or recognizing gains or losses on them on a different basis; (ii) the assets and liabilities are part of a group of financial assets, liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk managing strategy; or (iii) the financial instruments contains an embedded derivative that would need to be recorded separately, unless the embedded derivative does not significantly modify the cash flow or it is clear, with little or no analysis, that it would not be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial asset or financial liability at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets and liabilities at FVPL are recorded at the parent company balance sheet at fair value. Subsequent changes in fair value are recognized in the parent company statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payments has been established.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS investments or financial assets at FVPL. Loans and receivables are carried at amortized cost less allowance for



impairment. Amortization is determined using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Gains and losses are recognized in the parent company statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

(c) HTM investments

HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Parent has the positive intention and ability to hold to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Where the Parent sells other than an insignificant amount of HTM investments, the entire category would be tainted and would have to be reclassified as AFS investments. Gains and losses are recognized in the parent company statement of income when the investments are derecognized or impaired, as well as through the amortization process.

(d) AFS investments

AFS investments are non-derivative financial assets that are either designated as AFS or not classified in any of the other categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Quoted AFS investments are measured at fair value with gains or losses being recognized as other comprehensive income, until the investments are derecognized or until the investments are determined to be impaired at which time, the accumulated gains or losses previously reported in other comprehensive income are included in the parent company statement of income. Unquoted AFS investments are carried at cost, net of impairment. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognized in the parent company statement of income when the right of payment has been established.

(e) Other financial liabilities

This category pertains to issued financial liabilities or their components that are neither held for trading nor designated as at FVPL upon the inception of the liability and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Other financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable financing costs. Deferred financing costs are amortized, using the effective interest rate method, over the term of the related long-term liability. After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortized cost using the effective interest rate method.



Gains and losses are recognized in the parent company statement of income when liabilities are derecognized, as well as through amortization process.

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at FVTPL, unless designated as effective hedge. Changes in fair value of derivative instruments not accounted as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. An embedded derivative is separated from the host financial or non-financial contract and accounted for as a separate derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. The Company uses derivative financial instruments, such as short-term forward contracts and interest rate swaps (IRS) to hedge its foreign currency risks and interest rate risk, respectively.

For the purpose of hedge accounting, the Company's hedge are classified as cash flow hedges. Hedges are classified as cash flow hedge when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Under PAS 39, the documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the Company will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period for which they were designated.



Under PFRS 9, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

The Company's hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognized in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the parent company statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company uses IRS contracts to manage its floating interest rate exposure on its loans. The ineffective portion relating to these contracts are recognized in other operating income or expenses as realized gain or loss on derivative instruments.

The Company designated its IRS as hedging instrument. The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive must be accounted for depending on the nature of the underlying transaction as described above.

As of December 31, 2019 and 2018, the Company has derivative assets classified as financial asset at FVTPL (see Note 19).



Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognized when, and only when:

- the rights to receive cash flows from the asset expires;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Company treats the transaction as a transfer of a financial asset if the Company:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it retains control over the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. The extent of the Company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Company's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Company's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Company could be required to repay ('the guarantee amount'). When the Company's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Company's continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Company's continuing involvement is measured in the same way as that which results from non-cash settled options.

Modification of contractual cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest method



(or credit-adjusted effective interest method for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the parent company statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial liabilities

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the parent company statement of income.

Impairment of Financial Assets in Accordance with PFRS 9 (applicable in 2019 and 2018)

PFRS 9 introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

The Company recognizes expected credit losses (ECL) for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL

For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the balance sheet date are recognized.



Stage 2: Lifetime ECL - not credit-impaired

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Determining the stage for impairment

At each balance sheet date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the balance sheet date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to 'Trade receivables'. The Company has established a provision matrix for customer segments that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of Financial Assets in Accordance with PAS 39 (applicable in 2017)

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or



collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the parent company statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the financial asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the parent company statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments

For AFS investments, the Company assesses at each balance sheet date whether there is objective evidence that an investment or group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income) is removed from other comprehensive income and recognized in the parent company statement of income. Impairment losses on equity investments are not reversed through the parent company statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on rate of interest used to discount future cash flows for measuring impairment loss. Such accrual is recorded as part of "Interest income" in the parent company statement of income. If, in subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event



occurring after the impairment loss was recognized in the parent company statement of income, the impairment loss is reversed through the parent company statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements whereby the related assets and liabilities are presented gross in the parent company balance sheet.

Classification of financial instruments between liability and equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as income or expense. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Investments in Subsidiaries and Associates

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decision of the investee, but is not control or joint control over those policies.

Investments in subsidiaries and associates are carried at cost, less impairment in value, in the parent company financial statements.



The Company recognizes income from the investments only to the extent that the Company receives distributions or establishes a right to receive distributions from accumulated profits of the subsidiaries and associates arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value, if any. The initial cost of property and equipment comprises its purchase price, including import duties, if any, nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing parts of such property and equipment when that cost is incurred if the recognition criteria are met. Repairs and maintenance costs are recognized in the parent company statement of income as incurred.

Depreciation is computed using the straight-line method over the useful lives of the assets as follows:

<u>Category</u>	<u>Number of years</u>
Transportation equipment	5
Office equipment	3
Communication equipment	3
Leasehold improvements	10

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the parent company statement of income in the year the asset is derecognized.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each financial year-end to ensure that the periods, residual values and method of depreciation are consistent with the expected pattern of economic benefit from the items of property and equipment.

When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses, if any, are removed from the accounts, and any resulting gain or loss is credited or charged to current operations.



Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the parent company statement of income in the year in which the expenditure is incurred.

Computer software license

Computer software license is initially recognized at cost. Following initial recognition, the computer software license cost is carried at cost less accumulated amortization and any accumulated impairment in value, if any.

The computer software license is amortized on a straight-line basis over its estimated useful economic life of three to five years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the computer software license is available for use. The amortization period and the amortization method for the license are reviewed at each financial year end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the parent company statement of income in the expense category consistent with the function of the computer software license.

Project Development Costs

Project development costs include power plant projects in the development phase which meet the “identifiability” requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to “Property and equipment” when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

Research and Development Expenditure

The Company’s policy is to record research expenses in the parent company statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the parent company balance sheet if the Company can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Impairment of Nonfinancial Assets

Other current assets, project development costs, property and equipment and other noncurrent assets

The Company assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset’s recoverable amount. An asset’s



recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the parent company statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investments and advances

The Company performs impairment review on its investments and advances whenever an impairment indicator exists. This requires an estimation of the value in use of the investees. Estimating the value in use requires the Company to make an estimate of the future cash flows of the investees and to use a suitable discount rate to calculate the present value of those future cash flows. Impairment losses, if any, are recognized in the statement of income.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against an equity reserve account.



Retained Earnings

The amount included in retained earnings includes accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial balance sheet date are dealt with as an event after the financial balance sheet date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Revenue Recognition

Revenue from contracts with customers under PFRS 15 is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Under PAS 18, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Under PAS 18, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.

The following specific recognition criteria must also be met before revenue is recognized:

Dividend income

Dividend income is recognized when the Company's right to receive payment is established.

Technical, management and service fees

Technical, management and other fees are recognized when the related services are rendered.

Interest income

Interest is recognized as it accrues taking into account the effective interest method.

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Leases (prior to adoption of PFRS 16)

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- (d) there is a substantial change to the asset.



Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Operating lease

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term.

Leases (upon adoption of PFRS 16)

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

Effective January 1, 2019, it is the Company's policy to classify right-of-use assets as part of property and equipment. Prior to that date, all of the Company's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the balance sheet. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets only pertain to office spaces and are depreciated on a straight-line basis over the shorter of the lease term of 5 to 10 years and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.



In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases of conference rooms (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Pension benefits

The Company has defined benefit pension plans which require contributions to be made to separately administered funds. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the parent company statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to parent company statement of income in subsequent periods.



Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in the parent company statement of comprehensive income and not in the parent company statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.



Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused net operating loss carryover (NOLCO) and excess minimum corporate income tax (MCIT), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused NOLCO and excess MCIT can be utilized in the future, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the account profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the balance sheet date. Income tax relating to items recognized directly in other comprehensive income is also recognized in other comprehensive income and not in the parent company statement of income.

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company balance sheet. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the parent company balance sheet to the extent of the recoverable amount.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the parent company statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the



risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies

Contingent liabilities are not recognized in the parent company financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the parent company financial statements when an inflow of economic benefits is probable.

Events After the Reporting Period

Post year-end events that provide additional information about the Company's position at balance sheet date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Common Share

Basic earnings per common share are computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Company does not have dilutive common stock equivalents.

3. Significant Accounting Judgment, Estimates and Assumptions

The preparation of the Company's parent company financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. The judgment, estimates and assumptions used in the parent company financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's parent company financial statements. Actual results could differ from such estimates. Judgments, estimates and assumptions 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 following items are those matters which the Company assess to have significant risk arising from judgement and estimation uncertainty:

Judgments

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

Classification of financial instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial



asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the parent company balance sheet.

Contractual cash flows characteristics under PFRS 9 in 2019 and 2018

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Company assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

Evaluation of business model in managing financial instruments under PFRS 9 in 2019 and 2018

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

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

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

Identifying performance obligations under PFRS 15 in 2019 and 2018

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



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

Revenue recognition under PFRS 15 in 2019 and 2018

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

The Company will continue to recognize revenue from rendering of services over time, since customers simultaneously receives and consumes the benefits as the Company provides the services.

Identifying methods for measuring progress of revenue recognized over time under PFRS 15 in 2019 and 2018

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

Estimates and assumptions

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

Measurement of expected credit losses under PFRS 9 in 2019 and 2018

ECLs are derived from unbiased and probability-weighted estimates of expected loss. Financial assets that are not credit-impaired at the balance sheet date are measured as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive.

The Company leverages existing risk management indicators (e.g., internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Company to identify whether the credit risk of financial assets has significantly increased.

No allowance for expected credit losses was recognized in 2019 and 2018. Trade and other receivables amounted to ₱1.1 billion and ₱1.0 billion as of December 31, 2019 and 2018, respectively (see Note 5).



Inputs, assumptions and estimation techniques under PFRS 9 in 2019 and 2018

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *PD*
The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures. The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.
- *LGD*
Loss Given Default represents the Company's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD.
- *EAD*
EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the balance sheet date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by counterparty.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies.



The assumptions underlying the ECL calculation such as how the maturity profile of the PDs change are monitored and reviewed on a quarterly basis.

Simplified approach for trade receivables under PFRS 9 in 2019 and 2018

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial segment, the historical default rates are adjusted. At every balance sheet date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of forward-looking information under PFRS 9 in 2019 and 2018

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Company has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

Estimating allowance for impairment of losses on investment in and advances to subsidiaries and associates

Investments in and advances to subsidiaries and associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No impairment loss recognized in 2019 and 2018. The aggregate carrying amount of the investments in and advances to subsidiaries and associates amounted to ₱120.6 billion and ₱88.9 billion as of December 31, 2019 and 2018, respectively (see Note 7).



Estimating impairment of project development costs

Impairment is determined for development costs by assessing the recoverable amount of each projects. Where the recoverable amount of the project is less than the carrying amount, an impairment loss is recognized. When calculating recoverable amount, the future cash flow is discounted by a discount factor that takes into consideration risk free interest and the risk associated with the specific project.

The Company did not recognize impairment loss on project development costs in 2019 and 2018. The carrying amount of the Company's project development costs amounted to ₱623.3 million and ₱388.5 million as of December 31, 2019 and 2018, respectively (see Note 10).

Estimating useful lives of property and equipment

The Company estimates the useful lives of property and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of December 31, 2019 and 2018, the net book values of property and equipment amounted to ₱105.0 million and ₱65.6 million, respectively (see Note 8).

Estimating residual value of property and equipment

The residual value of the Company's property and equipment is estimated based on the amount that would be obtained from disposal of the asset, after deducting estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life. Such estimation is based on the prevailing price of property and equipment of similar age and condition. The estimated residual value of each asset is reviewed periodically and updated if expectations differ from previous estimates due to changes in the prevailing price of a property and equipment of similar age and condition. As of December 31, 2019 and 2018, the aggregate net book values of property and equipment amounted to ₱105.0 million and ₱65.6 million, respectively (see Note 8).

Assessing impairment of nonfinancial assets

The Company assesses whether there are any indicators of impairment for nonfinancial assets at each balance sheet date. These nonfinancial assets (property and equipment and other current and noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of the assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect its financial statements. Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.



As of December 31, 2019, the carrying values of property and equipment and other current and noncurrent assets amounted to ₱105.0 million, ₱889.9 million, and ₱16.4 million, respectively. As of December 31, 2018, the carrying values of property and equipment and other current and noncurrent assets amounted to ₱65.6 million, ₱941.8 million, and ₱89.1 million, respectively (see Notes 6, 8, and 9).

Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure its lease liability. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. The Company's lease liability amounted to ₱51.6 million as of December 31, 2019 (see Note 20).

Pension benefits

The cost of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 15.

Net benefit expense amounted to ₱29.8 million in 2019, ₱41.9 million in 2018 and ₱50.0 million in 2017. Net pension liability amounted to ₱219.7 million as of December 31, 2019. Net pension asset amounted to ₱38.1 million as of December 31, 2018 (see Note 15).

Recognition of deferred income tax assets

The Company reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. Deferred income tax asset amounted to ₱130.3 million and ₱202.3 million as of December 31, 2019 and 2018, respectively (see Note 16).

No deferred income tax assets were recognized for deductible temporary difference and carryforward benefit from unused NOLCO and excess MCIT as disclosed in Note 16.



Legal contingencies

The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Company's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Company's parent company financial statements for the years ended December 31, 2019 and 2018.

4. **Cash and Cash Equivalents**

	2019	2018
Cash on hand and in banks	₱25,680,412	₱33,107,511
Short-term deposits	4,184,384,000	11,842,080,800
	₱4,210,064,412	₱11,875,188,311

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

Interest income earned from cash in banks and short-term deposits amounted to ₱163.4 million, ₱137.3 million and ₱147.6 million in 2019, 2018 and 2017, respectively.

5. **Trade and Other Receivables**

	2019	2018
Trade (see Note 17)	₱1,027,767,981	₱617,445,732
Nontrade	18,428,595	18,406,566
Interest (see Note 17)	11,816,301	43,777,681
Dividends	-	288,579,777
Others	15,481,598	13,254,002
	₱1,073,494,475	₱981,463,758

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

For terms and conditions relating to related party receivables, refer to Note 17.

6. **Other Current Assets**

	2019	2018
Prepaid tax	₱878,228,543	₱926,898,393
Others	11,625,845	14,879,787
	₱889,854,388	₱941,778,180



7. Investments and Advances

The details of the Company's investments and advances follow:

	2019	2018
<i>Investments in Subsidiaries</i>		
Therma Power, Inc. (TPI)	₱30,116,058,873	₱30,116,058,873
Aboitiz Renewables, Inc. (ARI)	25,172,988,814	25,172,988,814
Therma Visayas, Inc. (TVI)	7,118,681,570	7,118,681,570
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	2,997,000,000	2,794,460,000
Hedcor Sabangan, Inc. (Hedcor Sabangan)	1,732,643,142	1,732,643,142
Lima Enerzone Corporation (LEZ)	1,329,696,667	1,329,696,667
Hedcor, Inc. (HI)	974,875,000	605,125,000
Therma South, Inc. (Therma South)	877,892,679	877,892,679
Therma Mobile, Inc. (Therma Mobile)	742,400,000	742,400,000
Davao Light & Power Co., Inc. (DLPC)	738,472,506	738,472,506
Visayan Electric Co., Inc. (VECO)	665,438,202	665,438,202
Hedcor Tudaya, Inc. (HTI)	656,250,000	656,250,000
Mactan Enerzone Corporation (MEZC)	609,532,287	609,532,287
Balamban Enerzone Corporation (BEZC)	444,869,161	444,869,161
Subic Enerzone Corporation (SEZC)	227,000,000	227,000,000
Cotabato Light & Power Co. (CLPC)	214,047,443	214,047,443
Retensol, Inc. (RI)	135,000,000	135,000,000
AboitizPower International Pte. Ltd. (AP Int)	120,733,027	120,733,027
East Asia Utilities Corporation (EAUC)	100,914,275	100,914,275
Malvar Enerzone Corporation (Malvez)	70,400,000	17,900,000
AP Renewable Energy Corporation (APREC)	25,000,000	25,000,000
Aboitiz Energy Solutions, Inc. (AESI)	21,000,000	21,000,000
Cebu Private Power Corporation (CPPC)	17,806,608	17,806,608
Prism Energy, Inc. (PEI)	12,648,600	12,648,600
AdventEnergy, Inc. (AI)	812,500	812,500
	75,122,161,354	74,497,371,354
<i>Investments in Associates</i>		
AA Thermal, Inc.	31,082,935,376	-
STEAG State Power, Inc. (STEAG)	4,400,611,465	4,400,611,465
Hijos de F. Escaño, Inc. (Hijos)	858,069,586	858,069,586
Pampanga Energy Ventures, Inc. (PEVI)	209,465,106	209,465,106
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	180,863,801	180,863,801
AEV Aviation, Inc. (AAI)	163,935,000	169,275,000
Western Mindanao Power Corporation (WMPC)	79,099,377	79,099,377
Southern Philippines Power Corporation (SPPC)	45,776,067	45,776,067
	37,020,755,778	5,943,160,402
Less allowance for impairment loss	1,071,358,480	1,071,358,480
	111,071,558,652	79,369,173,276
<i>Advances</i>	9,562,649,989	9,562,649,989
	₱120,634,208,641	₱88,931,823,265



Investment in Malvez

The Company subscribed additional 47.61 million and 17.8 million Redeemable Preferred Shares (RPS) for ₱47.6 million and ₱17.8 million, in 2019 and 2018 respectively.

Investment in HI

The Company subscribed additional 369.75 million RPS for ₱369.75 million and 360.1 million RPS for ₱360.1 million in 2019 and 2018, respectively.

Investment in Hedcor Bukidnon

In 2019, the Company subscribed additional 202.5 million RPS for ₱202.5 million.

Investment in AA Thermal, Inc.

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

This follows the execution of a share purchase agreement for the transaction in 2018, and the completion of all conditions precedent. The Philippine Competition Commission approved the transaction last February 28, 2019. The transaction is valued at ₱30.2 billion, after adjustments.

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

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

In 2019, the Company subscribed additional RPS amounting to USD 18.1 million (₱929.3 million)

Investment in AAI

AAI redeemed shares attributable to the Company at 5,340 RPS for ₱5.34 million and 80,216 RPS for ₱80.2 million in 2019 and 2018, respectively at ₱1,000 per share

Investment in RI

In 2018, the Company subscribed 135.0 million RPS for ₱135.0 million.

Investment in BEZC

In 2018, BEZC redeemed shares attributable to the Company at 42.0 million RPS for ₱42.0 million at ₱1 per share.

In 2018, it was determined that the carrying value of the investment in BEZC exceeded its recoverable amount. The recoverable amount of the investment has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

The discount rates applied to cash flow projections are from 10.63% to 14.80% in 2018 and cash flows beyond the five-year period are extrapolated using a zero percent growth rate. As a result, an impairment loss amounting to ₱45.9 million was recognized.



Investment in APREC

In 2018, the Company subscribed 25.0 million RPS for ₱25.0 million.

Investment in PEI

In 2018, PEI advances were reclassified to investment amounting to ₱11.9 million.

Investment in VECO

In 2018, the Company subscribed 0.0005 million RPS for ₱0.05 million.

Investment in TVI

The Company subscribed additional 8.8 million RPS for ₱5.38 billion in 2018.

Investment in ARI

In 2018, ARI redeemed shares attributable to the Company at 200.0 million RPS for ₱2.00 billion at ₱10 per share.

Advances

These advances include advances to subsidiaries that will be applied against future subscriptions of the Company to the shares of stock of the subsidiaries.

In 2018, the Company has additional advances to TPI amounting to ₱5.14 billion.

The Company's subsidiaries, all incorporated in the Philippines except for AP Int which was incorporated in Singapore, and the corresponding percentage equity ownership are as follows:

Name of Company	Nature of Business	2019		2018	
		Direct	Indirect	Direct	Indirect
TPI	Holding company	100.00%	–	100.00%	–
ARI	Holding company	100.00%	–	100.00%	–
TVI*	Power generation	–	80.00%	–	80.00%
Hedcor Bukidnon	Power generation	–	100.00%	–	100.00%
Hedcor Sabangan	Power generation	–	100.00%	–	100.00%
LEZ	Power distribution	100.00%	–	100.00%	–
HI	Power generation	–	100.00%	–	100.00%
Therma South	Power generation	–	100.00%	–	100.00%
Therma Mobile	Power generation	–	100.00%	–	100.00%
DLPC	Power distribution	99.93%	–	99.93%	–
VECO	Power distribution	55.26%	–	55.26%	–
HTI	Power generation	–	100.00%	–	100.00%
MEZC	Power distribution	100.00%	–	100.00%	–
BEZC	Power distribution	100.00%	–	100.00%	–
SEZC	Power distribution	65.00%	34.98%	65.00%	34.98%
CLPC	Power distribution	99.94%	–	99.94%	–
RI**	Power generation	–	100.00%	–	100.00%
EAUC	Power generation	50.00%	50.00%	50.00%	50.00%
Malvez**	Power distribution	100.00%	–	100.00%	–
AP Int	Holding company	100.00%	–	100.00%	–
APREC**	Power generation	–	100.00%	–	100.00%
AESI	Retail electricity supplier	100.00%	–	100.00%	–
CPPC	Power generation	60.00%	–	60.00%	–
PEI	Retail electricity supplier	60.00%	–	60.00%	–
AI	Retail electricity supplier	100.00%	–	100.00%	–

*No commercial operations as of December 31, 2018.

** No commercial operations as of December 31, 2019



The percentage of the Company's ownership in associates is as follows:

Name of Company	Nature of Business	Percentage of Ownership	
		2019	2018
AAI	Service	49.25%	49.25%
AA Thermal, Inc.	Holding company	49.00%	—
Hijos	Holding company	46.73%	46.73%
PEVI*	Holding company	42.84%	42.84%
STEAG	Power generation	34.00%	34.00%
SFELAPCO*	Power distribution	20.29%	20.29%
SPPC	Power generation	20.00%	20.00%
WMPC	Power generation	20.00%	20.00%

*PEVI has direct ownership in SFELAPCO of 54.83% while the Company's direct ownership in SFELAPCO is 20.29% resulting to the Company's effective ownership in SFELAPCO of 43.78%.

8. Property and Equipment

December 31, 2019

	Transportation Equipment	Office Equipment	Communication Equipment	Leasehold Improvements	Right-of-use asset - Office Space	Total
Cost:						
Balances at beginning of year, as previously stated	₱70,562,199	₱38,119,555	₱752,009	₱39,504,153	₱—	₱148,937,916
Effect of adoption - PFRS 16 (see Note 2)	—	—	—	—	46,702,778	46,702,778
Balances at beginning of year, as restated	70,562,199	38,119,555	752,009	39,504,153	46,702,778	195,640,694
Additions	20,357,166	8,354,518	—	1,140,139	—	29,851,823
Disposals	(8,333,130)	(42,857)	—	—	—	(8,375,987)
Balances at end of year	82,586,235	46,431,216	752,009	40,644,292	46,702,778	217,116,530
Accumulated Depreciation:						
Balances at beginning of year	33,327,228	32,611,441	752,009	16,662,008	—	83,352,686
Depreciation	13,451,801	5,207,053	—	3,950,625	11,490,685	34,100,164
Disposals	(5,361,032)	—	—	—	—	(5,361,032)
Balances at end of year	41,417,997	37,818,494	752,009	20,612,633	11,490,685	112,091,818
Net Book Values	₱41,168,238	₱8,612,722	₱—	₱20,031,659	₱35,212,093	₱105,024,712

December 31, 2018

	Transportation Equipment	Office Equipment	Communication Equipment	Leasehold Improvements	Total
Cost:					
Balances at beginning of year	₱81,552,753	₱34,833,791	₱752,009	₱38,766,658	₱155,905,211
Additions	9,979,554	3,566,737	—	737,495	14,283,786
Disposals	(20,970,108)	(280,973)	—	—	(21,251,081)
Balances at end of year	70,562,199	38,119,555	752,009	39,504,153	148,937,916
Accumulated Depreciation:					
Balances at beginning of year	33,706,486	28,268,718	752,009	12,881,274	75,608,487
Depreciation	13,407,483	4,555,106	—	3,780,734	21,743,323
Disposals	(13,786,741)	(212,383)	—	—	(13,999,124)
Balances at end of year	33,327,228	32,611,441	752,009	16,662,008	83,352,686
Net Book Values	₱37,234,971	₱5,508,114	₱—	₱22,842,145	₱65,585,230



The Company recognized gain of ₱1.3 million on disposal of property and equipment in 2019 and loss of ₱1.3 million in 2018. There are no restrictions on the title and no property and equipment are pledged as security for liabilities.

Fully depreciated property and equipment with cost amounting to ₱42.9 million and ₱50.1 million as of December 31, 2019 and 2018, respectively, are still carried in the books of the Company and still in use.

9. Other Noncurrent Assets

	2019	2018
Computer software licenses	₱10,589,929	₱7,915,027
Recoverable deposits	5,785,865	81,206,176
	₱16,375,794	₱89,121,203

The rollforward analysis of computer software licenses is presented below:

	2019	2018
Cost:		
Balances at beginning of year	₱16,691,665	₱16,598,165
Additions	4,535,865	93,500
Balances at end of year	21,227,530	16,691,665
Accumulated amortization:		
Balances at beginning of year	8,776,638	7,174,155
Amortization for the year	1,860,963	1,602,483
Balances at end of year	10,637,601	8,776,638
Net book values	₱10,589,929	₱7,915,027

10. Project Development Costs

	2019	2018
Balances at beginning of year	₱388,468,001	₱262,559,144
Additions	234,871,366	177,031,239
Write-offs	-	(51,122,382)
Balances at end of year	₱623,339,367	₱388,468,001

Project development costs consist of rights, titles and interests for various power plant development projects.



11. Trade and other payables

	2019	2018
Trade payables (see Note 17)	₱45,852,175	₱55,903,519
Accrued interest (see Note 12)	380,430,960	212,180,900
Accrued taxes and fees	93,395,503	43,272,258
Output VAT	57,142,953	38,456,614
Nontrade payables	49,736,029	5,609,030
Others	945,518	688,252
	₱627,503,138	₱356,110,573

Trade payables are noninterest-bearing and generally on 30-day term. Accrued taxes and fees represent taxes withheld on compensation, benefits, interests and other fees.

12. Bank Loans and Long-term Debts

Bank Loans

The Company obtained unsecured bank loans from financial institutions with a total principal amount of ₱4.70 billion at an annual interest rate ranging from 3.25% to 5.20% for working capital purposes in 2018. 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. These have been fully paid in 2019.

Interest expense on bank loans amounted to ₱380.3 million and ₱140.9 million in 2019 and 2018, respectively.

Long-Term Debts

	Interest Rate	2019	2018
Financial and non-financial institutions - unsecured			
2014 7-year retail bonds	5.21%	₱6,600,000,000	₱6,600,000,000
2014 12-year retail bonds	6.10%	3,400,000,000	3,400,000,000
2017 10-year retail bonds	5.34%	3,000,000,000	3,000,000,000
2018 5.25-year retail bonds	7.51%	7,700,000,000	7,700,000,000
2018 10-year retail bonds	8.51%	2,500,000,000	2,500,000,000
2019 5-year long-term loan	LIBOR + 1.20%	15,190,500,000	-
2019 7-year retail bonds	5.28%	7,250,000,000	-
2019 7-year long-term loan	5.28%	5,000,000,000	-
		50,640,500,000	23,200,000,000
Less deferred financing costs		560,674,933	202,178,708
		₱50,079,825,067	₱22,997,821,292

Long-term Loan - ₱5.0 billion

In November 2019, the Company obtain a ₱5.0 billion 7-year long term loan from the BDO Unibank, Inc. at a fixed rate of 5.28% p.a.



Under the facility agreement, the Company shall not incur any obligation with a maturity of more than 1 year, if on the date of such borrowing, the net debt to consolidated equity ratio will exceed 3:1. The Company is in compliance with the debt covenants as of December 31, 2019.

Dollar Loan - \$300 million

On April 2019, the Company executed and availed a US\$300,000,000 syndicated bridge loan facility loan agreement with DBS Bank Ltd., Mizuho Bank, Ltd., MUFG Bank, Ltd., and Standard Chartered Bank as lead arrangers and bookrunners to finance the AA Thermal, Inc. acquisition. The loan bears a floating interest based on credit spread over applicable LIBOR plus 1.2% margin. The loan will mature on the 5th anniversary of the first utilization date.

Under the facility agreement, the Company shall ensure that the net consolidated debt to net consolidated equity ratio is not more than 3:1 at all times and the leverage ratio is not more than 5:50:1 at all times. The Company is in compliance with the debt covenants as of December 31, 2019.

Retail Bonds - ₱7.25 billion

In October 2019, the Company issued ₱7.25 billion 7-year bond due 2026 at a fixed rate of 5.28% p.a. The bonds have been rated PRS Aaa by PhilRatings.

Retail Bonds - ₱10.2 billion

In October 2018, the Company issued a total of ₱10.2 billion bonds, broken down into a ₱7.7 billion 5.25-year bond due 2024 at a fixed rate equivalent to 7.51% p.a. and a ₱2.5 billion 10-year bond due 2028 at a fixed rate equivalent to 8.51% p.a. The bonds have been rated PRS Aaa by PhilRatings.

Retail Bonds - ₱3.0 billion

In July 2017, the Company issued ₱3.0 billion 10-year bond due 2027 at an annual fixed rate of 5.34% p.a. The bonds have been rated PRS Aaa by PhilRatings.

Retail Bonds - ₱10.0 billion

In September 2014, the Company issued a total of ₱10.0 billion bonds, broken down into a ₱6.6 billion 7-year bond due 2021 at a fixed rate equivalent to 5.21% p.a. and a ₱3.4 billion 12-year bond due 2026 at a fixed rate equivalent to 6.10% p.a. The bonds have been rated PRS Aaa by PhilRatings.

The principal amount of these bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

Under the bond trust agreements, the Company shall not permit its debt-to-equity ratio to exceed 3:1 calculated based on the year-end debt and consolidated equity. The Company is in compliance with the debt covenants as of December 31, 2019.

Unamortized deferred financing cost reduced the carrying amount of long-term debt by ₱560.7 million and ₱202.2 million as of December 31, 2019 and 2018, respectively.

Total interest expense recognized amounted to ₱2.1 billion, ₱858.2 million and ₱630.5 million in 2019, 2018 and 2017, respectively.



13. Equity and Earnings per Common Share

a. Paid-in Capital

	2019	2018
Capital Stock:		
Authorized - ₱1 par value:		
Common shares - 16,000,000,000 shares		
Preferred shares - 1,000,000,000 shares		
Issued:		
Common shares - 7,358,604,307 shares	₱7,358,604,307	₱7,358,604,307
Additional Paid-in Capital	12,588,894,332	12,588,894,332
	₱19,947,498,639	₱19,947,498,639

On May 25, 2007, the Company listed with the Philippine Stocks Exchange its 7,187,664,000 common shares with a par value of ₱1.00 to cover the initial public offering (IPO) of 1,787,664,000 common shares at an issue price of ₱5.80 per share. On March 17, 2008, the Company listed an additional 170,940,307 common shares, which it issued pursuant to a share swap agreement at the IPO price of ₱5.80 per share. The total proceeds from the issuance of new shares amounted to ₱10.37 billion. The Company incurred transaction costs incidental to the initial public offering amounting to ₱412.4 million, which is charged against "Additional paid-in capital" in the parent company balance sheet.

As of December 31, 2019, 2018 and 2017, the Company has 631, 629 and 629 shareholders, respectively.

Preferred shares are non-voting, non-participating, non-convertible, redeemable, cumulative, and may be issued from time to time by the BOD in one or more series. The BOD is authorized to issue from time to time before issuance thereof, the number of shares in each series, and all the designations, relative rights, preferences, privileges and limitations of the shares of each series. Preferred shares redeemed by the Company may be reissued. Holders thereof are entitled to receive dividends payable out of the unrestricted retained earnings of the Company at a rate based on the offer price that is either fixed or floating from the date of the issuance to final redemption. In either case, the rate of dividend, whether fixed or floating, shall be referenced, or be a discount or premium, to market-determined benchmark as the BOD may determine at the time of issuance with due notice to the SEC.

In the event of any liquidation or dissolution or winding up of the Company, the holders of the preferred stock shall be entitled to be paid in full the offer price of their shares before any payment in liquidation is made upon the common stock.

There are no preferred shares issued and outstanding as of December 31, 2019 and 2018.



b. Retained Earnings

As of December 31, 2019 and 2018, the Company has an appropriated retained earnings amounting to ₱33.66 billion and ₱34.06 billion, respectively, with regards to the development and construction of power plants. The BOD has approved the appropriation of ₱13.16 billion and ₱20.90 billion on November 24, 2016 and November 27, 2014, respectively.

On March 7, 2017, the BOD approved the declaration of regular cash dividends of ₱1.36 per share (₱10.01 billion) to all stockholders of record as of March 21, 2017. These dividends were paid on April 10, 2017.

On March 8, 2018, the BOD approved the declaration of regular cash dividends of ₱1.39 per share (₱10.23 billion) to all stockholders of record as of March 22, 2018. These dividends were paid on April 12, 2018.

On March 7, 2019, the BOD approved the declaration of regular cash dividends of ₱1.47 per share (₱10.82 billion) to all stockholders of record as of March 21, 2019. These dividends were paid on April 5, 2019.

On March 7, 2019, the BOD also approved the following:

- Appropriation of ₱11.90 billion retained earnings for the equity infusion into GNPD to fund the construction of GNPD units 1 & 2, which is expected to have full commercial operations by end of 2020.
- Reversal of ₱12.30 billion retained earnings appropriation that was set up in 2014 for the equity requirements of the 300 MW Davao Coal and 14 MW Sabangan Hydro projects.

To comply with the requirements of Section 43 of the Corporation Code, on March 6, 2020, the BOD approved the declaration of regular cash dividends of ₱1.18 a share (₱8.68 billion) to all stockholders of record as of March 20, 2020. The cash dividends are payable on April 3, 2020.

c. Earnings per Common Share

Earnings per common share amounts were computed as follows:

	2019	2018	2017
a. Net income	₱12,304,362,581	₱8,995,307,128	₱9,212,273,716
b. Weighted average number of common shares issued and outstanding	7,358,604,307	7,358,604,307	7,358,604,307
c. Earnings per common share (a/b)	₱1.67	₱1.22	₱1.25



14. Personnel Costs

	2019	2018	2017
Salaries and wages	₱572,060,660	₱562,610,627	₱533,005,712
Employee benefits	239,240,032	351,449,279	307,935,888
Retirement benefit costs (see Note 15)	29,846,722	41,895,414	49,974,029
	₱841,147,414	₱955,955,320	₱890,915,629

15. Retirement Costs

The Company has a funded, non-contributory, defined benefit pension plan (the “Plan”) covering all regular and full-time employees and requiring contributions to be made to separately administered fund. This retirement benefit fund (the “Fund”) is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also officers of AEV, is responsible for the investment of the Fund assets. Taking into account the Plan’s objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the parent company statements of income and the funded status and amounts recognized in the parent company balance sheets for the plan.

Net benefit expense (recognized as part of personnel costs):

	2019	2018	2017
Retirement expense to be recognized in the parent company statements of income:			
Current service cost	₱32,960,153	₱42,726,275	₱48,922,746
Net interest cost (income)	(3,113,431)	(830,861)	1,051,283
	₱29,846,722	₱41,895,414	₱49,974,029

Remeasurement effect to be recognized in other comprehensive income:

	2019	2018	2017
Actuarial gains (loss) due to:			
Experience adjustments	(₱197,172,700)	(₱4,861,370)	(₱43,972,045)
Changes in financial assumptions	(61,716,402)	44,542,333	1,172,525
Actual return excluding amount included in net interest cost	(20,314)	(13,774,100)	9,300,494
Changes in demographic assumptions	–	–	78,205,006
	(₱258,909,416)	₱25,906,863	₱44,705,980



Pension liability (asset)

	2019	2018
Present value of obligation	₱533,382,355	₱402,201,925
Fair value of plan assets	(313,637,886)	(440,263,429)
	₱219,744,469	(₱38,061,504)

Changes in the present value of the defined benefit obligation are as follows:

	2019	2018
At January 1	₱402,201,925	₱633,459,869
Net benefit expense:		
Current service cost	32,960,153	42,726,275
Interest cost	32,900,117	32,496,491
	65,860,270	75,222,766
Benefits paid	(207,506,511)	(252,616,884)
Employee transfers	13,937,569	(14,182,863)
Remeasurements in other comprehensive income:		
Actuarial gain (loss) due to:		
Experience adjustments	197,172,700	4,861,370
Changes in financial assumptions	61,716,402	(44,542,333)
	258,889,102	(39,680,963)
At December 31	₱533,382,355	₱402,201,925

Changes in the fair value of plan assets are as follows:

	2019	2018
At January 1	₱440,263,429	₱649,655,975
Actual contributions	30,950,165	37,853,949
Interest income included in net interest cost	36,013,548	33,327,352
Benefits paid	(207,506,511)	(252,616,884)
Transfers	13,937,569	(14,182,863)
Actual return excluding amount included in net interest cost	(20,314)	(13,774,100)
At December 31	₱313,637,886	₱440,263,429

Changes in pension liability (asset) recognized in the parent company balance sheets are as follows:

	2019	2018
At January 1	(₱38,061,504)	(₱16,196,106)
Actual contributions	(30,950,165)	(37,853,949)
Actuarial loss (gain) recognized for the year	258,909,416	(25,906,863)
Retirement expense for the year	29,846,722	41,895,414
At December 31	₱219,744,469	(₱38,061,504)



The fair value of plan assets by each class at the end of the reporting period are as follows:

	2019	2018
Assets:		
Financial assets at FVOCI	₱278,197,078	₱278,119,312
Equity instruments - financial institution:		
Financial assets at amortized cost	65,141,440	79,558,475
Holding	5,305	56,066,878
Power	56,654,455	49,415,685
Financial institution	11,190,644	12,686,517
Others	191,025,973	195,487,284
	602,214,895	671,334,151
Liability:		
Financial liability	(288,577,009)	(231,070,722)
Fair value of plan assets	₱313,637,886	₱440,263,429

All equity instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used as of December 31, 2019, 2018 and 2017 in determining net pension liability for the Company's Plan is shown below:

	2019	2018	2017
Discount rate	4.92%	8.18%	5.13%
Salary increase rate	6.00%	7.00%	6.00%

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2019 and 2018, respectively, assuming all other assumptions were held constant:

	Increase (decrease) in basis points	Effect on defined benefit obligation	
		2019	2018
Discount rates	100	(₱30,900,955)	(₱18,442,461)
	(100)	35,877,896	21,068,425
Future salary increases	100	37,627,187	23,118,029
	(100)	(33,087,992)	(20,609,365)

The Company's defined benefit pension plan is funded by the Company.

The Company expects to contribute ₱37.3 million to the defined benefit plans in 2020. The average duration of the defined benefit obligation as of December 31, 2019 and 2018 is 14.86 and 12.94 years respectively.



The BOT reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Company also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

16. Income Tax

Details of provision for income tax are as follows:

	2019	2018	2017
Current:			
Corporate income tax	₱21,180,971	₱23,267,247	₱18,946,168
Final	26,101,092	15,959,091	10,440,532
	47,282,063	39,226,338	29,386,700
Deferred	12,100,043	(37,853,440)	7,066,011
	₱59,382,106	₱1,372,898	₱36,452,711

The provision for corporate income tax represents MCIT in 2019, 2018 and 2017.

Reconciliation between the statutory income tax rate and the Company's effective income tax rates follows:

	2019	2018	2017
At statutory rate of 30%	₱3,709,123,406	₱2,699,004,008	₱2,774,617,928
<i>Additions to (reductions in)</i>			
<i>income tax resulting from:</i>			
Movement on unrecognized deferred income tax asset on:			
NOLCO	568,058,043	181,865,467	125,884,718
Unamortized past service cost	49,398,725	-	-
MCIT	21,180,971	15,959,091	10,440,532
Pension liability	(101,115,717)	-	-
Provision for impairment loss on investment in a subsidiary	-	13,779,900	50,840,822
Final tax on interest income	26,101,092	23,267,247	18,946,168

(Forward)



	2019	2018	2017
Nondeductible expenses:			
Interest expense	₱15,570,740	₱13,590,499	₱14,607,592
Project and bidding expenses	-	15,336,715	23,051,869
Others	14,986,699	14,363	5,921
Dividend income	(4,195,623,259)	(2,920,812,882)	(2,937,677,410)
Interest income already subjected to final tax at a lower rate	(47,184,062)	(41,183,329)	(44,265,429)
Others	(1,114,532)	551,819	-
	₱59,382,106	₱1,372,898	₱36,452,711

The components of the Company's net deferred income tax assets (liability) are as follows:

	2019	2018
Deferred income taxes recognized in the parent company statement of income:		
Deferred income tax assets:		
NOLCO	₱130,308,641	₱-
Unamortized past service cost	-	61,464,468
Unrealized foreign exchange loss	-	51,420,259
	130,308,641	112,884,727
Deferred income tax liabilities:		
Unrealized foreign exchange gain	(130,308,641)	-
Pension liability	-	(100,784,684)
	(130,308,641)	(100,784,684)
Deferred income tax asset related to remeasurement effects in the parent company statements of other comprehensive income	-	89,366,223
	₱-	₱101,466,266

As of December 31, 2019, the Company has MCIT that can be claimed as deduction from regular income tax liability as follows:

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2016	2017-2019	₱22,262,045	₱-	₱22,262,045	₱-
2017	2018-2020	10,440,532	-	-	10,440,532
2018	2019-2021	15,959,089	-	-	15,959,089
2019	2020-2022	21,180,971	-	-	21,180,971
		₱69,842,637	₱-	₱22,262,045	₱47,580,592



As of December 31, 2019, the Company has NOLCO which can be claimed as deduction against the regular taxable income as follows:

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2017	2018-2020	₱419,615,728	₱-	₱-	₱419,615,728
2018	2019-2021	606,218,323	-	-	606,218,323
2019	2020-2022	2,327,888,945	-	-	2,327,888,945
		₱3,353,722,996	₱-	₱-	₱3,353,722,996

No deferred income tax assets have been recognized in 2019 and 2018 on the following temporary differences as it is probable that no sufficient taxable income will be available to allow the benefit of the net deferred income tax assets to be utilized:

	2019	2018
NOLCO	₱2,919,360,861	₱1,025,834,051
Pension liability	219,744,469	-
Unamortized past service cost	164,662,418	-
MCIT	47,580,592	48,661,666

No deferred income tax has been recognized on the impairment of investment in subsidiaries amounting to ₱1.1 billion as of December 31, 2019 and 2018 as management's intention of recovering this amount through future dividend which exempt from income tax.

The Company has unrecognized deductible and taxable temporary differences that arises from the initial recognition of the lease liability and the right-of-use asset upon adoption of PFRS 16 which affects neither the accounting profit nor taxable profit or loss as at January 1, 2019 amounting to ₱64.4 million and ₱46.7 million, respectively.

17. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

The Company, in its normal course of business, has transactions with its related parties, which principally consist of the following:

- a. The Company has management agreements with each of the following subsidiaries: CLPC, Cotabato Ice Plant, Inc. (CIPI), DLPC, and CPPC for which it is entitled to management fees.
- b. The Company renders various services to related parties such as technical and legal assistance for various projects, trainings and other services, for which it bills technical and service fees.



- c. The Company obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain subsidiaries, associates and joint ventures in connection with certain loans and credit accommodations. As of December 31, 2019, the Company provided SBLCs for AP Renewables, Inc. (APRI), Cebu Energy Development Corporation (CEDC), Luzon Hydro Corporation (LHC), SN Aboitiz Power-Benguet, Inc. (SNAP B), Therma South, Pagbilao Energy Corporation (PEC), Hedcor Bukidnon, STEAG, and TVI in the amount of ₱6.43 billion. As of December 31, 2018, the Company provided SBLCs for APRI, CEDC, LHC, SNAP B, Therma South, STEAG, and TVI in the amount of ₱4.51 billion.
- d. AEV provides human resources, internal audit, legal, treasury and corporate finance services, among others, to the Company and shares with the member companies the business expertise of its highly qualified professionals. Transactions are priced based on agreed rates, and billed costs are always benchmarked to third party rates to ensure competitive pricing. Service Level Agreements are in place to ensure quality of service. This arrangement enables the Company to maximize efficiencies and realize cost synergies.
- e. Cash deposits and money market placements with Union Bank of the Philippines (UBP), an associated of AEV. At prevailing rates, these fixed-rate investments earned interest income amounting to ₱106.7 million and ₱64.34 million in 2019 and 2018, respectively. Outstanding balances amounted ₱22.8 million and ₱6.11 billion as of December 31, 2019, and 2018, respectively.
- f. Rentals paid at current market rates to Cebu Praedia Development Corporation (CPDC) for the use of CPDC's properties by the Company's officers and employees.
- g. Aviation service fees paid at arm's length basis to AAI for the use of aircraft during travel of the Company's officers and employees.



The Company's balance sheets and statements of income include the following accounts resulting from the above transactions with related parties:

Technical, Management and other Service Fees

	Revenue			Receivable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Subsidiaries:</i>							
TVI	₱625,236,619	₱1,364,303	₱2,059,983	₱631,295,206	₱254,670	30-day, non-interest bearing	Unsecured, no impairment
VECO	391,849,526	279,315,539	268,615,438	118,807,969	58,537,920	30-day, non-interest bearing	Unsecured, no impairment
DLPC	367,741,901	454,474,211	413,733,737	31,359,884	105,496,183	30-day, non-interest bearing	Unsecured, no impairment
AESI	57,630,764	57,622,636	96,872,719	5,282,820	5,378,113	30-day, non-interest bearing	Unsecured, no impairment
CLPC	46,897,878	45,559,907	39,639,944	2,168,636	10,240,732	30-day, non-interest bearing	Unsecured, no impairment
GNPower Mariveles Coal Plant Ltd. Co.	43,374,465	43,111,345	50,813,063	3,289,015	4,030,213	30-day, non-interest bearing	Unsecured, no impairment
Therma Luzon, Inc.	41,166,971	42,601,204	30,354,526	11,389,529	3,976,112	30-day, non-interest bearing	Unsecured, no impairment
AI	26,315,382	26,306,785	39,233,874	7,236,730	2,455,300	30-day, non-interest bearing	Unsecured, no impairment
CPPC	20,900,607	58,728,956	20,812,863	82,713,295	62,872,942	30-day, non-interest bearing	Unsecured, no impairment
Therma South	12,674,586	11,064,511	11,209,783	2,393,319	2,065,375	30-day, non-interest bearing	Unsecured, no impairment
SEZC	10,905,487	7,147,207	8,071,653	–	931,499	30-day, non-interest bearing	Unsecured, no impairment
APRI	10,253,796	10,991,418	9,103,675	3,810,994	2,051,731	30-day, non-interest bearing	Unsecured, no impairment
Therma Marine, Inc.	5,979,579	3,560,921	6,330,215	1,644,384	2,228,408	30-day, non-interest bearing	Unsecured, no impairment
MEZC	5,429,535	4,671,093	3,986,055	–	1,051,731	30-day, non-interest bearing	Unsecured, no impairment
HI	5,169,208	5,169,208	7,630,879	1,921,222	482,459	30-day, non-interest bearing	Unsecured, no impairment
BEZC	4,848,405	4,599,602	4,512,723	–	1,134,132	30-day, non-interest bearing	Unsecured, no impairment
LEZ	4,390,866	4,463,298	6,242,089	–	1,095,361	30-day, non-interest bearing	Unsecured, no impairment
EAUC	3,191,420	1,878,478	2,320,980	783,525	318,510	30-day, non-interest bearing	Unsecured, no impairment
PEI	2,627,543	2,657,033	209,822	55,938	805,171	30-day, non-interest bearing	Unsecured, no impairment
CIPI	597,083	746,357	896,063	49,706	277,306	30-day, non-interest bearing	Unsecured, no impairment
San Carlos Sun Power, Inc.	118,706	–	–	11,079	–	30-day, non-interest bearing	Unsecured, no impairment
Malvez	41,235	–	–	–	–	30-day, non-interest bearing	Unsecured, no impairment
Therma Mobile	40,682	467,973	2,142,810	7,458	87,355	30-day, non-interest bearing	Unsecured, no impairment
Aboitiz Power Distributed Energy, Inc.	15,856	–	–	–	–	30-day, non-interest bearing	Unsecured, no impairment
Aboitiz Power Distributed Renewables, Inc.	15,856	–	–	4,469	–	30-day, non-interest bearing	Unsecured, no impairment
ARI	–	–	7,300,000	–	–	30-day, non-interest bearing	Unsecured, no impairment
<i>Associates:</i>							
SFELAPCO	106,760,000	132,622,875	72,157,562	57,439,525	36,765,356	30-day, non-interest bearing	Unsecured, no impairment
CEDC	74,074,000	71,880,000	101,367,000	24,614,950	–	30-day, non-interest bearing	Unsecured, no impairment
GNPower Dinginin Ltd. Co.	41,768,304	42,360,271	40,556,253	3,440,683	3,960,000	30-day, non-interest bearing	Unsecured, no impairment

(Forward)



	Revenue			Receivable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Joint Venture:</i>							
SN Aboitiz Power - Magat, Inc.	₱-	₱30,000	₱-	₱-	₱-	30-day, non-interest bearing	Unsecured, no impairment
<i>Affiliates:</i>							
Apo Agua Infraestructura, Inc.	7,482,550	-	-	8,380,456	-	30-day, non-interest bearing	Unsecured, no impairment
Aboitiz Infracapital, Inc.	907,589	-	-	880,362	-	30-day, non-interest bearing	Unsecured, no impairment
Aboitizland, Inc.	-	321,429	-	-	-	30-day, non-interest bearing	Unsecured, no impairment
Pilmico Foods Corporation	-	133,929	-	-	-	30-day, non-interest bearing	Unsecured, no impairment
Pagbilao Energy Corporation (PEC)	-	292,947,450	-	-	300,000,000	30-day, non-interest bearing	Unsecured, no impairment
	₱1,918,406,399	₱1,613,850,489	₱1,246,173,709	₱998,981,154	₱606,496,579		

Transportation and Travel

	Expense			Payable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Parent</i>							
AEV	₱704	₱-	₱4,097	₱-	₱-	30-day, non-interest bearing	Unsecured
<i>Affiliate</i>							
AAI	17,138,321	18,142,687	22,170,057	2,375,783	-	30-day, non-interest bearing	Unsecured
	₱17,139,025	₱18,142,687	₱22,174,154	₱2,375,783	₱-		

Rent

	Expense			Payable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Parent</i>							
AEV	₱2,212,900	₱3,206,807	₱1,326,732	₱-	₱3,206,807	30-day, non-interest bearing	Unsecured
<i>Affiliate</i>							
CPDC	1,095,894	600,434	842,044	-	68,500	30-day, non-interest bearing	Unsecured
	₱3,308,794	₱3,807,241	₱2,168,776	₱-	₱3,275,307		



Professional, Legal and Service Fees

	Expense			Payable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Parents</i>							
AEV	₱80,916,869	₱65,141,015	₱37,966,014	₱4,079,713	₱3,375,449	30-day, non-interest bearing	Unsecured
ACO	836,847	955,452	7,634,588	4,826,847	955,452	30-day, non-interest bearing	Unsecured
	₱81,753,716	₱66,096,467	₱45,600,602	₱8,906,560	₱4,330,901		



The above transactions are expected to be settled in cash.

The Company's Fund is in the form of a trust being maintained and managed by AEV under the supervision of the BOT of the plan. In 2019 and 2018, other than contributions to the Fund, no transactions occurred between the Company or any of its subsidiaries and the Fund.

Total compensation and benefits of key management personnel of the Company are as follows:

	2019	2018	2017
Short-term benefits (see Note 15)	₱182,349,079	₱286,022,170	₱308,010,884
Post-employment benefits (see Note 15)	10,403,791	13,737,830	16,499,116
	₱192,752,870	₱299,760,000	₱324,510,000

18. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash and cash equivalents and long-term debts. The main purpose of these financial instruments is to raise financing for the Company's operations. The Company has various other financial instruments such as trade and other receivables, AFS investment and trade and other payables which arise directly from its operations.

The Company also enters into derivative transactions, particularly foreign currency forwards, to economically hedge its foreign currency risk from foreign currency denominated liabilities and purchases (see Note 19).

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 Company.

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 Company'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 Company's risks in line with the policies and limits.

The main risks arising from the Company's financial instruments are credit risk involving possible exposure to counter party default on its cash and cash equivalents, and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements.



Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flow of financial instrument will fluctuate because of the changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to its long-term debt with a floating interest rate and to its derivative asset.

The Company's policy is to manage its interest cost using effective hedging derivatives subject to BOD approval.

The following tables demonstrate the sensitivity to a reasonably possible change in rates, with all other variables held constant, of the Company's income before tax (through the impact on floating rate borrowings). The effect on equity pertains to the impact of the Company's derivative designated under cash flow hedge accounting:

2019	Increase (decrease) in basis points	Effect on income before tax	Effect on equity before tax
	+200	₱312,630,000	₱156,315,000
	-100	(156,315,000)	(78,157,500)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company's credit risk on cash in banks and cash equivalents and trade and other receivables pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these assets. With respect to cash in banks and cash equivalents, the risk is mitigated by the short-term and/or liquid nature of its short-term deposits mainly in bank deposits and placements, which are placed with financial institutions of high credit standing. With respect to trade and other receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Company's policy that all debtors who wish to trade on credit terms are subject to credit procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company has no significant concentration risk to a counterparty or group of counterparties. The credit quality per class of financial assets as of December 31 is as follows (amounts in thousands):

2019

	Neither past due nor impaired			Past due but not impaired	Total
	High Grade	Standard	Sub-standard		
Cash and cash equivalents*	₱4,208,752	₱-	₱-	₱-	₱4,208,752
Trade and other receivables	570,285	-	-	503,209	1,073,494
Derivative asset	80,134	-	-	-	80,134
Total	₱4,859,171	₱-	₱-	₱503,209	₱5,362,380

*Excluding cash on hand



2018

	Neither past due nor impaired			Past due but not impaired	Total
	High Grade	Standard	Sub-standard		
Cash and cash equivalents*	₱11,874,257	₱-	₱-	₱-	₱11,874,257
Trade and other receivables	660,535	-	-	320,929	981,464
Derivative asset	855	-	-	-	855
Financial assets at FVPTL	97,535	-	-	-	97,535
Total	₱12,633,182	₱-	₱-	₱320,929	₱12,954,111

*Excluding cash on hand

High grade pertains to receivables from customers with good favorable credit standing and have no history of default.

Standard grade pertains to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade pertains to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.

The aging analyses of financial assets as of December 31 are as follows (amounts in thousands):

2019

	Total	Neither past due nor impaired	Past due but not impaired		
			30 days	30 - 60 days	More than 60 days
Cash and cash equivalents*	₱4,208,752	₱4,208,752	₱-	₱-	₱-
Trade and other receivables	1,073,494	570,285	253,123	111,105	138,981
Derivative asset	80,134	80,134	-	-	-
Total	₱5,362,380	₱4,859,171	₱253,123	₱111,105	₱138,981

*Excluding cash on hand

2018

	Total	Neither past due nor impaired	Past due but not impaired		
			30 days	30 - 60 days	More than 60 days
Cash and cash equivalents*	₱11,874,257	₱11,874,257	₱-	₱-	₱-
Trade and other receivables	981,464	660,535	183,003	99,809	38,117
Derivative asset	855	855	-	-	-
Financial assets at FVPTL	97,535	97,535	-	-	-
Total	₱12,954,111	₱12,633,182	₱183,003	₱99,809	₱38,117

*Excluding cash on hand

Liquidity risk

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



In managing its short-term fund requirements, the Company's policy is to ensure that there are sufficient working capital inflows to match repayments of short-term borrowings. With regard to its long-term financing requirements, the Company's policy is that not more than 25% of long-term borrowings should mature in any 12-month period.

The following tables summarize the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as of December 31 (amounts in thousands):

2019

	Total Carrying Value	Contractual undiscounted payments				
		Total	On Demand	Less than 1 year	1 to 5 years	More than 5 years
<i>Financial liabilities:</i>						
Trade and other payables*	₱476,018	₱476,018	₱-	₱476,018	₱-	₱-
Long-term debts	50,079,825	65,046,411	-	2,649,800	39,724,703	22,671,908
Lease liabilities	51,602	59,644	-	17,858	41,786	-
Total	₱50,607,445	₱65,582,073	₱-	₱3,143,676	₱39,776,489	₱22,671,908

*Excluding output VAT, withholding tax and other statutory liabilities

2018

	Total Carrying Value	Contractual undiscounted payments				
		Total	On Demand	Less than 1 year	1 to 5 years	More than 5 years
<i>Financial liabilities:</i>						
Trade and other payables*	₱298,774	₱298,774	₱-	₱298,774	₱-	₱-
Bank loans	4,700,000	4,700,000	-	4,700,000	-	-
Long-term debts	22,997,821	31,438,550	-	1,292,049	19,829,593	10,316,908
Total	₱27,996,595	₱36,437,324	₱-	₱6,290,823	₱19,829,593	₱10,316,908

*Excluding output VAT, withholding tax and other statutory liabilities

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 Company'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.

Foreign exchange risk

The foreign exchange risk of the Company pertains to its foreign currency-denominated cash and cash equivalents.

	2019		2018	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Financial assets:				
Cash and cash equivalents	\$38,479,047	₱1,948,386,531	\$214,821,624	₱11,295,320,990
Financial liability:				
Long-term debt	(300,000,000)	(15,190,500,000)	-	-
Net foreign currency denominated asset (liability)	(\$261,520,953)	(₱13,242,113,469)	\$214,821,624	₱11,295,320,990



The exchange rate for December 31, 2019 and 2018 is ₱50.635:US\$1 and ₱52.58:US\$1, respectively. As a result of the translation of these foreign currency denominated assets, the Company reported net unrealized foreign exchange gain of ₱605.8 million in 2019 and net unrealized foreign exchange loss of ₱162.4 million in 2018.

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Company's income before income tax as of December 31, 2019 and 2018 (amounts in thousands).

	Increase (decrease) in US dollar	Effect on income before tax
2019		
US dollar-denominated accounts	5%	(₱662,106)
US dollar-denominated accounts	-5%	662,106
2018		
US dollar-denominated accounts	5%	564,766
US dollar-denominated accounts	-5%	(₱564,766)

There is no other impact on the Company's equity other than those already affecting the parent company statements of income.

Capital management

The primary objective of the Company'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 Company considers equity as its capital.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. Its policy is to keep the gearing ratio at 70% or below. The Company determines net debt as the sum of interest-bearing short-term and long-term loans less cash and short-term deposits.

	2019	2018
Bank loans	₱—	₱4,700,000,000
Long-term debts	50,079,825,067	22,997,821,292
Cash and cash equivalents	(4,210,064,412)	(11,875,188,311)
Net debt (a)	45,869,760,655	15,822,632,981
Equity	76,653,821,239	75,457,414,289
Equity and net debt (b)	₱122,523,581,894	₱91,280,047,270
Gearing ratio (a/b)	37.44%	17.33%

Part of the Company's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Company is in compliance with the financial covenants attached to its long-term debts as of December 31, 2019 and 2018 (see Note 12).



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

19. 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 (amounts in thousands).

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

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities:				
Long-term debts	₱50,079,825	₱49,456,980	₱22,997,821	₱20,671,106
Lease liabilities	51,602	54,628	–	–
	₱50,131,427	₱49,511,608	₱22,997,821	₱20,671,106

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

Cash and cash equivalents, trade and other receivables and trade and other payables

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

Financial assets at FVTPL

These equity securities are carried at fair value.

Long-term debts

The fair value of long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 5.14% to 5.89% in 2019 and 8.45% to 8.56% in 2018.



Lease liabilities

The fair values are computed using Level 3 of the fair value hierarchy and are based on the discounted value of expected future cash flows using the applicable credit-adjusted risk-free rates of 4.70% to 5.36% in 2019.

Derivative Financial Instruments

The Company entered into short-term forward contracts with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases.

The aggregate notional amount of the par forward contract is nil and \$50.0 million (₱2.63 billion) as of December 31, 2019 and 2018, respectively.

The Company recognized losses from the net fair value changes relating to the forward contracts amounting to ₱126.0 million and ₱11.5 million in 2019 and 2018, respectively, under the “Foreign exchange gains (loss)” account in the parent company statements of income.

IRS

On September 6, 2019, the Company entered into an IRS agreement effective September 30, 2019 to hedge \$150 million of its floating rate exposure on its loan (see Note 12). Under the IRS agreement, the Company, on a quarterly basis, pays a fixed rate of 1.449300% per annum and received variable interest at 3-month LIBOR, subject to a floor of 0%. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the IRS has amortizing notional amounts which cover a period of up to April 30, 2024. The Company designated the swap as a cash flow hedge.

Hedge Effectiveness Results

Since the critical terms of the hedged loan and the IRS match, the hedge was assessed to be highly effective. The effective portion of the changes in the fair value of the swap amounting to ₱80,134,271 in 2019 was deferred in equity under the “Cash flow hedge reserve” account.

The following is the maturity analysis of the notional amount and the corresponding average fixed interest rate as of December 31, 2019 (amounts in thousands):

	Maturity					Total
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	
IRS - Derivative asset						
Notional amount	₱-	₱-	₱-	₱-	₱7,595,250	₱7,595,250
Average fixed interest rate (%)	1.4493%	1.4493%	1.4493%	1.4493%	1.4493%	

The impact of the hedged item and hedging instrument in the parent company balance sheet as of December 31, 2019, and in the parent company statement of income and parent company statement of comprehensive income for the year ended December 31, 2019, is as follows:

	Carrying amount	Change in fair value used for measuring ineffectiveness	Total hedging gain recognized in other comprehensive income	Ineffectiveness recognized in other income (charges)
IRS - Derivative asset	₱80,134,271	₱80,134,271	₱80,134,271	₱-



Fair Value Hierarchy

The Company 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

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

For the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements were made.

20. Lease Agreements

a. Operating Lease Agreement with Manta Equities, Inc. (MEI)

The Company entered into an operating lease agreement with MEI for its use of administrative office space and parking space for a period of ten (10) years from April 1, 2013 to May 31, 2023 and nine (9) years and three (3) months from and March 1, 2014 to May 31, 2023, respectively. Both lease contracts have an escalation rate of 5.0%.

Total prepaid rent pertaining to this agreement amounted to ₱5,021,619 as at December 31, 2018 which was recognized under "Other current assets" account in the balance sheets (see Note 6).

b. Operating Lease Agreement with Limketkai Sons, Inc. (LSI)

The Company entered into an operating lease agreement with LSI for its use of administrative and sales office space for a period of three (3) years from November 1, 2016 to October 31, 2019.

Lease Disclosure in Accordance with PAS 17 (applicable prior January 1, 2019)

Rent expense pertaining to the foregoing leased properties charged to operations amounted to ₱17.5 million and ₱16.5 million for the year ended December 31, 2018 and 2017, respectively.

Future minimum lease payments under the non-cancellable operating leases as of December 31, 2018 are as follows:

Not later than 1 year	₱17,825,546
Later than 1 year but not later than 5 years	59,643,634
	<u>₱77,469,180</u>



Lease Disclosure in Accordance with PFRS 16 (applicable beginning January 1, 2019)

Set out below, are the carrying amounts of the Company's lease liability and the movements during the year ended December 31, 2019:

Effect of Adoption - PFRS 16 (see Note 2)	₱64,347,091
Interest expense	5,080,616
Payment	(17,825,560)
	<hr/>
	₱51,602,147
	<hr/>

The Company also has certain leases of conference rooms with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemptions of these leases.

Set out below, are the amounts recognized in the statements of income for the period ended December 31, 2019:

Amortization expense of right-of-use assets	₱11,490,685
Interest expense on lease liabilities	5,080,616
Rent expense - short-term leases	7,027,319
	<hr/>
	₱23,598,620
	<hr/>



21. Note to Statements of Cash Flows

The following are the cash flow movements of the Company's financing liabilities:

	January 1, 2019	Net cash flows	Non-cash Changes						December 31, 2019
			Adoption of PFRS 16 (see Note 2)	Dividend declaration	Amortized deferred financing costs	Foreign exchange movement	Interest expense	Others	
Lease liability	₱-	(₱17,825,560)	₱64,347,091	₱-	₱-	₱-	₱5,080,616	₱-	₱51,602,147
Current interest-bearing loans and borrowings, excluding obligations under finance leases	4,700,000,000	(4,700,000,000)	-	-	-	-	-	-	-
Non-current interest- bearing loans and borrowings	22,997,821,292	27,450,103,643	-	-	72,900,132	(441,000,000)	-	-	50,079,825,067
Interest on loans and borrowings	212,180,900	(2,301,301,047)	-	-	-	-	2,445,928,121	23,622,986	380,430,960
Dividend payable	-	(10,817,148,331)	-	10,817,148,331	-	-	-	-	-
Total liabilities from financing activities	₱27,910,002,192	₱9,613,828,705	₱64,347,091	₱10,817,148,331	₱72,900,132	(₱441,000,000)	₱2,451,008,737	₱23,622,986	₱50,511,858,174

	January 1, 2018	Net cash flows	Non-cash Changes				December 31, 2018
			Dividend declaration	Amortized deferred financing costs	Interest expense	Others	
Current interest-bearing loans and borrowings, excluding obligations under finance leases	₱-	₱4,700,000,000	₱-	₱-	₱-	₱-	₱4,700,000,000
Non-current interest-bearing loans and borrowings	12,901,981,643	10,078,075,748	-	17,763,901	-	-	22,997,821,292
Interest on loans and borrowings	66,285,228	(878,938,176)	-	-	999,180,246	25,653,602	212,180,900
Dividend payable	-	(10,228,459,986)	10,228,459,986	-	-	-	-
Total liabilities from financing activities	₱12,968,266,871	₱3,670,677,586	₱10,228,459,986	₱17,763,901	₱999,180,246	₱25,653,602	₱27,910,002,192



22. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

The Company also reported and/or paid the following types of taxes for the year:

VAT

The Company's sales are subject to output value added tax (VAT) while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12.0%.

a. Net Receipts and Output VAT declared in the Company's VAT returns in 2019

	Net Sales/ Receipts	Output VAT
Taxable Sales:		
Sales of services	₱1,591,484,256	₱186,845,114

The Company's sales that are subject to VAT are reported under the following accounts:

- Service Income - Management fees
- Service Income - Professional fees
- Service Income - Technical fees
- Miscellaneous Income - Operating
- Miscellaneous Income - Non-operating

The Company's sales of services are based on actual collections received, hence, may not be the same as amounts accrued in the parent company statement of income.

b. Input VAT for 2019

Balance at January 1	₱10,585,384
Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	2,489,344
Capital goods subject to amortization	2,381,763
Capital goods not subject to amortization	135,352
Services lodged under the other accounts	32,915,519
	48,507,362
Claims for tax credit/refund and other adjustments	(29,245,183)
Balance at December 31	₱19,262,179

Other taxes and licenses

Taxes and licenses, local and national, include real estate taxes, licenses and permit fees for 2019:

License and permit fees	₱13,597,152
Documentary stamp taxes (DST)	59,894,045
Deficiency and amnesty taxes	22,037,395
Fringe benefit taxes	2,746,293
Others	2,458
	₱98,277,343



Withholding taxes

Final withholding taxes	₱511,358,438
Withholding taxes on compensation and benefits	200,160,545
Expanded withholding taxes	31,249,895
Withholding VAT	724,139
	<hr/>
	₱743,493,017
	<hr/> <hr/>

Tax Assessment and Cases

The Company has no pending tax cases outside of the administration of the BIR as of December 31, 2019.



**CERTIFICATION AND UNDERTAKING
(RE: E-SIGNATURES)**

I, **EMMANUEL V. RUBIO**, the President and Chief Executive Officer of **Aboitiz Power Corporation** (the “Corporation”), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, 1634 Taguig City, do hereby certify that:

1. The registration statement, including the attachments thereto, (the “Registration Statement”) submitted to the Securities and Exchange Commission (“SEC”) for the issuance and registration of the Corporation’s fixed-rate retail bonds under the shelf registration program of the SEC in the aggregate principal amount of Thirty Billion Pesos (₱30,000,000,000.00) and to be offered in one or several tranches, with the first tranche of the bonds to be offered up to an aggregate principal amount of up to Four Billion Pesos (₱4,000,000,000.00) with an oversubscription option of up to Four Billion Pesos (₱4,000,000,000.00), unless otherwise indicated, was signed with my electronic signature.
2. I have read such documents on which my electronic signature appears and have consented to the affixing of the same.
3. The manually signed and duly notarized documents shall be submitted to the SEC as soon as reasonably practicable.
4. This certification is issued in relation to the filing of the Registration Statement with the SEC.


EMMANUEL V. RUBIO
President and Chief Executive Officer

**CERTIFICATION AND UNDERTAKING
(RE: E-SIGNATURES)**

I, **ENRIQUE M. ABOITIZ**, the Director of **Aboitiz Power Corporation** (the "**Corporation**"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, 1634 Taguig City, do hereby certify that:

1. The registration statement, including the attachments thereto, (the "**Registration Statement**") submitted to the Securities and Exchange Commission ("**SEC**") for the issuance and registration of the Corporation's fixed-rate retail bonds under the shelf registration program of the SEC in the aggregate principal amount of Thirty Billion Pesos (₱30,000,000,000.00) and to be offered in one or several tranches, with the first tranche of the bonds to be offered up to an aggregate principal amount of up to Four Billion Pesos (₱4,000,000,000.00) with an oversubscription option of up to Four Billion Pesos (₱4,000,000,000.00), unless otherwise indicated, was signed with my electronic signature.
2. I have read such documents on which my electronic signature appears and have consented to the affixing of the same.
3. The manually signed and duly notarized documents shall be submitted to the SEC as soon as reasonably practicable.
4. This certification is issued in relation to the filing of the Registration Statement with the SEC.

Sincerely,


ENRIQUE M. ABOITIZ
Director

**CERTIFICATION AND UNDERTAKING
(RE: E-SIGNATURES)**

I, **ERIC RAMON O. RECTO**, the Independent Director of **Aboitiz Power Corporation** (the "**Corporation**"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, 1634 Taguig City, do hereby certify that:

1. The registration statement, including the attachments thereto, (the "**Registration Statement**") submitted to the Securities and Exchange Commission ("SEC") for the issuance and registration of the Corporation's fixed-rate retail bonds under the shelf registration program of the SEC in the aggregate principal amount of Thirty Billion Pesos (₱30,000,000,000.00) and to be offered in one or several tranches, with the first tranche of the bonds to be offered up to an aggregate principal amount of up to Four Billion Pesos (₱4,000,000,000.00) with an oversubscription option of up to Four Billion Pesos (₱4,000,000,000.00), unless otherwise indicated, was signed with my electronic signature.
2. I have read such documents on which my electronic signature appears and have consented to the affixing of the same.
3. The manually signed and duly notarized documents shall be submitted to the SEC as soon as reasonably practicable.
4. This certification is issued in relation to the filing of the Registration Statement with the SEC.

Sincerely,



ERIC RAMON O. RECTO
Independent Director

**CERTIFICATION AND UNDERTAKING
(RE: E-SIGNATURES)**

I, **ERRAMON I. ABOITIZ**, the Chairman of the Board of **Aboitiz Power Corporation** (the “Corporation”), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, 1634 Taguig City, do hereby certify that:

1. The registration statement, including the attachments thereto, (the “Registration Statement”) submitted to the Securities and Exchange Commission (“SEC”) for the issuance and registration of the Corporation’s fixed-rate retail bonds under the shelf registration program of the SEC in the aggregate principal amount of Thirty Billion Pesos (₱30,000,000,000.00) and to be offered in one or several tranches, with the first tranche of the bonds to be offered up to an aggregate principal amount of up to Four Billion Pesos (₱4,000,000,000.00) with an oversubscription option of up to Four Billion Pesos (₱4,000,000,000.00), unless otherwise indicated, was signed with my electronic signature.
2. I have read such documents on which my electronic signature appears and have consented to the affixing of the same.
3. The manually signed and duly notarized documents shall be submitted to the SEC as soon as reasonably practicable.
4. This certification is issued in relation to the filing of the Registration Statement with the SEC.

Sincerely,



ERRAMON I. ABOITIZ
Chairman of the Board

**CERTIFICATION AND UNDERTAKING
(RE: E-SIGNATURES)**

I, **JAIME JOSE Y. ABOITIZ**, the Executive Vice President and Chief Operating Officer of **Aboitiz Power Corporation** (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, 1634 Taguig City, do hereby certify that:

1. The registration statement, including the attachments thereto, (the "Registration Statement") submitted to the Securities and Exchange Commission ("SEC") for the issuance and registration of the Corporation's fixed-rate retail bonds under the shelf registration program of the SEC in the aggregate principal amount of Thirty Billion Pesos (₱30,000,000,000.00) and to be offered in one or several tranches, with the first tranche of the bonds to be offered up to an aggregate principal amount of up to Four Billion Pesos (₱4,000,000,000.00) with an oversubscription option of up to Four Billion Pesos (₱4,000,000,000.00), unless otherwise indicated, was signed with my electronic signature.
2. I have read such documents on which my electronic signature appears and have consented to the affixing of the same.
3. The manually signed and duly notarized documents shall be submitted to the SEC as soon as reasonably practicable.
4. This certification is issued in relation to the filing of the Registration Statement with the SEC.

Sincerely,


JAIME JOSE Y. ABOITIZ
Executive Vice President and Chief Operating Officer

**CERTIFICATION AND UNDERTAKING
(RE: E-SIGNATURES)**

I, **JOSEPH TRILLANA T. GONZALES**, the First Vice President - General Counsel and Compliance Officer of Aboitiz Power Corporation (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, 1634 Taguig City, do hereby certify that:

1. My curriculum vitae is included in the registration statement (the "Registration Statement") to be submitted to the Securities and Exchange Commission ("SEC") for the issuance and registration of the Corporation's fixed-rate retail bonds under the shelf registration program of the SEC in the aggregate principal amount of Thirty Billion Pesos (₱30,000,000,000.00) and to be offered in one or several tranches, with the first tranche of the bonds to be offered up to an aggregate principal amount of up to Four Billion Pesos (₱4,000,000,000.00) with an oversubscription option of up to Four Billion Pesos (₱4,000,000,000.00).
2. I have read such curriculum vitae on which my electronic signature appears and have consented to the affixing of the same.
3. The manually signed and duly notarized document shall be submitted to the SEC as soon as reasonably practicable.
4. This certification is issued in relation to the filing of the Registration Statement with the SEC.

Sincerely,



JOSEPH TRILLANA T. GONZALES
First Vice President - General Counsel and Compliance Officer

**CERTIFICATION AND UNDERTAKING
(RE: E-SIGNATURES)**

I, **MAILENE M. DE LA TORRE**, the Assistant Corporate Secretary of **Aboitiz Power Corporation** (the “Corporation”), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, 1634 Taguig City, do hereby certify that:

1. The registration statement, including the attachments thereto, (the “Registration Statement”) submitted to the Securities and Exchange Commission (“SEC”) for the issuance and registration of the Corporation’s fixed-rate retail bonds under the shelf registration program of the SEC in the aggregate principal amount of Thirty Billion Pesos (₱30,000,000,000.00) and to be offered in one or several tranches, with the first tranche of the bonds to be offered up to an aggregate principal amount of up to Four Billion Pesos (₱4,000,000,000.00) with an oversubscription option of up to Four Billion Pesos (₱4,000,000,000.00), unless otherwise indicated, was signed with my electronic signature.
2. I have read such documents on which my electronic signature appears and have consented to the affixing of the same.
3. The manually signed and duly notarized documents shall be submitted to the SEC as soon as reasonably practicable.
4. This certification is issued in relation to the filing of the Registration Statement with the SEC.

Sincerely,

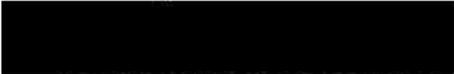

MAILENE M. DE LA TORRE
Assistant Corporate Secretary

**CERTIFICATION AND UNDERTAKING
(RE: E-SIGNATURES)**

I, **MANUEL ALBERTO R. COLAYCO**, the Corporate Secretary of **Aboitiz Power Corporation** (the “Corporation”), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, 1634 Taguig City, do hereby certify that:

1. The registration statement, including the attachments thereto, (the “**Registration Statement**”) submitted to the Securities and Exchange Commission (“SEC”) for the issuance and registration of the Corporation’s fixed-rate retail bonds under the shelf registration program of the SEC in the aggregate principal amount of Thirty Billion Pesos (₱30,000,000,000.00) and to be offered in one or several tranches, with the first tranche of the bonds to be offered up to an aggregate principal amount of up to Four Billion Pesos (₱4,000,000,000.00) with an oversubscription option of up to Four Billion Pesos (₱4,000,000,000.00), unless otherwise indicated, was signed with my electronic signature.
2. I have read such documents on which my electronic signature appears and have consented to the affixing of the same.
3. The manually signed and duly notarized documents shall be submitted to the SEC as soon as reasonably practicable.
4. This certification is issued in relation to the filing of the Registration Statement with the SEC.

Sincerely,


MANUEL ALBERTO R. COLAYCO
Corporate Secretary

**CERTIFICATION AND UNDERTAKING
(RE: E-SIGNATURES)**

I, **MARIA VERONICA C. SO**, the Group Treasurer of **Aboitiz Power Corporation** (the “**Corporation**”), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, 1634 Taguig City, do hereby certify that:

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4. This certification is issued in relation to the filing of the Registration Statement with the SEC.

Sincerely,



MARIA VERONICA C. SO
Group Treasurer

**CERTIFICATION AND UNDERTAKING
(RE: E-SIGNATURES)**

I, **MARNIE F. MANALAC**, the Data Privacy Officer of **Aboitiz Power Corporation** (the “Corporation”), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, 1634 Taguig City, do hereby certify that:

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Sincerely,

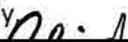

MARNIE F. MANALAC
Data Privacy Officer

**CERTIFICATION AND UNDERTAKING
(RE: E-SIGNATURES)**

I, **MIKEL A. ABOITIZ**, the Vice Chairman of the Board of **Aboitiz Power Corporation** (the "**Corporation**"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, 1634 Taguig City, do hereby certify that:

1. The registration statement, including the attachments thereto, (the "**Registration Statement**") submitted to the Securities and Exchange Commission ("**SEC**") for the issuance and registration of the Corporation's fixed-rate retail bonds under the shelf registration program of the SEC in the aggregate principal amount of Thirty Billion Pesos (₱30,000,000,000.00) and to be offered in one or several tranches, with the first tranche of the bonds to be offered up to an aggregate principal amount of up to Four Billion Pesos (₱4,000,000,000.00) with an oversubscription option of up to Four Billion Pesos (₱4,000,000,000.00), unless otherwise indicated, was signed with my electronic signature.
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Sincerely,



MIKEL A. ABOITIZ

Vice Chairman of the Board

**CERTIFICATION AND UNDERTAKING
(RE: E-SIGNATURES)**

I, **ROMEO L. BERNARDO**, the Independent Director of **Aboitiz Power Corporation** (the “Corporation”), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, 1634 Taguig City, do hereby certify that:

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Sincerely,



ROMEO L. BERNARDO
Independent Director

**CERTIFICATION AND UNDERTAKING
(RE: E-SIGNATURES)**

I, **SAMMY DAVE A. SANTOS**, the Assistant Corporate Secretary of **Aboitiz Power Corporation** (the “Corporation”), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, 1634 Taguig City, do hereby certify that:

1. The registration statement, including the attachments thereto, (the “Registration Statement”) submitted to the Securities and Exchange Commission (“SEC”) for the issuance and registration of the Corporation’s fixed-rate retail bonds under the shelf registration program of the SEC in the aggregate principal amount of Thirty Billion Pesos (₱30,000,000,000.00) and to be offered in one or several tranches, with the first tranche of the bonds to be offered up to an aggregate principal amount of up to Four Billion Pesos (₱4,000,000,000.00) with an oversubscription option of up to Four Billion Pesos (₱4,000,000,000.00), unless otherwise indicated, was signed with my electronic signature.
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4. This certification is issued in relation to the filing of the Registration Statement with the SEC.



Assistant Corporate Secretary

A handwritten signature in blue ink, appearing to be 'Sammy Dave A. Santos', written over the redacted area and extending below the title.

**CERTIFICATION AND UNDERTAKING
(RE: E-SIGNATURES)**

I, **SATURNINO E. NICANOR JR.**, the Group Internal Audit Head of **Aboitiz Power Corporation** (the “**Corporation**”), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, 1634 Taguig City, do hereby certify that:

1. The registration statement, including the attachments thereto, (the “**Registration Statement**”) submitted to the Securities and Exchange Commission (“**SEC**”) for the issuance and registration of the Corporation’s fixed-rate retail bonds under the shelf registration program of the SEC in the aggregate principal amount of Thirty Billion Pesos (₱30,000,000,000.00) and to be offered in one or several tranches, with the first tranche of the bonds to be offered up to an aggregate principal amount of up to Four Billion Pesos (₱4,000,000,000.00) with an oversubscription option of up to Four Billion Pesos (₱4,000,000,000.00), unless otherwise indicated, was signed with my electronic signature.
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4. This certification is issued in relation to the filing of the Registration Statement with the SEC.

Sincerely,



SATURNINO E. NICANOR JR.
Group Internal Audit Head



SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

December 18, 2020

The Board of Directors
Aboitiz Power Corporation
32nd Street, Bonifacio Global City
Taguig City

Dear Sirs

PROPOSED ISSUANCE OF UP TO ₱4,000,000,000, WITH AN OVERSUBSCRIPTION OPTION OF UP TO ₱4,000,000,000.00 SERIES C FIXED RATE BONDS DUE 2026 UNDER THE ₱30,000,000,000 SHELF REGISTRATION DEBT SECURITIES PROGRAM (THE "ISSUE")

At your request and in connection with the filing of the Registration Statement of Aboitiz Power Corporation ("the Issuer") with the Philippine Securities and Exchange Commission (SEC) in connection with Issue, we agree to the reference to our Firm under the caption Summary of Financial Information in the Preliminary Prospectus to be dated December 16, 2020.

We also agree to the inclusion of our report titled Independent Auditor's Report dated March 6, 2020 with respect to the 2019 annual consolidated financial statements of the Issuer as set out on Annex A of the Preliminary Prospectus.

This letter is intended solely for the information and use of addressee of this letter and is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully

SyCip Gorres Velayo & Co.

By:

Maria Veronica Andresa R. Pore
Maria Veronica Andresa R. Pore
Partner

any opinion or belief as to the financial data and statements contained in the Preliminary Prospectus and all exhibits thereto.

Premised upon the foregoing, we opine as follows:

1. The Issuer is a corporation that is duly established and validly existing under the laws of the Republic of the Philippines, with power and authority to conduct its business.
2. The public distribution and sale of the Securities have been duly authorized by the Issuer and such Securities, when distributed and paid for in accordance with the terms set out in the Preliminary Prospectus, and approved by the SEC, will be validly issued and will constitute the legal, valid and binding obligations of the Issuer.
3. The creation and issue of the Securities (when approved by the SEC) and the fulfillment by the Issuer of its obligations under the Securities do not and will not conflict with nor violate any of the terms or provisions of its Amended Articles of Incorporation and Amended By-Laws, or any resolution of the Board of Directors and shareholders of the Issuer, or any Philippine law, administrative regulation or court decree.
4. The description of the taxes relevant to the Offer of the Securities in the Prospectus under the heading "Taxation" is consistent with Philippine tax laws and regulations and presents fairly the tax considerations incident to the acquisition, ownership and disposition of the Securities by an eligible investor.

This opinion is being issued in compliance with the requirement for the registration of the Securities of the Issuer with the SEC pursuant to the Securities Regulation Code of the Philippines and may be relied upon by the SEC in connection with the application of the Issuer for such registration.

Very truly yours,

GATMAYTAN YAP PATACSIL GUTIERREZ & PROTACIO

By:

A large black rectangular redaction box covering the signature of the representative.

Jaime Renato B. Gatmaytan

Aboitiz Power Corporation's Initial Issuance of up to P8 billion from Its New P30 billion Shelf Registration gets PRS Aaa Issue Rating

Philippine Rating Services Corporation (PhilRatings) assigned an Issue Credit Rating of **PRS Aaa**, with a **Stable Outlook**, for Aboitiz Power Corporation's (AboitizPower or the "Company") proposed bond issuance of up to ₱4 billion, with an Oversubscription Option of up to ₱4 billion (Total – Up to ₱8 billion). This is the initial tranche in relation to its new three-year Shelf Registration of up to ₱30 billion.

The proceeds will be used primarily to refinance the Company's corporate debts and/or for other general corporate purposes.

PhilRatings likewise maintained the Issue Credit Rating of **PRS Aaa** and a **Stable Outlook** for AboitizPower's outstanding ₱40 billion bonds.

Obligations rated **PRS Aaa** are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. PRS Aaa is the highest rating assigned by PhilRatings.

On the other hand, an Outlook is an indication as to the possible direction of any rating change within a one year period and serves as a further refinement to the assigned credit rating for the guidance of investors, regulators, and the general public. A **Stable Outlook** is defined as: "The rating is likely to be maintained or to remain unchanged in the next twelve months."

The rating and Outlook were assigned given the following key considerations: (1) significant levels of cash flows and financial flexibility in relation to debt service requirements; (2) adequate capital structure, supported by the healthy increase in retained earnings; (3) diversified portfolio, with good growth prospects; (4) experienced management team; and (5) given that electricity is an essential need, the power industry is seen to be relatively more stable amidst increasing economic uncertainty caused by the COVID-19 pandemic.

PhilRatings' ratings are based on available information and projections at the time that the rating review was performed. PhilRatings shall continuously monitor developments relating to AboitizPower and may change the rating at any time, should circumstances warrant a change.

AboitizPower is one of the leading power generation, power distribution, and retail energy supply companies in the Philippines. Through the years, the Company has accumulated interests in hydroelectric, geothermal, solar, coal-fired and oil-fired power plants. The attributable net sellable capacity of the Company as of end September 2020 was at 3,499 megawatts (MW). AboitizPower also has interests in some distribution utilities (DU), including the second and third largest DUs in the country. Likewise, it is reportedly the second largest retail energy supplier.

With over 33 years of experience in the development, financing and operation of power generation facilities, AboitizPower's senior management is adept in identifying growth prospects at an early stage. It also has extensive knowledge of the power industry's business and regulatory environment as seen in its ability to maximize opportunities and respond well to challenges, particularly the ongoing pandemic.

The lockdown imposed by the national government to mitigate the spread of the virus caused a sizable drop in the demand for electricity in the Philippines. According to the Department of Energy (DOE), there was a 30% decline in demand for electricity at the onset of the community quarantines imposed since mid-March, compared to the level recorded in the same period last year. Furthermore, electricity generation fell by 20% in April and by 15% in May as operation of industrial facilities and commercial establishments slowed, particularly in areas under Enhanced Community Quarantine (ECQ). Given the lockdown restrictions, coupled with work-from-home (WFH) arrangements implemented by several firms, there was a shift in demand from commercial and industrial to residential consumers.

The country's long lockdown measures have led to a substantial slowdown in economic activity. For the third quarter of 2020, Philippine Gross Domestic Product (GDP) had a slower decline of 11.5% as lockdown restrictions were slowly relaxed since July 2020. Such brought the country's year-to-date GDP contraction to 9.6%.

As a result of the above, the Company's total operating revenues declined by 15.1%, from ₱94.7 billion in the first nine months in 2019 to ₱80.36 billion in same period in 2020. On the other hand, operating expenses declined by 14.2% from ₱72.4 billion to ₱62.2 billion, in line with the drop in revenues. Share in net earnings of Associates were also affected by the pandemic, registering a 39.2% decline from ₱2.8 billion to ₱1.7 billion. Net income thus dropped by 44.8% from ₱15.6 billion to ₱8.6 billion.

Despite the above, the Company's operations continue to produce significant levels of cash flows, particularly in relation to debt service requirements. The relatively stable demand for power likewise serves to temper the volatility in the Company's cash flows. As of end September 2020, earnings before interest, taxes, depreciation and amortization (EBITDA) interest cover and current ratio were at 2.48x and 1.28x, respectively. Cash levels remained high at ₱38.0 billion.

The Company's growth in 2021 will be supported by the start of commercial operations of Units 1 and 2 of GNPower Dinginin (GNPD), the operator of a 668 MW (net) supercritical coal-fired power plant located in Bataan.

In October 2020, the Energy Regulatory Commission (ERC) declared that it is no longer accepting new applications for greenfield coal power plants, in favor of more sustainable sources of power to balance the country's energy mix. Coal power plant projects that are already under construction or have already secured the needed permits are not affected by this new ruling. AboitizPower would be in a good position to take advantage of this given its substantial experience in renewable energy sources such as hydropower and geothermal. It likewise is reportedly the second largest renewable energy generator in the country.